



## THIRD QUARTER INTERIM REPORT 2008

Press Release October 30, 2008

Calgary – NuVista Energy Ltd. is pleased to announce its financial and operating results for the three and nine months ended September 30, 2008 as follows:

### Corporate Highlights

	Three months			Nine months		
	ended September 30, 2008	2007	% Change	ended September 30, 2008	2007	% Change
<b>Financial</b>						
(\$ thousands, except per share)						
Production revenue	149,648	48,166	211	408,506	158,623	158
Funds from operations <sup>(1)</sup>	79,136	25,697	208	222,152	83,924	165
Per share – basic	1.00	0.49	104	3.05	1.65	85
Per share – diluted	1.00	0.49	104	3.02	1.62	86
Net earnings	53,699	754	-	63,753	15,264	318
Per share – basic	0.68	0.01	-	0.87	0.30	190
Per share – diluted	0.68	0.01	-	0.87	0.29	200
Total assets				1,387,517	651,158	113
Long-term debt, net of working capital				349,261	160,149	118
Long-term debt, net of adjusted working capital <sup>(1)</sup>				344,176	162,802	115
Shareholders' equity				784,557	356,894	120
Net capital expenditures	82,928	27,379	203	151,572	120,199	26
Corporate acquisition (non-cash)	-	-	-	594,944	-	-
Weighted average common shares outstanding (thousands):						
Basic	79,103	52,402	51	72,893	50,962	43
Diluted	79,270	52,814	50	73,619	51,667	42
<b>Operating</b>						
(boe conversion – 6:1 basis)						
Production:						
Natural gas (mmcf/d)	111.4	64.9	72	103.3	67.0	54
Natural gas liquids (bbls/d)	2,942	303	871	2,221	309	619
Oil (bbls/d)	4,554	2,474	84	4,418	2,240	97
Total oil equivalent (boe/d)	26,065	13,590	92	23,860	13,716	74
Product prices: <sup>(2)</sup>						
Natural gas (\$/mcf)	8.35	5.99	39	8.60	6.93	24
Natural gas liquids (\$/bbl)	81.95	61.48	33	81.23	59.43	37
Oil (\$/bbl)	92.06	54.56	69	87.41	51.29	70
Operating expenses:						
Natural gas and natural gas liquids (\$/mcf)	1.20	1.09	10	1.17	1.06	10
Oil (\$/bbl)	14.70	9.94	48	13.18	11.90	11
Total oil equivalent (\$/boe)	8.50	7.15	19	8.15	7.27	12
General and administrative expenses (\$/boe)	1.33	1.05	27	1.37	0.97	41
Funds from operations netback (\$/boe) <sup>(1)</sup>	33.00	20.55	61	33.98	22.41	52

#### NOTES:

- (1) Funds from operations, funds from operations per share, funds from operations netback and adjusted working capital are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Funds from operations netback equals the total of revenues including realized commodity derivative gains/losses less royalties, transportation, general and administrative, restricted share units, interest and cash taxes calculated on a boe basis. Adjusted working capital excludes the current portion of future income tax and commodity derivatives. Total boe is calculated by multiplying the daily production by the number of days in the period.
- (2) Product prices include realized gains/losses on commodity derivatives.

## MESSAGE TO SHAREHOLDERS

NuVista Energy Ltd. ("NuVista") is pleased to report to its shareholders the financial and operating results for the three and nine months ended September 30, 2008. NuVista had a solid third quarter with production averaging 26,065 boe/d and funds from operations of \$79.1 million, close to the record levels experienced in the second quarter of 2008. In addition, NuVista ended the third quarter with a strong balance sheet and approximately 40% of its net natural gas production hedged for the winter period. NuVista was able to maintain its production in the third quarter by spending less than funds from operations on its exploration and development drilling programs. The remainder of capital expenditures were used to acquire undeveloped lands in NuVista's core areas, substantially expanding its prospect inventory for the future.

### THIRD QUARTER 2008 FINANCIAL AND OPERATING RESULTS

NuVista's funds from operations for the three months ended September 30, 2008 were \$79.1 million (\$1.00 per share) compared to \$25.7 million (\$0.49 per share) for the same period of 2007, and \$89.6 million (\$1.14 per share) for the three months ended June 30, 2008. Net earnings for the three months ended September 30, 2008 were \$53.7 million (\$0.68 per share) compared to \$0.8 million (\$0.01 per share) for the same period of 2007. Net earnings in the third quarter of 2008 included an after-tax unrealized gain of \$30.4 million on commodity derivatives contracts relating to future periods. NuVista ended the third quarter with over \$100 million of available capacity on its credit facility and a net debt to annualized quarterly funds from operations ratio of 1.1:1.

NuVista completed a large capital expenditure program during the third quarter of 2008, totaling \$82.9 million. This capital program included an aggressive drilling program of 56 wells and significant purchases of undeveloped lands. The drilling program resulted in 32 natural gas wells, 18 oil wells, and six dry holes, for an 89% overall success rate. On October 2, 2008, NuVista's Board of Directors approved an increase in NuVista's 2008 capital program to \$205 million from \$175 million with the additional capital allocated to the purchase of undeveloped crown lands. Undeveloped land purchases during the third quarter totaled \$22.4 million or 27% of total capital expenditures. These purchases were focused on a number of large natural gas in place resource deposits in the Wapiti core area.

NuVista continues with its growth plans as a premium intermediate oil and natural gas company with:

- a five year track record of adding shareholder value;
- balanced production between W5/W6 and W3/W4 core regions;
- shallow natural gas, deep natural gas and heavy oil opportunities;
- a 72% natural gas weighting; and
- a number of developing scaleable resource plays that will enable expansions to the exploration and development program, when appropriate.

Developments in global economies stemming from the credit crisis over the past three months have had a significant impact on the outlook for commodity prices and the equity valuations for exploration and production companies in Western Canada. This is the third consecutive year where broader influences beyond management's control have significantly affected the oil and natural gas industry. Just as we endured the changes to taxation of Royalty Trusts two years ago and the new Royalty Framework last year, NuVista has steadfast resolve to endure challenges presented by the financial crisis and emerge stronger than ever before. With over \$100 million of available capacity on our credit facility and significant free cash flow; a talented and dedicated work force committed to adding value through the prudent allocation of capital; a disciplined approach to evaluating and integrating strategic acquisitions; and an experienced and aligned Board of Directors, NuVista believes these industry challenges will create opportunities.

### ADDITION OF LANDS WITH A VIEW TO SCALEABLE RESOURCE PLAY DEVELOPMENT

The business combination with Rider Resources Ltd. ("Rider") resulted in NuVista becoming an intermediate natural gas focused company with both a diversified asset base and strong technical teams to continue creating shareholder value through growth in production per share and reserves per share. The Rider asset base is well suited to NuVista's existing business strategy which emphasizes long-term and profitable growth based on an acquire and develop business model in multi-zone areas, with a focus on low operating costs and high working interests. The business combination added three new core areas in liquids rich natural gas prone regions of Alberta that are characterized by high netbacks and longer reserve life production.

The core areas added through the Rider business combination provide an opportunity inventory of high impact drilling locations and lands which are also amenable to a number of large natural gas in place resource deposits where new drilling and completion technologies can play a significant role in increasing the ultimate recovery of the resource in place. NuVista is continuing to acquire lands, field test development concepts, and build technical expertise in three potential resource plays in the Wapiti core area. As of today's date, NuVista's undeveloped land inventory in the Wapiti core area has increased to approximately 118,000 net acres from 55,000 net acres when the business combination was completed in March 2008. A significant portion of our developed acreage in the Wapiti core area is also considered to be prospective for high natural gas in place scaleable resource plays.

In light of the recent developments in the financial markets, NuVista will prudently spend capital to assess the resource potential and continue to increase our technical knowledge base on these resource plays. NuVista is the operator of two of the three resource plays and therefore has the ability to control the pace of development. The total land cost exposure related to these resource plays represents less than five percent of the ultimate development cost for the resource. In many instances the lands purchased can be held for up to nine years with minimal capital spending. NuVista has seen material reductions in land purchase costs on these plays over the past three months and has used this opportunity to cost effectively acquire lands at a time when industry capital has been constrained. NuVista will continue to increase its knowledge base on these scaleable resource plays in 2009, however, a portion of expenditures originally planned prior to spring break-up may be deferred to later in the 2009 if a favourable environment for acquisitions requires the re-allocation of capital spending.

#### COMMODITY PRICE RISK MANAGEMENT ACTIVITIES

When NuVista announced the acquisition of Rider in January 2008, it entered into price risk management contracts for a significant portion of its natural gas production for the period April 2008 to March 2009 in order to achieve debt reduction targets. With high commodity prices during the first half of 2008, NuVista achieved its debt reduction targets by the end of the second quarter. For the period November 1, 2008 to March 31, 2009, NuVista has entered into price risk management transactions for approximately 40% of its production net of royalties, with an average AECO floor price of \$9.36/mcf and upside price participation to \$11.33/mcf. NuVista has also hedged crude oil prices as part of its ongoing crude oil price risk management program.

With increases in commodity prices in early 2008 and then more recent declines, NuVista has incurred both significant unrealized commodity derivative contract gains and losses during 2008. NuVista does not account for its financial price risk management contracts as hedges and therefore is required to record the mark-to-market unrealized commodity derivative contract gain or loss relating to future periods, at the end of each quarter. This can result in significant volatility in NuVista's reported net earnings. During the three months ended September 30, 2008, NuVista recorded an unrealized commodity derivative contract gain of \$42.2 million (\$30.4 million after-tax) more than offsetting an unrealized commodity derivative contract loss of \$40.0 million (\$28.8 million after-tax) recorded in the second quarter of 2008. While the recording of unrealized commodity derivative contract gains and losses has a significant impact on net earnings, it does not impact funds from operations.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista's interim consolidated financial statements for the three and nine months ended September 30, 2008 and the audited consolidated financial statements for the year ended December 31, 2007. The following MD&A of financial condition and results of operations was prepared at and is dated, October 30, 2008. Our audited consolidated financial statements, Annual Report, Annual Information Form and other disclosure documents for 2007 are available through our filings on SEDAR at [www.sedar.com](http://www.sedar.com) or can be obtained from our website at [www.nuvistaenergy.com](http://www.nuvistaenergy.com).

