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 Energy Ltd.'s ("NuVista" or the "Company") condensed interim financial statements for the three months ended March 31, 2017 and audited financial statements for the year ended December 31, 2016. The following MD&A of financial condition and results of operations was prepared at and is dated May 10, 2017. Our December 31, 2016 audited financial statements, Annual Information Form and other disclosure documents are available through our filings on SEDAR at **www.sedar.com** or can be obtained from our website at **www.nuvistaenergy.com.**

Basis of presentation

Unless otherwise noted, the financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") also known as International Financial Reporting Standards ("IFRS"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes 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. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate within the product type of natural gas liquids. NuVista has disclosed condensate values separate from natural gas liquids herein as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.

Advisory regarding forward-looking information and statements

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management's assessment of: NuVista's future focus, strategy, plans, opportunities and operations; financial and commodity risk management strategy; production mix; NuVista's planned capital expenditures; the timing, allocation and efficiency of NuVista's capital program and the results therefrom; the anticipated potential and growth opportunities associated with NuVista's asset base; future drilling results; and production guidance; the timing of NuVista's next borrowing base review; asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof; the scope, timing and costs of environmental remediation required in connection with the pipeline spill in Northwest Alberta; deferred taxes and NuVista's tax pools; targeted net debt to annualized current quarter funds from operations; environmental compliance costs and the effect of proposed changes to environmental regulation; industry conditions and anticipated accounting changes and their impact on NuVista's operations and financial position. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under "Risk Factors" in our Annual Information Form. 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 NuVista will derive therefrom. NuVista has included the forward-looking statements in this MD&A in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. 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.*

This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about NuVista's prospective results of operations and funds from operations, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. 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 FOFI and forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and FOFI, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements and FOFI in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. 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 the MD&A, references are made to terms commonly used in the oil and natural gas industry. Management uses "funds from operations", "annualized current quarter funds from operations", "funds from operations netback", "net debt", "net debt to annualized current quarter funds from operations", "operating netback" ,"total revenue" and "adjusted working capital" to analyze operating performance and leverage. These terms do not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. These terms are used by management to analyze operating performance on a comparable basis with prior periods and to analyze the liquidity of NuVista.

Funds from operations are based on cash flow from operating activities as per the statement of cash flows before changes in non-cash working capital, asset retirement expenditures, note receivable allowance (recovery) and environmental remediation expenses. 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, per the statement of cash flows, net earnings (loss) or other measures of financial performance calculated in accordance with GAAP.

Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net loss per share. Total revenue equals oil and natural gas revenues including realized financial derivative gains/losses. Operating netback equals the total of revenues including realized financial derivative gains/losses less royalties, transportation and operating expenses calculated on a Boe basis. Funds from operations netback is operating netback less general and administrative, deferred share units, and interest expenses calculated on a Boe basis. Net debt is calculated as long-term debt plus senior unsecured notes plus adjusted working capital. Adjusted working capital is current assets less current liabilities and excludes the current portions of the financial derivative assets or liabilities, asset retirement obligations and deferred premium on flow through shares. Net debt to annualized current quarter funds from operations is net debt divided by annualized current quarter funds from operations.

Description of business

NuVista is an exploration and production company actively engaged in the development, delineation and production of condensate, oil and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista's primary focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin ("Wapiti Montney"). The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

Drilling activity

	Three months ended March 31	
Number of wells	**2017**	2016
Wells drilled - gross & net (1)	**12**	5
Wells completed - gross & net (2)	**8**	8
Wells brought on production - gross & net (3)	**8**	11

(1) Based on rig release date.
(2) Based on frac end date.
(3) Based on first production date of in-line test or on production and tied-in to permanent facilities.

For the three months ended March 31, 2017, NuVista drilled 12 natural gas wells compared to 5 natural gas wells in the comparable period of 2016. All wells in 2017 and 2016 were drilled in NuVista's Wapiti Montney operating area with a 100% success rate and an average working interest of 100%.

Production

	Three months ended March 31		
	2017	2016	% Change
Natural gas (Mcf/d)	**99,653**	102,787	(3)
Condensate & oil (Bbls/d)	**8,349**	6,269	33
Natural gas liquids ("NGLs") (Bbls/d)	**1,759**	2,143	(18)
Subtotal (Boe/d)	**26,717**	25,543	5
Dispositions (Boe/d) (1)	**14**	(59)	(124)
Total production (Boe/d)	**26,731**	25,484	5
Condensate, oil & NGLs weighting (2) & (3)	**38%**	33%	
Condensate & oil weighting (3)	**31%**	25%	

(1) Production from properties disposed in the current or prior period.
(2) NGLs include butane, propane and ethane.
(3) Product weighting is based on total production.

