NUVISTA ENERGY LTD

THIRD INTERIM REPORT 2004

Press Release November 4, 2004

Calgary – NuVista Energy Ltd. is pleased to announce its financial and operating results for the three and nine months ended September 30, 2004 as follows:

Corporate Highlights

	Three Months ended September 30, 2004	Period [(1)] ended September 30, 2003	% Change	Nine Months ended September 30, 2004
		(restated)		
Financial				
($ thousands, except per share)				
Production revenue	21,565	12,399	74	53,663
Cash flow from operations [(2)]	13,682	7,554	81	34,649
Per share – basic	0.35	0.21	67	0.91
Per share – diluted	0.34	0.20	70	0.88
Net income [(3)]	4,335	2,746	58	12,607
Per share – basic	0.11	0.08	38	0.33
Per share – diluted	0.11	0.07	57	0.32
Total assets	161,782	82,142	97	161,787
Bank loan, net of working capital	34,517	7,586	355	34,517
Shareholders' equity	109,080	69,699	56	109,080
Net capital expenditures	57,746	7,523	668	75,862
Weighted average common shares outstanding (thousands):				
Basic	39,643	35,382	12	38,110
Diluted	40,699	37,846	8	39,250
Operating				
(boe conversion – 6:1 basis)				
Production:				
Natural gas (mmcf/day)	27.8	17.8	56	23.3
Oil and liquids (bbls/day)	1,475	983	50	1,280
Total oil equivalent (boe/day)	6,113	3,949	55	5,163
Product prices:				
Natural gas ($/mcf)	6.40	6.02	6	6.51
Oil and liquids ($/bbl)	38.11	29.70	28	34.61
Operating expenses ($/boe):				
Natural gas ($/mcf)	0.73	0.56	30	0.68
Oil and liquids ($/bbl)	4.08	4.26	(4)	3.99
Total oil equivalent ($/boe)	4.31	3.58	20	4.04
General & administrative expenses ($/boe)	0.37	0.35	6	0.36
Cash costs ($/boe)	5.24	4.77	10	4.74
Cash flow netback ($/boe) [(2)]	24.33	21.02	16	24.50

NOTES:

(1) Period is from July 2, 2003 to September 30, 2003.

(2) Cash flow from operations is used before changes in non-cash working capital to analyze operating performance and leverage. Cash flow does not have a standardized measure prescribed by Canadian Generally Accepted Accounting Principles and therefore may not be comparable with the calculations with similar measures for other companies.

(3) Net income and net income per share for 2003 have been restated for the adoption of new accounting standards for asset retirement obligations and stockbased compensation. See Note 1 of the interim consolidated financial statements for details of this restatement.

MESSAGE TO SHAREHOLDERS

NuVista Energy Ltd. ("NuVista") is pleased to report to shareholders its financial and operating results for the three and nine months ended September 30, 2004. NuVista has now completed fifteen months of operations and the Board of Directors and management are very pleased with the results, accomplishments and corresponding value created for its shareholders. The results of the third quarter of 2004 represent the fifth consecutive quarter of continuous profitable growth for NuVista, since its creation on July 2, 2003 through the Plan of Arrangement involving Bonavista Petroleum Ltd. and Bonavista Energy Trust (collectively "Bonavista").

During the third quarter of 2004, NuVista was successful in the completion of one major acquisition, a private company, for approximately $47.4 million. This acquisition provides NuVista with a significantly expanded land position and prospect inventory in two areas, the Provost area (a northwest extension of NuVista's Eastern Natural Gas Region) and a new core region in the Pembina area. With the private company acquisition completed on July 29, 2004, NuVista announced an increase of its base capital budget from $70 million to $95 million for 2004 and the increase in the drilling program to approximately 90 wells. The expanded capital program for 2004 will enable NuVista's 2004 forecasted exit production to increase 12% to 7,500 boe per day from the 6,700 boe per day originally forecasted.

