HUSKY ENERGY SECOND QUARTER 2013 CONFERENCE CALL & WEBCAST TRANSCRIPT

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Speakers:

Asim Ghosh
President & Chief Executive Officer

Alister Cowan
Chief Financial Officer

Robert Peabody
Chief Operating Officer

Robert McInnis
Manager, Investor Relations

OPERATOR:
I would like to turn the conference over to Rob McInnis, Manager Investor Relations. Please go ahead, sir.

ROB MCINNIS:
Good morning and thank you for joining us for our second quarter results. I am joined by CEO, Asim Ghosh; COO Rob Peabody and CFO, Alister Cowan. We will provide an overview on business results followed by questions. Today's comments contain forward-looking information. Actual results may differ materially from expected results because of various risk factors and assumptions that are described in our quarterly release and in our annual filings. These are available on SEDAR, EDGAR, and our website. I will now turn the call over to Asim.

ASIM GHOSH:
Thanks, Rob, and good morning everyone. Once again, this past quarter we have seen consistent execution of our business plan. Net earnings was strong at $605 million, up about 40% over the $431 million realized in the corresponding quarter last year.

You will recall that at this time last year, we were having our scheduled SeaRose and Terra Nova off stations. Cash flow was also up at $1.45 billion compared to $1.15 billion a year ago. In line with our plan for the quarter, our total average upstream production was 310,000 barrels of oil equivalent per day compared to 282,000 barrels a year ago.

And our focused integration continues to backstop our results against some of the market challenges we saw over the quarter. It is also a fundamental element of our balanced growth strategy. If I were to illustrate this, you will recall that last year, we upped our target compound annual growth over the next five years to between 5% and 8%. Much of that production growth is largely sheltered from market differential variances and access issues.

With the help of our integrated pipeline infrastructure, upgrader and refineries we are able to move our heavy oil and Western Canada products south of the border to capture world prices. Looking ahead, we are continuing to invest in a range of infrastructure options to access diversified markets. Specifically, we have the pipeline and refinery capacity in place for Phase 1 of our Sunrise Oil Sands production.

I will turn back to the quarter. Let me summarize a few highlights beginning with the cornerstone of our foundation business which is heavy oil. It has been a full year now since we commissioned the Pikes Peak South and Paradise Hill thermal developments. Both projects continue to outperform the original design rates and these provide a reliable template for our future heavy oil thermal opportunities, of which we have a number.

As we said at the Investor Day, we have a strong portfolio of new heavy oil thermal projects starting up over the next few years that should take us to 55,000 barrels per day by 2017. Across Western Canada also we have made solid progress in developing our portfolio of resource plays, and Rob will talk to you about that in his section a bit later.

On our growth pillars, the Liwan gas project continues to progress as we draw closer to first production later this year, early 2014. Construction of the central platform is now finished, and as we told you earlier; it involved a very precise installation process that placed something like 30,000 tons of steel top-side infrastructure onto the jacket. That’s located in about 200 meters of water in the South China Sea a big milestone that was executed safely on schedule. We now have about 3,000 people working on the vessel’s shallow water platform, the gas plant. If you can imagine, it's like a well practiced orchestra which so far has been hitting all of the right notes. They are supported by a veritable armada of vessels, including tugs, barges, supply and deep water ships, finishing up the facilities that will connect the wells and pipe to the platform.

Earlier this month, we inked a sales agreement for the gas in the Liwan 34-2 field and together with the Liwan 3-1 sales contract all of the initial production from Liwan is now spoken for. Pre-commission operations are now underway in anticipation of first gas in the timeframe that we discussed earlier which is later this year, early next year.

Coming to Sunrise, we are continuing to build towards first oil in 2014 with about 70% of construction complete. All of the pipelines are now in place. We are on track to complete all of the well pads by the end of this year.

From the Atlantic region we are continuing to advance a number of projects off of the East Coast. On the exploration front, some of you would have seen an industry press release. We made an oil discovery at Harpoon located approximately 10 kilometers southeast of our Mizzen discovery, and have a 35% working interest in this discovery and have recently commenced another exploration well in this play. We also received the green light from the regulator to move forward in our South White Rose extension, and we expect to see first oil from that project in late 2014.

To wrap up, I would take a moment to acknowledge the work undertaken by our team during the heavy rains and unprecedented flooding in Alberta last month, and as a result of those efforts and the continued execution across all business segments, we have had another strong quarter. Let me now turn you over to Alister to take you through some of the more granular details.