	Three months ended March 31	
Production weighting % by area	**2017**	2016
Wapiti Montney	**96%**	81 %
Non core	**4%**	19 %

For the three months ended March 31, 2017, NuVista's average production was 26,731 Boe/d, an increase of 5% from 25,484 Boe/d in the comparative period of 2016, due primarily to a 25% increase in Montney production as a result of our successful Montney drilling program with high condensate yields, partially offset by the sale of approximately 3,200 Boe/d of Wapiti Sweet production in our non core area with low condensate yields that closed in June 2016. First quarter production increased 8% from fourth quarter 2016 production of 24,716 Boe/d due to additional Wapiti Montney production from new wells brought on line in the quarter. Condensate & oil volumes averaged 31% of total production volumes for the quarter, an increase from 25% in the first quarter of 2016 consistent with increased condensate-rich production growth in the Wapiti Montney and 96% of total production from Wapiti Montney compared to 81% in the prior year comparative quarter.

Commodity prices

Benchmark prices

	Three months ended March 31		
	2017	2016	% Change
Natural gas - AECO (daily) ($/GJ)	**2.55**	1.74	47
Natural gas - AECO (monthly) ($/GJ)	**2.79**	2.00	40
Natural gas - NYMEX (monthly) (US$/MMbtu)	**3.32**	2.09	59
Natural gas - Chicago Citygate (monthly) (US$/MMbtu)	**3.40**	2.25	51
Oil - WTI (US$/Bbl)	**51.91**	33.45	55
Oil - Edmonton Par - (Cdn$/Bbl)	**63.96**	40.63	57
Condensate - (Cdn$/Bbl)	**69.13**	47.25	46
Exchange rate - (Cdn$/US$)	**1.323**	1.375	(4)

Average selling prices (1) & (2)

	Three months ended March 31		
	2017	2016	% Change
Natural gas ($/Mcf)	**3.75**	3.75	—
Condensate & oil ($/Bbl)	**63.46**	41.67	52
NGLs ($/Bbl)	**17.92**	5.35	235

(1) Prices exclude price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts.

(2) The average liquids selling price is net of tariffs and fractionation fees.

NuVista's average selling price for natural gas for the three months ended March 31, 2017 was $3.75/Mcf compared to $3.75/Mcf for the comparative period of 2016, and $3.74/Mcf in the fourth quarter of 2016. Excluding the impact of realized gains on physical sales contracts, the average selling price for natural gas for the three months ended March 31, 2017 was $3.49/Mcf compared to $2.76/Mcf for the comparative period of 2016, and $3.25/Mcf in the fourth quarter of 2016.

Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista's realized condensate prices include adjustments for pipeline tariffs to Edmonton and quality differentials. Condensate and oil prices averaged $63.46/Bbl in the first quarter, an increase of 52% from $41.67/Bbl for the comparable period in 2016, consistent with a 55% increase in WTI prices.

Revenues

	Three months ended March 31				
($ thousands)	Natural gas	Condensate & oil	NGLs (2)	**2017**	2016
Oil and natural gas revenues (1)	33,686	47,714	2,836	**84,236**	59,720
Realized gain (loss) on financial derivatives	600	(581)	—	**19**	11,465
Total revenue (3)	34,286	47,133	2,836	**84,255**	71,185

(1) Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months ended March 31, 2017, our physical delivery sales contracts totaled a $2.3 million gain (2016 – $9.2 million gain).
(2) Includes butane, propane, and ethane.
(3) Refer to "Non-GAAP measurements".

For the three months ended March 31, 2017, oil and natural gas revenues were $84.2 million, a 41% increase from $59.7 million for the comparable period of 2016, due primarily to a 5% increase in production and a 36% increase in realized condensate and NGL pricing for the quarter. Condensate & oil weighting of 31% of production, in the first quarter of 2017, amounted to 57% of total oil and natural gas revenues.

Commodity price risk management

NuVista has a disciplined commodity price risk management program as part of its financial risk management strategy. The purpose of this program is to reduce volatility in financial results and help stabilize funds from operations against the unpredictable commodity price environment. NuVista's Board of Directors has authorized the use of fixed price, put option and costless collar contracts ("Fixed Price Contracts"), and had approved the terms of NuVista's commodity price risk management program to allow the securing of minimum prices of the following:

(% of net forecast after royalty production)	First 18 month forward period	Following 18 month forward period	Following 24 month forward period
Natural Fixed Price Contracts	up to 70%	up to 60%	up to 50%
Crude Oil Fixed Price Contracts	up to 70%	up to 60%	up to 30%

In addition, the Board of Directors has set limits for entering into natural gas basis differential contracts that are now the lesser of 50% of forecast natural gas production, net of royalties, or the volumes that would bring the combined natural gas basis differential contracts and natural gas Fixed Price Contracts to 100% of forecast natural gas production, net of royalties.

	Three months ended March 31					
($ thousands)	**2017**			2016		
	Realized gain (loss)	**Unrealized gain (loss)**	**Total gain (loss)**	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	**600**	**3,885**	**4,485**	382	1,853	2,235
Condensate, oil and NGLs	**(581)**	**16,409**	**15,828**	11,083	(5,507)	5,576
Gain (loss) on financial derivatives	**19**	**20,294**	**20,313**	11,465	(3,654)	7,811

During the first quarter of 2017, the commodity price risk management program resulted in a total gain of $20.3 million, consisting of a realized gain of $19.0 thousand and an unrealized gain of $20.3 million on natural gas and oil contracts compared to a total gain of $7.8 million consisting of a realized gain of $11.5 million and an unrealized loss of $3.7 million for the comparable period of 2016. The fair value of financial derivative contracts are recorded on the financial statements. Unrealized gains and losses are the change in mark to market values or fair value of financial derivative contracts in place at the end of the quarter compared to the start of the quarter.

