MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is dated and based on information at November 6, 2006. This MD&A has been prepared by management and should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2006 and 2005 and the audited consolidated financial statements for the years ended December 31, 2005 and 2004 for a complete understanding of the financial position and results of operations of Highpine Oil & Gas Limited ("Highpine" or the "Company").

Certain information set forth in this MD&A contains forward-looking statements including expectations of future production, procurement of drilling permits, plans for and results of exploration and development activities and other operational developments and components of cash flow and earnings. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. These risks include, but are not limited to; the risks associated with the oil and gas industry, commodity prices, and exchange rate changes. Industry related risks include, but are not limited to; operational risks in exploration, development and production of oil and gas and production risks associated with sour hydrocarbons, dependence on third party owned and operated production facilities, availability of skilled personnel and services, failure to obtain industry partner, regulatory and other third party consents and approvals, delays or changes in plans, risks associated with the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of reserves, production, costs and expenses. The risks outlined above should not be construed as exhaustive. Readers are cautioned not to place undue reliance on these statements. The Company undertakes no obligation to update or revise any forward-looking statements except as required by applicable securities laws.

This MD&A uses the terms "cash flow from operations," "cash flow" and "cash flow per share," which are not recognized measures under Canadian generally accepted accounting principles ("GAAP"). Management believes that in addition to net earnings, cash flow is a useful supplemental measure as it provides an indication of the results generated by Highpine's principal business activities before the consideration of how these activities are financed or how the results are taxed. Investors are cautioned, however, that this measure should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Highpine's performance. Highpine's method of calculating cash flow may differ from other companies, especially those in other industries, and accordingly, it may not be comparable to measures used by other companies. Highpine calculates cash flow from operations as "funds from operations" before the change in non-cash working capital related to operating activities. Highpine also uses operating netbacks as an indicator of operating performance. Operating netback is calculated on a per boe basis taking the sales price and deducting royalties, operating costs, transportation costs and realized hedging gains and losses.

Where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet equal to one barrel of oil equivalent unless otherwise indicated. This conversion ratio of 6:1 is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe figures may be misleading, particularly if used in isolation.

All references to dollar values refer to Canadian dollars unless otherwise stated.

Additional information relating to Highpine Oil & Gas Limited, including the Company's annual information form, is available on SEDAR at www.sedar.com and on the Company's website at www.highpineog.com.

Financial Results

Acquisitions

On August 1, 2006, Highpine acquired Kick Energy Corporation ("Kick") for consideration of 14.8 million class A common shares ("Common Shares") of the Company at $283.3 million (the "Kick Acquisition"). Transaction costs of $0.6 million were also incurred by Highpine. Kick was a public oil and gas exploration and production company active in the Western Canadian Sedimentary Basin with operations focused in the Pembina and Brazeau River areas of Alberta. The transaction has been accounted for using the purchase method with $289.7 million allocated to property, plant and equipment and $105.5 million to goodwill. The property, plant and equipment allocation includes $27.1 million for unproved lands and $5.5 million for seismic data. A working capital deficiency of $14.9 million and bank debt of $25.1 million were assumed by Highpine. Asset retirement obligations of $2.8 million and future tax liabilities of $68.6 million were also recorded.

On February 21, 2006, Highpine acquired White Fire Energy Ltd. ("White Fire") for consideration of 4.1 million Common Shares of the Company at $95.5 million (the "White Fire Acquisition"). Transaction costs of $0.5 million were also incurred by Highpine. White Fire was a public oil and gas exploration and production company active in the Western Canadian Sedimentary Basin. The transaction has been accounted for using the purchase method with $89.7 million allocated to property, plant and equipment and $36.0 million to goodwill. The property, plant and equipment allocation includes $25.8 million for unproved lands. A working capital deficiency of $13.8 million and bank debt of $4.5 million were assumed by Highpine. Asset retirement obligations of $1.1 million and future tax liabilities of $10.3 million were also recorded.