ALISTER COWAN:
Thanks, Asim. It's been another good quarter on the financial front and that reflects the benefits of the consistent execution, but also some improved fundamentals in the market. These include not only product and location discounts, stronger realized commodity prices, and good returns from the upgrading and refining business. As a result, we recorded net earnings of $605 million compared to $431 million in the second quarter of 2012. As Asim noted, last year did reflect the SeaRose and Terra Nova off-stations as they both commenced in the quarter.

Cash flow from operations was $1.45 billion or $1.47 per diluted share and that was up about 17% compared to about $1.15 billion at $1.17 a year ago.

On pricing, the MD&A gives you all of the details, but I will go over a few high points for you. The average realized price for all total upstream production was $63.88 per BOE in the second quarter compared to $51.98 a year ago. The average realized price for crude oil natural gas liquids and bitumen was $77.98 per barrel compared to $71.61 in the second quarter of 2012.

Both of these exclude the capture of Western Canada location differentials by the infrastructure and the marketing business, and those are shown separately in those business unit results in the MD&A. The increase was due in part to higher commodity market prices as well as that of our Western Canada crude oil and bitumen differentials. Average realized natural gas prices was $3.72 per MCF. That was up sharply from last year's $2.05 on account of improving supply and demand fundamentals.

The realized U.S. downstream refining margin was $20.24 per barrel compared to $14.79 a year ago. That also excludes approximately $5 per barrel of benefit on the pre-stock ship to Lima from the upgrader to our infrastructure. Again that benefit is shown in the infrastructure and marketing business earnings.

Our second quarter upstream production was approximately 310,000 barrels of oil equivalent per day compared to 321,000 BOEs in Q1 this year and up from 281,900 BOEs Q2 last year. Now this reflects normal seasonal impacts related to the spring breakup, routine and planned infrastructure maintenance, as well as some impacts on the flooding experienced in Southern Alberta. Declines in natural gas production in Canada continues to reflect our limited re-investment as we focus on capital efficiency and redirect our reinvest capital into higher return liquids rich and oil projects. During the year, we have reallocated additional capital to the liquids-rich Ansell play which will deliver production in 2014. As a result, we anticipate natural gas production being at the bottom of our guidance range. Given current nature gas pricing, this should have a minimal impact on net earnings and cash flow for 2013.

In the second quarter, at the partner operated Terra Nova facility in the Atlantic region did continue to tackle some operational issues. The partner has also announced its planned four week maintenance program beginning in September of this year, will be extended to 11 weeks to accommodate mooring chain remediation. Husky has a 13% working interest at Terra Nova. In line with our integration strategy, as Western Canada location differentials narrowed during the quarter. we saw a shift in earnings from our infrastructure and marketing business to the exploration and production business within the upstream segment, and you can see that in the MD&A disclosure. In the downstream our upgrading, refining, and marketing businesses continue to demonstrate their integration value and made a strong contribution to net earnings.

The upgrader added $88 million compared to $42 million a year ago. This takes into account the higher upgrading differentials and throughputs over the quarter compared to last year which you will recall when we conducted a planned maintenance at Lloyd.

U.S refining and marketing operations added $163 million to net earnings as compared to $84 million a year ago, reflected higher market prices received for refined products, as well as increased refinery throughputs at the partner operated refinery in Toledo. As you've all seen in the MD&A, there was a FIFO after tax gain to net earnings of approximately $19 million in the quarter.

Is we mentioned earlier this year, Q2 was the start of turnaround season, and we have a few scheduled outages coming up in the third quarter. A few events to keep in mind; first, in the upstream, we have just completed a 14-day turnaround of the Tucker Lake Oil Sands project, where we reduced production in July from around 11,000-barrel a day to around 4,000-barrels. In the Atlantic region, we have a planned 6-day routine maintenance program taking place in July on the SeaRose FPSO. We estimate this will impact production by approximately 12,000-barrels per day for the month.

As I mentioned earlier, our partners announced an 11-week maintenance program for the Terra Nova FPSO off station starting in September. And our share of production from Terra Nova is currently averaging about 8,000-barrels per day. We do continue to experience some third-party infrastructure outages and restrictions in Western Canada and we do expect to see some of those challenges continue for the balance of the year.

In Downstream, we have a major turnaround scheduled for our Lloyd upgrader starting in early September, and it is going to be offline for about 45 days.

Looking now at pricing; should current marketing pricing trends continue, Q3 will see some movement around where in our business we make our earnings in cash flow, while with integration strategies the results will mainly be reflected in a shift to the Upstream business. Western Canada location differentials have narrowed. We will see a continued shift of earnings and cash flow from our infrastructure and marketing and Downstream business units through upstream.