Price risk management gains on our physical delivery sale contracts totaled $2.3 million for the three months ended March 31, 2017 compared to a gain of $9.2 million for the comparable period of 2016. The mark to market value of the physical delivery sale contracts at March 31, 2017 was an asset of $12.5 million. The fair value of physical delivery sales contracts is not recorded on the financial statements but is recognized in net earnings as settled.

(a) Financial instruments

The following is a summary of financial derivatives contracts in place as at March 31, 2017:

	Volume (Bbls/d)	Pricing (Cdn$/Bbl)	Term of contract
WTI crude oil sales price derivatives			
Fixed price swap	2,700	$66.92	Apr 1, 2017 - Jun 30, 2017
Fixed price swap	2,730	$67.18	Jul 1, 2017 - Sep 30, 2017
Fixed price swap	5,300	$70.21	Oct 1, 2017 - Dec 31, 2017
Fixed price swap	3,500	$71.69	Jan 1, 2018 - Dec 31, 2018
Costless Collar	1,950	$59.86 - 69.33	Apr 1, 2017 - Jun 30, 2017
Costless Collar	1,608	$60.30 - 69.66	Jul 1, 2017 - Sep 30, 2017
Costless Collar	800	$62.30 - 71.27	Oct 1, 2017 - Dec 31, 2017

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Term of contract
NYMEX natural gas sales price derivatives			
AECO-NYMEX basis	13,407	($0.72)	Apr 1, 2017 - Jun 30, 2017
AECO-NYMEX basis	20,000	($0.72)	Jul 1, 2017 - Sep 30, 2017
AECO-NYMEX basis	20,000	($0.71)	Oct 1, 2017 - Dec 31, 2017
AECO-NYMEX basis	10,000	($0.69)	Jan 1, 2018 - Sep 30, 2018
AECO-NYMEX basis	23,261	($0.65)	Oct 1, 2018 - Dec 31, 2018
AECO-NYMEX basis	42,500	($0.76)	Jan 1, 2019 - Mar 31, 2019
AECO-NYMEX basis	17,500	($0.94)	Apr 1, 2019 - Dec 31, 2022
Chicago-NYMEX basis	8,297	($0.08)	Apr 1, 2017 - Jun 30, 2017
Chicago-NYMEX basis	11,739	($0.09)	Jul 1, 2017 - Sep 30, 2017
Chicago-NYMEX basis	5,000	($0.05)	Oct 1, 2017 - Dec 31, 2017

Subsequent to March 31, 2017 the following is a summary of financial derivatives that have been entered into:

	Volume (Bbls/d)	Pricing (Cdn$/Bbl)	Term of contract
WTI crude oil sales price derivatives			
Fixed price swap	200	$68.25	Sep 1, 2017 - Dec 31, 2018

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Term of contract
NYMEX natural gas sales price derivatives			
Malin-NYMEX basis	10,000	($0.40)	Apr 1, 2018 - Oct 31, 2018
Malin-NYMEX basis	10,000	($0.37)	Nov 1, 2018 - Oct 31, 2019

(b) Physical delivery sales contracts

The following is a summary of the physical delivery sales contracts in place as at March 31, 2017:

	Volume (GJ/d)	Pricing (Cdn$/GJ)	Term of contract
AECO natural gas physical delivery sales contracts			
Fixed Price Swap	69,203	$3.10	Apr 1, 2017 - Jun 30, 2017
Fixed Price Swap	74,239	$3.01	Jul 1, 2017 - Sep 30, 2017
Fixed Price Swap	87,500	$2.95	Oct 1, 2017 - Dec 31, 2017
Fixed Price Swap	47,500	$2.72	Jan 1, 2018 - Sep 30, 2018
Fixed Price Swap	29,266	$2.72	Oct 1, 2018 - Dec 31, 2018

Royalties

	Three months ended March 31	
($ thousands, except % and per Boe amounts)	**2017**	2016
Gross royalties	**4,769**	4,564
Gas cost allowance ("GCA")	**(2,053)**	(1,493)
Net royalties	**2,716**	3,071
Gross royalty % excluding physical delivery sales contracts (1)	**5.8**	9.0
Gross royalty % including physical delivery sales contracts	**5.7**	7.6
Net royalties per Boe	**1.13**	1.32

(1) Calculated as gross royalties as a % of oil and natural gas revenues excluding gains (losses) on physical delivery sales contracts.

For the three months ended March 31, 2017, gross royalties excluding GCA credits were $4.8 million, 4% higher than the $4.6 million for the comparable period of 2016. The gross royalty rate % excluding physical delivery sales contracts decreased from 9.0% in the first quarter of 2016 to 5.8% in the first quarter of 2017 as a result of the continued sale of mature non core properties that attracted higher royalty rates, and the continued growth of new production from Wapiti Montney. Wapiti Montney represents 96% of production in the first quarter of 2017 and has a historical average gross royalty rate of 6%.