Oil and Gas Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
($000s)						
Crude oil and NGLs revenue	**43,421**	37,295	16	**136,040**	60,914	123
Natural gas revenue	**14,332**	16,925	(15)	**45,163**	31,292	44
	57,753	54,220	7	**181,203**	92,206	97
Realized hedging gain (loss)	**1,668**	(2,655)	--	**3,976**	(4,790)	--
Unrealized hedging gain (loss)	**784**	(70)	--	**2,207**	(11)	--
Total oil and gas revenue	**60,205**	51,495	17	**187,386**	87,405	114

Total oil and gas revenue for the three months ended September 30, 2006 improved to $60.2 million from $51.5 million in the comparable 2005 period due to increased production and hedging gains partially offset by significantly lower natural gas prices.

For the nine months ended September 30, 2006, total oil and gas revenue rose to $187.4 million from $87.4 million in the 2005 nine-month period as a result of significant production increases and hedging gains.

Production

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Daily Production						
Crude oil and NGLs *(bbls/d)*	**6,675**	5,562	20	**7,184**	3,345	115
Natural gas *(mcf/d)*	**24,837**	18,277	36	**23,708**	13,087	81
Boe/d	**10,814**	8,608	26	**11,135**	5,526	102
Production Mix						
Crude oil and NGLs	**62%**	65%	--	**65%**	61%	--
Natural gas	**38%**	35%	--	**35%**	39%	--
	100%	100%	--	**100%**	100%	--

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
(boe/d)						
Daily Production by Area						
Pembina	**7,481**	5,671	32	**7,847**	3,198	145
West Central Alberta Gas Fairway	**2,506**	2,016	24	**2,400**	1,458	65
Bantry / Retlaw	**452**	566	(20)	**469**	543	(14)
Other	**375**	355	6	**419**	327	28
Total	**10,814**	8,608	26	**11,135**	5,526	102

Production for the third quarter of 2006 rose 26% to 10,814 boe/d from 8,608 boe/d in 2005. Production at Pembina increased 32% primarily as a result of the Kick Acquisition on August 1, 2006, however was impacted by the temporary shut-in of two Nisku pools for the entire third quarter due to reservoir operating pressures being below the required minimum. Water injection schemes are being completed in the two pools and the shut-in volumes are expected to be restored in the fourth quarter of 2006. Production from the West Central Alberta Gas Fairway increased 24% over the comparable 2005 quarter as a result of the White Fire Acquisition and new discoveries at Windfall, Sakwatamau, Ante Creek and Wilson Creek.

Production for the nine months ended September 30, 2006 increased 102% to 11,135 boe/d from 5,526 boe/d in 2005 as a result of the Vaquero Energy Ltd. (“Vaquero”), White Fire and Kick acquisitions in addition to the Company’s drilling programs.

Pricing

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Selling Prices Before Hedges						
Crude oil and NGLs *($/bbl)*	**70.71**	72.89	(3)	**69.37**	66.70	4
Natural gas *($/mcf)*	**6.27**	10.07	(38)	**6.98**	8.76	(20)
Total combined *($/boe)*	**58.05**	68.47	(15)	**59.61**	61.12	(2)

Realized selling prices before hedges decreased 15% to $58.05/boe in the third quarter of 2006 from $68.47/boe received for the same period a year ago due to lower natural gas and crude oil prices.

Commodity Price Risk Management

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Average volumes hedged *(boe/d)*	**5,500**	1,900	189	**4,487**	1,159	287
% of production hedged	**51%**	22%	132	**40%**	21%	90
Realized hedging gain (loss) *($000s)*	**1,668**	(2,655)	--	**3,976**	(4,790)	--
Realized hedging gain (loss) *($/boe)*	**1.68**	(3.35)	--	**1.31**	(3.18)	--

The Company realized a natural gas hedging gain of $2.2 million and a crude oil hedging loss of $0.6 million for the three months ended September 30, 2006. During the third quarter of 2005, the Company realized natural gas and crude oil hedging losses of $0.1 million and $2.5 million, respectively.

For the nine months ended September 30, 2006, Highpine realized a $4.7 million natural gas hedging gain and a $0.8 million crude oil hedging loss. For the 2005 nine-month period, the Company realized natural gas and crude oil hedging losses of $0.1 million and $4.6 million, respectively.

