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PRESENTATION

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

I think if we could get people to take their seats, please, so that we can get started? Hopefully, folks have had a chance to grab a coffee and some juice this morning.

So, good morning, everyone. I am Sheila McIntosh. I'm the Executive Vice President of Communications and Stakeholder Relations for Cenovus Energy and it's my great pleasure to welcome you to Cenovus's Inaugural Investor Day. Now, while I know you're all going to be very anxious to get onto the main presentations of the day, I need to review a few items with you. Just think of it as that time in the movie where you're waiting for the feature presentation, but there's a few announcements.

The first one you will be very familiar with, the advisory. Because we are going to be talking about future-looking information today, we have advisories relating to forward-looking information as well as our disclosure protocols. And so, I encourage you to read them; if you're a speed reader, you can read them on the screen. If not, they are in your booklets.

I'd also like to remind you where the safety exits are today, as we take our safety commitments very seriously at Cenovus. Working here means working safely. The main doors, obviously, are the ones you came in. You can also see exits on the far right-hand side as well as to the right of the screen. If we do need to evacuate, please follow the directions.

Now, moving on to the coming attractions of the day, let me take a moment to briefly introduce the executive team at Cenovus and to introduce the day we have planned for you. As you can see from the agenda, it's going to be a busy morning. Our goal today is to provide you with a more comprehensive understanding of our long-term strategy, the tremendous resource base that we have that underpins our potential, our strong financial position and the projects that drive our business and our growth.

So, as you can see from the agenda, leading off today will be Brian Ferguson, our President and CEO, who needs no introduction to most of you. Judy Fairburn, who is in charge of our Environment, Strategic Planning and Reserves will then provide a little bit more background in terms of our opportunity rich portfolio. Ivor Ruste, CFO, will talk about our strong financial position and then Don Swystun, who heads up our Natural Gas and Conventional Oil business, will describe two of the really important parts that his portfolio plays for Cenovus. We'll then have a short Q&A and a break.

Then, we will head back with John Brannan, who leads our Integrated Oil division. John will talk about our operating and producing SAGD projects and our downstream business and then, batting clean-up this morning is Harbir Chhina, who is our EVP of Enhanced Oil Development and New Resource Plays. Harbir will be describing some of the exciting new plays we have and some of the technologies that we're working on. We'll wrap up with another Q&A session and some brief closing remarks from Brian.

So, we have along here, Brian, Hayward Walls, who won't be presenting today. So, if you guys want to just quickly stand up. Brian, Hayward Walls, who is our EVP in charge of Organizational Effectiveness and Workplace. Ivor Ruste, Judy Fairburn, Don Swystun, John Brannan, Kerry Dyte, who won't be presenting, but is our General Counsel and Corporate Secretary and last, but not least, Harbir Chhina. So, you will be seeing more of them through the day and make sure you ask them questions.

I'm now onto the opening credits for the day. As you know, the curtain rose on Cenovus on December 1st, 2009. Our name is new, but we have a long history of successful operations. As you can imagine, we've had a very busy first 6.5 months, getting ourselves organized as an independent company, while not missing a beat in delivering on our commitments. We've continued to meet or exceed guidance. This was in large part due to the continued commitment and hard work of our employees and contractors. So, we thank them all.

In February, we achieved another milestone. At Foster Creek, we became the largest SAGD project to pay out and also achieve cumulative production of 100 million barrels. Over the past few months, we have been very busy assessing our resources and developing our plans, culminating in what we released yesterday and now have the privilege of talking to you about today.

With that, it's time to get on with the show. It's now my pleasure to turn the podium over to our President and Chief Executive Officer, Brian Ferguson.

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

Thanks, Sheila. Well, good morning, everyone. Welcome to our Investor Day debut. The Cenovus team, as Sheila's outlined, has spent the last several months methodically evaluating and assessing the opportunities that are within our resource portfolio. We are now ready for the external debut of our 10-year plan.