U.S. refining crack spreads in Chicago have declined reflecting the narrowing of the WTI/Brent differential, plus the return to production of the refineries in the PADD II region.

Finally, the Board has approved a quarterly dividend of $0.30 per share. I will hand you over to Rob to give you a bit of a more detailed update on our operations.

ROBERT PEABODY:

Thanks, Alister. During 2Q, we saw normal seasonal impacts on production due to spring breakup and routine maintenance as well as the floods in Southern Alberta. As Alister mentioned, looking forward we are expecting some downstream throughputs and upstream production impacts for the second half of the year associated with planned turnarounds. We are also continuing to reduce our dry gas production in favor of production from higher return oil and liquids rich plays through our capital allocation decisions.

Taking a look at our heavy oil business; Asim mentioned, how Pike Peaks South and Paradise Hill are providing a template for future thermal developments. So I will provide an update on where we are at with these new projects. A 3,500-barrel per day Sandel project is making great progress. Overall, we are a little over 80% complete. All drilling is finished, and we remain on track for first oil in 2014. Rush Lake a 10,000 barrels per day project, coming onstream in 2015 saw a second pilot well pair brought on production during the last quarter. Production from the pilot continues to be strong, and the main project is now a little over 10% complete. In our non-thermal heavy oil portfolio, we drilled eight horizontal wells during Q2 reflecting the annual spring breakup season.

This brings the total to 46 wells out of a planned 140 well program for this year. In addition, four CHOPS wells were drilled with about 141 left to go over the balance of the year to fulfill our planned 200 well program. Overall, our total production from heavy oil and thermal projects over the quarter was about 121,000-barrels per day compared with about 108,000-barrels per day a year ago.

Turning to Western Canada, we are making good progress in advancing our oil and liquids-rich resource plays with continued focus on reducing well costs and improving performance. Looking at our oil resource plays, 14 horizontal wells were completed on our Viking and Bakken plays in the quarter. In the Northwest Territories at the Slater/Canol shale play, we are continuing our consultations with the community about our program, and we are planning to resume construction on the all-season access road during this quarter.

Moving to our liquids-rich gas resource plays, at the Ansell project, we drilled three horizontal wells and completed another six in Q2. We are now moving forward with a four-rig development program at Ansell in the second half of the year. We are on target to double production from the current level of about 14,000-barrels per day over the next few years. We have also been continuing our activity on the Duvernay play and wrapped up drilling on the first four-well pad at Kaybob. It will be completed and brought on production by the end of the year. We currently have three wells producing this play. So in total, we expect to have seven on production by year-end.

Our growth pillars continue to progress as planned. Asim has given you an update on our progress in the Asia Pacific region. I will just add a little more color.

At Liwan, we completed the full 260-kilometers of pipeline infrastructure from the central gathering platform to the onshore gas plant. Our next milestones include the completion of the gas plant which is now more than 95% done and wrapping up work on the deep water pipeline. We have locked in sales agreements for two of the three gas fields in Liwan which represent all of the initial production from this project. Negotiations to sell gas from the third field are ongoing.

Looking at our business in Indonesia, we are moving ahead with two shallow-water projects in the Madura Strait. Infrastructure contracts for the BD field have received government approval and the tender for the FPSO is under evaluation. The tender plans for the duo MDA/MBH field developments have also been submitted to the government for review.

Turning the Sunrise energy project; the first well pad consisting of six steam injection wells and six production wells was recently turned over to our operations team for pre-commissioning. The field facilities are about 95% complete now, and that is despite some pretty wet weather we had experienced up North over the last quarter. Meanwhile, preliminary design work on Sunrise Phase II was completed in the quarter.

In the Atlantic region, as you heard earlier, we made an oil discovery with our Harpoon exploration well. Harpoon is operated by our partner and is located in the same neighborhood as the Mizzen discovery where we hold a 35% interest.. Recently, drilling started on the Bay du North prospect which is in the Mizzen/ Harpoon area and is also 35% Husky.

We are continuing to advance our other projects in the region. At North Amethyst we are drilling a fourth water injection well. This will bring the total number of operating wells to eight on this subsea tieback, four producers and four water injectors. We have also recently received regulatory and governmental approval of our development plan amendment for the South White Rose project. This provides for gas injection to enhance oil production and also gives us access to additional production opportunities at the southernmost tip of the main White Rose field. Just a reminder, that the South White Rose will be tied back to the SeaRose FPSO, and we are looking for first oil production late 2014. On the West White Rose project, we are moving into the detailed engineering phase. In the downstream, flexibility and reliability continue to be key performance drivers as we focus on improving the crude we can refine, the products we produce, and the markets we can access.