The following contracts are outstanding at September 30, 2006:

Term	Contract	Volume	Fixed Price
Jan 06 to Dec 06	Oil Collar	2,000 bbls/d	US $60.00 to $69.80/bbl
Jan 06 to Dec 06	Oil Collar	1,000 bbls/d	US $55.00 to $77.25/bbl
Jan 07 to Dec 07	Oil Collar	1,750 bbls/d	US $55.00 to $86.15/bbl
Jan 07 to Dec 07	Oil Collar	1,750 bbls/d	US $60.00 to $80.70/bbl
Jan 06 to Dec 06	Gas Collar	5,000 GJs/d	CDN $9.00 to $14.70/GJ
Jun 06 to Mar 07	Gas Collar	5,000 GJs/d	CDN $5.40 to $12.00/GJ
Jul 06 to Mar 08	Gas Collar	5,000 GJs/d	CDN $6.00 to $11.10/GJ

As at September 30, 2006, the unrealized mark-to-market gain on outstanding crude oil contracts was $0.8 million and the unrealized mark-to-market gain on outstanding natural gas contracts was $3.0 million. The natural gas collars have not been designated as effective accounting hedges, and as such, the fair value of the natural gas collars has been recorded as an asset in the consolidated balance sheet.

Royalty Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Total royalties, net of ARTC *($000s)*	**13,948**	12,986	7	**51,894**	22,643	129
As a % of oil and gas sales (before hedging)	**24%**	24%	--	**29%**	25%	16
$/boe	**14.02**	16.40	(15)	**17.07**	15.01	14

Royalties as a percentage of oil and gas sales before hedging averaged 24% for the third quarter of 2006, consistent with the comparative quarter. Royalty rates as a percentage of oil and gas sales have been higher in 2006 due to gross overriding royalties on certain Pembina wells along with higher Crown royalty rates on wells in the Pembina area.

Operating Costs

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Operating costs *($000s)*	**9,472**	5,341	77	**23,715**	9,748	143
$/boe	**9.52**	6.74	41	**7.80**	6.46	21

For both the three and nine months ended September 30, 2006, operating costs on a per boe basis rose over the comparable 2005 periods. The increases were a result of the Company incurring fixed costs at the Violet Grove oil battery while certain Pembina volumes were shut-in, increased costs at Pembina associated with sour oil production and higher overall processing costs on the Company's properties.

Transportation Costs

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Transportation costs *($000s)*	**979**	339	189	**2,291**	1,492	54
$/boe	**0.98**	0.43	128	**0.75**	0.99	(24)

Transportation costs consist primarily of natural gas pipeline tariffs and sulphur trucking charges. During the three months ended September 30, 2006, transportation costs rose 128% to $0.98/boe from $0.43/boe recorded in the 2005 period as a result of an increase in the proportion of natural gas production to total production in the third quarter of 2006 compared to the third quarter of 2005 combined with the timing of sulphur trucking charges being incurred.

During the nine months ended September 30, 2006, transportation costs decreased 24% to $0.75/boe from $0.99/boe. Transportation costs for the 2005 nine-month period include a $0.4 million sulphur trucking charge related to 2004 production.

Operating Netbacks

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
($/boe)						
Sales price before hedging	**58.05**	68.47	(15)	**59.61**	61.12	(2)
Royalties	**(14.02)**	(16.40)	(15)	**(17.07)**	(15.01)	14
Operating costs	**(9.52)**	(6.74)	41	**(7.80)**	(6.46)	21
Transportation costs	**(0.98)**	(0.43)	128	**(0.75)**	(0.99)	(24)
Netback before hedges	**33.53**	44.90	(25)	**33.99**	38.66	(12)
Realized hedging gain (loss)	**1.68**	(3.35)	--	**1.31**	(3.18)	--
Operating netbacks	**35.21**	41.55	(15)	**35.30**	35.48	(1)

Operating netbacks before realized hedging gains or losses were $33.53/boe for the third quarter of 2006 compared to $44.90/boe in the comparable period of 2005. The 25% decrease was due to sharply lower realized natural gas prices combined with higher operating and transportation costs.

