

# News Release

Calgary – July 26, 2001 – For Immediate Release

## **CNOOC AND HUSKY SIGN WENCHANG 39-05 PETROLEUM CONTRACT**

Husky Oil China Ltd., a subsidiary of Husky Energy Inc., announced today the signing of Wenchang 39-05 Petroleum Contract and Participation Agreement with the China National Offshore Oil Corporation (CNOOC).

Husky, as operator, has undertaken to drill three exploration wells over a seven-year period. CNOOC has the right to participate in development programs with a 51% interest, while Husky would have the remaining 49% interest.

“This project is consistent with Husky’s upstream strategy,” said John C.S. Lau, President & CEO of Husky Energy Inc. “Our upstream projects reflect a diverse, high quality asset base providing strong production and reserves growth. This exploration block, with contiguous discoveries, will provide an excellent opportunity to grow our offshore production, following successful development of the Wenchang 13-1 and 13-2 fields.”

The Wenchang 39-05 block comprises an area of approximately 5,700 sq. km containing numerous exploratory prospects. The 39-05 block has been covered with extensive 3-D seismic and Husky, as operator, will commence exploration operations in 2002.

The Wenchang 39-05 block is contiguous with additional, unappraised oil discoveries made by CNOOC for which Husky has obtained an exclusive right to participate in development. These discoveries will be appraised with a view to tie them into the Wenchang 13-1 and 13-2 field development now in progress. Husky holds a 40% interest in the CNOOC operated Wenchang 13-1 and 13-2 field development which is expected to come on stream during the first half of 2002.

Husky Energy is a Canadian-based, integrated energy and energy-related company headquartered in Calgary, Alberta. Husky Energy is a publicly traded company whose shares trade on the Toronto Stock Exchange under the symbol HSE.

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## Husky Energy Inc. – Wenchang Backgrounder

Husky Oil China Ltd., a subsidiary of Husky Energy Inc., has announced the signing of Wenchang 39-05 Petroleum Contract and Participation Agreement with the China National Offshore Oil Corporation (CNOOC). The acquisition of this highly prospective exploration block follows Husky's acquisition of a 40% interest in the Wenchang 13-1 and 13-2 oil fields development project in October, 2000. The Wenchang 39-05 block and 13-1, 13-2 oil fields are located in the Western South China Sea, east of Hainan Island.

Husky, as operator of the 39-05 block, has undertaken to drill three exploration wells over a seven-year period. CNOOC has the right to participate in development programs with a 51% interest, while Husky would have the remaining 49% interest.

This project is consistent with Husky's upstream strategy to maintain a diverse, high quality asset base providing strong production and reserves growth. The Wenchang 39-05 exploration block, with contiguous discoveries, will provide an excellent opportunity to grow our offshore China production, following successful development of the Wenchang 13-1 and 13-2 fields.

The Wenchang 39-05 block comprises an area of approximately 5,700 sq. km containing numerous exploratory prospects. The 39-05 block has been covered with extensive 3-D seismic and Husky, as operator, will commence exploration operations in 2002.

The Wenchang 39-05 block is contiguous with additional, unappraised oil discoveries made by CNOOC for which Husky has obtained an exclusive right to participate in development. These discoveries will be appraised with a view to tie them into the Wenchang 13-1 and 13-2 field development now in progress. Husky holds a 40% interest in the CNOOC operated Wenchang 13-1 and 13-2 field development which is expected to come on stream during the first half of 2002.

Oil production for the 13-1, 13-2 project is estimated to have an approximate peak production rate of 50,000 barrels per day. Independent consultants have estimated recoverable reserves at approximately 100 million barrels for the two fields.

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**WENCHANG CHINA**

Husky holds interests in China, Indonesia and Libya and is pursuing other synergistic opportunities in South East Asia.