The Company also receives GCA from the Crown, which reduces royalties to account for expenses incurred by NuVista to process and transport the Crown's portion of natural gas production. For the three months ended March 31, 2017, the 38% increase in GCA credits received compared to the comparative period of 2016 is primarily due to increased GCA credits related to the construction of Company owned compressor stations and increased production and related royalty volumes.

NuVista's physical price risk management activities impact reported royalty rates as royalties are based on government market reference prices and not the Company's average realized prices that include price risk management activities.

In 2016, the provincial government of Alberta announced the key highlights of a proposed Modernized Royalty Framework ("MRF") that is effective for wells drilled after January 1, 2017. These highlights include a permanent structure providing a 5% royalty during the pre-payout period of conventional crude oil, natural gas, and NGL resources, then a higher royalty rate after the payout period. The payout period is governed by a revenue minus cost structure which focuses upon cost reduction and efficiency while staying nearly neutral on the average rate of return for any given play when compared to the prior royalty framework. Mature wells still receive reduced royalties, and there are no changes to the royalty structure of wells drilled prior to 2017 for a 10-year period from the royalty program's implementation date. The changes are not currently expected to have a material impact on NuVista's results of operations.

Transportation expenses

	Three months ended March 31	
($ thousands, except per Boe amounts)	**2017**	2016
Transportation expense	**6,036**	6,358
Per Boe	**2.51**	2.74

For the three months ended March 31, 2017, transportation expenses were $6.0 million ($2.51/Boe) as compared to $6.4 million ($2.74/Boe) for the comparable period of 2016, and $4.9 million ($2.14/Boe) for the three months ended December 31, 2016.

Transportation expenses on a total dollar and per Boe basis decreased from the comparable period in 2016 due to decreased gas production resulting in lower gas firm service and interruptible rates, offset by higher temporary condensate trucking costs as a result of increased condensate production. Compared to the fourth quarter of 2016, transportation for the three months ended March 31, 2017 increased as a result of temporary restrictions on third party sales pipelines and the resulting increased trucking costs from increased condensate volumes required to be trucked to sales points.

Operating expenses

	Three months ended March 31	
($ thousands, except per Boe amounts)	**2017**	2016
Operating expenses	**25,781**	24,558
Per Boe	**10.72**	10.59

For the three months ended March 31, 2017, operating expenses were $25.8 million ($10.72/Boe) compared to $24.6 million ($10.59/Boe) for the comparable period of 2016, and $23.7 million ($10.44/Boe) for the three months ended December 31, 2016.

Operating expenses on a per Boe basis for the three months ended March 31, 2017 increased from the comparative period of 2016 due to the sale of non core Wapiti Sweet production in June 2016 that had lower per Boe operating expenses and increased Montney production which has higher netback but also higher per Boe processing costs. This was partially offset by a decrease in per Boe costs related to increased utilization of the Elmworth and Bilbo compressor stations in the first quarter of 2017 compared to 2016.

General and administrative expenses ("G&A")

	Three months ended March 31	
($ thousands, except per Boe amounts)	**2017**	2016
Gross G&A expenses	**5,581**	6,219
Overhead recoveries	**(289)**	(181)
Capitalized G&A	**(1,190)**	(1,629)
Net G&A expenses	**4,102**	4,409
Gross G&A per Boe	**2.32**	2.68
Net G&A per Boe	**1.71**	1.90

As a result of continued focus on the Wapiti Montney and disposition of non core properties, NuVista has continued to realize efficiencies and gross G&A expenses have trended lower. G&A, net of overhead recoveries and capitalized G&A for the three months ended March 31, 2017 was $4.1 million ($1.71/Boe) compared to $4.4 million ($1.90/Boe) for the comparable period of 2016. On a per Boe basis, G&A expenses have decreased due to increased production combined with the decrease in net G&A expenses.

Share-based compensation expense

	Three months ended March 31	
($ thousands)	**2017**	2016
Stock options	**788**	641
Restricted stock units	**—**	146
Director deferred share units	**—**	—
Restricted share awards	**362**	258
Total	**1,150**	1,045

NuVista recorded share-based compensation expense of $1.2 million for the three months ended March 31, 2017, compared to $1.0 million for the comparable period in 2016. Share-based compensation expense relates to the amortization of the fair value of stock option awards and restricted share awards ("RSA") and accruals for future payments under the restricted stock unit ("RSU") plan and director deferred share unit ("DSU") plan.

The DSU plan was approved by shareholders at NuVista's annual and special meeting in May 2016. There was no DSU expense recorded in three months ended March 31, 2017, as the increase in the the liability resulting from DSUs granted in the period offset the decrease in the valuation of DSU liability from December 31, 2016 to March 31, 2017 as a result of a decline in the Company's share price.

During the second quarter of 2016, all outstanding RSUs became fully vested and the Company has not granted any further RSUs.