In the oil and gas industry, there are two fundamental and formidable challenges for most oil and gas companies. The first one is exploration. It's simply finding the resource. The second is the reality that, for most companies, every day that you produce, you're fighting a natural decline. Cenovus has a different challenge. Our challenge is how to bring forward the value that's on our tremendous resource base and crystallize that for our shareholders. We are very excited about our future.

To start things off, I'd like to highlight some of the things that you'll be seeing and hearing about today for the first time. We've updated our disclosure on the resource that's on Cenovus lands and provided more detail on our proven, our probable, our economic, contingent bitumen resource. They're really big numbers.

I think one of the things to think about in the context, when you try to relate the total bitumen initially in place, that 137 barrel -- 137 billion barrel number to, for example, reserves or to the 5.4 billion economic contingent resource, that's only a fraction of the total resource that's in place. We have tremendous running room and Judy is going to explain more about that to you.

Foster Creek and Christina Lake, which you're going to hear a lot more about today, are our marquee assets. But we are much more than just that. We have many other really great opportunities in our portfolio. As part of our 10-year plan, we've established a set of objectives that will guide us in turning this resource into production and allow us to build net asset value. We have set clear milestones to measure our success and to help you track our progress. For example, more strat wells, more regulatory approvals. We are going to reinvigorate our conventional oil program.

We've got the financial strength and flexibility to enable our ambitious plans and to return value to shareholders through an increasing stream of dividends over time. All of our actions are aimed at increasing total shareholder return. As you all know, Alberta's oil sands are the second largest oil resource on the planet. Cenovus has a huge amount of that resource on our existing lands, 56 billion barrels of discovered resource. We do not have to explore.

I know that it is important that we provide you with the milestones to measure our progress, as we turn that resource into shareholder value. We have a strong history of operating performance and innovation. In fact, we like to think of ourselves, in many ways, as a technology company that's operating in the oil industry. We have the financial strength to be self-funding and the capacity to provide an income stream to our shareholders via a dividend. We have set lofty goals for ourselves. But I believe they are achievable.

The principles shown here are embedded in our business plan and many of them are the same things that already set Cenovus apart. Our culture is one, which encourages responsible resource development and progressive thinking. This means that while we have demonstrated strong performance, we are not content with that performance. Our teams are continuously looking for ways to drive down costs, to improve operations and to reduce our environmental impact.

A very important asset, which you will not find on our balance sheet, is our track record. We are a new company, but we're not a start-up. We have the most experience as a SAGD operator, with over 14 years of learning how to use and apply the technology. We have more than 30-years' experience in conventional oil and shallow gas. This institutional knowledge should not be underestimated in its importance. Having these well-experienced operating and corporate teams, so it gives me the confidence in our ability to execute the plans that you are going to see unveiled before you here today.

Many of you have heard me say that I think two of the most fundamental questions any CEO needs to be prepared to address is how am I going to grow my business and how am I going to fund that growth? We have a significant amount of high-quality resource on our existing lands, which we are converting into reserves and production. We know our bitumen assets are capable

of decades' worth of double-digit growth. Rather than set a target, our growth rate is going to be an outcome of what we have determined that our ability is to execute effectively and efficiently. You'll hear more about this from John and Harbir.

We also see attractive opportunities, as I mentioned, to reinvigorate some of our conventional heavy oil assets. Don Swystun's going to describe those for you. Just as we are diligent in setting our development plans, we have been diligent in setting our financial plan. In addition to ensuring a strong balance sheet and stringent debt metrics, we've established a base of conventional assets, which we manage as financial assets, not production assets. Our mature natural gas assets require minimal capital to generate an annuity-like stream of cash flow, which we can redeploy into growing our oil business.

In everything that we do, we are motivated by the overarching goal of increasing total shareholder return. It is a fundamental part of our strategy. A key component of this, of course, is net asset value. We have chosen net asset value as our growth objective because we believe it is a comprehensive measure that is well suited to our long-term organic growth business model. While we cannot control the value that is assigned to our assets, we can manage the pace of development and this drives overall value.