**Basis of presentation** – *The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated. In certain circumstances natural gas liquid volumes have been converted to thousand cubic feet equivalent ("mcf") on the basis of one barrel of natural gas liquids to six thousand cubic feet. Boe's and mcf's may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

**Forward-looking statements** – *Certain information set forth in this document, including management's assessment of NuVista's future plans and operations, forecast production rates, forecast funds from operations and targeted operating costs, contain forward-looking statements, which are provided to allow investors to better understand our business. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management and services, stock market volatility, changes in environmental regulations, tax laws and royalties and the ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-*

looking statements, or if any of them do so, what benefits that NuVista will derive therefrom. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**Non-GAAP measurements** – Within MD&A, references are made to terms commonly used in the oil and natural gas industry. Management uses funds from operations to analyze operating performance and leverage. Funds from operations as presented, does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net income or other measures of financial performance calculated in accordance with Canadian GAAP. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Funds from operations netbacks equal total revenue including realized commodity derivative gains/losses less royalties, transportation, operating costs, general and administrative, restricted share unit, interest expense and cash taxes. Management also uses field netbacks to analyze operating performance and adjusted working capital to analyze leverage. Field netbacks and adjusted working capital as presented, do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Field netbacks equal the total of revenue including realized commodity derivative gains/losses less royalties, transportation and operating costs. Adjusted working capital equals working capital excluding the current portions of commodity derivative liability and future income taxes. Total boe is calculated by multiplying the daily production by the number of days in the period.

A reconciliation of funds from operations is presented in the following table:

(\$ thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Cash provided by operating activities	84,582	37,277	187,201	76,756
Add back:				
Asset retirement expenditures	1,309	337	1,846	802
Change in non-cash working capital	(6,755)	(11,917)	33,105	6,366
Funds from operations	79,136	25,697	222,152	83,924

**Change in presentation of MD&A disclosure - natural gas liquids** – Prior to 2008, our MD&A disclosures have combined crude oil volumes and natural gas liquid volumes, as natural gas liquid volumes were not significant. With the Rider Acquisition, NuVista has significantly increased its production of natural gas liquids and has determined that it is more appropriate in certain circumstances to include these volumes with natural gas volumes on a mcf/e basis. Comparative MD&A disclosure has been restated to reflect this change. This change only impacts the classification of natural gas liquids and does not impact reported results.

#### **Plan of arrangement with Rider Resources Ltd.**

On March 4, 2008, NuVista closed a business combination with Rider Resources Ltd. ("Rider") (the "Rider Acquisition") and a private placement financing with the Ontario Teachers' Pension Plan Board ("OTPP"). The Rider Acquisition resulted in the combination of NuVista and Rider, pursuant to which all of the issued and outstanding Rider shares were exchanged for common shares of NuVista. Rider shareholders received, for each Rider share held, 0.3540 of a NuVista share. The results of operations from the Rider assets have been included effective March 4, 2008.

**Operating activities** – During the third quarter of 2008, NuVista participated in 56 (42.6 net) wells, with a success rate of 89%. NuVista was the operator for 50 of the wells drilled. The focus of NuVista's summer drilling program was in eastern Alberta and western Saskatchewan with a total of 41 wells drilled in these areas. Of these wells, 20 were drilled in the Oyen core area, eight in the Northwest Saskatchewan core area, seven in the Provost core area and six in the West Central Saskatchewan core area. NuVista drilled 16 wells in west central Alberta, including eight wells in its Pembina core area and six wells in the Wapiti core area. The success rate of 89% in the third quarter drilling program resulted in 32 natural gas wells and 18 oil wells. For the nine months ended September 30, 2008, NuVista drilled 92 (69.3 net) wells resulting in 51 natural gas wells and 28 oil wells. NuVista has 25 to 30 wells planned for the fourth quarter, with the focus on natural gas wells in the Wapiti core area and oil wells in the Saskatchewan core areas.

<b>Production</b>	For the three months ended September 30,		
	2008	2007	% Change
Natural gas (mcf/d)	111,409	64,877	72
Liquids (bbls/d)	2,942	303	871
Oil (bbls/d)	4,554	2,474	84
Total oil equivalent (boe/d)	26,065	13,590	92

  

	For the nine months ended September 30,		
	2008	2007	% Change
Natural gas (mcf/d)	103,325	66,999	54
Liquids (bbls/d)	2,221	309	619
Oil (bbls/d)	4,418	2,240	97
Total oil equivalent (boe/d)	23,860	13,716	74

For the three months ended September 30, 2008, NuVista's average production was 26,065 boe/d, a 92% increase over the same period in 2007 and a slight decrease over the second quarter of 2008. Third quarter production was comprised of 111,409 mcf/d of natural gas, 2,942 bbls/d of associated natural gas liquids ("liquids") and 4,554 bbls/d of oil. During the third quarter, NuVista's production was reduced due to restricted access to third-party gas processing plants in the Wapiti and Waskahigan/Kaybob core areas, a scheduled TCPL outage in September in Eastern Alberta and turnarounds at two Pembina crude oil facilities. The increase in natural gas and liquids revenue is due primarily to the inclusion of production from the Rider properties acquired in March 2008 and the success of the drilling program. Oil production increased for the three months ended September 30, 2008, compared to the same period in 2007, due to increased production in our Saskatchewan core areas and the heavy oil production acquired in our Provost core area on January 8, 2008. Oil and liquids production as a percentage of total production on a boe basis, increased to 29% in the third quarter compared to 20% in the same period in 2007.

NuVista's production for the nine months ended September 30, 2008 averaged 23,860 boe/d comprised of 103,325 mcf/d of natural gas, 2,221 bbls/d of liquids and 4,418 bbls/d of oil, which represents a 74% increase over the same period in 2007. Production increases for the nine month period, compared to the same period in 2007, are primarily due to the same reasons that production increased in the third quarter.

<b>Revenues</b>	For the three months ended September 30,					
	2008		2007		% Change	
(\$ thousands)						
Natural gas:	\$	\$/mcf	\$	\$/mcf	\$	\$/mcf
Production revenue	84,647	8.26	32,858	5.51	158	50
Realized gains (losses) on commodity derivatives	988	0.09	2,892	0.48	(66)	(81)
Total	85,635	8.35	35,750	5.99	140	39
Oil:	\$	\$/bbl	\$	\$/bbl	\$	\$/bbl
Production revenue	42,817	102.20	12,300	54.05	248	89
Realized gains (losses) on commodity derivatives	(4,249)	(10.14)	117	0.51	(3,732)	(2,088)
Total	38,568	92.06	12,417	54.56	211	69
Liquids:						
Production revenue	22,184	81.95	1,717	61.48	1,192	33
Realized gains (losses) on commodity derivatives	-	-	-	-	-	-
Total	22,184	81.95	1,717	61.48	1,192	33

For the nine months ended September 30,						
(\$ thousands)	2008		2007		% Change	
	\$	\$/mcf	\$	\$/mcf	\$	\$/mcf
Natural gas:						
Production revenue	243,640	8.61	122,629	6.70	99	28
Realized gains (losses) on commodity derivatives	(38)	(0.01)	4,116	0.23	(101)	(104)
Total	243,602	8.60	126,745	6.93	92	24
Oil:						
Production revenue	115,427	95.35	30,964	50.64	273	88
Realized gains (losses) on commodity derivatives	(9,617)	(7.94)	395	0.65	(2,535)	(1,322)
Total	105,810	87.41	31,359	51.29	237	70
Liquids:						
Production revenue	49,439	81.23	5,030	59.43	883	37
Realized gains (losses) on commodity derivatives	-	-	-	-	-	-
Total	49,439	81.23	5,030	59.43	883	37

For the three months ended September 30, 2008, revenues including realized commodity derivative gains and losses were \$146.4 million, a 193% increase from \$49.9 million for the same period in 2007. The increase in revenues for the three months ended September 30, 2008 compared to the same period of 2007 is primarily due to the 92% increase in production and 51% increase in realized prices. These revenues were comprised of \$85.6 million of natural gas revenue, \$38.6 million of oil revenue, and \$22.2 million of liquids revenue. The increase in average realized commodity prices is comprised of a 39% increase in the natural gas price to \$8.35/mcf from \$5.99/mcf, a 69% increase in the oil price to \$92.06/bbl from \$54.56/bbl, and an increase of 33% in the liquids price to \$81.95/bbl from \$61.48/bbl. The increase in the average realized commodity prices in the quarter compared to the same period in 2007 was due to significantly higher WTI crude oil and NYMEX natural gas prices that impact Edmonton Par and heavy crude oil prices, and AECO natural gas prices.

For the nine months ended September 30, 2008, revenues including realized commodity derivative gains and losses were \$398.9 million, a 144% increase from \$163.1 million, for the same period in 2007. The increase in revenues for the first nine months of 2008 compared to the same period of 2007 is primarily due to the 74% increase in production and 40% increase in realized prices. These revenues were comprised of \$243.6 million of natural gas revenue, \$105.8 million of oil revenue, and \$49.4 million of liquids revenue. The increase in average realized commodity prices is comprised of a 24% increase in the natural gas price to \$8.60/mcf from \$6.93/mcf, a 70% increase in the oil price to \$87.41/bbl from \$51.29/bbl, and an increase of 37% in the liquids price to \$81.23/bbl from \$59.43/bbl.

### **Commodity price risk management**

For the three months ended September 30,						
(\$ thousands)	2008			2007		
	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)
Natural gas	988	11,587	12,575	2,892	(2,558)	334
Oil	(4,249)	30,613	26,364	117	433	550
Total gains (losses)	(3,261)	42,200	38,939	3,009	(2,125)	884

For the nine months ended September 30,						
(\$ thousands)	2008			2007		
	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)
Natural gas	(38)	1,877	1,839	4,116	1,181	5,297
Oil	(9,617)	(9,452)	(19,069)	395	1,393	1,788
Total gains (losses)	(9,655)	(7,575)	(17,230)	4,511	2,574	7,085

As part of our financial management strategy, NuVista has adopted a disciplined commodity price risk management program. The purpose of this program is to reduce volatility in the financial results, protect acquisition economics and stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors has approved a price risk management limit of up to 60% of forecast production, net of royalties, for a two year period using primarily fixed price swaps and costless collar contracts. NuVista's Board of Directors has approved an increase to the limit of 60% for the period April 2008 to October 2008. For this period, the Board has approved natural gas hedges in the amount of 70,000 gjd/day.