In 2Q, our focused integration strategy continued to capture additional value from our downstream assets through the world pricing we are effectively receiving for our Western Canada and heavy oil production. An additional benefit from our approach is that our Sunrise bitumen will get world pricing because it already has a downstream home and a way to get there which we -- when we begin production from the project next year. This removes much of the kind of uncertainty and volatility we are seeing in the market today.

So, in summary, we continued our progress over the second quarter as we advance the transformation of our foundation businesses while moving forward on our major growth projects. I will now turn you back over to our Operator.

OPERATOR:
The first question is from Greg Pardy from RBC Capital Markets. Please go ahead.

GREG PARDY:
Thanks, that was a good run down. I had three questions. Alister, I am wondering where you think cash tax will shake out this year? That's question one.

The second question is I guess for Rob, around what you would look upon as threshold reserve size in Atlantic Canada, in terms of actually ultimate development?

And the third question is just around RINS. I think as you have indicated, 1% or 2% of your cash flow. So it's not really a big number. But just any color you can shed about how those dynamics work and so forth would be great?

ASIM GHOSH:
Why don't you start out with the cash tax?

ALISTER COWAN:
Okay, on the cash taxes, Greg we're looking at cash taxes being about being roughly two-thirds of the total tax bill and one-third will be deferred tax.

GREG PARDY:
What do you think the total tax bill will be?

ALISTER COWAN:
Well, if I tell you that I'll tell you what we think our earnings are going to be.

GREG PARDY:
Okay, what about maybe just a book tax rate for the year?

ALISTER COWAN:
We are probably - - with given at the earnings coming out of the U.S. downstream in the first half, we are probably looking at a tax rate of probably in the high 20's, 28%, 29%. Remember, they're all taxed at 36.5%.

GREG PARDY:
So 28%, 29%, that would be corporate, whole company upstream, downstream, average for 2013?

ALISTER COWAN:
Yes, they'll be about that, yes. Probably 29% each.

GREG PARDY:
Okay, thanks for that.

ASIM GHOSH:
Rob, You want to take the threshold, I guess that's the – that refers to the – to the complex of new discoveries, yes?

ROBERT PEABODY:
I assume you are referring to sort of the Mizzen area.

GREG PARDY:

Exactly, yes.

ROBERT PEABODY:
I don't want to be evasive, Greg, but I also don't want to be pinned down on a number at the moment. There is a lot of factors involved here ultimately. How the oil is actually accumulated and different accumulations. So it is a bit early to say. It is more than a 100 and it is less than 500. You can narrow me down in future calls.

GREG PARDY:
Okay, and maybe just a bit more on that. You mentioned in the release, you said it is high quality light. Can you give us any additional details around how – I'm assuming it is sweet. Its 35/38 API type crude?

ASIM GHOSH:
It's sweet. It varies between the two reservoirs so far. So it is not the same in Mizzen as it is in Harpoon, but that is fine because the blend of it actually makes for a commercial product. I think suffice to say that with the two discoveries so far, we do not think we are at the threshold yet. So we will continue the exploration program at this time. I think that's as much as we are prepared to say at this point in time.

GREG PARDY:
Okay. Yes, thanks for that.

OPERATOR:
Next question is from Paul Cheng of Barclays. Please go ahead.

PAUL CHENG:
Hello, guys. I understand that on RINs you guys say that you don't have a lot of exposure, but I think the earlier question is that. Can you give us some idea that roughly how much is your requirement you actually need to purchase from the open market than we can make our own guess that I mean how high the RIN cost is it going to be?

ASIM GHOSH:
I just want to make one overall comment on RINS, and then I will pass you on to Alister. The overall comment on RINs is that RINs is an industry issue. So eventually one way or the other, we believe there will be some price adjustment in the market to reflect RINs. I just want to keep that overall perspective in mind as we discuss longer term RINs issues. Having said that, Alister, why don't you talk about the specific question that is asked?

ALISTER COWAN:
We currently blend about 60% to 70% of ethanol into our products. So we actually do not actually buy RINs for all the products. We also have proactive RINs buying program. We will see probably bigger impact from RINs towards the end of this year into next year rather than this year, Paul.

PAUL CHENG:
So you are saying that is about 30% to 40% of the RINs requirement that you need to purchase?