There are clear, methodical steps that will provide milestones for you as we build net asset value. You'll see this and how it's addressed throughout this morning. Our manufacturing approach to development, focus on capital discipline and commitment to embracing new ideas will be key to maintaining our competitive advantage and growing profitably.

The next couple of years will be somewhat capital intensive, as we complete the construction of the refinery at Wood River and begin building our bitumen business. Beyond this time frame, I expect that we will be in the position to implement a dividend growth strategy and consider share purchases from additional free cash flow.

I believe that we can create a step change in value for our shareholders. We are in a long-term business. There are several steps that are required to bring an asset from resource into production. We've identified key stages here for you in the progression of our bitumen assets in order to determine our development strategy and identify the milestone for moving the assets up these steps.

Today, we have identified our total land position, including what was previously held confidential, and quantified the estimated resource in place on those lands. As you listen to the presenters today, you'll hear more about the specific things that their teams are doing to surface value as we move up these steps.

On my first slide, I said that Cenovus had a different challenge, bringing forward the value on our resource base. Here's the details of the bitumen initially in place on the lands that were assessed by McDaniel & Associates. These really are enormous numbers and they can be tough to comprehend. It's important to recognize the quality of the barrels and to understand that moving the resource up the value chain is the key to building net asset value.

The bottom line is that we have so much resource on existing Cenovus lands that our job is now to focus on executing our development plan. Our teams are focused on delineating our bitumen lands to better understand the ultimate potential of each project and to move resources into the contingent resource category. From there, we determine the appropriate development approach and proceed to the regulatory application phase, again, moving the value forward, this time into the 2P category and ultimately into production.

We've established several check points that will allow us to measure our success and demonstrate our progress in achieving the value step changes you saw earlier. For example, today Harbir will be providing additional information on previously confidential lands and project development plans for you. In the coming weeks, we plan to submit our Narrows Lake project into the regulatory application process. Before year-end, we anticipate receiving regulatory approval for the next phases of expansion at Foster Creek and to begin steaming at Grand Rapids pilot.

These are just the 2010 milestones and we've outlined several more for you here in 2011 and 2012, all focused on building net asset value and bringing that high-quality resource closer to production. By 2015, we are targeting to have regulatory approval on 400,000 to 500,000 barrels per day of projects net to Cenovus. This will provide us with an inventory of projects and give us flexibility in our growth plans.

I've mentioned that our oil sands asset base is capable of achieving a 15% to 20% compound growth rate for decades. This is what that next decade looks like. But I want to make it very clear, we will not and are not targeting a growth rate for production. Our focus is on building net asset value. The growth rate is going to be an outcome of what we believe we can, with confidence, execute and the various phases of development and phases of growth in our oil sands business.

Our production base is shown in the solid portion of these bars and includes our producing and under construction projects at Foster Creek and Christina Lake. The hatched portion of the bars illustrates the potential for additional growth from Foster Creek and Christina Lake as well as some of our other portfolio.

Our plan is to grow from 60,000 barrels a day to about 300,000 barrels a day of production by 2019, as we bring on these different phases of growth. This is not a stretch target. We have a proven track record of low-cost production growth and technology development. I'm going to not give you more details on this because John and Harbir are going to expand later on this morning.

Now that you've seen our growth, let's touch on how we're going to fund that growth. We are an oil focused company. You can see from this chart that in 2010, about two-thirds of our operating cash flow comes from our oil business and that is going to continue to grow over time. You can see it's 75% by 2014.

Our natural gas assets are an important contributor to our development strategy from a financial point of view. With modest capital investment, these assets will experience a fairly gentle, shallow decline, but will generate strong cash flow. Our net -- over the next few years, the natural gas cash flow serves as a bridge to cover the gap between the cash flow and capital investment as we expand our oil business.

This graph illustrates the substantial free cash flow coming from our existing base operations. Our plan is to take this free cash flow and find a prudent balance between increasing our dividend and reinvesting to grow our bitumen business and our other oil opportunities and bring forward the value of those projects. The hatched portions that are now on the screen illustrate the growth in cash flow from reinvesting and highlight that we expect to be cash flow positive as we grow.