NuVista conducts its price risk management activities through both financial commodity derivatives and physical sales contracts. While NuVista's price risk management transactions are economic hedges, NuVista does not use hedge accounting for these transactions. As a result, NuVista is required to mark-to-market all financial commodity derivatives outstanding. NuVista is not required to mark-to-market its physical sales price risk management contracts.

For the three months ended September 30, 2008, the financial commodity derivative price risk management program resulted in a gain of \$38.9 million consisting of realized losses of \$3.3 million and unrealized gains of \$42.2 million. The unrealized gains in the third quarter offset an unrealized loss in the second quarter of \$40.0 million. These large unrealized gains and losses reflect the volatility in commodity prices during the last six months. For the nine months ended September 30, 2008, the financial commodity derivative price risk management program resulted in a loss of \$17.2 million consisting of realized losses of \$9.7 million and unrealized losses of \$7.6 million.

For the three months ended September 30, 2007, the financial commodity derivative price risk management program resulted in a gain of \$0.9 million and consisted of \$3.0 million of realized gains and \$2.1 million of unrealized losses. For the nine months ended September 30, 2007, the financial commodity derivative price risk management program resulted in a gain of \$7.1 million and consisted of \$4.5 million of realized gains and \$2.6 million of unrealized gains.

At September 30, 2008, the mark-to-market of our financial commodity derivative contracts was a loss of \$9.3 million and the market-to-market of our physical sales contracts was a gain of \$11.6 million.

The following is a summary of commodity price risk management contracts in place as at September 30, 2008:

a) Financial commodity derivatives

As at September 30, 2008, NuVista has entered into the following crude oil price risk management contracts:

Volume	Average Price (Cdn\$/bbl)	Term
500 bbls/d	CDN. \$66.50 – Bow River	October 1, 2008 – December 31, 2008
750 bbls/d	CDN. \$70.01 – CDN. \$86.68 – WTI	October 1, 2008 – December 31, 2008
1,000 bbls/d	CDN. \$64.00 – Bow River	January 1, 2009 – December 31, 2009
1,000 bbls/d	CDN. \$95.01 – CDN. \$110.01 - WTI	January 1, 2009 – December 31, 2009

As at September 30, 2008, NuVista has entered into the following natural gas price risk management contracts:

Volume	Average Price (Cdn\$/gj)	Term
20,000 gj/d	CDN. \$7.50 – \$8.42 – AECO	October 1, 2008 – October 31, 2008
5,000 gj/d	CDN. \$8.50 – \$11.00 – AECO	November 1, 2008 – March 31, 2009

(b) Physical sale contracts

As at September 30, 2008, NuVista has entered into direct sale price risk management contracts to sell natural gas as follows:

Volume	Average Price (Cdn\$/gj)	Term
50,000 gj/d	CDN. \$7.27 – \$7.43 – AECO	October 1, 2008 – October 31, 2008
30,000 gj/d	CDN. \$8.96 – \$10.72 – AECO	November 1, 2008 – March 31, 2009

**Royalties**

Royalty rates (%)	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Natural gas and liquids	28	26	26	27
Oil	19	12	17	12
Weighted average rate	25	21	23	24

Royalties for the three months ended September 30, 2008, were \$37.1 million, as compared to \$10.3 million reported for the three months ended September 30, 2007. Royalties for the nine months ended September 30, 2008 were \$95.2 million, as compared to \$40.0 million reported for the nine months ended September 30, 2007. The increase in royalties results from higher revenues in both the third quarter and first half of 2008 compared to the same period in 2007.

As a percentage of revenues, the average royalty rate for the third quarter of 2008 was 25% compared to 21% for the same period in 2007. Royalty rates by product for the third quarter of 2008 were 28% for natural gas and liquids and 19% for oil compared to 26% for natural gas and liquids and 12% for oil for the same period in 2007. For the nine months

ended September 30, 2008, the average royalty rate as a percentage of revenue was 23% compared to 24% for the same period in 2007. Royalty rates by product were 26% for natural gas and liquids and 17% for oil compared to 27% for natural gas and liquids and 12% for oil for the same period in 2007.

Royalty rates are based on government market reference prices and not our average realized prices that includes price risk management activities. As a result, the losses from our price risk management activities included in revenue result in a higher royalty rate as a percentage of revenue if no price risk management activities had taken place. Average royalty rates in the third quarter of 2008 excluding price risk management activities were 26% for natural gas and liquids and 16% for oil.

**Netbacks** – The following table summarizes field netbacks by product for the three months ended September 30, 2008:

(\$ thousands)	Natural gas and liquids		Oil		Total	
	129.1 mmcf/d		4,554 bbl/d		26,065 boe/d	
	\$	\$/mcf	\$	\$/bbl	\$	\$/boe
Production revenue	106,831	9.00	42,817	102.20	149,648	62.41
Realized gains (losses) on commodity derivatives	988	0.08	(4,249)	(10.14)	(3,261)	(1.36)
	107,819	9.08	38,568	92.06	146,387	61.05
Royalties	(29,734)	(2.50)	(7,317)	(17.46)	(37,051)	(15.45)
Transportation costs	(1,313)	(0.11)	(785)	(1.87)	(2,098)	(0.87)
Operating costs	(14,213)	(1.20)	(6,158)	(14.70)	(20,371)	(8.50)
Field netbacks	62,559	5.27	24,308	58.03	86,867	36.23

The following table summarizes field netbacks by product for the nine months ended September 30, 2008:

(\$ thousands)	Natural gas and liquids		Oil		Total	
	116.7 mmcf/d		4,418 bbl/d		23,860 boe/d	
	\$	\$/mcf	\$	\$/bbl	\$	\$/boe
Production revenue	293,079	9.17	115,427	95.35	408,506	62.48
Realized gains (losses) on commodity derivatives	(38)	-	(9,617)	(7.94)	(9,655)	(1.48)
	293,041	9.17	105,810	87.41	398,851	61.00
Royalties	(77,071)	(2.41)	(18,133)	(14.98)	(95,204)	(14.56)
Transportation costs	(3,752)	(0.12)	(2,083)	(1.72)	(5,835)	(0.89)
Operating costs	(37,318)	(1.17)	(15,951)	(13.18)	(53,269)	(8.15)
Field netbacks	174,900	5.47	69,643	57.53	244,543	37.40

The following table summarizes funds from operations netbacks for the three and nine months ended September 30, 2008, compared to the three and nine months ended September 30, 2007:

(\$ thousands)	For the three months ended September 30,					
	2008		2007		% Change	
	\$	\$/boe	\$	\$/boe	\$	\$/boe
Production revenue	149,648	62.41	46,874	37.49	219	66
Realized gains (losses) on commodity derivatives	(3,261)	(1.36)	3,009	2.41	(208)	(156)
	146,387	61.05	49,883	39.90	193	53
Royalties	(37,051)	(15.45)	(10,258)	(8.20)	261	88
Transportation costs	(2,098)	(0.87)	(1,138)	(0.91)	84	(4)
Operating costs	(20,371)	(8.50)	(8,934)	(7.15)	128	19
Field netbacks	86,867	36.23	29,553	23.64	194	53
General and administrative	(3,178)	(1.33)	(1,312)	(1.05)	142	27
Restricted share units	(110)	(0.05)	-	-	-	-
Interest	(4,443)	(1.85)	(2,544)	(2.04)	75	(9)
Funds from operations netbacks	79,136	33.00	25,697	20.55	208	61



(\$ thousands)	For the nine months ended September 30,					
	2008		2007		% Change	
	\$	\$/boe	\$	\$/boe	\$	\$/boe
Production revenue	408,506	62.48	158,623	42.36	158	47
Realized gains (losses) on commodity derivatives	(9,655)	(1.48)	4,511	1.20	(314)	(223)
	398,851	61.00	163,134	43.56	144	40
Royalties	(95,204)	(14.56)	(37,999)	(10.15)	151	43
Transportation costs	(5,835)	(0.89)	(3,200)	(0.85)	82	5
Operating costs	(53,269)	(8.15)	(27,233)	(7.27)	96	12
Field netbacks	244,543	37.40	94,702	25.29	158	48
General and administrative	(8,989)	(1.37)	(3,635)	(0.97)	147	41
Restricted share units	(1,228)	(0.19)	-	-	-	-
Interest	(12,174)	(1.86)	(7,143)	(1.91)	70	(3)
Funds from operations netbacks	222,152	33.98	83,924	22.41	165	52

**Transportation** – Transportation costs were \$2.1 million (\$0.87/boe) for the three months ended September 30, 2008 as compared to \$1.1 million (\$0.91/boe) for the same period in 2007. Transportation costs were \$5.8 million (\$0.89/boe) for the nine months ended September 30, 2008 compared to \$3.2 million (\$0.85/boe) for the same period in 2007. The increase in transportation costs in 2008 compared to 2007 is primarily due to an increase in overall production levels.

**Operating** – Operating expenses were \$20.4 million (\$8.50/boe) for the three months ended September 30, 2008 as compared to \$8.9 million (\$7.15/boe) for the three months ended September 30, 2007. This increase resulted from the 92% increase in production volumes and a 19% increase in per unit costs. For the three months ended September 30, 2008 natural gas and natural gas liquids operating costs averaged \$1.20/mcfe and oil operating expenses were \$14.70/bbl as compared to \$1.09/mcfe and \$9.94/bbl respectively for the same period in 2007.

Operating expenses were \$53.3 million (\$8.15/boe) for the nine months ended September 30, 2008 as compared to \$27.2 million (\$7.27/boe) for the nine months ended September 30, 2007. This increase resulted from the 74% increase in production volumes and a 12% increase in per unit costs. For the nine months ended September 30, 2008 natural gas and natural gas liquid operating expenses averaged \$1.17/mcfe and oil operating expenses were \$13.18/bbl as compared to \$1.06/mcfe and \$11.90/bbl respectively, for the same period in 2007.