Operating netbacks before realized hedging gains or losses were $33.99/boe for the nine months ended September 30, 2006 compared to $38.66/boe in the comparable period of 2005. The 12% decrease was due to lower realized natural gas prices as well as higher royalties and operating costs.

Operating netbacks for both the three and nine months ended September 30, 2006 were positively impacted by realized natural gas hedging gains. In 2005, Highpine realized crude oil hedging losses as a result of a swap entered into in 2004.

General and Administrative Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Gross expenses *($000s)*	**3,005**	2,043	47	**8,495**	4,644	83
Capitalized *($000s)*	**(724)**	(438)	65	**(2,022)**	(687)	194
Net expenses *($000s)*	**2,281**	1,605	42	**6,473**	3,957	64
$/boe	**2.29**	2.02	13	**2.13**	2.62	(19)
% capitalized	**24%**	21%	14	**24%**	15%	60

Net expenses rose 42% to $2.3 million in the third quarter of 2006 from $1.6 million in 2005 as a result of personnel obtained from the acquisitions made during the year as well as staff increases necessary to manage the growth of the Company. At September 30, 2006, Highpine had 55 Calgary based office employees compared to 32 at September 30, 2005. On a per boe basis, general and administrative expenses increased 13% to $2.29/boe in the third quarter of 2006 from $2.02/boe recorded in the 2005 three-month period due to temporarily shut-in production volumes.

Stock-Based Compensation

Stock-based compensation expense totaled $1.4 million in the third quarter of 2006 compared to $1.1 million in the comparative quarter. The increase was primarily the result of stock options that were granted to former Vaquero and White Fire employees who have remained with Highpine.

Interest and Finance Costs

Interest and finance costs for the third quarter of 2006 were $1.6 million versus $1.1 million recorded for the comparative quarter. The 45% increase was due to higher average debt levels and an increase in the prime interest rate. Interest and finance costs for the third quarter of 2006 increased $0.8 million from the second quarter of 2006 as a result of assuming $25.1 million of bank debt on completion of the Kick acquisition.

Depletion, Depreciation and Accretion

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Depletion, depreciation and accretion *($000s)*	**29,489**	20,550	43	**88,404**	34,603	155
DD&A rate $/boe	**29.64**	25.94	14	**29.08**	22.94	27

Depletion, depreciation and accretion ("DD&A") totaled $29.5 million or $29.64/boe for the third quarter of 2006 compared to $20.6 million or $25.94/boe for the comparative quarter, a 14% increase on a per boe basis. The higher DD&A rate is attributable to the White Fire and Kick acquisitions for which Highpine recorded a higher proportionate cost per barrel of proved reserves compared to existing Highpine properties.

Income Taxes

For the nine months ended September 30, 2006, a future tax reduction of $5.4 million was realized due to a decrease in the Canadian federal and Alberta tax rates, which resulted in a non-recurring $9.1 million tax reduction. Although current tax horizons depend on product prices, production levels and the nature, magnitude and timing of capital expenditures, Highpine's management currently believes no cash income tax will be payable in 2006.

Cash Flow and Net Earnings

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2005	% Change	**2006**	2005	% Change
Cash flow from operations *($000s)*	**31,165**	29,796	5	**97,415**	46,593	109
Per diluted share *($)*	**0.49**	0.65	(25)	**1.76**	1.40	26
Net earnings *($000s)*	**514**	6,683	(92)	**12,399**	7,419	67
Per diluted share *($)*	**0.01**	0.15	(93)	**0.22**	0.22	--

For the three months ended September 30, 2006, cash flow from operations increased 5% to $31.2 million from $29.8 million in the comparative quarter due to higher production volumes offset by lower commodity prices. On a per diluted share basis, cash flow decreased 25% to $0.49 from $0.65 in the third quarter of 2005 as a result of volumes from two Pembina Nisku pools being shut-in for the quarter. For the nine months ended September 30, 2006, cash flow increased 109% to $97.4 million from $46.6 million in the 2005 nine-month period. Cash flow per diluted share rose 26% to $1.76 in the first three quarters of 2006 from $1.40 in 2005.