We view our dividend as a commitment to our shareholders, a strong form of capital discipline. We've set our current annualized dividend to CAD0.80 per share. This provides a competitive yield today and sets our dividend at a level that we believe is sustainable through these capital intensive periods of 2010 and 2011.

Beyond 2011, we expect to have the financial capacity to continue to grow our business and to implement a dividend growth strategy. We believe that growing our dividend over time and linking it to the growth in our after-tax cash flow strikes the right balance between growth and dividends, while supporting our overall goal of growing total shareholder return.

Our plans are to grow our oil production and generate free cash flow, depend on our ability to manage our portfolio of opportunities and make informed development decisions. We take a rigorous approach to capital allocation and portfolio management. We use a suite of economic thresholds and screening criteria to prioritize and rank the portfolio. Judy Fairburn is going to expand on that for you shortly.

As I showed earlier, we expect cash flow to grow over time as we grow our production base. Our focus will be to invest in our oil projects to grow our net asset value and to fund our dividend. Over time, we expect to be in a position to allocate additional cash flow, to increasing the dividend and in years where excess cash is available, we will consider share buy-backs. Each of these activities contributes to our overarching goal of total shareholder return.

This photo is of the steam generators at Foster Creek, where we are producing more than 100,000 barrels per day. To me, they look like cash registers. We have established a value pledge that will anchor our strategy and provide clear milestones for you to judge our progress, guide our actions and decisions, ensuring that we maintain our focus.

In 2010, we are focused on meeting the goals we have set for ourselves and continuing to execute the plan that will allow us to grow net asset value. While we cannot control the value that is assigned to the assets, we can control the development and progression of the resource into production. With the opportunity rich portfolio that we have and the development plan that we have established, I believe we have the potential to double net asset value over the next five-year period, while contributing to our overarching goal of increasing total shareholder return.

Thank you and I'm going to turn the podium over to Judy Fairburn now.

Judy Fairburn - *Cenovus Energy Inc. - EVP - Environment and Strategic Planning*

Good morning. Thanks, Brian. I'm Judy Fairburn, Executive Vice President of Environment and Strategic Planning and I've been privileged in my career to work as an engineering leader across the industry, oil sands, conventional oil and gas and refining and very excited to be part of the Cenovus team.

I'll provide more color, as Brian mentioned, on Cenovus's opportunity-rich portfolio, elaborating on the recently completed bitumen initially in place resource evaluation and then, I'll give you some highlights from my 10-year strat plan and share with you our key project screening parameters. I'll wrap up by sharing our approach to integrating environment into the business.

Here's a summary of the key messages of my presentation. As Brian noted, McDaniel & Associates determined the best estimate discovered bitumen initially-in-place, BIIP, of 56 billion barrels. I'm going to say BIIP throughout this, because otherwise it's too much of a mouthful. This is the bitumen underlying our lands that is well-defined through strat wells. The best estimate total BIIP reflecting all bitumen underlying our lands was assessed at 137 billion barrels. We are opportunity rich.

Our 10-year plan is focused on building NAV, primarily through accelerating development of our vast bitumen resource and as Brian mentioned, we expect to reach 300,000 barrels a day net by 2019, a five-fold increase from our current levels. Our portfolio will be, indeed, be increasingly oil and liquids dominated. More than 80% of the 2014 forecast capital and 75% of the 2014 forecast operating cash flow will come from oil and liquids, including bitumen. Our overall portfolio capital spend is forecast to average CAD2.4 billion a year over the next five years.

We employ rigorous economic and strategic screening of our projects and we are committed to environmental leadership in our sector. We're working diligently to integrate environmental performance into the way we do business, our existing operations and new projects and we view this as a key enabler of future growth.

The resource classification chart here is the same one that we showed during the April conference call. It is extracted from the Canadian Oil and Gas Evaluation Handbook and lays out the classification categories required by the regulators under national instrument 51-101.