The increase in per unit costs resulted primarily from third-party processing fee adjustments, higher operating costs at our heavy oil properties and the increase in oil production as a percentage of our overall production. NuVista is forecasting fourth quarter 2008 operating costs of approximately \$8.25/boe.

**General and administrative** – General and administrative expenses, net of overhead recoveries, for the three months ended September 30, 2008 were \$3.2 million (\$1.33/boe) compared to \$1.3 million (\$1.05/boe) in the same period in 2007. General and administrative expenses, net of overhead recoveries, for the nine months ended September 30, 2008 were \$9.0 million (\$1.37/boe) as compared to \$3.6 million (\$0.97/boe) for the nine months ended September 30, 2007. This increase in general and administrative expenses is directly attributable to the higher production base in NuVista associated with the Rider Acquisition and increased costs associated with less reliance on the Technical Services Agreement (“TSA”) with Bonavista Petroleum Ltd. (“Bonavista”). Higher per unit costs reflect increased staffing costs, costs associated with moving to new leased premises, terminating existing NuVista and Rider office lease arrangements, integration costs associated with the Rider Acquisition and general cost increases experienced by the industry. NuVista is forecasting 2008 general and administrative costs for the remainder of the year to average approximately \$1.25/boe.

(\$ thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Gross general and administrative expenses	5,232	2,683	14,179	7,622
Overhead recoveries	(2,054)	(1,371)	(5,190)	(3,987)
Net general and administrative expenses	3,178	1,312	8,989	3,635
Per boe	1.33	1.05	1.37	0.97

**Bad debt provision** – On July 22, 2008, SemGroup LP filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code and two of SemGroup LP’s Canadian subsidiaries, SemCAMS ULC and SemCanada Crude Company, filed for creditor protection under the Companies’ Creditors Arrangement Act in Canada. NuVista sold natural gas to SemCAMS ULC and crude oil to SemCanada Crude Company. NuVista has a financial exposure to these two entities totaling approximately \$4.5 million. NuVista has agreed with these two entities to terminate sales contracts effective July 22, 2008, and therefore

NuVista has no ongoing financial exposure with these entities. At this time we are unable to ascertain the amount of revenues that will be recoverable but have recorded a provision in the financial statements equal to 25% of the amount owed. The provision increased from \$0.7 million at June 30, 2008, to \$1.1 million at September 30, 2008 to reflect a provision of 25% on July revenues. We will continue to reassess the recoverability of the revenues as more information becomes available.

**Stock-based compensation** – NuVista recorded a stock-based compensation charge of \$1.2 million for the three months ended September 30, 2008, compared to \$0.8 million for the same period in 2007. For the nine months ended September 30, 2008, NuVista recorded a stock-based compensation charge of \$4.4 million compared to \$2.2 million for the same period in 2007. The stock-based compensation charge relates to the amortization of the value of stock option awards and the accrual for awards under the Restricted Share Unit (“RSU”) incentive plan. The increase in the expense in 2008 relates primarily to the implementation of the RSU incentive plan. NuVista’s Board of Directors approved a RSU incentive plan in January 2008. Each RSU entitles participants to receive cash equal to the market value of the equivalent number of shares of NuVista. The RSU’s become payable as they vest, typically over three years. For the three and nine months ended September 30, 2008, the RSU related stock-based compensation expense was \$0.1 million and \$1.2 million respectively.

**Interest** – For the three months ended September 30, 2008, interest expense was \$4.4 million as compared to \$2.5 million for the same period in 2007. For the nine months ended September 30, 2008, interest expense was \$12.2 million compared to \$7.1 million for the same period in 2007. Higher interest costs for the three and nine months ended September 30, 2008 are due to higher average debt levels and higher average interest rates. Currently, our average borrowing rate is approximately 4.5%.

**Depreciation, depletion and accretion** – Depreciation, depletion and accretion expenses were \$44.7 million for the three months ended September 30, 2008, as compared to \$22.6 million for the same period in 2007. The average per unit cost was \$18.65/boe for the three months ended September 30, 2008, as compared to \$18.10/boe for the same period in 2007. Depreciation, depletion and accretion expenses for the nine months ended September 30, 2008, were \$120.5 million as compared to \$64.2 million for the same period in 2007. The average per unit cost was \$18.44/boe for the nine months ended September 30, 2008, as compared to \$17.07/boe for the same period in 2007. The increase in the depreciation, depletion and accretion expenses for the three and nine months ended September 30, 2008, when compared to the same periods in 2007, was due to higher production volumes and also reflects an increase in unit costs. Per unit costs have increased in 2008 due to the higher costs associated with the Rider Acquisition and higher exploration and development costs.

**Income taxes** – For the three months ended September 30, 2008, the provision for income and other taxes was \$21.3 million compared to \$0.7 million for the same period in 2007. For the nine months ended September 30, 2008, the provision for income and other taxes was \$26.0 million compared to \$4.9 million for the same period in 2007. The higher provisions in 2008 primarily relate to significantly higher pre-tax earnings associated with higher commodity prices. The provisions for income and other taxes for the nine months ended September 30, 2007, include a reduction of \$2.3 million related to legislated reductions in income tax rates enacted in the second quarter of 2007. For the nine months ended September 30, 2008, the effective tax rate was 29%.

**Capital expenditures** – Capital expenditures were \$82.9 million during the three months ended September 30, 2008, and relating to exploration and development activities. This compares to \$27.4 million incurred for the same period in 2007, consisting of \$4.8 million for acquisitions and \$22.6 million for exploration and development. During the third quarter of 2008, NuVista spent \$22.4 million or 27% of total capital expenditures for the purchase of undeveloped lands compared to \$0.7 million for the same period in 2007. These land purchases were focused on a number of large natural gas in place resource deposits in the Wapiti core area. Capital expenditures for the nine months ended September 30, 2008, were \$151.6 million, consisting of \$126.2 million for exploration and development spending and \$25.4 million for acquisitions. This compares to \$120.2 million incurred for the same period in 2007, consisting of \$39.9 million of acquisitions and \$80.3 million of exploration and development spending.

(\$ thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Exploration and development				
Land and retention costs	22,385	718	27,508	3,834
Seismic	4,169	1,192	8,852	8,651
Drilling and completion	40,039	13,046	61,159	43,565
Facilities and equipment	15,842	7,498	26,668	23,430
Corporate and other	493	121	1,987	859
	82,928	22,575	126,174	80,339
Acquisitions				
Business	-	-	-	35,056
Property	-	4,804	25,398 <sup>(1)</sup>	4,804
	-	4,804	25,398	39,860
Total capital expenditures	82,928	27,379	151,572	120,199
Corporate acquisition - non-cash	-	-	594,944	-

(1) Includes a \$2.6 million deposit paid in the fourth quarter of 2007

**Funds from operations and net earnings** – For the three months ended September 30, 2008, funds from operations were \$79.1 million (\$1.00/share, basic), a 208% increase over the \$25.7 million (\$0.49/share, basic) for the same period in 2007. For the nine months ended September 30, 2008, NuVista's funds from operations was \$222.2 million (\$3.05/share, basic), a 165% increase from \$83.9 million (\$1.65/share, basic) for the same period in 2007. The increase in funds from operations in both the three and nine months ended September 30, 2008, compared to the same periods in 2007 was primarily due to higher production volumes and commodity prices.

Net earnings increased during the three months ended September 30, 2008, to \$53.7 million (\$0.68/share, basic) from \$0.8 million (\$0.01/share, basic) for the same period in 2007. For the nine months ended September 30, 2008, net earnings were \$63.8 million (\$0.87/share, basic) compared to \$15.3 million (\$0.30/share, basic) for the same period in 2007. The increase in net earnings in the three and nine months ended September 30, 2008, compared to the same periods in 2007, was primarily due to higher commodity prices in 2008 and the additional impact in the three months ended September 30, 2008 of the unrealized gain on commodity derivatives of approximately \$30.4 million on an after tax-basis.

**Liquidity and capital resources** – As at September 30, 2008, net bank debt, defined as the bank loan plus adjusted working capital was \$3.5 million, resulting in a net debt to annualized third quarter funds from operations ratio of 1.1:1. At September 30, 2008, NuVista had a working capital deficiency of \$4.1 million. Adjusted working capital excludes the current portion of the commodity derivatives mark-to-market of \$8.9 million and a current future income tax asset of \$2.0 million. We believe it is appropriate to exclude these amounts when determining net debt.

At September 30, 2008, NuVista had approximately \$104.9 million of unused bank borrowing capability based on the current credit facility of \$450.0 million. NuVista's credit facility is provided by a syndicate of primarily Canadian banks. The credit facility is subject to an annual review by the lenders, at which time a lender can request conversion to a one year term loan. Under the term period, no principal payments would be required until March 4, 2010. On October 17, 2008, NuVista received notification from our banking syndicate that the semi-annual review of the borrowing base was completed and our credit facility will remain unchanged at \$450.0 million.

NuVista anticipates that funds from operations will provide the flexibility to fund its remaining 2008 capital program and its planned 2009 capital program. NuVista's capital program will be monitored and adjusted based on the outlook for commodity prices and opportunities to increase capital spending.

As at September 30, 2008, there were 79.1 million common shares and 3.0 million common share purchase warrants outstanding. In addition, there were 5.7 million stock options outstanding, with an average exercise price of \$14.62 per share.

**Related party activities** – In 2003, as part of the Plan of Arrangement with Bonavista Petroleum Ltd. ("Bonavista"), NuVista entered into a Technical Services Agreement ("TSA"). Under the TSA, Bonavista received payment for certain services provided by it to NuVista. Effective January 1, 2007, the terms of the TSA were amended to reflect the reduced level of services provided by Bonavista. On August 31, 2007, the TSA was terminated and replaced with a new services agreement that reflects the remaining ongoing services that will be provided by Bonavista. NuVista and Bonavista are

considered related as two directors of NuVista, one of whom is NuVista's chairman, are also directors and officers of Bonavista and a director and an officer of NuVista are also officers of Bonavista.