Net earnings decreased 92% to $0.5 million in the third quarter of 2006 from $6.7 million in the comparative period due to higher depletion, depreciation and accretion expense. On a per diluted share basis, net earnings declined to $0.01 from $0.15 recorded in the comparative period. During the first nine months of 2006, net earnings totaled $12.4 million, a 67% or $5.0 million improvement over the comparative period due to a $9.1 million non-recurring future tax reduction realized as a result of enacted Canadian federal and Alberta tax rate reductions. Earnings were negatively impacted by depletion, depreciation and accretion expense, which increased 27%/boe. Period-over-period earnings per diluted share were unchanged at $0.22.

Liquidity and Capital Resources

In the third quarter of 2006, the Company amended its credit facilities. The principal amount of the revolving term credit facility was increased to $205.0 million. The repayment terms of the revolving term credit facility were amended such that in the event that the term date is not extended, the balance under the facility would be repayable 365 days after the term date. As a result of the amendment, the balance outstanding under the facility has been reclassified as long-term in the consolidated balance sheet. The next term date is May 29, 2007.

At September 30, 2006, the Company had a revolving term credit facility of $205.0 million and a demand operating credit facility of $20.0 million with $113.3 million drawn against these facilities, thereby providing excess credit capacity of $111.7 million. At September 30, 2006, the Company had a working capital deficiency of $10.5 million and net debt of $123.8 million. The ratio of September 30, 2006 net debt to annualized year-to-date 2006 cash flow was 0.95 times.

As at	**September 30, 2006**	December 31, 2005
($000s)		
Capitalization		
Bank debt	**113,287**	104,707
Working capital deficiency(1)	**10,471**	4,892
Net debt	**123,758**	109,599
Shares outstanding *(#)*	**67,641**	44,250
Market price at end of period *($)*	**16.99**	20.70
Market capitalization	**1,149,221**	915,975
Total capitalization	**1,272,979**	1,025,574
Net debt as a % of total capitalization	**10%**	11%
Annualized cash flow	**129,873**	74,550
Net debt to cash flow ratio	**0.95**	1.47

(1) Working capital excludes unrealized financial instruments.

Highpine's remaining 2006 capital budget will be funded from the Company's credit facilities and cash flow from operations.

At November 6, 2006, the Company's bank debt was approximately $115 million.

Capital Expenditures

Capital expenditures, excluding corporate acquisitions and net of property dispositions, totaled $149.5 million for the nine months ended September 30, 2006 compared to $102.7 million in 2005. Highpine drilled 55 gross (33.4 net) wells during the first nine months of 2006. During the third quarter, the Company completed property acquisitions totaling $12.9 million.

	Nine Months Ended September 30,		
	2006	2005	% Change
($000s)			
Land	**16,148**	34,032	(53)
Seismic	**6,440**	5,969	8
Drilling and completions	**71,159**	35,304	102
Facilities and equipment	**25,896**	27,156	(5)
Property acquisitions and disposition (net)	**27,631**	(482)	--
Capitalized general and administrative	**2,022**	687	194
Office and other	**207**	79	162
Total	**149,503**	102,745	46

Shareholders' Equity

On August 1, 2006, the Company issued 14.8 million Common Shares to acquire all of the issued and outstanding shares of Kick for $283.3 million.

On February 21, 2006, the Company issued 4.1 million Common Shares to acquire all of the issued and outstanding shares of White Fire for $95.5 million.

On February 22, 2006, Highpine issued 4.3 million Common Shares at a price of $23.40 per share for gross proceeds totaling $100.6 million. Costs associated with the issuance of the Common Shares totaled $4.3 million resulting in net proceeds of $96.3 million.

Outstanding Common Shares

As at November 6, 2006, the Company had 67.6 million Common Shares outstanding and had granted options to employees to acquire a further 5.2 million Common Shares.

