HUSKY ENERGY

Q1 2015 CONFERENCE CALL & WEBCAST

TRANSCRIPT

Date: **Wednesday, May 6, 2015**

Time: **8:00 AM MT**

Speakers: **Asim Ghosh**

President and Chief Executive Officer

Darren Andruko

Deputy CFO and Treasurer

Robert Peabody

Chief Operating Officer

Dan Cuthbertson

Manager, Investor Relations

OPERATOR:

At this time, I'd like to turn the conference over to Dan Cuthbertson, Manager, Investor Relations. Please go ahead, sir.

DAN CUTHBERTSON:

Good morning and thanks for joining us. I'm here with CEO, Asim Ghosh; COO, Rob Peabody; CFO, Jon McKenzie for his introductory meeting; Deputy CFO and Treasurer, Darren Andruko; and Senior Vice President, Bob Baird from Downstream. We will review our first quarter results and then take your questions. A reminder that we will be holding our Annual General Meeting of Shareholders later this morning in Calgary, starting at 10:30 a.m. Mountain Standard Time. A webcast of this meeting will be available on our website at huskyenergy.com.

Today’s call will contain forward-looking information. The various risk factors and assumptions are listed in this morning's news release advisory, and these can also be found in our annual filings on SEDAR, EDGAR, and our website. All figures stated today are in Canadian dollars and before royalties, unless otherwise stated.

Now, I'll turn over the call over to Asim.

ASIM GHOSH:

Thanks, Dan. Good morning, everybody. Before we get to the quarter, let me take a moment to introduce Jon McKenzie, who came on board a week ago as the new CFO. He's quickly getting to know Husky. He's a native Albertan. While we have had a fine spring, he's told me that he's come here to join Husky; he didn't come back just for the weather. Thanks for joining today, Jon.

JON MCKENZIE:

Thanks, Asim, and good morning. Hey, just a couple comments, or introductory comments from me today. I'd say so far my transition has gone very well, and I'd say our views as it relates to capital discipline and balance sheet strength are strongly aligned.

Secondly, I'd like to say I look forward to getting out and meeting with the investors and financial analysts, some of whom I know from a prior life. But, I look forward to doing that in the very near future.

ASIM GHOSH:

Thanks, Jon. Let me take a minute to preview some of what I'm going to say at our AGM later today, as I will give a longer perspective on this. So, back in 2010, when I joined Husky, we made a series of decisions to change our fundamental structure. This transformation had two streams; a structural change and cost initiatives. We began to progressively position the Company as a low sustaining capital business that will be resilient in a lower price environment. In the context of low sustaining capital, I mean the kind of projects that can withstand periods of low capital investment without a major fall in production. At that time, we were also feeling pressure from some in the financial community to become a pure upstream play. Instead we chose to remain integrated and maintain a degree of diversification. There was consideration given to spinning off our Asia-Pacific assets. However, our Board made the strategic decision to retain that business within Husky.

Today we are seeing the results of those defining decisions. As you saw from the first quarter, those structural changes have provided good balance through this volatile market downturn. Let me give you a couple of examples.

We require less capital today to sustain a larger base of production. A significant portion of our earnings and cash flow is not directly exposed to the commodity price challenge we are facing today. For example, our gas from Liwan is sold under a fixed price contract, and our Downstream business, of course, is a margin business. We have the ability to stage our projects, which means we can adjust timing to available cash, manage the risk associated with the investment, and still deliver high margin production growth.

So, why are these structural changes that we have made important in today's context? To state the obvious, WTI in the first quarter averaged a little over $48 per barrel, the lowest in six years, and Brent was just shy of $54. And yet, even in this low price environment, our resilient portfolio has yielded a solid quarter.

Let me touch on a couple of highlights. Cash flow from operations was $838 million, net earnings $191 million, and we had an increase in production to 356,000 barrels a day, up 9% over this time last year.