**China**

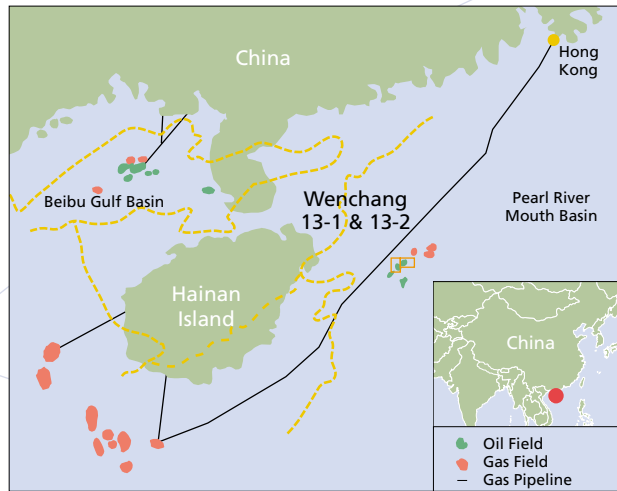
Husky Oil China Ltd., a wholly-owned subsidiary of Husky, signed a petroleum contract with the China National Offshore Oil Corporation in October 2000 to develop two high-quality oil fields in the South China Sea. Located in the western Pearl River Mouth Basin, approximately 300 kilometres south of Hong Kong and 136 kilometres east of Hainan Island, the Wenchang 13-1 and 13-2 fields are estimated to contain about 100 million barrels of reserves.

Husky holds a 40% interest in the fields, which are expected to achieve peak production of 50,000 barrels of oil per day (20,000 barrels of oil per day net to Husky) following start-up planned for the first half of 2002. The Wenchang fields will be produced

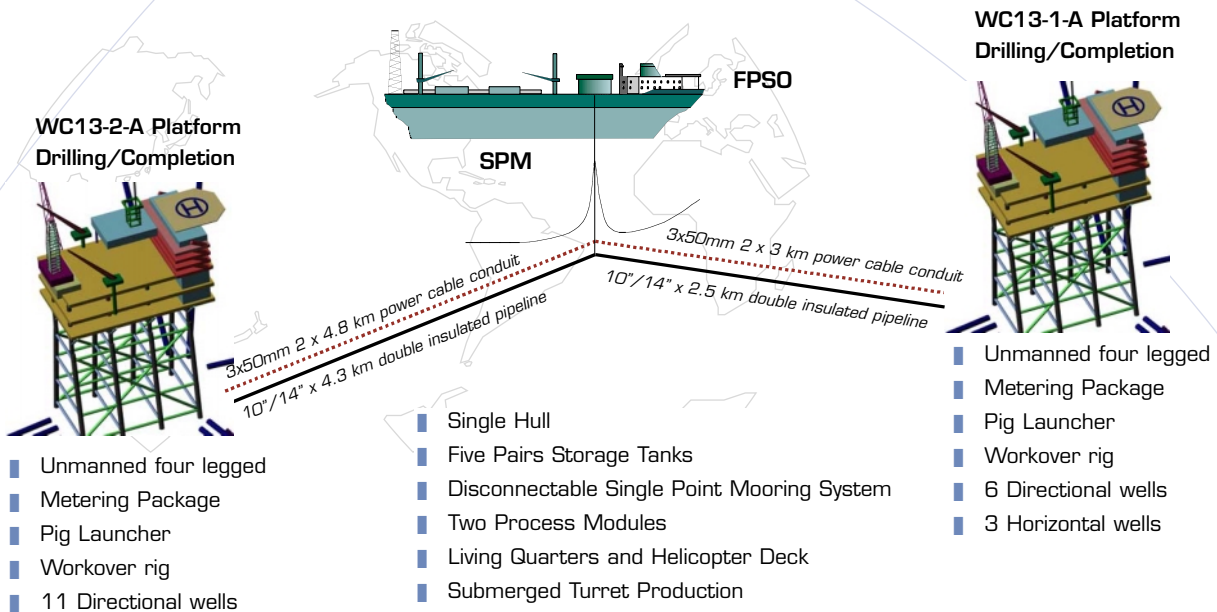
from fixed platforms in water 100 metres deep, into a floating production storage and offloading vessel (FPSO) stationed between the fields. Development drilling and fabrication of the production facilities are underway. Husky has allocated \$100 million to the Wenchang project in its 2001 capital budget.