For the three months ended September 30, 2008, NuVista paid Bonavista \$0.3 million (2007 - \$0.4 million) in fees relating to general and administrative services provided by Bonavista, and NuVista charged Bonavista management fees for jointly owned partnerships totaling \$0.3 million (2007 - \$0.3 million). In addition, during the third quarter of 2008, Bonavista charged NuVista \$0.1 million (2007 - \$0.4 million) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties.

For the nine months ended September 30, 2008, NuVista paid Bonavista \$1.1 million (2007 - \$1.0 million) in fees relating to general and administrative services provided by Bonavista, and NuVista charged Bonavista management fees for jointly owned partnerships totaling \$1.0 million (2007 - \$1.0 million). In addition Bonavista charged NuVista \$0.2 million (2007 - \$1.0 million) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties. As at September 30, 2008, the amount receivable from Bonavista was \$1.0 million.

**Contractual obligations and commitments** – NuVista enters into many contractual obligations as part of conducting day-to-day business. As NuVista continues to spend money as part of our capital program we will draw on our credit facility and will have the related contractual obligation. The credit facility is subject to an annual review by the lenders, at which time a lender can request conversion to a one year term loan. Under the term period, no principal payments would be required until March 4, 2010.

The following is a summary of NuVista's contractual obligations and commitments as at September 30, 2008:

(\$ thousands)	Total	2008	2009	2010	2011	Thereafter
Transportation	813	212	444	123	34	-
Office lease	8,391	514	2,055	2,055	2,055	1,712
Total commitments	9,204	726	2,499	2,178	2,089	1,712

**Quarterly financial information** – The following table highlights NuVista's performance for the eight quarterly reporting periods from December 31, 2006 to September 30, 2008:

	2008				2007			2006
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Production (boe/d)	26,065	26,153	19,339	14,251	13,590	14,147	13,409	12,612
(\$ thousands, except per share amounts)								
Production revenue	149,648	161,794	97,064	53,790	48,166	56,832	54,822	49,195
Net earnings	53,699	2,905	7,150	11,063	754	9,678	4,832	5,765
Net earnings per share:								
Basic	0.68	0.04	0.12	0.21	0.01	0.19	0.10	0.12
Diluted	0.68	0.04	0.12	0.21	0.01	0.18	0.10	0.12

NuVista has seen growth in consecutive quarterly production volumes over the prior eight quarters except for slight declines experienced in the quarters ended September 30, 2007 and September 30, 2008. These declines were primarily due to plant turnarounds that occurred during the summer months. Over the prior eight quarters, quarterly revenue has been in a range of \$48.1 million to \$161.8 million with revenue influenced primarily by production volumes and natural gas prices in the quarter. Production volumes and revenues increased significantly in the quarter ended June 30, 2008, primarily due to increased production volumes associated with the Rider Acquisition and higher commodity prices. Net earnings have been in a range of \$0.8 million to \$53.7 million primarily influenced by production volumes and natural gas prices, unrealized gains and losses on commodity derivatives and future income tax recoveries associated with the reduction in corporate income tax rates. Net earnings in the quarter ended September 30, 2008 included an after-tax unrealized gain on commodity derivatives of approximately \$30.4 million and net earnings in the quarter ended June 30, 2008 included an after-tax unrealized loss on commodity derivatives of approximately \$28.8 million.

**Critical accounting estimates** – The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain accounting policies are critical to understanding the financial condition and results of operations of NuVista.

- (a) **Proved oil and natural gas reserves** – Proved oil and natural gas reserves, as defined by the Canadian Securities Administrators in National Instrument 51-101 with reference to the Canadian Oil and Natural Gas Evaluation Handbook, are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

An independent reserve evaluator using all available geological and reservoir data as well as historical production data has prepared NuVista's oil and natural gas reserve estimates. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's development plans. The effect of changes in proved oil and natural gas reserves on the financial results and position of the Company is described below.

- (b) **Depreciation, depletion and accretion expense** – NuVista uses the full cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized, whether successful or not. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development costs is amortized using the unit-of-production method based on estimated proved reserves. Changes in estimated proved reserves or future development costs have a direct impact on depreciation and depletion expense.  
Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or for impairment, for which any writedown would be charged to depreciation and depletion expense.
- (c) **Full cost accounting ceiling test** – The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the asset is not recoverable by the future undiscounted cash flows. The cost recovery ceiling test is based on estimates of proved reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment would be charged as additional depletion and depreciation expense.
- (d) **Asset retirement obligation** – The asset retirement obligations are estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonments and reclamations discounted at a credit adjusted risk free rate. The costs are included in property, plant and equipment and amortized over its useful life. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings and for revisions to the estimated future cash flows. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.
- (e) **Income taxes** – The determination of income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

#### **Update on regulatory matters**

- (a) On October 25, 2007, the Government of Alberta announced the New Alberta Royalty Framework ("NRF") which proposes changes to the current royalty regime in Alberta effective January 1, 2009. The proposed NRF includes new royalty formulas for conventional oil and natural gas that will operate on sliding scales that are determined by commodity prices and well productivity. On April 10, 2008, the Government of Alberta provided some further clarification on the NRF and introduced two new royalty programs related to the development of deep oil and natural gas reserves. Substantial legislative, regulatory and systems updates will be introduced before the changes become fully effective in 2009. NuVista continues to monitor the impact of the NRF on its business plan and does not expect a significant impact at this time.
- (b) On August 15, 2008, the Canadian Securities Administrators published the National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The changes include the requirement to provide certification of the effectiveness of internal controls over financial reporting for years ending after December 15, 2008. NuVista has plans in place to test the operating effectiveness of internal controls over financial reporting and provide the required certification.

#### **Update on accounting policies and financial reporting matters**

- (a) **Capital disclosures** – Effective January 1, 2008, NuVista adopted the new CICA accounting standard Section 1535, Capital Disclosures. Section 1535 specifies the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements, and the consequences of non-compliance. Refer to note 8 of the consolidated financial statements.
- (b) **Financial instruments** – Effective January 1, 2008, NuVista adopted the new CICA accounting standard Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instrument Presentation. These Sections require NuVista to increase disclosure on the nature, extent and risk arising from the financial instruments and how it manages those risks. Refer to note 9 of the consolidated financial statements.

- (c) **Goodwill** – The CICA issued the new accounting standard Section 3064, Goodwill and Intangible Assets replacing Section 3062, Goodwill and Other Intangible Assets. This new Section will be effective on January 1, 2009. This Section applies to goodwill subsequent to initial recognition and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on NuVista’s consolidated financial statements.
- (d) **International financial reporting standards (“IFRS”)** – In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the effective date for the requirement to report under IFRS with comparative periods 2010 converted as well. Canadian generally accepted accounting principles as we currently know them, will cease to exist for all publicly reporting entities. Currently, the application of IFRS to the oil and gas industry in Canada requires considerable clarification. The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. NuVista has completed a preliminary analysis of the accounting differences and has plans in place to perform a detailed assessment of the impact of IFRS on our results of operations, financial position and disclosures.

### ***Internal control reporting***

NuVista’s President and Chief Executive Officer (“CEO”) and Vice President, Finance and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in National Instrument 52-109. NuVista’s CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information to be disclosed by NuVista is accumulated and communicated to management as appropriate to allow timely decisions regarding the required disclosure. The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. During the quarter ended September 30, 2008, there have been no changes to NuVista’s internal controls over financial reporting that have materially, or are reasonably likely to, materially affect the internal controls over financial reporting.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

### ***Assessment of business risks***

The following are the primary risks associated with the business of NuVista. These risks are similar to those affecting others in the conventional oil and natural gas sector. NuVista’s financial position and results of operations are directly impacted by these factors:

Operational risk associated with the production of oil and natural gas:

- Reserve risk with respect to the quantity and quality of recoverable reserves;
- Market risk relating to the availability of transportation systems to move the product to market;
- Commodity risk as crude oil and natural gas prices fluctuate due to market forces;
- Financial risk such as volatility of the Canadian/US dollar exchange rate, interest rates and debt service obligations;
- Environmental and safety risk associated with well operations and production facilities;
- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices and environmental protection relating to the oil and natural gas industry; and
- Continued participation of NuVista’s lenders.

NuVista seeks to mitigate these risks by:

- Acquiring properties with established production trends to reduce technical uncertainty as well as undeveloped land with development potential;
- Maintaining a low cost structure to maximize product netbacks and reduce impact of commodity price cycles;
- Diversifying properties to mitigate individual property and well risk;
- Maintaining product mix to balance exposure to commodity prices;
- Conducting rigorous reviews of all property acquisitions;
- Monitoring pricing trends and developing a mix of contractual arrangements for the marketing of products with creditworthy counterparties;

- Maintaining a hedging program to hedge commodity prices and foreign exchange currency rates with creditworthy counterparties;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations;
- Carrying industry standard insurance to cover losses; and
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs.

## OUTLOOK

NuVista continues to believe in the favourable outlook for commodity prices over the long term. By focusing on production and reserves per share growth while maintaining financial flexibility, NuVista expects to continue to turn adversity into opportunity and emerge stronger from downturns faced by the industry. With the successful integration of the Rider assets behind us, NuVista now has eight core areas with shallow natural gas, deep natural gas and heavy oil, high working interest multi-zone opportunities. With the addition of new undeveloped lands in the Wapiti core area containing high natural gas in place resource deposits, NuVista is well positioned to expand exploration and development activities in the future.

### FOURTH QUARTER 2008

For 2008, NuVista's Board of Directors has approved a capital program of \$205 million that will see NuVista participate in approximately 120 wells for the year with 25-30 wells in the fourth quarter. NuVista also expects to continue to add to its undeveloped land inventory. Approximately 25% of fourth quarter capital is expected to be allocated to undeveloped land purchases in our core areas. In order to continue to preserve capital in an uncertain environment, NuVista has shifted 15-20 wells in our W3/W4 meridian core region from 2008 to 2009. For the third consecutive quarter, capital spending on drilling activities is expected to be less than funds from operations and production levels are expected to be maintained at approximately 26,000 boe/d. During the fourth quarter, NuVista will use excess funds from operations to build for the future and maintain financial flexibility. Based on current fourth quarter 2008 pricing assumptions of \$6.90/mcf for AECO natural gas, US\$70 for WTI crude oil, a foreign exchange rate of 0.88, and incorporating price risk management contracts, NuVista is forecasting 2008 funds from operations of approximately \$280 million. NuVista is currently forecasting 2008 annual production to be within its guidance range announced earlier in the year, at approximately 24,300 boe/d.