Now, to the second stream of our transformation, which targeted improvements to our margins and cost base. I'd say with more than a little elbow grease, we've saved about $1.3 billion through procurement initiatives over the past five years. Coming to the immediate year, to date we have locked in about $475 million towards our 2015 target range of $400 million to $600 million run rate in cash cost savings.

As a result of these changes over the past five years, we continue to grow production, pay a strong dividend, and maintain a strong balance sheet and overall improve how we do our business. Our upstream per barrel operating costs have dropped more than 13% compared to the first quarter of 2014. By the end of 2016, we will have added approximately 85,000 barrels of new production, a portion of which will offset natural declines across the portfolio. More than 40% of our total production at that time will come from what I've put in the low sustaining capital project bucket. It includes projects like Sunrise, it includes our bite-sized thermal oil developments in our Heavy Oil division, and indeed, for the next five years or so, it includes Liwan. In these volatile conditions, we have our sea legs and we will continue to create value through the cycle.

As usual, Rob will touch on the operational highlights from the first quarter, but I'd be remiss if I didn't talk a little bit about Sunrise. The project started up in mid-March. All systems are full and we began shipping in late April. Sunrise is a good example of one of the low sustaining capital projects in our portfolio, and we expect to be producing from this reservoir for the 40-odd years to come. In fact, with the size of this resource, if we stick—if we stayed at a 60,000 barrels a day volume, that actually would last us 170 years.

Now, Darren, I'll ask you to weigh in with the Q1 financials.

DARREN ANDRUKO:
Thanks, Asim. First I'll run through some of the steps we've taken to maintain a strong balance sheet. We will realize this priority by maintaining capital discipline and financial flexibility. Our $3.1 billion capital program for 2015 reflects the fact that our mega project spends are largely behind us, mainly Sunrise and Liwan.

In March we took decisive action in the capital markets, including issuing preferred shares and Canadian 10-year bonds to refinance some existing debt. These activities contributed to our strong financial position, which allows us to capitalize on favourable market conditions and further increases our financial flexibility. At the end of March, our debt-to-capital employed ratio was about 22%.

We also strengthened our hand by making an early $1 billion US payment on a $1.3 billion US capital contribution obligation at the Toledo refinery, using cash we already had on hand. Clearing 80% of this obligation off our books has allowed us to conserve cash this year and provided for about US$60 million in interest savings.

Finally, we increased our committed term credit facilities, of which $3.2 billion were undrawn at the end of the first quarter. Our investment-grade credit ratings remain unchanged and all carry a stable outlook.

Looking now at our Q1 results, production was 356,000 boes per day, an increase of 9% over the first quarter of 2014. This included sales gas volumes from Liwan which averaged about 260 million cubic feet per day. Average gross sales volumes from Liwan, including Liuhui 34-2, are expected to increase to a range of 290 million to 320 million cubic feet per day—that's gross—from 2015. However, in accordance with our fixed price gas sales agreement, we received payment for 300 million cubic feet per day in the first quarter.

Cash flow from operations was $838 million compared to $1.5 billion for the first quarter in 2014. We recorded net earnings of $191 million compared to $662 million in Q1 of 2014. Now this includes $203 million of deferred tax recovery related to that partial payment in the first quarter of our capital contribution obligation on the Toledo refinery. Due to the tax treatment in the US, we now have an increase in deferred tax assets that we did not have before. This is not just a book entry. It results in reduced future cash taxes.

Other factors impacting net earnings in the quarter reflect lower realized crude oil and North American natural gas prices, a drop in market crack spreads impacting US refining margins, and unplanned outages at both the Lima and Toledo refineries. These factors were partially offset by higher Liwan volumes and a weaker Canadian dollar.

In terms of pricing, the MD&A on our website will provide the details, but I'll point to a few areas. The average realized price for our total upstream production in the first quarter was $40.84 Canadian per boe compared to $72.21 in the first quarter of 2014. Chicago market cracks averaged $16.14 in the first quarter compared to $18.35 in the same period in 2014. The realized US downstream refining margins came in at US$10.04 per barrel compared to $21.63 a year ago. This reflects falling crude oil prices, as well as the unplanned outages at both the Lima refinery and the partner-operated refinery in Toledo. It also takes into account a FIFO loss of $9 million compared to a gain of $63 million in the same period of 2014.

