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January 12, 2007

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file no: 400080-000069

Alberta Energy and Utilities Board
640 - 5 Avenue SW
Calgary, Alberta
T2P 3G4

Attention: Mr. Ernie Smith

Dear Mr. Smith:

Re: EUB Application Nos. 1394112, 1409180 and 1481725
Cold Lake Oil Sands Area - Clearwater Deposit

Enclosed herewith for filing are fifteen copies of Husky's IRs to EnCana, which have been electronically sent as well today.

Yours truly,

BORDEN LADNER GERVAIS LLP

for **RANDALL W. BLOCK**

/encl.

cc: Mr. Don Davies, McCarthy Tetrault
Mr. Patrick J. McGovern, Thackray Burgess
Ms. Susan C. Stark, Imperial Oil Resources
Ms. Susan Anderson, Husky Oil Operations Ltd.

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January 12, 2007

Husky Information Request from EnCana based on their Reservoir Simulation Submission of Jan 8, 2007

Husky received the full data files only on January 12, 2007 at 2 p.m.. Therefore, further information requests will be forthcoming.

1. Summary and Conclusions:

    a. Please provide bitumen production rate and SOR as a function of time for simulated cases.

    b. Given the non-uniqueness of the history matching process in general, and for this study in particular, what is the reason for "high degree of confidence that the above conclusions for predictive runs are accurate" once the piezometer pressure declines are matched under cold conditions?

    c. What is the additional work that would need to be done in this area to predict an accurate level of bitumen recovery?

    d. Why are absolute bitumen recovery levels that are not correct accepted as "accurate"?

    e. Why is it unlikely that changing well spacing (for instance, from 280 m reported by EnCana to 100 m) will not change any of these conclusions?

2. Geological Model:

    a. Please provide all geological maps and cross plots used as input data for the simulations.

    b. How do the simulation input data at the known wells, particularly at piezometer wells, compare with actual core measurements at these wells?

    c. Drawing 2 is illegible even when magnified; please provide a better quality figure.

    d. Core summaries are incomplete as variation of these properties with depth is not indicated. Please provide these changes with depth and comment on the consistency of these changes in the core with the history matched model data.

3. Computer Model:

    a. How was 10 vertical layers overall and 6 layers in total for the bitumen zone decided for vertical resolution?

    b. How was the areal grid block size of 10 m chosen for grid blocks near the horizontal wells including the grid blocks that include the wells?

    c. How are the calcite streaks and mud rich layers in the bitumen zone represented in the simulation model?

    d. What is the source of viscosity data?

    e. Does the simulation model take into account temperature dependence of relative permabilities?

    f. Why are the relative permeability curves for upper and lower bitumen zones different?

    g. Why is the shape of the oil relative permeability curve concave down in all of the water-oil relative permeability curve sets?

    h. Why are the heels of the "horizontal" SAGD and CSS wells up to 7 m higher than the toes?

    i. Why are there two separate trajectories for the same well in the same grid block?

    j. Why are some of the wells not completed in all the grid blocks that intersect their trajectories?

4. Previous History Matching Attempts:

    a. It is stated that "from initial model performance much of the water saturation reported in core and calculated on logs is water contained in the mud layers and clasts or bound to clays and is not moveable water". Provide the core data to support this statement.

5. Current Philosophy:

    a. Why does restricting water movement as much as possible result in a worst case scenario?

    b. Would it be possible to history match the model by doing the opposite (i.e. by allowing water to be mobile)? Would results be any different in this case?

c. Is there any experimental data or published literature to support a critical gas saturation of 0.5% that was used for history matching? If so, please provide.

d. Is there any experimental data or published literature to support a live oil viscosity of 17,000 cp that was used for history matching? If so, please provide.

6. Communication Across the C-D Mudstone Layer:

   a. What is the basis for the permeability of 0.001 mD (a vertical permeability of 0.00045 mD)?

   b. What is the basis for reducing water saturation to 75% in order to allow bitumen in this layer to move horizontally?

7. Water Layer:

   a. Please explain how, as apparently asserted by M&A, that the existence of top water zone is indication of a permeability barrier between the water and the underlying bitumen zone.

   b. Please provide a geological map of the edge of the gas pools, the edge of top water layer for each, permeability barrier below the water zone and the C-D mudstone layer.

   c. What happens to the gas that evolves from the bitumen in the reservoir in the numerical simulation model?

   d. It is observed from the input data file that net to gross ratio under the gas cap in layer 4 in the model was reduced by 90%. Given the assumption mentioned above in 7a of a vertical permeability barrier below the water zone, what is the relative amount of available transmissibility between the gas cap and the bitumen zone before and after these adjustments?

8. Final Adjustments:

   a. How do the initialized gas cap volumes in the simulator and the volumetrically calculated initial gas cap volumes from geological maps compare?

   b. What is the physical reason for increasing the gas cap volume in the simulation to match the observed field pressures in the gas zones?

   c. The horizontal permeability in the simulation model under the north gas pool in layers 1 to 3 is 5400 mD. Please provide supporting data.

d. The whole upper bitumen layer 4 in the entire simulation area of 85 sections is assigned 3600 mD permeability. Please provide the supporting data and its source.

9. Prediction Runs:

a. How was the well spacing of 280 m chosen? How does this compare to existing projects in the area?

b. Please describe the process to optimize steam injection rates for most economic operation?

c. The simulations are run to a cumulative water cut of 95% corresponding to an SOR of about 20. How are these limits decided on? Are these limits considered to be economic cut offs? If not, what are recoveries and SORs at a reasonable economic cut off?

d. Are the 6 vertical layers in the bitumen zone considered to provide sufficient resolution to simulate a gravity dominated thermal process in this reservoir?

e. Where did the injection and production well schedules originate from?