Other significant highlights for NuVista include:

- Since inception, production has increased by 94% to the current level of 6,800 boe per day, consisting of 32 mmcf per day of natural gas and 1,420 bbls per day of oil and liquids;
- Increased undeveloped land by 77%, to over 305,000 net acres from the 172,000 net acres on commencement of operations, further enhancing the drilling prospect inventory in its Core Regions. In addition, NuVista has acquired options on over 40,000 net acres of undeveloped land through farm-in commitments to industry partners;
- Acquired 1,700 kilometers of 2D and 210 square kilometers of 3D seismic to further enhance the prospectivity of NuVista's undeveloped land thus far in 2004;
- Participated in 63 (49.6 net) wells year to date in 2004, with an overall success rate of 89%;
- Evaluated and submitted proposals on a number of acquisition opportunities in the third quarter of 2004, resulting in commitments for four complimentary property acquisitions, two in the Eastern Alberta Natural Gas Region and two in the Provost-Amisk Region;
- Continued focus on controllable cash costs has been a top priority, with recorded cash costs of $5.24 per boe for the third quarter of 2004, leaving NuVista in the top decile of its industry peers; and
- In October 2004, completed the expansion of the bank facility to $55 million, an increase of 72% since inception, leaving significant financial flexibility to fund future opportunities as they arise.

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 the unaudited consolidated financial statements for the three and nine months ended September 30, 2004 and NuVista's audited consolidated financial statements and MD&A for the period from July 2, 2003 to December 31, 2003. Barrels of oil equivalent ("boe") have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.

Forward-Looking Statements – Certain information set forth in this document, including management's assessment of NuVista's future plans and operations, contains forward-looking statements. 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, stock market volatility and 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.

New accounting policies – On January 1, 2004, NuVista adopted and implemented new accounting policies pursuant to requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook. The new accounting policies adopted included: "Stock-based Compensation and Other Stock-based Payments", "Asset Retirement Obligations" and "Hedge Accounting" and are detailed further in Note 1 of the Notes to the Consolidated Financial Statements.

Operating activities – The third quarter of 2004 was highlighted with the private company acquisition whereby NuVista added 1,280 boe per day of production, consisting of 7.1 mmcf per day of natural gas and 100 bbls per day of oil and liquids. This acquisition added two new core areas at Provost and Pembina in Alberta. In the Provost area over 40 re-entry or drilling opportunities have been identified, as well as numerous complementary acquisition opportunities. Two of these acquisition opportunities have been completed to date. In general, the Provost area is expected to provide 20 to 25 drilling prospects per year. In the Pembina area, NuVista has access to over 20,000 net acres of highly prospective undeveloped land and has approved 10 re-entry and drilling opportunities, targeting both low risk shallow and deeper medium risk prospects. In the third quarter, NuVista also drilled 16 wells with an average working interest of 87%. The success rate of 94% in this drilling program resulted in 15 natural gas wells. Of these 15 wells, 11 were medium depth natural gas prospects drilled in the Oyen Natural Gas Region and four wells at the Provost area. As currently being reported throughout the industry, NuVista also experienced minor weather related delays resulting in drilling fewer natural gas tests and oil prospects than originally planned and the delay of tie-ins and compression projects until late in the third quarter. NuVista is currently completing the successful third quarter wells and will drill the remaining third quarter locations as part of the fourth quarter program. NuVista operated all of the wells drilled in the third quarter, with an average working interest of 87%. NuVista continues to actively drill in its core regions, with 25 - 30 wells planned for the fourth quarter. For the nine months ended September 30, 2004, NuVista drilled 54 (44.1 net) wells, operating 48, resulting in 39 natural gas wells, eight oil wells and seven dry holes.

Production - For the third quarter of 2004 NuVista's average production of 6,113 boe per day, which was comprised of 27.8 mmcf per day of natural gas and 1,475 bbls per day of oil and liquids, represents a 55% increase over the same period of 2003. A significant portion of NuVista's third quarter natural gas drilling success will be brought on-stream in the fourth quarter of 2004. NuVista's production results for the nine months ended September 30, 2004 benefited from continued success in its Eastern Alberta Core Region drilling program and consisted of 23.3 mmcf per day of natural gas and 1,280 bbls per day of oil and liquids.