I'll refer you to today's news release for a snapshot of our planned turnaround program for the upcoming quarter and a couple of items. We are expecting production to decline in the second quarter, as our partner in the Atlantic region starts a 10-week turnaround on the Terra Nova FPSO. With our 13% interest in Terra Nova, we are anticipating the impact to be about 8,000 barrels per day over that turnaround period.

Also, a three-week turnaround is planned at our Tucker heavy oil thermal project with an estimated impact of 7,300 barrels per day over the month of May.

With respect to Liwan, Rob will provide an operational update, but I'll remind you that our exploration cost recovery is expected to be completed around the end of this month. At that point, our share of gas production reverts to our equity interest of 49%.

At the Lima refinery, we are operating at about 80% capacity due to the outage with the isocracker. Work resumption plans are underway and the unit is expected to start up in the first quarter of 2016. We carry insurance for both the equipment damage and the business interruption, and we expect to recover the majority of the costs associated with these items. There are some timing issues here that could impact our quarterly results over the year. We expect to write down the damaged unit in the second quarter, which will impact net earnings. As funds are spent to restore the unit, the carrying value of this asset on the balance sheet will be increased to reflect these expenditures. Insurance proceeds will be recorded as income as we receive them. By the way, no insurance recoveries are reflected in our first quarter results.

Finally, with respect to the common share dividend, the Board has approved a quarterly dividend of $0.30 per share for shareholders of record at the close of business on June 5 of 2015.

Now, I'll turn the call over to Rob to talk about our operations in the first quarter.

ROB PEABODY:

Thanks, Darren. I'll start with our Heavy Oil business. Construction is nearing completion at the 10,000 barrel per day Rush Lake project, which is on track for first oil in the third quarter of this year. We've also been making good progress at the two 10,000 barrel per day thermals at Edam East and Vawn, as well as the Edam West project. Edam West is yet another example of how we're generating additional value from our thermal expertise. It was originally designed as a 3,500 barrel per day development based on our successful Sandall thermal model. However, with design and efficiency improvements, we've been able to increase its capacity to 4,500 barrels a day. All three of these projects will come online next year, starting with Edam East in the third quarter.

Just a reminder that we have grown our thermal portfolio significantly over the past five years. In 2010, our heavy oil thermal production was about 18,000 barrels per day. Over this past quarter, we averaged about 45,500 barrels per day. With the four new projects we have in flight, we are adding about 35,000 barrels per day of new production by the end of 2016. It's also worth noting that our thermal operating costs in the first quarter of this year were $9.53 per barrel, including energy costs, and product realizations are generally higher than what you would get for Fort McMurray bitumen.

We continue to scale down some of our heavy oil CHOPS and horizontal drilling projects, but these developments—these are developments that we can bring back on again very quickly once oil prices improve.

Looking now at our Western Canada operations, we've dialed back on some projects as we've identified further savings opportunities across the portfolio. Ansell remains at the fore of our resource play developments and continues to meet our expectations. Production averaged about 19,300 barrels of oil equivalent per day during the quarter compared to about 17,000 barrels per day a year ago.

We are also moving forward with other resource plays that are offering us good returns. Production from the Strachan Cardium, Wapiti, Kakwa, and Stolberg plays averaged about 8,000 barrels of oil equivalent per day in the first quarter. We plan to advance these resource plays at a measured pace, in line with market conditions.

Overall, we drilled 12 gross wells and completed nine wells over the quarter across our liquids-rich resource play portfolio. As a matter of fact, Husky had five of the top 10 best performing cardium gas wells in the 12 months up to the end of February, and the best overall gas well in Alberta over the same period was one of our Ansell Wilrich wells.

