5 Reasons Husky Energy Will Continue to Generate Cash for Investors

Description

Husky Energy (TSX: HSE) is one of the largest integrated energy companies in Canada. It operates globally with upstream and downstream business segments. New production, increased production, and increased cash flow are driving the company forward. Here are five reasons Husky Energy will continue to generate returns for investors.

1. Sunrise Energy

Husky's Sunrise Energy Project is a main element of its oil sands growth. The company indicates that this project is advancing as planned. Start-up is expected in the second half of this calendar year, and production is expected over a 40+ year life span. Husky Energy has a 50% working interest in the project's reserves.

The Sunrise Energy Project is deemed a world-class reservoir. It has estimated reserves of 3.7 billion barrels of bitumen (0.44 billion proved, 2.40 billion probable, and 0.86 billion possible) as of December 31, 2013. For Q1 2014, 12 stratigraphic wells were drilled. Furthermore, an additional 38 square kilometres of 3-D seismic work was acquired to support additional development.

2. Liwan Gas

The Liwan Gas Project is the first deep-water gas project offshore China. It is Husky Energy's largest development so far. The Liwan Gas Project consists of three natural gas fields that share a subsea production system, subsea pipeline transportation, as well as onshore gas processing infrastructure.

The first of three fields to undergo development achieved first gas on March 30, 2014 (Liwan 3-1). Gas sales commenced in late April. Volumes have grown to approximately 175 million cubic feet per day (mmcf/day), plus approximately 7,000 boe/day of liquids (gross). The Liwan Gas Project consists of three natural gas fields: Liwan 3-1, Liuhua 34-2, and Liuhua 29-1.

3. White Rose

In 2013, Husky Energy continued to advance its satellite development projects at the White Rose field in Atlantic Canada. This region is a central development area for the company. It has a 72.5% working interest (WI) in the White Rose field and a 68.75% WI in the satellite South and West White Rose fields and North Amethyst.

At the South White Rose extension, Husky's proved plus probable plus possible reserves are 20 million barrels of oil (6.9 million barrels proved, 9.9 million barrels probable, and 3.1 million barrels possible) as of December 31, 2013. Gas injection started in Q1 2014 at the South White Rose extension in the White Rose field. First oil is anticipated towards the end of 2014.

Husky has made ongoing investments in the SeaRose FPSO vessel. This has provided a stage for steady, dependable production from the area. It is further extending the use of the SeaRose FPSO via near-field satellite developments in the Jeanne d'Arc Basin offshore Newfoundland and Labrador.

4. Production growth

Husky's goal is attaining its 5-year compound yearly production growth target of 5% to 8% through to 2017. For Q1 2014, total upstream production averaged 326,000 boe/day. This is versus 321,000 boe/day in Q1 2013. Oil and liquids production was 74% versus 72% the year prior.

Husky started production at the 3,500 bbls/day at the Sandall heavy oil thermal project (Western Canada). Present heavy oil thermal production is currently over 45,000 bbls/day. Moreover, it grew production at the Ansell liquids-rich gas resource play (Western Canada) to approximately 17,000 boe/day. Heavy oil is a keystone of Husky Energy's foundation in Western Canada.

Integrated oil company **Cenovus Energy** (TSX: CVE)(NYSE: CVE) had an oil sands production increase in Q1 2014. Combined oil sands production at Foster Creek and Christina Lake averaged 120,444 barrels per day (bbls/d) net in Q1, up 20% from the year prior.

Enbridge (TSX: ENB)(NYSE: ENB) said last week that its Flanagan South and Seaway expansion projects in the U.S were on target to commence operating in the next few months. These expansion projects are targeted to more than double capacity to Gulf Coast refineries.

5. Cash flow and dividends

Husky's cash flow from operations was $1.5 billion, or $1.56 per share (diluted) in Q1 2014. This is versus $1.3 billion, or $1.30 per share (diluted) in Q1 2013. Last week, Husky Energy's board declared a quarterly dividend of $0.30 (Canadian) per share on its common shares for the three-month period ended March 31, 2014.

For Q1 2014, Cenovus Energy produced almost $1.2 billion in operating cash flow. This represents a 4% decrease versus the same period in 2013.

On April 23, 2014 Enbridge declared a quarterly dividend of $0.35 per common share. This dividend amount is consistent with the March 1, 2014 dividend.

Husky Energy has plenty of initiatives in place to foster growth and shareholder returns. The company is diversified through its Upstream and Downstream business divisions. With strong production growth and cash flow, as well as its Liwan venture, Husky should be an income stock that investors consider.

CATEGORY

1. Investing

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