Interest expense

	Three months ended March 31	
($ thousands, except per Boe amounts)	**2017**	2016
Interest on long-term debt (credit facility)	**561**	2,355
Interest on senior unsecured notes	**1,805**	—
Interest expense	**2,366**	2,355
Per Boe	**0.98**	1.02

Interest expense for the three months ended March 31, 2017 was $2.4 million ($0.98/Boe) compared to $2.4 million ($1.02/Boe) for the comparable period of 2016. Interest expense remained consistent to the prior period due to lower interest on long term debt, offset by increased interest on the senior unsecured note that was issued in June 2016. Average borrowing costs on long term debt for the three months ended March 31, 2017 were 3.0% compared to average borrowing costs of 3.3% for the comparable period of 2016.

Interest on the $70.0 million senior unsecured notes for the three months ended March 31, 2017 is for the quarterly interest installment and accrued interest to the end of the period. Interest is accrued on the carrying value at the effective interest rate of 11.0%. The carrying value of senior unsecured notes at March 31, 2017 was $67.3 million.

Funds from operations

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

	Three months ended March 31	
($ thousands)	**2017**	2016
Cash provided by operating activities	**36,026**	25,430
Add back:		
Asset retirement expenditures	**9,903**	5,047
Note receivable recovery	**—**	(350)
Change in non-cash working capital	**(2,675)**	161
Funds from operations[1]	**43,254**	30,288

[1] Refer to "Non-GAAP measurements".

The tables below summarize operating netbacks for the three months ended March 31, 2017 and 2016:

	Three months ended March 31, 2017		Three months ended March 31, 2016	
($ thousands, except per Boe amounts)	**$**	**$/Boe**	$	$/Boe
Oil and natural gas revenues [1]	**84,236**	**35.02**	59,720	25.75
Realized gain on financial derivatives	**19**	**0.01**	11,465	4.94
	84,255	**35.03**	71,185	30.69
Royalties	**(2,716)**	**(1.13)**	(3,071)	(1.32)
Transportation expenses	**(6,036)**	**(2.51)**	(6,358)	(2.74)
Operating expenses	**(25,781)**	**(10.72)**	(24,558)	(10.59)
Operating netback[2]	**49,722**	**20.67**	37,198	16.04
General and administrative	**(4,102)**	**(1.71)**	(4,409)	(1.90)
Restricted stock units & deferred share units	**—**	**—**	(146)	(0.06)
Interest expense	**(2,366)**	**(0.98)**	(2,355)	(1.02)
Funds from operations netback[2]	**43,254**	**17.98**	30,288	13.06

[1] Includes price risk management gains of $2.3 million (2016 - $9.2 million gain) on physical delivery sales contracts.
[2] Refer to "Non-GAAP measurements".

For the three months ended March 31, 2017, NuVista's funds from operations were $43.3 million ($0.25/share, basic and diluted), compared to $30.3 million ($0.20/share, basic and diluted) for the comparable period of 2016 and $40.7 million ($0.24/share, basic and diluted) in the fourth quarter of 2016. The increased funds from operations in the first quarter of 2017 compared to the first quarter of 2016 is primarily a result of higher realized commodity pricing and increased production, partially offset by lower realized gains from the financial and physical commodity risk management program.

Environmental remediation expense

During the third quarter of 2015, NuVista identified a leak in a remote pipeline carrying oil emulsion in its non core area of Northwest Alberta. The pipeline was immediately shut down and NuVista's emergency response plan was activated. In cooperation with local governmental regulators, first nation bands and with the assistance of qualified consultants, NuVista immediately commenced remediation and restoration activities. The Company's insurers have been notified and are currently evaluating to determine if this is an insurable event. The Company recorded $9.3 million in environmental remediation expense in the December 31, 2015 financial statements which is the current best estimate of the total cost of remediation. The majority of the remediation has been completed, $8.5 million has been spent and $0.8 million remains as accrued environmental remediation liabilities. It is anticipated that the majority of the remaining remediation will occur in 2017.

The provision for accrued environmental remediation liability contains significant estimates and judgments about the scope, timing and costs of the work that will be required. The assumptions and estimates used are based on current information and are subject to revision in the future as further information becomes available to the Company.

Depletion, depreciation and amortization ("DD&A")

	Three months ended March 31	
($ thousands, except per Boe amounts)	**2017**	2016
Depletion of oil and gas assets	**23,803**	19,958
Depreciation of fixed assets	**3,396**	3,493
DD&A expense	**27,199**	23,451
DD&A rate per Boe	**11.31**	10.11

DD&A expense for three months ended March 31, 2017 was $27.2 million ($11.31/Boe) compared to $23.5 million ($10.11/Boe) for the comparable period of 2016, and $25.4 million ($11.19 /Boe) in the fourth quarter of 2016.

The Wapiti Montney DD&A rate per Boe for three months ended March 31, 2017 was $10.98/Boe compared to $11.18/Boe for the comparable period of 2016, and $10.82/Boe in the fourth quarter of 2016.

During the three months ended March 31, 2017, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant & equipment.

Asset retirement obligations

Asset retirement obligations (“ARO”) 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 March 31, 2017, NuVista had an ARO balance of $62.3 million as compared to $75.5 million as at December 31, 2016. The liability was discounted using a risk free discount rate of 2.3% at March 31, 2017 (December 31, 2016 – 2.3%). At March 31, 2017, the estimated total undiscounted amount of cash flow required to settle NuVista’s ARO was $92.7 million (December 31, 2016 – $96.8 million). The majority of the costs are expected to be incurred between 2018 and 2037. The decrease in ARO in the three months ended March 31, 2017 is primarily a result of NuVista's ongoing abandonment program. Actual ARO expenditures for the three months ended March 31, 2017 were $9.9 million compared to $5.0 million for the comparable period of 2016. This $9.9 million comprises approximately 80% of the full year 2017 budgeted spending due to execution during winter phasing.