Moving on to the downstream, we have been making targeted investments in our integrated Downstream business to further improve the flexibility of our feed stocks, product range, and market access. We are building out our Saskatchewan gathering system in Lloydminster with an eye to accommodating the new production from our suite of heavy oil thermal projects. We brought on two new 300,000 barrel storage tanks and associated pipe infrastructure at Hardesty last quarter, and these are now giving us further flexibility to achieve best realizations for our products.

Turning to the Asia-Pacific region, as Darren mentioned, Liwan is producing strong results with gas sales volumes averaging about 260 million cubic standard feet per day gross in the first quarter. In addition, sales of associated natural gas liquids increased to a little over 13,500 barrels of oil equivalent per day from 11,300 in the fourth quarter of 2014. In Indonesia construction has been advancing on a wellhead platform and a new FPSO to develop our liquids-rich BD field in the Madura Strait.

Moving now to the oil sands where Sunrise is continuing to ramp up, steam is now underway on—steaming is underway on 34 of 55 well pairs, and we're being very deliberate, as I mentioned before, in bringing these wells on to ensure for optimum results. When I checked this morning, production was on target, a little over 4,000 barrels per day, with volumes continuing to build.

The built-in efficiencies at Sunrise are continuing to deliver value as we move forward with current operations and commissioning work on the second processing plant. First, the walking rig is doing yeoman's work for us out there. It allows for closer spacing of the wellheads, which means we can complete drilling faster and the drilling pads end up being smaller. It also runs on electricity, which replaces diesel generators and saves cost. Altogether we expect to realize well cost savings from the rig in the neighbourhood of 30% compared to the initial pads.

Having this rig on site has given us the opportunity to advance the drilling schedule for some of our sustaining well pads which are in the vicinity of the initial production wells. Drilling the sustaining wells now, before we steam the adjacent production wells, allows us to lower the cost of drilling these wells while safeguarding the well integrity. Production from the sustaining wells is not likely to be required for several years. Meanwhile, a new pad design has reduced our surface footprint by about 30%. The second plant will be available ahead of the time we need it to—as we ramp up towards full capacity at Sunrise, which we expect to reach around the end of 2016.

As a side, I'm really looking forward to having our analyst and investor group travel to Sunrise this fall so we can tour the project together.

In the Atlantic region, at our South White Rose field in the Jeanne d'Arc Basin, we are wrapping up final drilling and completion operations prior to first production in mid-year from the first two wells. We're anticipating the field will build up towards net peak production of about 15,000 barrels per day. Following on the heels of South White Rose, we are expecting to bring on a well at the Hibernia Formation beneath the North Amethyst field in the third quarter, and we continue to advance our assessment of both the subsea and wellhead platform concepts in regards to the development at West White Rose. Finally, in the Flemish Pass, our exploration and appraisal program is progressing as expected in the area of the Bay du Nord discovery.

Thanks very much and I'll now turn you over to the Operator.

OPERATOR:

Thank you. We will now begin the analyst question-and-answer session. Any analyst who wishes to ask a question may press star and one on their touchtone phone. You will hear a tone to indicate you're in queue. For participants using a speakerphone, it may be necessary to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star and two.

The first question today comes from Greg Pardy with RBC Capital Markets. Please go ahead.

GREG PARDY:

Yes, thanks. Good morning. I guess three questions for you, but maybe just to start with Liwan. I understand, you know, what you mentioned just around the recovery of exploration expenditures. What does the—just the gross gas trajectory look like over the course of the year? Is it—should it essentially just continue to build and then crest and stabilize, or how should we be thinking about that?

ASIM GHOSH:

I think, Greg, the key issue is that we are getting the cash. So, you know, basically in terms of we receive payment for 300 mmcf per day in—but our sales volumes averaged 262 mmcf per day gross. We receive payment for 300 mmcf per day, and then for the—you know, we basically said to the end of May we receive 35% of gross production revenue, then it reverts to a equity interest of 49%. Then at the end of the first quarter, our take really goes up by—the gross goes up by 30 mmcf per day. So basically, for the rest of the year you'd be looking at a gross of around 290 mmcf per day, of which we get 75% through to the end of May, and then it reverts to 49% cash-wise, okay? What actual production we record and what profit we record is a separate story, because that (inaudible 23:35) up when the electricity demand allows for the off take.