Revenues – Revenues for the three months ended September 30, 2004 were $21.6 million, a 74% increase from $12.4 million for the period from July 2 to September 30, 2003. These revenues were comprised of $16.4 million of natural gas and $5.2 million of oil and liquids for the three months ended September 30, 2004. The increase in revenues for the three months ended September 30, 2004 versus the period from July 2 to September 30, 2003 results from a 55% increase in production and an 11% increase in commodity prices. The commodity price increase is made up of a 6% increase in the natural gas price to $6.40 per mcf from $6.02 per mcf and a 28% increase in the oil and liquids price to $38.11 per bbl from $29.70 per bbl. Revenues for the nine months ended September 30, 2004 were $53.7 million.

Commodity hedging – As part of our financial management strategy, NuVista has adopted a disciplined commodity-hedging program. The purpose of the hedging program is to reduce volatility in the financial results, protect acquisition economics and stabilize cash flow against the unpredictable commodity price environment. At any given period of time our hedging strategy is restricted to a maximum hedge of 40% of forecasted production, net of royalties and primarily utilizes costless collars in our hedging participation in commodity price increases. In the third quarter of 2004, our hedging program resulted in a net loss of $366,000 and for the nine months ended September 30, 2004 a net loss of $730,000 was experienced due to the stronger than expected commodity prices realized throughout the period. A summary of hedging contracts in place as at September 30, 2004 is outlined in Note 6 of the Notes to the Consolidated Financial Statements.

Royalties - Royalties of $4.9 million for the three months ended September 30, 2004 were 58% higher than the $3.1 million for the period from July 2 to September 30, 2003. The increase in royalties in the third quarter resulted from higher revenues compared to the period from July 2 to September 30, 2003, largely generated by higher production volumes and oil and liquids prices. As a percentage of revenue, the average royalty rate for the third quarter of 2004 was 23% compared to 25% for the comparative period of 2003. Royalties by product for the third quarter of 2004 were 25% for natural gas and 17% for oil and liquids versus 28% for natural gas and 15% for oil and liquids for the similar period in 2003. The decrease in natural gas royalties results from gas cost allowance credits received during the third quarter of 2004. Royalties for the nine months ended September 30, 2004 were $12.3 million or 23% of revenues, 25% for natural gas and 17% for oil and liquids.

Operating expenses - Operating expenses were $2.4 million for the three months ended September 30, 2004 versus $1.3 million for the period from July 2 to September 30, 2003, an 85% increase. This increase resulted primarily from the higher production volumes and higher per unit natural gas operating costs associated with the private company acquisition. In the third quarter of 2004, natural gas operating expenses averaged $0.73 per mcf and oil and liquids operating expenses were $4.08 per bbl as compared to $0.56 per mcf and $4.26 per bbl respectively for the period from July 2 to September 30, 2003. On a boe basis, operating costs increased 20% to $4.31 per boe in the third quarter of 2004 as compared to $3.58 per boe for the period from July 2 to September 30, 2003, primarily due to higher costs of the newly acquired assets and cost pressures facing the entire industry. Despite this increase, NuVista still remains in the top decile for oil and natural gas companies in its peer group. Operating expenses for the nine months ended September 30, 2004 were $5.7 million or $4.04 per boe. By commodity, natural gas operating expenses were $0.68 per mcf for natural gas and $3.99 per boe for oil and liquids for the nine months ended September 30, 2004. Overall, NuVista's cash costs, which include operating, general and administrative, interest expenses and Large Corporation Tax, were $5.24 per boe in the third quarter of 2004 compared to $4.77 per boe for the period from July 2 to September 30, 2003 and $4.74 for the nine months ended September 30, 2004. This too places us in the top decile in our peer group in this performance criteria.