There are uncertainties related to asset retirement obligations and the impact on the financial statements could be material, as the eventual timing and expected costs to settle these obligations could differ from our estimates. The main factors that could cause expected costs to differ are changes to laws, regulations, reserve estimates, costs and technology. Any reclamation or abandonment expenditures will generally be funded from cash flow from operating activities.

Capital expenditures

($ thousands)	Three months ended March 31 **2017**	2016
Exploration and evaluation assets and property plant and equipment		
Land and retention costs	**132**	35
Geological and geophysical	**1,235**	1,645
Drilling and completion	**87,239**	44,237
Facilities and equipment	**18,831**	15,250
Corporate and other	**(25)**	26
Capital expenditures	**107,412**	61,193

Capital expenditures for the three months ended March 31, 2017 were $107.4 million, 76% higher than $61.2 million for the comparative period in 2016.

The majority of capital expenditures in the first quarter of 2017 was $87.2 million (81%) relating to drilling and completion and $18.8 million (18%) on facilities and equipment, primarily related to bringing wells on production. Substantially all capital expenditures in 2017 were spent on liquids-rich natural gas projects in our Wapiti Montney core area. Capital expenditures for the three months ended March 31, 2017 are higher than the comparable period of 2016, consistent with higher budgeted capital activity.

Acquisitions and dispositions

For the three months ended March 31, 2017, there were undeveloped lands acquired with a fair value of $5.0 million in exchange for undeveloped land and property with a total carrying value of $5.0 million.

For the three months ended March 31, 2017, the Company received cash proceeds of $0.3 million for properties with a carrying value of $nil and ARO of $3.3 million, resulting in a gain on dispositions of $3.6 million. For the comparable period of 2016, NuVista sold non core assets for proceeds of $0.5 million, resulting in a gain on dispositions of $0.4 million.

Note receivable allowance (recovery)

In December 2013, NuVista disposed of assets in a non core operating area for cash proceeds and a $5.0 million note receivable, payable in 3 years with yearly interest payment terms. NuVista recognized a valuation allowance of $5.2 million at December 31, 2015, valuing the note receivable at nil as a result of uncertainty on collection from the counterparty. In the first quarter of 2016, NuVista agreed to and collected a settlement amount of $0.4 million from the counterparty.

Income taxes

For the three months ended March 31, 2017, the provision for income taxes were $nil compared to an expense of $nil for the comparable periods of 2016. The Company derecognized its deferred income tax asset of $9.4 million to $nil during the third quarter of 2015 with no change for March 31, 2017, as a result of projected future cash flows at the current commodity prices forecasts being less than the Company's total tax pools. The Company has a total tax pool balance of $1.0 billion at March 31, 2017.

Net earnings

For the three months ended March 31, 2017, net earnings totaled $38.3 million ($0.22/share, basic and diluted) compared to a net earnings of $2.5 million ($0.02/share, basic and diluted) for the comparable period in 2016. The increase in net earnings for the current period compared to the prior year comparative period is primarily a result of increased production and commodity pricing resulting in increased funds from operations and a significant unrealized gain on financial derivatives in the current quarter.

Liquidity and capital resources

Long-term debt (credit facility)

At March 31, 2017, the Company had a $200.0 million (December 31, 2016 – $200.0 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. 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 borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and NuVista's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs semi-annually on October 31 and April 30. During the term period, no principal payments would be required until a year after the revolving period matures on the annual renewal date of April 30, in the event the credit facility is reduced or not renewed. As such, the credit facility is classified as long-term. The credit facility does not contain any financial covenants but NuVista is subject to various industry standard non-financial covenants. Compliance with these covenants is monitored on a regular basis and as at March 31, 2017, NuVista was in compliance with all covenants.

In April 2017, NuVista completed the annual review of its borrowing base with its lenders and the lenders approved an increase to the revolving term credit facility to $235.0 million as a result of increased value in producing reserves. The next semi-annual review is scheduled for on or before October 31, 2017.

Senior unsecured notes

On June 22, 2016, the Company issued $70 million of 9.875% senior unsecured notes ("Notes") with a 5 year term by way of private placement. Proceeds net of discount and costs amounted to $66.9 million. Interest is payable in equal quarterly installments in arrears. The Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance financial covenants.

The Notes are non callable by the Company prior to the two and a half year anniversary of the closing date. At any time on or after December 22, 2018, the Company may redeem all or part of the Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

12 month period ended:	Percentage
December 22, 2019	104.938%
December 22, 2020	102.469%
December 22, 2021	100.000%

If a change of control occurs at any time prior to June 22, 2017, each holder of the Notes will have the right to require the Company to purchase all or any part of that holder's Notes for an amount in cash equal to 110% of the aggregate principal repurchased plus accrued and unpaid interest. If a change of control occurs after June 22, 2017, each holder of Notes will have the right to require the Company to purchase all or any part of that holder's Notes for an amount in cash equal to 101% of the aggregate principal repurchased plus accrued and unpaid interest.

