



## NEWS RELEASE

### **HIGHPINE OIL & GAS LIMITED ANNOUNCES 2008 FIRST QUARTER RESULTS WITH RECORD FUNDS FLOW FROM OPERATIONS AND STRONG PROFITABILITY**

**Calgary, Alberta**, May 6, 2008 - Highpine Oil & Gas Limited (TSX: HPX) ("**Highpine**" or the "**Company**") announces its financial and operational results for the first quarter ended March 31, 2008. Record funds flow from operations were \$74.2 million (\$1.08 per diluted share), a 66% increase from the \$44.6 million (\$0.66 per diluted share) recorded in the same period in 2007. Earnings in the quarter of \$10.5 million (\$0.15 per diluted share) compare to a loss of \$6.4 million (\$0.09 per diluted share) reported in the first quarter of 2007.

"Strong operational performance through the first quarter underpinned our exceptional financial results with strong earnings and record cash flows reported for the first quarter of 2008", commented Mr. Jonathan Lexier, President and Chief Executive Officer. We have updated our capital program to increase the number of wells planned to be drilled this year from 35 (29 net) wells to 53 (40.9 net) wells. However, we will be able to achieve this drilling program within our previously announced budget of \$150 million, and as a result should be able to eliminate our debt by yearend keeping expenditures within our previously stated budget.

On April 10, 2008 the Alberta Government announced adjustments to the New Royalty Framework (NRF) for "unintended consequences". The royalty rate increases were unchanged from those previously announced. However, a \$1,000,000 royalty credit on deep oil exploration wells was announced as a new program. While the affect of these changes provide some benefit, the NRF continues to be punitive and unfair to Highpine. The NRF financial impact is softened by the current higher oil and natural gas pricing environment.

Notable first quarter highlights included:

- Production averaged 19,331 boe/d in the first quarter of 2008 up 11% from 17,375 boe/d in the same period in 2007.
- Liquids prices realized in the quarter increased 47% to \$93.17/boe compared to \$63.39/boe for the first quarter of 2007. Average natural gas price for the quarter increased 3.5% to \$8.51/mcf compared to \$8.22/mcf for same period in 2007.
- In the first quarter, funds flow from operations was \$74.2 million (\$1.08 per diluted share), a 66% increase from the \$44.6 million (\$0.65 per diluted share) recorded in the same period in 2007
- Operating costs in the quarter averaged \$11.19/boe compared to \$9.19/boe in the same period in 2007 due to higher workover costs related to repairing failed electric submersible pumps. Operating costs through the year are expected to approach the high end of Highpine's guidance range of \$10.75.
- Operating netbacks were \$44.89/boe compared to \$31.89/boe for the same period in 2007.

- Net capital expenditures during the quarter were \$32.5 million, compared to \$75.8 million in the first quarter of 2007. Less than anticipated facilities expenditures and minor delays in licensing were the significant factors for quarterly spending to be slightly behind budgeted levels.
- Highpine participated in drilling 18 gross (8.8 net) wells at a 91% success rate.
- Net general and administrative expenses in the first quarter of 2008 were \$1.61/boe a decrease of 25% from \$2.15/boe in the same period in 2007.
- At quarter end, net debt of \$133.1 million, expressed as a ratio of annualized cash flow, was less than 0.5:1.

## **OPERATIONS UPDATE**

Highpine provided a first quarter operational update via news release on April 10, 2008. Production volumes in the first quarter averaged 19,331 boe/d, up slightly from the estimate provided on April 10, 2008. In the first quarter, 13,573 bbls/d or 70% of the volumes were liquid production with natural gas production averaging 34,545 mcf/d.

In the first quarter, \$1.5 million of net proceeds was realized from sulphur sales as compared to a net cost of \$0.4 million that was incurred during the first quarter of 2007. Highpine expects this revenue stream to increase throughout 2008 as sulphur prices are anticipated to strengthen. The overall strong commodity prices in the first quarter generated operating netbacks of \$44.89/boe that resulted in cash flow of \$74.2 million or \$1.08/diluted share.

First quarter net capital expenditures were \$32.5 million, as compared to \$75.8 million for the first quarter in 2007. The lower expenditures in the first quarter as compared to the quarter in 2007 was primarily due to reduced drilling and completion costs (\$20.6 million versus \$43.1 million) as fewer Pembina Nisku wells were drilled. In addition, no significant processing facilities were required to be constructed in 2008, compared to \$20.2 million of expenditures in the same period 2007.

Subsequent to the first quarter, Highpine participated in the drilling of 2 (1.8 net) wells. One (0.8 net) well at Joffre was drilled, completed and tested at a rate of 1.5 mmcf/d of gas. The Tomahawk 16-13-50-7W5 Nisku well has been abandoned. The 16-13 well provides strategic information about the Nisku and confirms the prospectivity we see in the Tomahawk and Rocky Rapids area. Highpine's reprocessed 3D seismic coverage indicates numerous drillable seismic anomalies over its extensive petroleum and natural gas rights in the area.

For the balance of the year, Highpine anticipates drilling up to 24 (21.7 net) wells in the Pembina Nisku, 5 (5.0 net) Rock Creek wells and 6 (5.4 net) wells in the West Central gas fairway area. Highpine holds 174,000 net acres of undeveloped land in the Pembina Nisku Fairway containing over 100 Nisku drilling locations on more than 50 separate "reef" features. Drilling will continue after spring breakup on currently secured licences. The \$150 million capital budget is focused on drilling a spectrum of wells from Highpine's prospect inventory. In light of the current high commodity price environment and recently identified projects, Highpine will consider increasing its capital budget for quality new projects.

