

# News

Expanding the Horizon

**Husky Energy Inc.**

July 27, 2004

For immediate release

## **Husky Energy and Trident Exploration in Joint Venture to Develop Natural Gas from Coal**

**Calgary, Alberta** – Husky Energy Inc. announced today it has signed a farm-out and joint venture agreement with Trident Exploration Corp. to develop natural gas from coal (NGC) or coal bed methane (CBM) in central Alberta. The agreement extends the original 2002 joint venture between Husky and Trident for the exploration and development of NGC in the Fenn Rumsey area. The agreement calls for an additional 120 wells to be drilled over the next two years. Capital costs for drilling and associated facilities will be approximately \$40 million, of which Husky will pay 30 percent to earn a 50 percent interest in the production.

“The development of this block of land will allow Husky to benefit from the NGC economics without Husky committing major risks associated with NGC exploration and development. This farm-out and joint venture agreement positions Husky and Trident as frontrunners in the emerging NGC energy sector in Western Canada,” said Mr. John C.S. Lau, President and Chief Executive Officer, Husky Energy Inc.

Husky and Trident have successfully drilled more than 50 NGC wells in the Fenn Rumsey area since 2002. With 32 wells tied-in, current production is approximately 6 million cubic feet per day (mmcf/d) of natural gas, shared 50-50 between Husky and Trident. This agreement covers more than 250 net sections of Husky land, upon which Trident will drill a minimum of 40 additional wells in the remainder of 2004 and have the option to drill a minimum of 80 wells in 2005. Trident will manage production in this area and Husky will be the operator of the facilities and other infrastructure required to transport and process the gas. It is estimated that Husky’s lands in the Fenn Rumsey area have 500 billion cubic feet (bcf) gross natural gas resource in place in coals and interbedded sands.

Jon Baker, President and Chief Executive Officer of Trident, stated, “Trident is pleased that Husky elected to expand our joint venture agreement. We think Husky’s decision to do so reflects well on Trident’s abilities to be a strong partner on NGC exploration and development. Trident looks forward to delivering a significant amount of low-cost NGC production to Husky at very favourable economic terms to Husky. This joint venture agreement allows both companies to benefit from each other’s relative strengths. Husky owns significant infrastructure in the Fenn-Drumheller area and can tie in production quickly with minimal costs.”

NGC is produced by drilling to a depth of 900 to 1,000 metres below the surface to assess all prospective shallow coals and sands. These zones are then perforated and stimulated to gain production. The gas is then collected and compressed into a pipeline. Most NGC in the Horseshoe Canyon Formation is sourced from dry coal, with little water associated in producing the natural gas.

Husky and Trident will be pursuing NGC in east central Alberta from the regionally extensive coal seams of the Horseshoe Canyon Formation. The Alberta Geological Survey estimates this formation contains upwards of 70 trillion cubic feet (tcf) of natural gas resource. Average well production rates of 120 mcf/d to 180 mcf/d are projected over the joint venture lands. Husky and Trident plan to drill up to four wells per section and will focus on minimizing surface disturbance. NGC wells are generally less intrusive than conventional wells, requiring less surface land space.

NGC resources in Canada are considered to be significant. The National Energy Board estimates Canada has undiscovered potential of 60 to 80 tcf of natural gas in the form of NGC. The National Energy Board also estimates that NGC could contribute up to 10 percent of Canada's current natural gas production within the next 10 to 20 years. Currently, southern Alberta is the only region in Canada where there is commercial production of NGC. Cumulative gas production from approximately 325 wells in the Horseshoe Canyon-Belly River coals was approximately 4.6 bcf as at December 2003, according to the Alberta Energy and Utilities Board.

NGC has been a significant source of natural gas production for more than 20 years in the United States. More than 19,000 NGC wells in the U.S. currently produce over 4 bcf/d of natural gas, representing approximately 8 percent of that country's domestic natural gas supply. In Canada, NGC production has lagged behind the U.S. because technical challenges and associated costs in the past made development prohibitive. In Western Canada, NGC reservoirs are generally different from coal seams in the U.S. Consequently, developing NGC in Western Canada will require solutions that meet the unique technical, environmental, economic and regulatory challenges of this region.

Trident, a private Calgary based company, is a leading NGC explorer and producer in Western Canada, having drilled 192 NGC wells to date, including 72 in the Mannville Formation, 94 in the Horseshoe Canyon Formation and 26 exploration wells for other NGC play types.

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

*Certain information in this release may contain forward-looking statements. Actual future results may differ materially. Husky's annual report to shareholders and other documents filed with securities regulatory authorities describe the risks, uncertainties and other factors, such as changes in business plans, drilling results, the uncertainty of estimates and projections of future production, that could influence actual results. Husky assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.*

For further information, please contact:

Donald Campbell  
Manager, Investor Relations  
& Corporate Communications  
Husky Energy Inc.  
(403) 298-6153

Colin Luciuk  
Manager, Investor Relations  
Husky Energy Inc.  
(403) 750-4938