Future Accounting Change

Financial Instruments

The CICA has issued new accounting standards, CICA Handbook section 3855, "Financial Instruments Recognition and Measurement," CICA Handbook section 1530 "Comprehensive Income," and CICA Handbook section 3865 "Hedges." The standards deal with the recognition and measurement of financial instruments and comprehensive income. The new standards are effective for fiscal years beginning on or after October 1, 2006. The Company has not assessed the impact of these standards on its financial statements.

Critical Accounting Estimates

The preparation of the Company's financial statements requires management to adopt accounting policies that involve the use of significant estimates and assumptions. These estimates and assumptions are developed based on the best available information and are believed by management to be reasonable under the existing circumstances. New events or additional information may result in the revision of these estimates over time. A summary of the significant accounting policies used by Highpine can be found in Note 2 to the December 31, 2005 consolidated financial statements. A summary of Highpine's critical accounting estimates can be found in the Company's Management's Discussion and Analysis for the year ended December 31, 2005.

Business Risks and Uncertainties

Highpine is exposed to numerous risks and uncertainties associated with the exploration for and development, production and acquisition of crude oil, natural gas and NGLs. Primary risks include:

- Uncertainty associated with obtaining drilling licenses and other consents and approvals;
- Finding and producing reserves economically;
- Production risks associated with sour hydrocarbons;
- Marketing reserves at acceptable prices; and
- Operating with minimal environmental impact.

Highpine strives to minimize and manage these risks in a number of ways, including:

- Employing qualified professional and technical staff;
- Communicating openly with members of the public regarding its activities;
- Concentrating in a limited number of areas;
- Utilizing the latest technology for finding and developing reserves;
- Constructing quality, environmentally sensitive, safe production facilities;
- Maximizing operational control of drilling and producing operations; and
- Minimizing commodity price risk through strategic hedging.

Summary of Quarterly Results

	2006			2005				2004
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
($000s, except per share amounts)								
Financial								
Total revenue[(1)]	**60,205**	62,765	64,416	54,229	51,495	21,817	14,092	11,941
Net earnings (loss)	**514**	10,594	1,291	4,855	6,683	(32)	768	1,046
Per share – basic	**0.01**	0.20	0.03	0.11	0.15	(0.00)	0.04	0.05
Per share – diluted	**0.01**	0.20	0.03	0.11	0.15	(0.00)	0.04	0.05
Cash flow from operations	**31,165**	34,704	31,546	27,957	29,796	9,856	6,940	6,254
Per share – basic	**0.50**	0.66	0.66	0.63	0.67	0.31	0.34	0.31
Per share – diluted	**0.49**	0.65	0.65	0.62	0.65	0.31	0.32	0.31
Corporate acquisitions	**289,694**	--	89,651	--	--	257,314	--	--
Capital expenditures[(2)]	**56,144**	46,590	46,769	50,861	48,149	19,839	34,757	23,619
Total assets	**1,361,249**	920,941	910,157	753,690	715,360	677,834	198,599	163,388
Operating								
Average daily production								
Oil and NGLs *(bbls/d)*	**6,675**	6,940	7,950	5,881	5,562	2,617	1,816	1,897
Gas *(mcf/d)*	**24,837**	25,562	20,681	16,006	18,277	11,593	9,293	6,784
Total *(boe/d)*	**10,814**	11,201	11,397	8,549	8,608	4,549	3,365	3,027

(1) Total revenue is after realized and unrealized hedging losses and gains.
(2) Capital expenditures are net of property dispositions.

Highpine's revenue fell in the third quarter of 2006 from the year's first and second quarters due to decreased production and lower natural gas prices. The Company's revenue for the three months ended September 30, 2006 increased over the previous five quarters primarily as a result of production from the properties acquired on the acquisitions of Vaquero in May 2005, White Fire in February 2006 and Kick in August 2006 as well as the Company's drilling programs.

Highpine's net earnings in the second quarter of 2006 include a non-recurring $9.1 million future income tax reduction as a result of enacted Canadian federal and Alberta tax rate reductions.