April production volumes averaged an estimated 20,600 boe/d. Approximately 500 boe/d was shut-in during the month due to a planned turnaround at the Easyford Battery. The turnaround was completed on May 2, 2008 and these volumes are now back on-stream. The planned downtime in the second quarter at the Easyford Battery is expected to impact volumes on average, 165 boe/d for the period. The Company's Pembina and Brazeau area facility

optimization projects have been completed and are expected to contribute to more stable production volumes going forward.

(\$000s, except per share and share numbers)	Three months ended March 31,		
	2008	2007	% Change
<b>Financial</b>			
Total revenue <sup>(1)</sup>	140,311	85,911	63
Cash from operations <sup>(2)</sup>	74,240	44,630	66
Per share – diluted	1.08	0.65	66
Net earnings (loss)	10,455	(6,406)	-
Per share – diluted	0.15	(0.09)	-
Net debt <sup>(3)</sup>	133,073	201,102	(34)
Total assets	1,052,720	1,421,510	(26)
Capital expenditures <sup>(4)</sup>	32,488	75,822	(57)
Total shares outstanding (#)	67,932	67,661	-
Weighted average shares Outstanding – diluted (#)	68,525	68,489	-
<b>Operating</b>			
Average daily production			
Crude oil and NGLs (bbls/d)	13,573	10,750	26
Natural gas (mcf/d)	34,545	39,749	(13)
Total (boe/d)	19,331	17,375	11
Average selling prices <sup>(5)</sup>			
Crude oil and NGLs (\$/bbl)	93.17	63.39	47
Natural gas (\$/mcf)	8.51	8.22	4
Total (\$/boe)	80.63	58.04	39
Wells drilled – gross (net) (#)			
Oil	3(2.0)	2(1.4)	-
Natural Gas	13(6.0)	9(5.9)	-
Abandoned / other	2(0.8)	5(4.1)	-
Total	18(8.8)	16(11.4)	-
Drilling success rate (%)	91	79	-
Operating netback (\$/boe)			
Oil and natural gas sales	80.63	58.04	39
Royalties	(24.90)	(17.09)	46
Operating costs	(11.19)	(9.19)	22
Transportation costs	0.27	(1.02)	-
Realized hedging gain	0.08	1.15	(93)
Operating netback	44.89	31.89	41

(1) Total revenue includes realized and unrealized hedging losses and gains.

(2) Cash from operations is calculated as cash flow from operating activities before the change in non-cash working capital and abandonment expenditures.

(3) Net debt includes working capital excluding unrealized financial instruments.

(4) Capital expenditures include property acquisitions and are presented net of proceeds of disposals.

(5) The average selling prices reported are before hedging activities.

## **ADDITIONAL INFORMATION**

Highpine's complete results for the quarter ended March 31, 2008, including Management's Discussion and Analysis and Unaudited Consolidated Financial Statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.highpineog.com](http://www.highpineog.com).

## **CONFERENCE CALL**

Highpine will host a conference call for analysts, investors and interested parties, to discuss its financial and operational results at 3:00 p.m. MDT, on Tuesday, May 6, 2008. Jonathan Lexier, President and Chief Executive Officer, as well as members of Highpine's executive team, will be in attendance.

The call can be accessed toll free by dialing Canada and USA: 1-800-319-4610; Outside Canada and USA: 1-604-638-5340. Please phone in 10-15 minutes prior to the start of the call. The conference call will also be broadcast live over the internet on Highpine's website located at [www.highpineog.com](http://www.highpineog.com) Digital Playback will be available until June 6, 2008 in North America Toll Free: 1-800-319-6413, Pin Code: 6639 followed by the # sign.

Highpine is a Calgary-based oil and natural gas company engaged in exploration for and the acquisition, development and production of natural gas and crude oil in western Canada. Highpine's current exploration and development efforts are focused in the West Pembina Nisku and West Central Alberta Gas Fairway, both located in Central Alberta. The company's class A common shares trade on the Toronto Stock Exchange under the symbol "HPX".

## **Reader Advisory**

Certain information regarding Highpine in this news release including management's assessment of future plans, capital expenditures and operations and the effect on Highpine and its funds flow from changes to royalty rates in Alberta may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, risks associated with sour hydrocarbons, changes to the proposed royalty regime prior to implementation and thereafter, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, delays in projects and/or operations resulting from surface conditions, wells not performing as expected, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the forgoing list of factors is not exhaustive. Additional information on these and other factors that could effect Highpine's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and at Highpine's website ([www.highpineog.com](http://www.highpineog.com)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Highpine does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six mcf to one bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The term "funds flow" is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). Management believes that in addition to cash flow from operating activities, funds flow is a useful supplemental measure. Investors are cautioned, however, that this measure should not be construed as an alternative to cash flow from operating activities determined in accordance with GAAP as an indication of Highpine's performance. Highpine's method of calculating funds flow may differ from other companies, especially those in other industries and accordingly may not be comparable to measures used by other companies. Highpine calculates funds from operations as cash from operating activities before the change in non-cash working capital related to operating activities and abandonment expenditures.

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