ROBERT PEABODY:
No. We are not saying that. We're saying we're blending two-thirds already for ethanol. So ultimately there was a requirement, but we do not have that sort of level of exposure in terms of the remaining to be purchased this year or anything like that.

The other comment I would just add is that we do have some of the flexibility that we've talked about that we've built into our downstream facilities helps us as well. For example, the kerohydro- treater at Liwan that we in installed allows us to produce more jet less diesel and you don't need RINS for jet. So there's a number of other things we can do internally to minimize our requirements.

PAUL CHENG:
Okay. All right. And Alister, in 2015, can you give us an estimate of what is the payment to BP? Are we still looking at $1.1 billion?

ALISTER COWAN:
You can see that on the balance sheet, Paul, which is the contribution payable as of the end of this year, as of the end of June, I think it is about $1.1 billion, $1.2 billion, but it is separately identified. It's actually $1.4 billion identified on the balance sheet in the interim consolidated financial statement.

PAUL CHENG:
Okay. And maybe this is for Asim. Asim, you guys are looking at a preliminary that increased the Lima heavy oil by 40,000-barrels per day maybe by 2017. Other than that project, as you pursue more and more heavy oil production, both in Sunrise, maybe Phase II and go on and also the other projects, from a Company standpoint, is this logistically important for you to keep up your downstream heavy oil processing capability with upstream or you don't believe this is necessary?

ASIM GHOSH:
First of all, let me distinguish what we in our Company call heavy oil and that is different from bitumen, so the two are not the same thing. Secondly, we believe as a strategy, we see the integration as a hedge. We are covered for Phase I of Sunrise, but we do not have a plan to be completely integrated and the reason for that is very simple; since the major bitumen projects started in Canada, there has been a substantial, I use the word in -- two senses; substantial upgrading of U.S. refinery capacities. And so we believe that there is sufficient market capacity available, particularly in the Gulf of Mexico complex to refine bitumen output. So net is we want a measure of integration, we want -- that is a critical part of our hedge, but we do not plan long-term to be completely integrated. It will be a combination of outside market processing and in-house processing.

PAUL CHENG:
Great. Two final questions. One, do you have any take or pay obligations at Keystone Excel? Especially on the southern leg.

Secondly, as you are doing more into the non-conventional oil side, what kind of exploration expense going forward on average per year that we should be assuming? Should we assume that it is going to be an acceleration increase coming– in the next several year comparing to this year and last year?

ASIM GHOSH:
So on the pipeline issue we actually have a cocktail of pipelines, and therefore, we basically got -- we participated in the open season processes in a number of pipelines. I don't believe we have given guidance on specific commitments, and that's part of our market acquisition. So we are not telling you exactly what, but

basically we certainly have secured capacity already for the majority of anticipated growth during our current five-year plan.

Now, second question was about exploration. So basically, we manage our exploration budget to a level. And that will continue to be the case. We have a huge number of exploration opportunities, and we basically prioritize them and sequence them to maintain a relatively steady level of exploration expense year-to-year.

OPERATOR:
The next question is from David McCall from Morningstar.

DAVID MCCOLL:
Good morning. Thanks for taking the question. In the release, you commented on the increasing operating costs in Western Canada, specifically being due to increasing natural gas prices and electricity prices. Given that non-thermal costs are up 27% or so over last year and conventional being up over 20%, I'm just wondering if you can provide some additional context to what is behind these cost escalations? If it is beyond electricity and gas, of course, and maybe your thoughts going forward throughout the rest of the year?

ASIM GHOSH:
Alister, why don't you take that one.

ALISTER COWAN:
Okay. Couple of things. Just referring to the gas, we use gas and power even on non-thermal operations, so that's still impacted. So I'll just remind you that the AECO gas price is up 96% quarter-over-quarter so that does flow.

Power prices were up 80% quarter-over-quarter. So we did see a big impact on that. I will also remind you that we use 30% of our gas production. So while we were taking the cost hit on operating costs, we were also getting a pretty significant increase in our revenues from our gas production. We did see some high – we're gearing to more oily production, you know, at 73% versus 67%. So that drives – it will be more costly than a gas well, conversely we get much higher netbacks on those. And really it's the maintenance and servicing of those oil wells that are driving that.

DAVID MCCOLL:
Okay. Thank you.

OPERATOR:
The next question is from Peter Ogden of BofA Merrill Lynch.Please go ahead.