Net debt (2)

The following is a summary of net debt to annualized current quarter funds from operations:

($ thousands)	**March 31, 2017**	December 31, 2016
Common shares outstanding	**172,774**	172,746
Share price[1]	**6.15**	6.94
Total market capitalization	**1,062,560**	1,198,857
Adjusted working capital deficit[2]	**28,116**	15,536
Senior unsecured notes	**67,257**	67,156
Long-term debt (credit facility)	**60,979**	—
Net debt [2]	**156,352**	82,692
Annualized current quarter funds from operations[2]	**173,016**	162,788
Net debt to annualized current quarter funds from operations[2]	**0.9**	0.5

[1] Represents the closing share price on the Toronto Stock Exchange on the last trading day of the period.
[2] Refer to the "Non-GAAP measurements".

As at March 31, 2017, net debt was $156.4 million, resulting in a net debt to annualized current quarter funds from operations ratio of 0.9x. NuVista's long term strategy is to maintain a net debt to annualized current quarter funds from operations ratio of less than 1.5x. However, in periods of volatile and lower commodity prices, NuVista is willing to work to target a net debt to annualized current quarter funds from operations ratio of around 2x. The actual ratio may fluctuate on a quarterly basis above or below targeted levels due to a number of factors including facility outages, commodity prices and the timing of acquisitions and dispositions. At March 31, 2017, NuVista had an adjusted working capital deficit of $28.1 million. Adjusted working capital is current assets less current liabilities excluding the current portion of the fair value of the financial derivative assets and liabilities and the current portion of asset retirement obligations. The Company believes it is appropriate to exclude these amounts when assessing financial leverage. At March 31, 2017, NuVista had drawn $61.0 million on its long-term debt (credit facility) and had outstanding letters of credit of $13.2 million which reduce the credit available on the credit facility, leaving $125.8 million of unused credit facility capacity based on the committed credit facility of $200.0 million.

NuVista plans to monitor its 2017 business plan and adjust its capital program in the context of commodity prices and debt levels. NuVista plans to finance its 2017 capital program with funds from operating activities and the credit facility.

As at March 31, 2017, there were 172.8 million common shares outstanding. In addition, there were 6.3 million stock options with an average exercise price of $7.09 per option and $0.6 million RSAs outstanding.

Contractual obligations and commitments

NuVista enters into contract obligations as part of conducting business. The following is a summary of NuVista's contractual obligations and commitments as at March 31, 2017:

($ thousands)	**Total**	2017	2018	2019	2020	2021	Thereafter
Transportation and processing [1]	**1,024,266**	52,199	80,092	83,765	91,518	104,877	611,815
Office lease	**14,140**	2,568	1,640	1,640	1,652	1,713	4,927
Drilling rig contracts	**1,485**	1,485	—	—	—	—	—
Total commitments	**1,039,891**	56,252	81,732	85,405	93,170	106,590	616,742

[(1)] Certain of the transportation and processing commitments are secured by outstanding letters of credit of $12.8 million at March 31, 2017 (December 31, 2016 - $16.5 million)

Off "balance sheet" arrangements

NuVista has certain lease arrangements, all of which are reflected in the contractual obligations and commitments table, which were entered into in the normal course of operations. All leases have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease.

Quarterly financial information

The following table highlights NuVista's performance for the eight quarterly reporting periods from June 30, 2015 to March 31, 2017:

($ thousands, except	**2017**	2016				2015		
per share amounts)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Production (Boe/d)	**26,731**	24,716	24,898	23,451	25,484	23,355	21,622	21,448
Oil and natural gas revenues	**84,236**	74,538	65,155	57,840	59,720	55,592	54,664	57,502
Net earnings (loss)	**38,317**	1,135	2,079	(7,320)	2,453	(69,072)	(74,837)	(21,357)
Net earnings (loss)								
Per basic and diluted share	**0.22**	0.01	0.01	(0.05)	0.02	(0.45)	(0.49)	(0.14)
Funds from operations	**43,254**	40,697	31,237	35,619	30,288	32,544	31,822	30,306
Per basic and diluted share	**0.25**	0.24	0.20	0.23	0.20	0.21	0.21	0.20

NuVista's Montney production volumes have been increasing with substantially all of the Company's capital expenditures allocated to Wapiti Montney and successful drilling and production performance in that core area. Total Company production increases have more than offset production from non core property dispositions. Over the prior eight quarters, quarterly revenue has been in a range of $54.7 million to $84.2 million with revenue primarily influenced by production volumes and commodity prices. Net earnings (losses) have been in a range of a net loss of $74.8 million to net earnings of $38.3 million with earnings primarily influenced by impairments, gains and losses from disposal of assets, production volumes, commodity prices and realized and unrealized gains and losses on financial derivatives.