GREG PARDY:

Okay. Okay. No, that helps. Yes, that's fine. Second question is just around, you know, your operating costs did come in, as you mentioned, I think about 15% better. How much of that reflects, you know, deferrals and some maintenance work-overs, et cetera, versus true operating cost improvements? Just trying to get an understanding as to what the rest of the year could look like.

ASIM GHOSH:

You know, yes, there's structural change in there because we're getting more and more volume from thermals and you're getting more—and Liwan is a big chunk of it, okay? So, this is not just one-offs and maintenance. This is structural change. If you want some of the detailed breakdown, we can pick it up offline.

GREG PARDY:

Okay. Okay, and last question, and you don't have to answer it, just curious, though, on what your reaction is to the overnight election results. I'd be remiss, Asim, if I didn't ask that. I've got to ask it.

ASIM GHOSH:

You're welcome to ask. It's a good question and I'll give you a heartfelt response from Husky's point of view. You know, it's a new day in Alberta politics, but as far as Husky is concerned, it's business as usual. I mean, what can I say? When you operate across many jurisdictions in Canada, in fact in the US, in Asia, we have always as a Company worked constructively with various governments, with various regulators. As a matter of fact, you know, in the past we've enjoyed good working relationships with NDP governments in BC and Saskatchewan and Manitoba. I'll just remind you, we've been around in the Company for 75 years, and one thing you learn, I guess you can't change the wind, but you can adjust your sails. But for us, that's our approach. We don't change our business strategy because of political changes.

GREG PARDY:

Okay, thanks very much.

OPERATOR:

As a reminder, analysts who wish to ask a question may press star and one on their touchtone phone. The next question comes from Benny Wong with Morgan Stanley. Please go ahead.

BENNY WONG:

Good morning, thanks. Just wondering if you can provide a little more colour on what you did to increase the capacity at Edam West, and is there a potential for that to be maybe transferred into the other projects going forward?

Asim Ghosh:

Rob, you want to take that?

Rob Peabody:

Yes, it's pretty simple. I mean, we just continued to evolve the design, and we found we were able to increase steam capacity without increasing costs with adjustments to the types of generators we were putting in there.

Benny Wong:

Is this something that you guys might be able to apply going forward, or is this kind of more a one-off situation?

Rob Peabody:

Oh, absolutely. We continue to refine the design of these plants going forward, and particularly, as we've mentioned separately, as we look at Sunrise where as we look forward to the sustaining capital that is ultimately 60% of the total value of this project over time. You know, and if you look at the sustaining pads, we've been able to make very material cost reductions, some of which I have outlined in my earlier comments, in the cost of those sustaining pads.

Benny Wong:

Great, and on the $475 million costs that are locked in, I guess my question is on the remainder. Where specifically do you guys think you guys can capture the remainder, and how confident are you in terms of recapturing the rest?

Asim Ghosh:

Rob, why don't you answer that?

Rob Peabody:

Yes, I've—I just looked at that again the other day. I think we're very confident about delivering the promise we made, the $400 million to $600 million in cost savings. We—as we've said, we've locked in $475 million of that. We haven't stopped working. We continue to work that going forward. I think the big shift we're making at the moment now is we're moving—working with our suppliers. After working on rate reductions, we're now looking at a lot of good ideas that have been brought forward in terms of increasing the efficiency of the work. So, that's kind of the next wave of delivering cost savings.

ASIM GHOSH:
Yes, I just want to amplify on that in terms of our approach here. We are treating our suppliers as partners in this exercise, and we find that when we take that approach, the suppliers are stepping up to the plate. This is not a blunt “you take a haircut; I'm transferring costs from me to you” type of approach at all. These are meaningful savings that are yielding real results. Because of that, we see this as a continued process. It's not the quick one-off “I twist your arm” types of offers that we are looking for. We are looking for more sustaining improvements, because they're coming from different ways of doing business, efficiencies, route planning, for example, in terms of service companies which are sustainable beyond this life cycle.