PETER OGDEN:
Good morning. I have a couple of questions. On Sunrise, you are saying first oil in 2014. That is quite a wide range. I was wondering if you could give maybe some more specifics on when we could see first steam, whether winter start-up could cause a problem and that would necessarily push that would necessarily push that into a Q2, Q3-type timeframe?

Also, I was wondering if you could update the capital cost on Sunrise? I think last time in Q4 you mentioned 85% of the cost were fixed now two-thirds of the costs have been spent. Has that changed; how much is the remaining costs are fixed and anything can you provide there would be great.

ASIM GHOSH:
I think our timing guidance continues unchanged. We are still saying first oil in 2014. I do not think we are giving more specific guidance yet, given how much of the project still needs to be executed. And on costs, we will give you more details when we have reason to give you more details, but at this point, we're sticking with that, what we've given you.

PETER OGDEN:
So no change in that, and first oil sometime in 2014?

Second question I guess on the refining side of things, maybe you can talk me through, sometimes I have trouble understanding the U.S. refining. Cash flow was $265 million last quarter; it was $240 million, crack spreads went down, differentials narrowed. Maybe you can explain to me how U.S. refining outperformed Q2 relative to Q1; was it a feedstock issue; is it an inventory issue, how does that flow through the refining?

ASIM GHOSH:
Alister?

ALISTER COWAN:
FIFO has a big -- and the feedstock has a big impact. You're processing - - basically we had a FIFO gain in the quarter so we were processing cheaper feedstock. So when you're looking at the cracks which they're based on current day pricing – now -- the feed stock that we were buying. So we were buying – we had cheaper feedstock at the beginning of the quarter, we processed and that generated the FIFO gain of $19 million.

PETER OGDEN:
You would have a FIFO gain in Q1, right? You had a FIFO gain in Q1, and it's not a tax issue between Q1 and Q2. So was there a lengthening of the inventory cycle or something that we are not seeing? Having it produce more, to have more cash flow in Q2 over Q1 does not seem to jive with us but - -

ALISTER COWAN:
I think we were getting a bit more production in Q2. There is no real specific reason barring except for the inventory that I just discussed.

PETER OGDEN:
Okay. Thanks very much.

OPERATOR:
The next question is from Mike Dunn of First Energy. Please go ahead.

MIKE DUNN:
Yes, thank you for taking my question. Just wanted to follow-up on Peter's questions on Sunrise. We saw in June Saipem announce it was having issues with the projects in Canada. You guys confirmed that was Sunrise. Can you just talk us through the issues with the central processing facility; are you getting involved in the project management there?

How are you assessing the risk of that project being over-budget; or that part of the project being over-budget and/or late?

ASIM GHOSH:
Rob, do you want to take that?

ROBERT PEABODY:
Sure, Mike. I would just reiterate first and foremost I guess Saipem is involved with two of the projects. They are doing some work at Liwan, and they are doing some work at Sunrise. In both cases, the projects remain on track, broadly, is what we'd say, and we are providing, as we do on all projects to the point on management, we provide diligent project management on all of our projects. We are not passive owners by any means. So we are very involved, but there is nothing sort of new to sort of point out there.

MIKE DUNN:
So should we be worried about this thing being late or not, I guess is what I am getting at?

ASIM GHOSH:
I just said that look -- in terms of our additional guidance, which was Liwan end of 2013, early 2014 and Sunrise in 2014, we are sticking with that.

MIKE DUNN:
Okay, I guess 2014's five months away. So I guess several months away.

ASIM GHOSH:
Almost 17 months away.

MIKE DUNN:
Well, I guess that's the whole point. This thing could be six or nine months later than you previously thought, but you have not indicated that to the market. Anyway, just --

ASIM GHOSH:
I want to be specific about this. I do not think we have ever given a monthly guidance on any of this. We have given a window. We continue to be within the window, and we are comfortable with our window guidance.

ROBERT PEABODY:
And we are not trying to send any new signals in this call.

MIKE DUNN:
Okay, I will leave it at that then. Thanks.

OPERATOR:
Next question is from Menno Hulshof of TD Securities. Please go ahead.

MENNO HULSHOF:
Thanks, and good morning. I have a couple of questions. The first relates to the Duvernay. What can you tell us about the three wells that are currently producing, and what are you seeing that gives you the confidence to go to directly to a four-well pad in 2014?

The second question relates to Sunrise. What are your current thoughts on sizing or otherwise for the next expansion?