Update on financial reporting matters

Future accounting changes

In April 2016, the IASB issued its final amendments to IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by NuVista on January 1, 2018. The Company is currently in the process of reviewing its various revenue streams and underlying contracts with customers to determine the impact, if any, that the adoption of IFRS 15 will have on its financial statements, as well as the impact that adoption of the standard will have on disclosure.

In July 2014, the IASB issued IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in OCI rather than the statement of income, unless this creates an accounting mismatch. IFRS 9 also contains a new model to be used for hedge accounting. The Company does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by NuVista on January 1, 2018. The Company is evaluating the impact this standard may have on the financial statements, as well as the impact that adoption of the standard will have on disclosure.

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying for IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by NuVista on January 1, 2019 and the Company is currently evaluating the impact of the standard may have on the financial statements, as well as the impact that adoption of the standard will have on disclosure.

Update on regulatory matters

Environmental

In the fourth quarter of 2015, the provincial government of Alberta released its Climate Leadership Plan which will impact all consumers and businesses that contribute to carbon emissions in Alberta. This plan includes imposing carbon pricing that is applied across all sectors, starting at $20 per tonne on January 1, 2017 and moving to $30 per tonne on January 1, 2018, the phase-out of coal-fired power generation by 2030, a cap on oil sands emissions production of 100 megatonnes, and a 45 per cent reduction in methane emissions by the oil and gas sector by 2025. NuVista expects the Climate Leadership Plan to increase the cost of operating its properties and is currently evaluating the expected impact of this plan on its results of operations.

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of federal, provincial, and local laws and regulation. Environmental legislation provides for, among other things, restrictions and prohibitions on emissions, releases or spills of various substances produced in association with oil and natural gas operations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, as well as larger fines and environmental liability. No assurance can be given that the application of environmental laws to the business and operations of NuVista will not result in a limitation of production or a material increase in the costs of operating, development, or exploration activities or otherwise adversely affect NuVista's financial condition, results of operations, or prospects.

NuVista utilizes monitoring and reporting programs, as well as inspections and audits for environmental, health, and safety performance that are designed to provide assurance that environmental and regulatory standards are met. In the event of unknown or unforeseeable environmental impacts arising from its operations, NuVista may be subject to remedial and litigation costs. Contingency plans are in place for a timely response to environmental events and for the utilization of remediation/reclamation strategies to restore the environment in the event of such impacts.

Given the evolving nature of climate change discussion, the regulation of emissions of greenhouse gases ("GHGs") and potential federal and provincial GHG commitments, NuVista is unable to predict the impact on its operations and financial condition at this time. It is possible that NuVista could face increases in operating and capital costs in order to comply with augmented greenhouse gas emissions legislation.

Further information regarding environmental and climate change regulations and current provincial royalty and incentive programs are contained in our Annual Information Form for the year ended December 31, 2016 under the Industry Conditions section.

Disclosure controls and internal controls over financial 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 required to be disclosed by NuVista in its filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and is accumulated and communicated to NuVista's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective.

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 NuVista's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista;

(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that receipts and expenditures of NuVista are being made only in accordance with authorizations of management and directors of NuVista; and

(c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NuVista's assets that could have a material effect on the annual financial statements.

NuVista has designed its internal controls over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). During the quarter ended March 31, 2017, 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; the CEO and CFO have concluded that the internal controls over financial reporting are effective.

Because of their inherent limitations, disclosure controls and procedures and internal control 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. Most of 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;
- Reserves risk with respect to the quantity and quality of recoverable reserves;
- Commodity risk as crude oil and natural gas prices and differentials fluctuate due to market forces;

- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service obligations;
- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Market risk relating to the availability of transportation systems to move the product to market;
- 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, fracturing regulations and environmental protection relating to the oil and natural gas industry; and
- Labour risks related to availability, productivity and retention of qualified personnel.

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 price risk management program to manage commodity prices and foreign exchange currency rates risk and transacting 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;
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs;
- Closely monitoring commodity prices and capital programs to manage financial leverage; and
- Monitoring the bank and equity markets to understand how changes in the capital market may impact NuVista's business plan.

Information regarding risk factors associated with the business of NuVista and how NuVista seeks to mitigate these risks are contained in our Annual Information Form under the Risk Factors Section for the year ended December 31, 2016.

2017 outlook: annual guidance reaffirmed

In accordance with our 2017 plan, NuVista has recently reduced activity to three rigs drilling in the Wapiti Montney area. Depending on spring weather we anticipate reducing to two rigs at some point in the second quarter. We have significant flexibility to adjust the capital program quickly if desired, commensurate with our views on commodity pricing and the business environment. At this time we have no plans to alter the program from our original budget, and re-affirm our projected 2017 capital spending in the range of $280-300 million.

As previously stated, production through the middle quarters of 2017 is expected to be choppy due to the major 5-year-cycle planned maintenance outages at SemCAMS K3 and Keyera Simonette midstream gas plants in the second and third quarters, respectively. Although we experienced an unscheduled 3rd party plant outage in April which reduced second quarter production by approximately 2,000 Boe/d, production levels have subsequently exceeded 33,000 Boe/d in recent weeks due to strong new well production. As a result, we re-affirm our second quarter and full year 2017 guidance ranges of 26,000 to 29,000 and 28,000 to 31,000 Boe/d respectively.