### CAPITAL PROGRAM for 2009

Although the current financial markets create considerable uncertainty on the outlook for near term commodity prices, NuVista will continue to implement its balanced acquire and develop business model. For 2009, we look at the year as one filled with many opportunities as well as challenges. For 2009, NuVista's Board of Directors has approved a preliminary base capital program of \$290 million with over 75% of this capital program currently budgeted for exploration and development activities. The 2009 capital program will be continually reviewed throughout the year, with particular attention to the first quarter, in the context of commodity and financial markets and available opportunities. The implementation of our base capital program is forecast to result in production levels of approximately 27,000 boe/d in 2009.

Throughout our five year history, NuVista has demonstrated a disciplined and flexible approach to spending and allocating capital with a focus on profitable per share growth while maintaining a strong balance sheet. NuVista will continue with this approach in 2009 looking for additional opportunities beyond the base plan to create additional shareholder value from the current adversity within the financial markets and the oil and gas sector. In the past, NuVista has used periods such as these when capital is scarce to expand our business plan through strategic acquisitions. We will continue to carefully review our total capital program and our capital allocation throughout the year as opportunities present themselves. In the latter half of 2008, NuVista has complemented our historical business strategy by acquiring undeveloped lands in scaleable resource plays in our Wapiti core area at a time when capital is scarce and land prices are depressed. This should allow NuVista to expand its exploration and development program during periods of higher commodity prices.

A key element of NuVista's business strategy is maintaining a strong balance sheet and financial flexibility, in particular during downturns faced by the industry. Following the announcement of the business combination with Rider in early 2008, NuVista reduced exploration and development capital spending and entered into commodity price risk management contracts in order to restore its balance sheet strength by the end of 2008. Notwithstanding a strong outlook for commodity prices during the first half of 2008, NuVista remained focused on its debt reduction targets and achieved its year end target debt level by the end of the second quarter of 2008. NuVista ended the third quarter of 2008 with a net debt to annualized quarterly funds from operations ratio of 1.1:1, over \$100 million of available capacity on its credit

facility and approximately 40% of its net natural gas production hedged until March 2009 at an AECO floor price of \$9.36/mcf. NuVista plans to maintain its financial discipline during this period of uncertainty and will look for opportunities to create shareholder value.

In July of 2008, NuVista celebrated its fifth anniversary. Five years ago, NuVista made a commitment to its stakeholders to deliver profitable per share growth in a financially prudent and sustainable manner. NuVista has delivered on its commitment by providing shareholders with compounded annualized growth in production per share of approximately 30% and in reserves per share of approximately 40%. NuVista has delivered on its commitment by continuing to focus on what we do best; acquiring, optimizing, exploiting and growing assets which previous owners may not have focused on. The results achieved are due to a team effort and NuVista wants to express its appreciation for the extraordinary commitment received from the entire NuVista team.

NuVista will continue to focus on its core strategy of cost control and applying the expertise of its technical staff to its current operating regions, through both its exploration and development program and strategic acquisitions. The execution of these strategies is expected to allow NuVista to continue to grow its production and reserves on a per share basis, consistently and profitably. NuVista has the team, land base and prospect generation ability to continue to create value for shareholders. NuVista is poised for continued growth and is well positioned to post strong operational and financial results for the balance of 2008 and beyond. NuVista remains unwavering in its commitment to enhance shareholder value over the long-term in a diligent and prudent manner by accessing the broad depth and expertise of its team.

Sincerely,



Alex G. Verge  
President & CEO  
October 30, 2008



Robert F. Froese  
Vice-President, Finance & CFO



**NUVISTA ENERGY LTD.****Consolidated Balance Sheets**

(\$ thousands) (unaudited)	<b>September 30, 2008</b>	<b>December 31, 2007</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 5,375	\$ -
Accounts receivable and prepaids (note 3)	66,042	30,463
Future income taxes	1,977	-
	<b>73,394</b>	30,463
Oil and natural gas properties and equipment	<b>1,234,448</b>	598,263
Goodwill	<b>79,675</b>	54,439
	<b>\$ 1,387,517</b>	<b>\$ 683,165</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 68,571	\$ 31,972
Commodity derivative liability (note 9)	8,939	1,704
	<b>77,510</b>	33,676
Long-term term debt (note 6)	<b>345,145</b>	177,109
Commodity derivative liability (note 9)	<b>2,242</b>	-
Other liabilities (note 7)	<b>861</b>	-
Asset retirement obligations (note 5)	<b>45,326</b>	26,574
Future income taxes	<b>131,876</b>	75,514
Shareholders' equity		
Share capital, warrants and contributed surplus (note 7)	<b>595,741</b>	245,212
Accumulated other comprehensive income (note 7)	-	17
Retained earnings	<b>188,816</b>	125,063
	<b>784,557</b>	370,292
	<b>\$ 1,387,517</b>	<b>\$ 683,165</b>

See accompanying notes to consolidated financial statements.

**NUVISTA ENERGY LTD.**
**Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings**

(\$ thousands) (unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>Revenues</b>				
Production	\$ 149,648	\$ 48,166	\$ 408,506	\$ 158,623
Royalties	(37,051)	(10,258)	(95,204)	(37,999)
Realized gains (losses) on commodity derivatives	(3,261)	3,009	(9,655)	4,511
Unrealized gains (losses) on commodity derivatives	42,200	(2,125)	(7,575)	2,574
	<b>151,536</b>	<b>38,792</b>	<b>296,072</b>	<b>127,709</b>
<b>Expenses</b>				
Operating	20,371	8,934	53,269	27,233
Transportation	2,098	1,138	5,835	3,200
General and administrative	3,178	1,312	8,989	3,635
Bad debt provision (note 3)	466	-	1,127	-
Interest	4,443	2,544	12,174	7,143
Stock-based compensation (note 7)	1,230	763	4,378	2,225
Depreciation, depletion and accretion	44,734	22,633	120,526	64,157
	<b>76,520</b>	<b>37,324</b>	<b>206,298</b>	<b>107,593</b>
Earnings before income and other taxes	<b>75,016</b>	1,468	89,774	20,116
Future income taxes	<b>21,317</b>	714	26,021	4,852
<b>Net earnings</b>	<b>53,699</b>	754	63,753	15,264
Other comprehensive income				
Amortization of fair value of financial instruments (note 7)	-	(39)	(17)	(852)
<b>Comprehensive income</b>	<b>\$ 53,699</b>	\$ 715	\$ 63,736	\$ 14,412
<b>Retained earnings, beginning of period</b>	<b>135,117</b>	113,246	125,063	98,736
<b>Retained earnings, end of period</b>	<b>\$ 188,816</b>	\$ 114,000	\$ 188,816	\$ 114,000
<b>Net earnings per share – basic</b>	<b>\$ 0.68</b>	\$ 0.01	\$ 0.87	\$ 0.30
<b>Net earnings per share – diluted</b>	<b>\$ 0.68</b>	\$ 0.01	\$ 0.87	\$ 0.29

See accompanying notes to the consolidated financial statements.

**NUVISTA ENERGY LTD.**

**Consolidated Statements of Cash Flows**

(\$ thousands) (unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
<b>Cash provided by (used in)</b>				
<b>Operating Activities</b>				
Net earnings	\$ 53,699	\$ 754	\$ 63,753	\$ 15,264
Items not requiring cash from operations				
Depreciation, depletion and accretion	44,734	22,633	120,526	64,157
Stock-based compensation	1,120	763	3,150	2,225
Bad debt provision	466	-	1,127	-
Unrealized gains (losses) on commodity derivatives	(42,200)	833	7,575	(2,574)
Future income taxes	21,317	714	26,021	4,852
Asset retirement expenditures	(1,309)	(337)	(1,846)	(802)
Decrease (increase) in non-cash working capital items	6,755	11,917	(33,105)	(6,366)
	<b>84,582</b>	<b>37,277</b>	<b>187,201</b>	<b>76,756</b>
<b>Financing Activities</b>				
Issue of share capital and warrants, net of share issuance costs	711	916	89,785	41,360
Increase (decrease) in long-term debt	(16,831)	470	168,036	8,539
Repayment of long-term debt	(2,046)	-	(305,584)	-
	<b>(18,166)</b>	<b>1,386</b>	<b>(47,763)</b>	<b>49,899</b>
<b>Investing Activities</b>				
Oil and natural gas properties and equipment	(82,912)	(22,575)	(124,628)	(80,505)
Transaction costs on Rider acquisition	(16)	-	(4,146)	-
Property acquisition	-	(4,804)	(22,798)	(39,694)
Decrease (increase) in non-cash working capital items	16,294	(11,284)	17,509	(6,456)
	<b>(66,634)</b>	<b>(38,663)</b>	<b>(134,063)</b>	<b>(126,655)</b>
Change in cash and cash equivalents	(218)	-	5,375	-
Cash and cash equivalents, beginning of period	5,593	-	-	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,375</b>	<b>\$ -</b>	<b>\$ 5,375</b>	<b>\$ -</b>

See accompanying notes to consolidated financial statements.

## **NUVISTA ENERGY LTD.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2008.

The unaudited consolidated financial statements of NuVista Energy Ltd. ("NuVista" or "the Company") have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), using the same accounting policies as those set out in note 1 to the consolidated financial statements for the year ended December 31, 2007, except as noted below. The consolidated financial statements for the three and nine months ended September 30, 2008, should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2007. Certain amounts have been reclassified to conform with the current year's presentation. All tabular amounts are in thousands, except per share amounts, unless otherwise stated.

#### **1. Adoption of new accounting policies**

##### **(a) Capital disclosures**

Effective January 1, 2008, the Company adopted the new CICA accounting standard Section 1535, Capital Disclosures. Section 1535 specifies the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements, and the consequences of non-compliance. Refer to note 8, Capital risk management.

##### **(b) Financial instruments**

Effective January 1, 2008, the Company adopted the new CICA accounting standard Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instrument Presentation. These Sections require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks. Refer to note 9, Risk management activities.