*Summary*

- Total field development cost US\$300 million
- Husky holds a 40% working interest
- Location: South China Sea, 140 kilometres from shore, 120 metres water depth

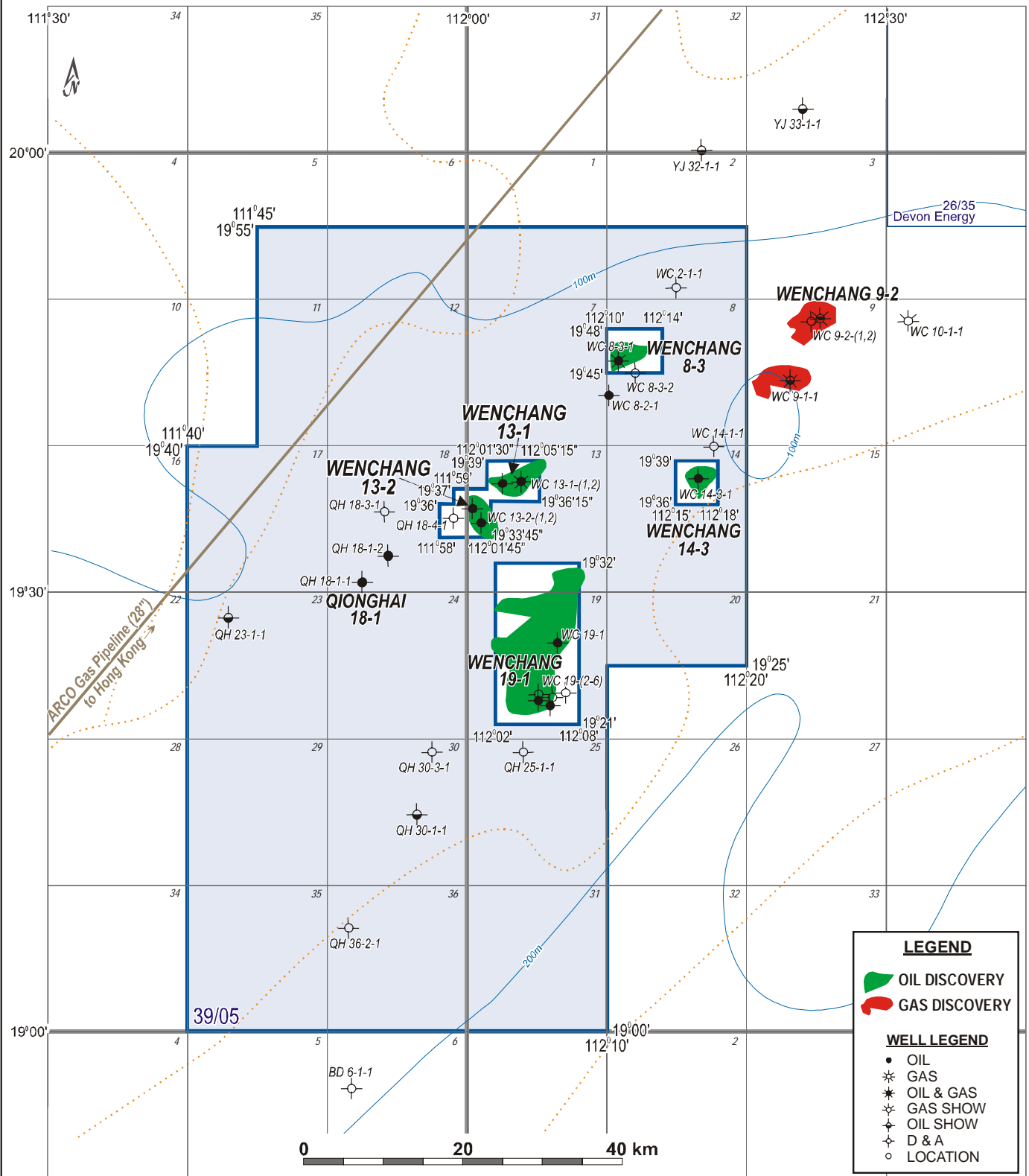


South China Sea



# ANNEX I

## Geographical Location and Co-ordinates of Connecting Points of Boundary Lines of the Contract Area



**LEGEND**

OIL DISCOVERY

GAS DISCOVERY

**WELL LEGEND**

- OIL
- GAS
- OIL & GAS
- GAS SHOW
- OIL SHOW
- D & A
- LOCATION