General and administrative - General and administrative expenses, net of overhead recoveries for the third quarter of 2004, were $206,000 ($0.37 per boe), an increase of 62% over the $127,000 ($0.35 per boe) for the three months ended September 30, 2003, and is directly attributable to the higher production base in NuVista. General and administrative expenses, net of overhead recoveries were $508,000 ($0.36 per boe) for the nine months ended September 30, 2004. Included in these expenses is an allocation of $320,000 for the three months ended and $840,000 for the nine months ended September 30, 2004 from Bonavista, charged pursuant to the Technical Services Agreement. For the period from July 2 to September 30, 2003, $175,000 was allocated to NuVista under the Technical Services Agreement. The Technical Services Agreement, entered into as part of the Plan of Arrangement, has allowed NuVista to initiate and continue with its successful and active capital programs, through the use of Bonavista's personnel in managing its operations and at the same time take advantage of Bonavista's low overhead cost structure. As a result of adopting the new accounting rules, NuVista recorded a stock-based compensation charge of $255,000 for the three months and $733,000 for the nine months ended September 30, 2004, in connection with the issuance of both the Class B Performance Shares and stock options. The stock based non-cash compensation charge to net income for the period from July 2 to September 30, 2003 was $230,000.

Financing charges – Financing charges during the third quarter of 2004 were $201,000 ($0.36 per boe) versus $244,000 ($0.68 per boe) for the period from July 2 to September 30, 2003 because of lower average debt levels and higher production volumes in the third quarter of 2004. For the nine months ended September 30, 2004, financing charges were $330,000 ($0.23 per boe). Currently, NuVista's average borrowing rate is approximately 3.6%.

Depreciation, depletion and accretion expenses - Depreciation, depletion and accretion expenses were $6.7 million for the third quarter of 2004 compared to $3.0 million for the same period in 2003. The average cost per unit was $11.86 per boe in the third quarter of 2004 versus $8.52 per boe for the period from July 2 to September 30, 2003, due to higher costs of adding reserves, primarily from the acquisition of the private company, in the current quarter as compared to historic levels. Depreciation, depletion and accretion expenses were $13.4 million for the nine month period ended September 30, 2004, or $9.47 per boe. The cumulative depreciation, depletion and accretion rate has been reduced as a result of the retroactive adoption of the new accounting rules relating to asset retirement obligations.

Income and other taxes - For the third quarter of 2004, the provision for income and other taxes was $2.5 million for an effective tax rate of 37%, as compared to $1.6 million with an effective tax rate of 37% for the period from July 2 to September 30, 2003. For the nine months ended September 30, 2004, the provision for income and other taxes was $8.1 million for an effective tax rate of 39%.

Capital expenditures - Capital expenditures were $57.7 million during the third quarter of 2004 consisting of exploration and development spending of $10.0 million and $47.7 million of net acquisitions, which included the private company acquisition. For the nine months ended September 30, 2004, capital expenditures were $75.9 million.

Cash flow and net income - In the third quarter of 2004, cash flow was $13.7 million ($0.35 per share, basic), an 81% increase over the $7.6 million ($0.21 per share, basic) for the period from July 2 to September 30, 2003. For the nine months ended September 30, 2004, NuVista's cash flow was $34.7 million ($0.91 per share, basic). Net income also increased 58% during the third quarter of 2004 to $4.3 million ($0.11 per share, basic) from the $2.7 million ($0.08 per share, basic) restated for the period from July 2 to September 30, 2003. For the nine months ended September 30, 2004 net income was $12.6 million ($0.33 per share, basic). All of these increases resulted from stronger commodity prices and increased production rates as NuVista continues to maintain a strong net income to cash flow ratio of 31% for the third quarter ending September 30, 2004 and 36% for the nine months ended September 30, 2004.

Liquidity and capital resources - As at September 30, 2004, total bank debt (net of working capital) was $34.5 million, resulting in a debt to running cash flow ratio of approximately 0.6 to 1. NuVista has approximately $20.5 million of unused bank borrowing capability based on the current line of credit of $55 million, which provides substantial flexibility to fund expanded capital programs into the future. As at November 4, 2004, there were 40,558,824 common shares and 884,066 Class B Performance Shares outstanding. In addition, there were 1,666,487 stock options outstanding, with an average exercise price of $6.72 per share.