##### **(c) Restricted share units**

The Company has established a Restricted Share Unit ("RSU") Incentive Plan for employees, and officers. Compensation expense associated with the RSU is determined based on the intrinsic value, considered to be the market value, at each reporting period which is recognized in earnings over the vesting period with a corresponding increase or decrease in other liabilities.

#### **2. Future accounting changes**

(a) The CICA issued the new accounting standard Section 3064, Goodwill and Intangible Assets replacing Section 3062, Goodwill and Other Intangible Assets. This new Section will be effective on January 1, 2009. This Section applies to goodwill subsequent to initial recognition and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on the Company's consolidated financial statements.

##### **(b) International Financial Reporting Standards**

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the effective date for the requirement to report under International Financial Reporting Standards ("IFRS") with comparative 2010 periods converted as well. Canadian generally accepted accounting principles as we currently know them, will cease to exist for all public reporting entities. Currently, the application of IFRS to the oil and gas industry in Canada requires considerable clarification. The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. The Company has completed a preliminary analysis of the accounting differences and has plans in place to perform a detailed assessment of the impact of IFRS on the results of operations, financial position and disclosures.

#### **3. Accounts receivable provision**

On July 22, 2008, SemGroup LP filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code and two of SemGroup LP's Canadian subsidiaries, SemCAMS ULC and SemCanada Crude Company, filed for creditor protection under the Companies' Creditors Arrangement Act in Canada. NuVista sold natural gas to SemCAMS ULC and crude oil to SemCanada Crude Company and has a financial exposure to these two entities totaling approximately \$4.5 million. NuVista has agreed with these two entities to terminate sales contract effective July 22, 2008, and therefore NuVista has no ongoing financial exposure with these entities. At this time we are unable to ascertain the amount of revenues that will be recoverable but have recorded a provision in our financial statements equal to 25% of the amount owed. The provision increased from \$0.7 million at June 30, 2008, to \$1.1 million at

September 30, 2008 to reflect a provision of 25% on July revenue. We will continue to reassess the recoverability of the revenues as more information becomes available.

#### 4. Acquisitions

##### Business combination

In March 2008, the Company completed the acquisition of all of the issued and outstanding common shares of Rider Resources Ltd. ("Rider") for net consideration of \$260.3 million. The purchase price was based on Rider shareholders receiving 0.3540 common shares of the Company for each Rider share owned. The Company issued approximately 19.8 million common shares in exchange for 56.0 million common shares of Rider. The acquisition was accounted for using the purchase method. Operating results for Rider have been consolidated with the results of the Company effective from March 4, 2008, the date of acquisition. The preliminary allocation of the net purchase price is subject to change as actual amounts are determined. The preliminary allocation of the net purchase price to assets acquired and liabilities assumed based on their fair values was as follows:

	Amount
Purchase price:	
19.8 million NuVista common shares issued	\$ 256,195
Transaction costs	4,146
	<u>260,341</u>
Allocation of purchase price:	
Property, plant and equipment	594,944
Working capital (deficiency)	(15,237)
Bank loan	(288,901)
Financial instrument	(19,251)
Asset retirement obligations	(8,505)
Future income taxes	(27,945)
Goodwill	25,236
	<u>\$ 260,341</u>

#### 5. Asset retirement obligations

Total asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. At September 30, 2008, the estimated total undiscounted amount of cash flows required to settle the Company's asset retirement obligations is \$201.9 million (2007 - \$143.3 million), which will be incurred over the next 51 years. The majority of the costs will be incurred between 2010 and 2036. A credit-adjusted risk-free rate of 8% (2007 - 8%) and an inflation rate of 2% (2007 - 2%) were used to calculate the fair value of the asset retirement obligations. The change in assumptions are due to changes in per well cost estimates.

A reconciliation of the asset retirement obligations is provided below:

	September 30, 2008	December 31, 2007
Balance, beginning of period	\$ 26,574	\$ 22,683
Accretion expense	2,159	1,841
Liabilities incurred	6,430	2,429
Liabilities acquired (see note 4)	8,505	166
Change in assumptions	3,504	1,044
Liabilities settled	(1,846)	(1,589)
Balance, end of period	<u>\$ 45,326</u>	<u>\$ 26,574</u>

#### 6. Long-term debt

On March 4, 2008, the Company increased the revolving credit facility to \$450 million (2007 - \$210 million). Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a stamping fee. The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company's oil and natural gas properties and equipment. The credit facility is subject to an annual review by the lenders, at which time a lender can request conversion to a one year term loan. Under the term period, no principal payments would be required until March 4, 2010. As such, this credit facility is classified as a long-term liability. On October 17, 2008, the Company received notification from its banking syndicate that the semi-annual review of the borrowing base was completed and the credit facility will remain unchanged at \$450.0 million. Cash paid for interest expense for the three and nine months ended September 30, 2008, was \$3.9 million (2007 - \$2.2 million) and \$11.1 million (2007 - \$6.6 million) respectively.

## 7. Shareholders' equity

### (a) Share capital, warrants and contributed surplus

	September 30, 2008	December 31, 2007
Share capital	\$ 585,200	\$ 240,245
Warrants	3,454	-
Contributed surplus	7,087	4,967
<b>Total</b>	<b>\$ 595,741</b>	<b>\$ 245,212</b>

### (b) Authorized

Unlimited number of voting Common Shares and 1,200,000 Class B Performance Shares.

### (c) Common shares issued

	September 30, 2008		December 31, 2007	
	Number	Amount	Number	Amount
Balance, beginning of period	52,704	\$ 240,245	49,015	\$ 194,027
Issued for cash	6,000	80,546	2,750	39,875
Issued on Rider acquisition	19,844	256,195	-	-
Conversion of Class B Performance Shares	-	-	231	3
Exercise of stock options	564	6,086	708	4,991
Stock-based compensation	-	2,343	-	2,788
Cost associated with shares issued, net of future tax benefit	-	(215)	-	(1,439)
<b>Balance, end of period</b>	<b>79,112</b>	<b>\$ 585,200</b>	<b>52,704</b>	<b>\$ 240,245</b>

On March 4, 2008, the Company issued 6.0 million units of NuVista ("Unit") at a price of \$14.00 per Unit for gross proceeds of \$84.0 million by way of a private placement. Each Unit consists of one common share and one-half of a warrant.

### (d) Warrants

	September 30, 2008	
	Number	Amount
Balance, beginning of period	-	\$ -
Issued	3,000	3,454
<b>Balance, end of period</b>	<b>3,000</b>	<b>\$ 3,454</b>

At September 30, 2008, there were 3.0 million common share purchase warrants outstanding. Each warrant entitles the holder thereof to acquire, subject to adjustment, one common share for \$15.50, prior to March 4, 2009. The Company has estimated a fair value of \$3.5 million for the warrants using a Black – Scholes pricing model. The pricing model used the following parameters: a risk free interest rate of 3.76%; an expected life of 1 year; and a volatility of 30%.

### (e) Contributed surplus

	September 30, 2008	December 31, 2007
Balance, beginning of period	\$ 4,967	\$ 3,747
Stock-based compensation	4,463	4,008
Exercise of stock options	(2,343)	(2,788)
<b>Balance, end of period</b>	<b>\$ 7,087</b>	<b>\$ 4,967</b>

### (f) Accumulated other comprehensive income

	September 30, 2008	December 31, 2007
Balance, beginning of period	\$ 17	\$ -
Transition adjustment for discontinuance of hedge accounting, net of tax	-	905
Reclassification to net earnings during the period, net of tax	(17)	(888)
<b>Balance, end of period</b>	<b>\$ -</b>	<b>\$ 17</b>

(g) Per share amounts

During the three months ended September 30, 2008, there were 79,102,721 (2007 – 52,402,464) weighted average shares outstanding and 79,269,886 (2007 – 52,814,060) average shares outstanding on a dilutive basis. For the nine months ended September 30, 2008, there were 72,892,750 (2007 – 50,961,977) weighted average shares outstanding and 73,619,230 (2007 – 51,667,461) weighted average shares outstanding on a dilutive basis. The number of anti-dilutive options totaled 6,748,497 (2007 – 2,770,500) at September 30, 2008. In addition, there were 3.0 million warrants outstanding at September 30, 2008, which were anti-dilutive.

(h) Stock options

The Company has established a stock option plan whereby officers, directors, employees and service providers may be granted options to purchase common shares. Options granted vest at the rate of 25% per year and expire two years after the date of vesting to a maximum term of six years. The total stock options outstanding plus the Class B Performance Shares cannot exceed 10% of the outstanding common shares. The summary of stock options transactions is as follows:

	September 30, 2008		December 31, 2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of period	4,046,400	\$ 13.46	3,653,711	\$ 11.94
Granted	2,351,860	15.71	1,373,100	14.38
Exercised	(563,175)	10.81	(707,961)	6.35
Forfeited	(173,975)	14.64	(269,950)	14.40
Expired	(9,200)	14.80	(2,500)	7.79
Balance, end of period	5,651,910	\$ 14.62	4,046,400	\$ 13.46

The Company uses the fair value based method for the determination of the stock-based compensation costs. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate was 4.0%; average volatility of 33%; an expected life of 4.5 years; an estimated forfeiture rate of 10%; and dividends of nil. The weighted average fair value of stock options granted for the nine months ended September 30, 2008, was \$5.30 per option (2007 - \$4.77 per option).

(i) Restricted share units ("RSU")

In January 2008, the Board of Directors approved a RSU Incentive Plan for employees and officers. Each RSU entitles participants to receive cash equal to the market value of the equivalent number of shares of the Company. The RSU's become payable as they vest over their lives, typically three years.

For the nine months ended September 30, 2008, the Company recorded compensation expense of \$1.3 million and capitalized \$0.4 million to property, plant and equipment with a corresponding offset recorded in other liabilities. The compensation expense was based on the trading price of the Company's shares on September 30, 2008.