BENNY WONG:
Great, thank you very much.

OPERATOR:
The next question comes from Arthur Grayfer with CIBC. Please go ahead.

ARTHUR GRAYFER:
Good morning, just a couple of quick questions. First off, can you talk a little bit about—and ballpark is fine—how much production comes from freehold lands in Lloyd?

ASIM GHOSH:
The question is how much production...

DAN CUTHBERTSON:
Arthur, it's Dan. I can help you out with that one. It's about half of the production that comes from the Lloyd block comes from the freehold land. So, on what we just reported it would be about 55,000 barrels a day.

ARTHUR GRAYFER :

Okay, great. Then when I think about the growth profile go forward, you know, how much of this growth, either the thermal projects or anything over the next few years, will be on those freehold lands?

ROB PEABODY:

A very large proportion of the growth is on freehold lands, and that's correct.

ARTHUR GRAYFER:

Okay, great. That's it for me. Thank you.

OPERATOR:

This concludes the analyst Q&A portion of today's call. We will now take questions from members of the media. As a reminder, please press star and one on your touchtone phone to ask a question. If you wish to remove yourself from the question queue, press star and two.

The next question's from Jeff Jones with The Globe and Mail. Please go ahead.

JEFF JONES:

Thank you very much for taking my question. I just wanted to ask you, Mr. Ghosh, just to expand a little bit on the Alberta vote results. I just wanted to see if you could address specifically a couple of issues that the NDP has talked about in terms of their platform, those being a royalty review and a two percentage point increase in the corporate tax.

ASIM GHOSH:

Well, I mean, ultimately we have a firm belief that it's in the best interests of government and industry to maintain a stable business climate that makes Alberta an attractive place to invest and generates jobs. You know, we were very encouraged that that was the approach that Premier Notley took in her inaugural speech yesterday. So, we just—we're not pre-judging any outcomes here, but we intend to be part of a constructive dialogue.

JEFF JONES:

Thank you very much.

OPERATOR:

The next question's from Rebecca Penty with Bloomberg News. Please go ahead.

REBECCA PENTY:

First, thank you for taking my question. Just one more follow-up about the election. On pipelines, Premier Notley hasn't been as much of an advocate as some others have been in terms of Keystone and Gateway, although she said she's open to Energy East and the Kinder Morgan expansion. I'm just wondering what you think about the Alberta's role—Alberta government's role on pipelines.

ASIM GHOSH:

Well, we have an overall position. I think Alberta oil needs to get out of being landlocked in Alberta. Having said that, I think the important thing for me at Husky—I'm not running the Canadian oil industry, I'm running Husky, and that's what I worry about. From our point of view, we've always believed that we should have a diversified portfolio of access routes, which we already have. I'll remind you that I've said in the past through somewhere around 2020, depending on how our production profile pans out, we are—Husky's in good shape in terms of market access. In that timeframe, we are reasonably confident that more access routes will come up.

REBECCA PENTY:

Thank you.

OPERATOR:

The next question is from Chester Dawson with The Wall Street Journal. Please go ahead.

CHESTER DAWSON:

Yes, thank you. My question is also in regard to the election. Obviously, you have to see what the policy is, but Ms. Notley's been very clear that, you know, she hopes to—or at least would be very positive towards increasing royalties. Is that something that you can live with, and at what point does that start to have a material impact to the point that you would consider deferring projects?

ASIM GHOSH:

Well, as I just said, you know, we firmly believe that ultimately it's in the best interests of government and industry to maintain a stable business climate. Nothing I've heard so far in the various speeches, including yesterday's inaugural speech, indicated that this—that the Premier-elect is anything but really a reasonably centrist policy person. Okay? Our position is that we will see the policies as they unfold, and indeed we'll be part of a constructive dialogue in giving our inputs on the policy. But, it's premature to judge what the final policies will be.

CHESTER DAWSON:

So, you wouldn't anticipate any, for example, job cuts if royalties were increased?