Quarterly financial information **-** The following table highlights NuVista's performance for the quarterly reporting periods from September 30, 2003 to September 30, 2004. NuVista commenced operations on July 2, 2003 through the Plan of Arrangement involving Bonavista:

	2004			2003	
	September 30	June 30	March 31	December 31	July 2 to September 30
(thousands, except per share amounts)				(restated)	(restated)
Production revenue	$ 21,565	$ 16,642	$ 15,456	$ 12,735	$ 12,399
Net income	4,335	4,540	3,732	2,878	2,746
Net income per share:					
Basic	$ 0.11	$ 0.12	$ 0.10	$ 0.08	$ 0.08
Diluted	0.11	0.12	0.10	0.08	0.07

BUSINESS RISKS AND OUTLOOK

NuVista's management remains committed to the same principles and disciplined growth strategy that led to the tremendous success of Bonavista over its first six year period as a high growth exploration and production company. With the undeveloped land base now exceeding 305,000 net acres, an increased drilling inventory, coupled with our strong balance sheet, NuVista is well positioned to continue posting strong operational and financial results for the remainder of 2004 and beyond. NuVista will continue to focus on its core strategy of applying technical expertise to its operating regions in a prudent and disciplined manner, through both the drill bit and strategic acquisitions. The execution of these strategies will enable NuVista to continue to grow its production, cash flow and net income consistently and profitability. The continued expectations of exploration, development and acquisition success, leaves NuVista in an excellent position to average approximately 5,600 boe per day and a cash flow estimate of $1.30 per share in 2004. Furthermore, our solid financial position will enable us to execute our 2004 capital program and remain positioned to pursue additional strategic opportunities as they arise.

For 2005 NuVista's Board of Directors has approved an initial capital program of $100 million, which is expected to average production of between 8,200 and 8,600 boe per day for the year. Using the current forward strip prices of $7.75 per gj at AECO for natural gas and US $49.00 per bbl WTI for oil, this production forecast should result in cash flow in the range of $88 million to $92 million ($2.15 per share to $2.25 per share) for 2005.

We remain unwavering in our commitment to enhance shareholder value by accessing the broad depth and expertise of the Bonavista team in a diligent and prudent manner.

On Behalf of the Board of Directors

Alex G. Verge
President and
Chief Executive Officer

Glenn A. Hamilton
Vice President and
Chief Financial Officer

November 4, 2004
Calgary, Alberta

Consolidated Balance Sheets

(thousands)	September 30, 2004	December 31, 2003
	(unaudited)	(restated)
Assets		
Accounts receivable	$ 10,048	$ 6,251
Oil and natural gas properties and equipment	142,888	79,959
Goodwill	8,851	-
Future tax asset	-	8,164
	$ 161,787	$ 94,374
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	$ 11,261	$ 12,402
Bank loan	-	6,928
	11,261	19,330
Bank loan	33,304	-
Asset retirement obligations	4,453	3,027
Future income taxes	3,689	-
Shareholders' equity:		
Share capital	89,655	65,932
Contributed surplus	1,194	461
Retained earnings	18,231	5,624
	109,080	72,017
	$ 161,787	$ 94,374

Consolidated Statement of Operations and Retained Earnings

(thousands, except per share amounts)	Three Months ended September 30, 2004	Period [(1)] ended September 30, 2003	Nine Months Ended September 30, 2004	Period [(1)] ended September 30, 2003
(unaudited)		(restated)		(restated)
Revenues:				
Production	$ 21,565	$ 12,399	$ 53,663	$ 12,399
Royalties, net	(4,935)	(3,129)	(12,310)	(3,129)
	16,630	9,270	41,353	9,270
Expenses:				
Operating	2,426	1,287	5,715	1,287
General and administrative	206	127	508	127
Financing charges	201	244	330	244
Stock-based compensation	255	230	733	230
Depreciation, depletion and accretion	6,671	3,027	13,388	3,027
	9,759	4,915	20,674	4,915
Income before income and other taxes	6,871	4,355	20,679	4,355
Income and other taxes	2,536	1,609	8,072	1,609
Net income	4,335	2,746	12,607	2,746
Retained earnings, beginning of period	13,896	-	5,668	-
Retroactive application of changes in accounting policies (note 1)	-	-	(44)	-
Retained earnings, end of period	$ 18,231	$ 2,746	$ 18,231	$ 2,746
Net income per share – basic	$ 0.11	$ 0.08	$ 0.33	$ 0.08
Net income per share – diluted	$ 0.11	$ 0.07	$ 0.32	$ 0.07

(1) Period is from July 2, 2003 to September 30, 2003.