The following table summarizes the change in RSU for the nine months ended September 30, 2008:

	September 30, 2008
	Number
Balance, beginning of period	-
Granted	373,293
Forfeited	(16,070)
Balance, end of period	357,223

The following table summarizes the change in compensation liability relating to the RSU's:

	September 30, 2008	
	Amount	
Balance, beginning of period	\$	-
Change in liabilities during the period		1,644
Balance, end of period	\$	1,644
Current portion of compensation liability (included in accounts payable and accrued liabilities)	\$	783
Long-term portion of compensation liability	\$	861

## 8. Capital risk management

The Company's objectives when managing capital are: (i) to deploy capital to provide an appropriate return on investment to its shareholders; (ii) to maintain financial flexibility in order to preserve its ability to meet financial obligations; and (iii) to maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include share capital, bank loan, and working capital. In order to maintain or adjust its capital structure, the Company may issue new shares, raise debt, refinance existing debt and adjust capital spending.

A key measure the Company utilizes in evaluating its capital structure is the ratio of net debt to annualized funds from operations. The ratio is calculated as net debt, defined as outstanding bank loan plus or minus working capital, divided by cash flow from operations before asset retirement expenditures and changes in non-cash working capital for the most recent calendar quarter. The Company's strategy is to maintain a net debt to annualized funds from operations ratio of less than 2.0:1. At September 30, 2008, the Company had a ratio of net debt to annualized funds from operations of 1.1:1 (2007 - 1.6:1).

The Company's share capital is not subject to external restrictions; however the credit facility borrowing commitment is based on the lender's semi-annual review of the Company's petroleum and natural gas reserves. There were no changes to the Company's approach to capital management during the quarter.

## 9. Risk management activities

### (a) Financial instruments

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, financial derivative contracts, accounts payable and accrued liabilities, and bank loan. Unless otherwise noted, carrying values reflect the current fair value of the Company's financial instruments due to their short-term maturities. The estimated fair values of recognized financial instruments have been determined based on the Company's assessment of available market information and appropriate methodologies, through comparisons to similar instruments, or third party quotes.

(i) As at September 30, 2008, the Company has entered into the following crude oil contracts:

Volume	Average Price (Cdn\$/bbl)	Term
500 bbls/d	CDN. \$66.50 – Bow River	October 1, 2008 – December 31, 2008
750 bbls/d	CDN. \$70.01 – CDN. \$86.68 – WTI	October 1, 2008 – December 31, 2008
1,000 bbls/d	CDN. \$64.00 – Bow River	January 1, 2009 – December 31, 2009
1,000 bbls/d	CDN. \$95.01 – CDN. \$110.01 – WTI	January 1, 2009 – December 31, 2009

As at September 30, 2008, the Company has entered into the following natural gas contracts:

Volume	Average Price (Cdn\$/gj)	Term
20,000 gj/d	CDN. \$7.50 – \$8.42 – AEEO	October 1, 2008 – October 31, 2008
5,000 gj/d	CDN. \$8.50 – \$11.00 – AEEO	November 1, 2008 – March 31, 2009



As at September 30, 2008, the mark to market value of the financial instruments was a loss of \$9.3 million.

(ii) Physical sale contracts

As at September 30, 2008, the Company has entered into direct sale natural gas contracts as follows:

Volume	Average Price (Cdn\$/gj)	Term
50,000 gj/d	CDN. \$7.27 – \$7.43 – AECO	October 1, 2008 – October 31, 2008
30,000 gj/d	CDN. \$8.96 – \$10.72 – AECO	November 1, 2008 – March 31, 2009

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its accounts receivables. Most of the Company's accounts receivable arises from transactions with joint venture partners and oil and natural gas sales with petroleum and natural gas marketers. The Company mitigates its credit risk by entering into contracts with established counterparties that have strong credit ratings and reviewing its exposure to individual counterparties on a regular basis.

As at September 30, 2008, the accounts receivable balance was \$54.3 million of which \$10.8 million of accounts receivable were past due. The Company considers all amounts greater than 90 days past due. These past due accounts receivable are considered to be collectible, except as described in note 3. When determining whether past due accounts are uncollectible, the Company factors in the past credit history of the counterparties. As at September 30, 2008, the Company had an allowance for doubtful accounts of \$1.3 million (see Note 3).

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure risk to the Company. The Company did not have accounts receivable balances owing from counterparties that constituted more than 10% of the total revenue during the nine months ended September 30, 2008.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity through continuously monitoring cash flows from operating activities, review of actual capital expenditure program, managing maturity profiles of financial assets and financial liabilities, maintaining a revolving credit facility with sufficient capacity, and managing its commodity price risk management program. These activities ensure that the Company has sufficient funds to meet its financial obligations when due.

The timing of cash flows relating to financial liabilities as at September 30, 2008, are as follows:

	2008	2009	2010	2011	Thereafter
Accounts payable and accrued liabilities	\$ 77,510	\$ -	\$ -	\$ -	\$ -
Commodity derivative liability	-	2,242	-	-	-
Bank loan	-	-	345,145	-	-
Other liabilities	-	-	738	123	-
<b>Total</b>	<b>\$ 77,510</b>	<b>\$ 2,242</b>	<b>\$ 345,883</b>	<b>\$ 123</b>	<b>\$ -</b>

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in commodity price risk, currency risk, and interest rate risk. The objective of market risk management is to manage the Company's exposure to these risks to within acceptable parameters, while optimizing returns.

(i) Commodity price risk

The Company is engaged in exploration, development and production activities in Canada and as a result has exposure to commodity price risk. Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by global economic, political and environmental factors which affect the levels of supply and demand. The Company sells all of its crude oil, natural gas and natural gas liquids in Canada with sales prices denominated in Canadian dollars.

The Company has adopted a disciplined commodity price risk management program as part of its overall financial management strategy. The Board of Directors has a commodity price risk management limit of up to a maximum of 60% of forecast production volumes, net of royalties. For the period April 2008 to October 2008, the Board has approved an increase to the limit for natural gas contracts up to 70,000 gj/day. The Company manages the risks associated with changes in commodity prices through the use of various financial derivative and physical delivery sales contracts. The price risk management contracts are considered economic hedges and the change in the fair value of these contracts is offset by an equal and opposite change in the fair value of the Company's future cash flows.

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to currency risk as the underlying commodity prices in Canada for petroleum and natural gas are impacted by changes in exchange rate between the Canadian and United States dollars. The Company manages this exposure through its commodity price risk management.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank loan which bears a floating rate of interest. If interest rates had been 0.5% higher, the impact to net earnings after tax for the three and nine months ended September 30, 2008, would have been \$0.4 million and \$1.2 million respectively due to higher interest expense. Conversely, if interest rates had been 0.5% lower, an equal and opposite impact would have occurred to net earnings. The Company had no interest rate swap or financial contracts in place as at or during the nine months ended September 30, 2008.

## 10. Relationship with Bonavista Petroleum Ltd.

In 2003, as part of the Plan of Arrangement with Bonavista Petroleum Ltd. ("Bonavista"), NuVista entered into a Technical Services Agreement ("TSA"). Under the TSA, Bonavista received payment for certain services provided by it to NuVista. Effective January 1, 2007, the terms of the TSA were amended to reflect the reduced level of services provided by Bonavista. On August 31, 2007, the TSA was terminated and replaced with a new services agreement that reflects the remaining ongoing services that will be provided by Bonavista. NuVista and Bonavista are considered related as two directors of NuVista, one of whom is NuVista's chairman, are also directors and officers of Bonavista and a director and an officer of NuVista are also officers of Bonavista.

For the three months ended September 30, 2008, NuVista paid Bonavista \$0.3 million (2007 - \$0.4 million) in fees relating to general and administrative services provided by Bonavista. NuVista charged Bonavista management fees for jointly owned partnerships totaling \$0.3 million (2007 - \$0.3 million). In addition, during the third quarter of 2008, Bonavista charged NuVista \$0.1 million (2007 - \$0.4 million) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties.

For the nine months ended September 30, 2008, NuVista paid Bonavista \$1.1 million (2007 - \$1.0 million) in fees relating to general and administrative services provided by Bonavista. In 2008, NuVista charged Bonavista management fees for jointly owned partnerships totaling \$1.0 million (2007 - \$1.0 million). In addition Bonavista charged NuVista \$0.2 million (2007 - \$1.0 million) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties. As at September 30, 2008, the amount receivable from Bonavista was \$1.0 million.

## 11. Commitments

The following is a summary of the Company's contractual obligations and commitments as at September 30, 2008:

	Total	2008	2009	2010	2011	Thereafter
Transportation	\$ 813	\$ 212	\$ 444	\$ 123	\$ 34	\$ -
Office lease	8,391	514	2,055	2,055	2,055	1,712
Total commitments	\$ 9,204	\$ 726	\$ 2,499	\$ 2,178	\$ 2,089	\$ 1,712

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## Corporate Information

### *Directors*

Keith A. MacPhail, Chairman  
W. Peter Comber, Barrantagh Investment Management Inc.  
Pentti O. Karkkainen, KERN Partners  
Ronald J. Poelzer, Bonavista Energy Trust  
Alex G. Verge, President and CEO  
Clayton H. Woitas, Range Royalty Management Ltd.  
Grant A. Zawalsky, Burnet, Duckworth & Palmer LLP  
Craig W. Stewart, RMP Energy Ltd.

### *Officers*

Keith A. MacPhail, Chairman  
Alex G. Verge, President and CEO  
Robert F. Froese, Vice President, Finance and CFO  
Kevin J. Christie, Vice President, Exploration  
Steven J. Dalman, Vice President, Business Development  
D. Chris McDavid, Vice President, Operations  
Daniel B. McKinnon, Vice President, Engineering  
Glenn A. Hamilton, Corporate Secretary

### *Auditors*

KPMG LLP  
Chartered Accountants  
Calgary, Alberta

### *Legal Counsel*

Burnet, Duckworth & Palmer LLP  
Calgary, Alberta

### *Bankers*

Canadian Imperial Bank of Commerce  
Bank of Montreal  
Royal Bank of Canada  
Toronto-Dominion Bank  
Bank of Nova Scotia  
Alberta Treasury Branches  
Union Bank of California, Canada Branch

### *Registrar and Transfer Agent*

Valiant Trust Company  
Calgary, Alberta

### *Engineering Consultants*

GLJ Petroleum Consultants Ltd.  
Calgary, Alberta

### *Stock Exchange Listing*

Toronto Stock Exchange  
Trading Symbol "NVA"

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