ASIM GHOSH:
Rob, why don't you --

ROBERT PEABODY:
First, on the Duvernay, we haven't given out specific results, but we have said that we are seeing good results in line with the rest of the industry is seeing. When we look at overall industry results plus our results that's actually given us confidence to move forward with a four-well pad there, actually it is not in 2014 we have actually finished drilling it now. We are in the process of completing all of the wells. We expect to bring those on production before the end of the year, and we will have seven producers there. So everything looks very positive to us there. So we are feeling pretty good on that. What was the second half, Menno?

MENNO HULSHOF:
The second question was on Sunrise, the next expansion at Sunrise. What you are thinking in terms of size, timing, etcetera?

ROBERT PEABODY:
I'd just limited my comments at the moment just to say we have approval for 200,000-barrels a day on the lease overall. We are working on a plan that aims to get us there towards the end of this decade effectively, early, very early the next decade, and it is just going to be a sequential moving forward with the pieces - - with these phases as we go in that direction. I think I have actually said before, too - - well -- Phase II, whatever the headline number of Phase II is, we will still be building it in chunks, phasing it to keep manpower on-site and down to levels we feel manageable and allowing us to have a much more manageable project execution of the whole thing.

MENNO HULSHOF:
And when do you think you can make that decision or plan on making that decision?

ROBERT PEABODY:
Which decision?

ASIM GHOSH:
Decision on Phase II?

MENNO HULSHOF:
When you can talk about that more publicly?

ASIM GHOSH:
We are just commencing engineering really. So there is a ways to go 'til all of that.

ROBERT PEABODY:
I think that's right. I would just reiterate that our number one focus is on getting Phase I up and running. And so don't anticipate we will get really public about a final decision to proceed with Phase II until we have Phase I up and running.

MENNO HULSHOF:
Okay, thanks. That is it for me.

ROBERT PEABODY:
Thanks.

OPERATOR:
The next question is from Mark Polak of Scotia Bank. Please go ahead.

MARK POLAK:
Actually, my question has all ready been asked. Thanks.

OPERATOR:
This concludes the analyst Q&A portion of today's call. We'll now take questions from members of the media. The first question is from Ben Hobratsch of August Media.

BEN HOBRATSCH:
My question is for Mr. Peabody. He had mentioned that the Sunrise production already has a home, a way to get there and should be achieving world pricing. It was my understanding that the Sunrise production would go to the JV refinery in Toledo, Ohio, which is currently upgrading its metallurgy. If that is the home that Mr. Peabody was talking about, how would that be world pricing if it is an inland refinery?

ROBERT PEABODY:
Well, first and foremost, we are talking about world pricing for bitumen and it is achieved fundamentally by the fact that we turn the bitumen into products which go into that market and are essentially competing with products of refiners that are using feedstocks, Brent, etcetera, that are pulled in off of the global market, the seaboard and crude market. So effectively through the products, that is ultimately how you get the full value, the full value from the bitumen that is produced.

BEN HOBRATSCH:
That makes sense to me. Thank you very much.

Operator
The next question is from Rebecca Penty of Bloomberg News.

REBECCA PENTY:
Thank you for taking my question. Mr. Ghosh, you mentioned earlier on that Husky basically has booked pipeline capacity to take -- to handle its five-year growth plan. So maybe that answers the question. I am curious whether Husky has any need for moving crude by rail, and if so, what your view is on the roll of rail in tightening differentials, Western Canada, select to WTI that some analysts have been crediting it with doing?

ASIM GHOSH:
I think basically overall, we support the objective of reaching new markets in a responsible manner for industries for Canada's oil and gas production. For our company, we have taken a portfolio approach as I mentioned earlier, I might have used the word “cocktail,” but we are not dependent on a single solution. We are in a good position with current part-time commitments. I repeat, we secured transportation for all of our production from Phase I of Sunrise. We ship minor amounts of crude by rail. It is a part of the cocktail but it is a relatively smaller part of the cocktail.

REBECCA PENTY:
Do you see roles for rail in terms of narrowing those differentials that we have seen get so wide in the last couple years

ASIM GHOSH:
We are in favor of industry having a number of solutions. I do not think this is a single bullet solution that is called for. So there is role for every solution, but most importantly, clearly we are into an environment where every type of solution is being held to the highest standards of safety and that is only right.

OPERATOR:
The next question is from Elliott Caroom of Bloomberg News. Please go ahead.

ELLIOTT CAROOM:
Hello. Thanks for taking my question. Earlier I think you had said that some third-party problems might affect production on the second half of the year. Could you be a little more specific on that and are you talking about pipeline operators or somebody else?

ROBERT PEABODY:
This is Rob Peabody. There is a number of things. Clearly, one of our partners on the East Coast announced that they are going to have an extended turnaround. So that has an impact.