Consolidated Statement of Cash Flows

(thousands)	Three Months ended September 30, 2004	Period [1] ended September 30, 2003	Nine Months ended September 30, 2004	Period [1] ended September 30, 2003
(unaudited)		(restated)		(restated)
Cash provided by (used in):				
Operating Activities:				
Net income	$ 4,335	$ 2,746	$ 12,607	$ 2,746
Items not requiring cash from operations:				
Depreciation, depletion and accretion	6,671	3,027	13,388	3,027
Stock-based compensation	255	230	733	230
Future income taxes	2,421	1,551	7,921	1,551
Funds flow from operations	13,682	7,554	34,649	7,554
Asset retirement expenditures	17	(1)	(19)	(1)
Decrease (Increase) in non-cash working capital items	(3,037)	3,547	(6,644)	3,547
	10,662	11,100	27,986	11,100
Financing Activities:				
Issue (Repurchase) of share capital	(30)	17,526	(37)	17,526
Increase (Decrease) in bank loan	25,573	(21,103)	26,376	(21,103)
	25,543	(3,577)	26,339	(3,577)
Investing Activities:				
Business acquisition (note 2)	(22,882)	-	(22,882)	-
Oil and natural gas properties and equipment additions	(13,323)	(7,523)	(31,545)	(7,523)
Proceeds on disposal of oil and natural gas properties and equipment	-	-	102	-
	(36,205)	(7,523)	(54,325)	(7,523)
Decrease in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	$ -	$ -	$ -	$ -

(1) Period is from July 2, 2003 to September 30, 2003.

Cash paid for interest was $194,000 for the three months and $312,000 for the nine months ended September 30, 2004.

SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Nine months ended September 30, 2004.

The interim consolidated financial statements 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 period from July 2, 2003 to December 31, 2003, except as noted below. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the period from July 2, 2003 to December 31, 2003.

1. Changes in accounting policies:

a) Oil and natural gas properties and equipment:

Oil and natural gas properties and equipment are evaluated in each reporting period to determine that the carrying amount in a cost centre is recoverable and does not exceed the fair value of the properties in the cost centre.

The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying amount of the cost centre. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects of the cost centre. The cash flows are estimated using expected future product prices and costs, and are discounted using a risk-free interest rate.

Effective January 1, 2004, NuVista adopted the new accounting standard relating to full cost accounting. The adoption of this new policy on January 1, 2004 resulted in no write-down to the carrying value of oil and natural gas assets. Prior to January 1, 2004 the ceiling test amount was the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost or market of unproved properties and the cost of major development projects less estimated future costs for administration, financing, site restoration and income taxes. The cash flows were estimated using period end prices and costs.

NuVista has performed the ceiling test under AcG-16 as of January 1, 2004. The impairment test was calculated using the benchmark reference prices at January 1 for the years 2004 to 2008 and adjusted for commodity differentials specific to NuVista:

Benchmark Reference Price Forecasts:	Year				
	2004	**2005**	**2006**	**2007**	**2008**
WTI ($U.S./bbl)	29.00	26.50	25.50	25.00	25.00
AECO ($Cdn/mcf)	5.80	5.47	5.14	4.94	4.78

b) Asset retirement obligations:

On January 1, 2004, NuVista adopted the Canadian Institute of Chartered Accountants (the “CICA”) Handbook Section 3110 “Asset Retirement Obligations”. This change in accounting policy has been applied retroactively with the restatement of the prior period presented for comparative purposes. Previously, NuVista recognized a provision for future site reclamation and abandonment costs calculated on the unit-of-production method over the life of the oil and natural gas properties based on total estimated proved reserves and the estimated future liability.

As a result of this change in accounting policy, net income increased by $313,000 ($481,000 net of a future tax expense of $168,000) or $0.01 per share on a basic and diluted basis for the period from inception on July 2, 2003 to December 31, 2003. The Asset Retirement Obligation increased by $1.7 million, oil and natural gas properties and equipment, net of accumulated depreciation and depletion increased by $3.2 million, future tax asset decreased by $509,000, share capital increased by $642,000 and retained earnings increased by $313,000 as at December 31, 2003.

c) Stock-based compensation:

NuVista has retroactively adopted the new accounting standard for stock-based compensation, which requires the use of the fair value method for valuing stock option grants on or after January 1, 2002. Under this method, the compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. NuVista has incorporated an estimated forfeiture rate of 10% for stock options.