ASIM GHOSH:

No, we intend to run the most efficient operation regardless of the circumstances, and just because the circumstances get tougher does not mean we start getting more efficient as a result. We want to be efficient regardless, and beyond that it's permission to speculate.

CHESTER DAWSON:

Okay, thank you.

OPERATOR:

The next question is from Greg Meyer with Financial Times. Please go ahead.

GREG MEYER:

Hello, good morning. Mr. Ghosh, I just have a question on the oil market. We've seen WTI prices rally back above $60 a barrel and WCS rally from $30 to about $53. What impact do you believe that will have on North American production as a whole? Do you see some of the producers restarting drilling campaigns, et cetera, and what—how does that influence your thinking in terms of investment in the upstream at Husky?

ASIM GHOSH:

I have to say as prices go—my comments on the industry reaction to that is about as valuable as the comments of a man on the street, okay? But in terms of where actual oil prices will come out and what the industry reaction could be, all I can say is look, I'm not just in the oil industry, but in business in general, I find there are two kinds of forecasters; those who are wrong and those who are lucky. I can't control being lucky, and I don't want to be wrong.

GREG MEYER:

Okay, and in terms of Husky's thinking on its own investment?

ASIM GHOSH:

Well, we just want to maintain a resilient, low cost, low sustaining capital business, in line with wherever the new price equalization point lands. So, we are positioning this Company to be resilient at substantially lower prices from where we were before we went into this price decline in the late fall of 2014.

GREG MEYER:

Thank you.

OPERATOR:

The next question's from Menno Hulshof with TD Securities. Please go ahead.

MENNO HULSHOF:

Thanks and good morning. I just have one quick question. So, understanding that it's still early days, can you comment on the rates that you're seeing out of the most productive wells at Sunrise?

ASIM GHOSH:

Rob, do you want to take that? On, most productive wells? I think we've given you an overall indication. Shall we take that offline, Menno? I mean, it's early days yet, you know.

ROB PEABODY:

Yes. No, I'd just say I'm not going to give individual well things. Frankly, it's not where I want to go at the moment. But, what I'd say is, you know, we are a little ahead of our original plan for start-up. We're very satisfied with the results we're seeing.

MENNO HULSHOF:

Okay. Thanks, Rob.

OPERATOR:

The next question's from Christine Harvey with Bloomberg News. Please go ahead.

CHRISTINE HARVEY:

Hi, thanks so much. I just wanted to follow up on the Lima isocracker repairs. You said that plans are underway and the unit is set to come back online in 1Q 2016. How is that affecting any turnaround plans at the refinery? Is anything going to be pushed out? Will you elect to do any turnaround work while that unit is down over the next year?

ASIM GHOSH:

Rob, you want to take that?

ROB PEABODY:

Yes. There's no change to the plans at this time for the turnarounds.

CHRISTINE HARVEY:

Okay, great. Just a follow-up on the Toledo refinery, I'd seen recently there was a filing showing that the feed stock optimization project there was scaled back. Just wondering if you have any comment as to why that project is being reduced.

ROB PEABODY:

No, I think we could take that offline if you have further follow-up on that.

CHRISTINE HARVEY:

Okay, great. Thanks so much.

ROB PEABODY:

All right.

OPERATOR:

This concludes the time allocated for questions on today's call. I'll hand the call back over to Mr. Ghosh for closing comments.

ASIM GHOSH:

Thank you. Thank you, everybody, for your questions. I just wanted to end on the note of reminding you that the structural changes and cost efficiencies that we've been working on, they've actually been a work unfolding since 2010. We've made substantial progress in that direction already, before we went into this oil price down cycle. We've reinforced our strong balance sheet and financial flexibility while improving our margins and cost base, and basically, all of this further strengthens our resiliency through this down cycle.

Finally, a reminder to those who have the time, we will be holding our AGM later this morning in Calgary, and for those of us who are not in town or cannot make it physically, the presentation will be webcast live on our website. Thank you for joining us.

OPERATOR:
Ladies and gentlemen, this concludes today’s conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.