In Western Canada, we have actually seen a little more, what I'd say is that as pipeline operators, process plant operators are really responding to the increased regulatory oversight and frankly, just the general spotlight on all operations. We are seeing more turnarounds and temporary shut downs put in well operators are immediately responding to anything that looks unusual on an inspection report or something like that. So we are seeing a little more of that, which gives us more than the third party down time.

ASIM GHOSH:
I do not think they are referring other then the East Coast thing that Rob referred to. We are not referring to any specific thing. It is just that we have seen a number of smaller outages, nothing defining, nothing that lasts very long, but cumulatively they add up to a few thousand barrels a day.

ELLIOTT CAROOM:
Thanks.

OPERATOR:
The next question is from Chester Dawson of the Wall Street Journal. Please go ahead.

CHESTER DAWSON:
Hello, yes. I have two things I would like to ask about. First is, can you update on the Canol shale play, whether you are going to bullish on that or where things stand?

Secondly, kind of an odd question, but do you still have production on the Cold Lake Air Weapons range? If so how much, and has that been affected at all by what is going on with CNRLs issues there with its huff and puff leak issue?

ROBERT PEABODY:
Let me answer the second one first, it's very simple. We do not. So there is no impact on our production from (inaudible). So that's the first thing.

The second one on the Canol shale play, as I said earlier, we are going to continue -- finish off our all-season road. Long term we see it as a project with significant potential and the results we have had and the progress we have made to date still leave us very happy to continue there. We are, as I said, working through with community consultations on the next stage of our program, and we will -- we also continuing to analyze the results from the first wells we drilled there in the last year. Next steps include more drilling next year. We will probably drill and evaluate two more vertical wells, and we will go from there. But overall, everything we have seen to-date leaves us happy to continue up there.

OPERATOR:
The next question is from Pat Roche of the Daily Oil Bulletin. Please go ahead.

PAT ROCHE:
Hello. I wonder if you can give a ballpark idea as to when you might make a decision on the mode of development for West White Rose?

ROBERT PEABODY:
As I said earlier, we are just moving into some detailed engineering on West White Rose, continue to like the project a lot. It will be a subsea tieback. It will be a facility that ultimately uses the FPSO for processing, which we feel gives it a very good economics. We are just going through all of the final applications, getting all of the approvals from the Newfoundland government and hopefully be able to come up with some -- a clearer view, a clear announcement sort of on our attention going forward later on in the year.

PAT ROCHE:
Thank you, that's all I have.

OPERATOR:
Next question is from Lauren Cargill of the Canadian Press.

LAUREN KARGEL:
Good morning. I had a question about the Canol shale. I understand some new packages are coming available kind of further North from where you are right now. Just wondering if there was any interest in expanding your position up in the Northwest Territories?

ASIM GHOSH:
I do not believe we ever give guidance in participation and options.

LAUREN KARGEL:
Okay, fair enough. And you have talked about this all-season road that you are building up there, but I am just wondering whether there was anything else infrastructure-wise? I know this is a difficult environment to be operating in that Husky needs to really move its Canol position ahead.

ASIM GHOSH:
Yes, I think that whole discussion is premature at this point in time. If it is going to be a play it, is going to be very significant play and that will inevitably require industry solutions. We are up there with a number of other major players, but we recognize the fact that this will require significant pipelines to make it commercial.

LAUREN KARGEL:
What do you think of this idea of made in the north pipeline going up to the Valdez or to Tuktoyaktuk as a means to get to market? I know it is something that been discussed politically, but wondering what your thoughts are on that.

ASIM GHOSH:
Well, look, I think there are a number of blue sky ideas in the pot, so to speak, and I think they are all going through appropriate study, but some of it is at the very early stage.

LAUREN KARGEL:
Okay, thank you.

OPERATOR:
There are no further questions at this time. I will hand the call back over to Asim Ghosh for any closing remarks.

ASIM GHOSH:
Thank you all for your questions. To wrap up, we are consistently meeting the milestones we have laid out in our five-year business plan. Major projects are coming together as planned, and we expect to reap the value from the first major project in the coming months really, as Liwan gets to set -- to begin production, and I guess the final takeaway is that our focused integration, infrastructure commitments are beginning to pay off for the Company in our ability to ride out the volatility that we continue to see. On that note, thank you very much for joining us.

OPERATOR:
Ladies and gentlemen, the conference is now concluded and you may disconnect your telephone. Thank you for joining us and have a pleasant day. Good-bye.