As a result of adopting the new accounting standard, net income decreased by $357,000, or $0.01 per share on a basic and diluted basis for the period from July 2, 2003 to December 31, 2003. The completion of this change in accounting policy resulted in an increase of $357,000 to a contributed surplus and a decrease of $357,000 to retained earnings as at December 31, 2003.

d) Hedge relationships:

The CICA issued Accounting Guideline 13 – Hedging Relationships, which deals with the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The guideline establishes conditions for applying hedge accounting. The guideline is effective for fiscal years beginning on or after July 1, 2003. Where hedge accounting does not apply, any changes in the fair value of the financial derivative contracts relating to a financial period can either reduce or increase net income and net income per share for that period.

2. Acquisition of Grid Resources Ltd.:

On July 29, 2004, NuVista acquired all of the issued and outstanding shares of Grid Resources Ltd. ("Grid"). NuVista purchased Grid through a series of transactions, which included the disposition of certain non-core assets to a private company and the residual assets being acquired in an existing partnership, owned approximately 76% by NuVista and 24% by Bonavista Petroleum. The acquisition has been accounted for using the purchase method, with results of operations included from the date of acquisition. The purchase equation, which reflects the NuVista portion of the acquisition, is as follows:

	Amount
Net assets acquired:	*(thousands)*
Oil and natural gas properties	$ 44,420
Goodwill	8,851
Natural gas hedge liability	(915)
Asset retirement obligations	(991)
Future income taxes	(3,931)
Net assets acquired	$ 47,434
Purchase consideration:	
Issue of common shares	$ 23,760
Cash and assumption of bank loan	22,882
Assumption of working capital deficiency	792
Total purchase consideration	$ 47,434

3. Asset retirement obligations:

NuVista's asset retirement obligations result from net ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. NuVista estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations is approximately $15.8 million, which will be incurred over the next 51 years. The majority of the costs will be incurred between 2018 and 2034. A credit-adjusted risk-free rate of 8% was used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	Nine months ended September 30, 2004	**Period from July 2 to December 31, 2003**
(thousands)		
Balance, beginning of period	$ 3,027	$ 2,846
Accretion expense	184	85
Liabilities incurred	270	206
Liabilities acquired	991	-
Liabilities settled	(19)	(110)
Balance, end of period	$ 4,453	$ 3,027

4. Bank loan:

In June 2004, NuVista and its lenders agreed to amend the Company's revolving bank loan facility to increase the maximum borrowing to $43 million. Subsequent to September 30, 2004, NuVista and its lenders agreed to a further increase in the maximum borrowing to $55 million. The facility is subject to an annual review by the lenders, at which time a lender can request conversion to a term loan for one year. Under the term period, no principal payments would be required until June 30, 2006 or later, after the annual review. As such, this loan facility is classified as a long term liability.

5. **Share capital:**

As at September 30, 2004 there were 40,557,324 common shares and 885,566 Class B Performance Shares outstanding. In addition, there were 1,667,987 stock options outstanding, with an average exercise price of $6.72 per share as at September 30, 2004.

6. **Hedging activities:**

As at September 30, 2004, NuVista has entered into physical purchase contracts to sell natural gas as follows:

At AECO		Price	Term
3,000 gj's/day		$ 6.93	October 1, 2004 – October 31, 2004
4,500 gj's/day	(costless collars)	$ 4.92 - $6.78	October 1, 2004 – October 31, 2004
8,600 gj's/day	(costless collars)	$ 5.74 - $9.68	November 1, 2004 – March 31, 2005

CORPORATE INFORMATION

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KERN Partners
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Alex G. Verge,
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Clayton M. Woitas,
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REGISTRAR AND TRANSFER AGENT

Valiant Trust Company
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STOCK EXCHANGE LIQUIDITY

Toronto Stock Exchange
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