In February, Cenovus released year-end 2009 reserves, as highlighted in gray. In April, we released an independent estimate of our bitumen economic contingent resources, highlighted in green. We've now completed the picture with disclosure of the total bitumen initially in place on our lands. It has been a really busy first half for us. We'll use the term bitumen initially-in-place, BIIP as I mentioned, rather than PIIP, since the evaluation has focused solely on our bitumen resource. Our conventional oil and gas lands have been excluded.

As Brian noted, our strategic plan is focused on building net asset value by converting our resources into reserves and then producing these reserves in a timely manner. The 56 billion barrel discovered BIIP is the anchor of our future development plans. It's defined by a rigid standard set by the external valuator that requires at least one well per section.

The discovered BIIP included 1.3 billion barrels of proved plus probable reserves as well as our economic contingent resources of 5.4 billion barrels. That's the best estimate. It is anticipated that each year, a portion of the contingent resources will be reclassified as reserves when we overcome key contingencies; for example, when regulatory applications are submitted with no significant issues flagged and when ourselves and our partners show intent to proceed in a reasonable time frame.

The largest segment of the discovered resource is the unrecoverable portion. Continued technological advances may allow some of this to be moved into resource and reserves in the future. The 82 billion barrel undiscovered BIIP, which is unrisked, is a significant resource that can be inferred based on seismic wells and offsetting lands and an interpretation of regional geology.

The prospective resources of 12.6 billion barrels within this is the volume that's deemed to be recoverable, though not subject to an economic screening. We also expect to convert a portion of the prospective resources into contingent each year, with strat well drilling. Harbir's going to fill you in further on this.

The recoverable portion of our portfolio, overall, is represented by the production, reserves, contingent and prospective resources shown on this chart. My first supplemental slide provides a summary of the overall exploitable volume. Finally, for interest, the total BIIP also includes 37 billion barrels of Grosmont carbonate, of which just 2 billion barrels is discovered. We're looking forward to advancing our understanding of that play as well.

Shown here are the bitumen prove plus probable reserves and the best estimate contingent resources by area noted in billions of barrels, their economic at 61 WTI. Both the reserves and the resources have a P50 level of certainty, the only difference being the contingencies for the resources. We have about 4 times as many contingent resources as reserves, as only Foster Creek and Christina Lake have bitumen reserves assigned. These projects offer considerable future growth, as reflected in their significant contingent resource estimates and John Brannan's going to provide further color on this.

New resource plays in our plan include Narrows Lake, Greater Pelican, the Grand Rapids in particular, and Borealis. Harbir has lots of new exciting plans to share with you on these assets. Though bitumen's the prime engine of potential energy growth, our conventional oil, natural gas, and coking refineries also have important roles to play.

Starting with bitumen, we are indeed accelerating development of our low supply cost bitumen projects at Foster Creek, Christina Lake and Narrows Lake. Additional bitumen growth will be achieved by developing our 100% working interest plays such as Borealis and the Grand Rapids. Our bitumen CAGR is forecast to be about 20% over the 10-year period. As Brian mentioned, this growth rate is an outcome rather than a specific goal.

The conventional and enhanced oil recovery assets, specifically those at Pelican and Weyburn, also offer some growth. These assets include Suffield and Brooks, as well as new plays in the Bakken and Shaunavon, and these are readily scalable and Don's going to further elaborate. Our stable, profitable and predictable natural gas assets provide cash flow to fund our growth, as mentioned, and they also provide us a natural hedge against the gas we consume at SAGD and refineries. And finally, the downstream assets provide important market integration for our bitumen production and should provide increased cash flow with the completion next year of the core project.

As highlighted earlier, bitumen is forecast to reach 300,000 barrels a day to Cenovus by 2019. Our forecast has been particularly accelerated in the 2016 plus time frame versus the prior plan. Bitumen development is a long cycle time business, so there is a several year lag between the capital investment and the production coming online. Our more conventional oil assets are forecast to grow as well, with the potential of reaching 90,000 barrels a day by 2014. Cash flow attribute to oil and bitumen is forecast to grow from 60% in 2010 to 90% by 2019 and our assumptions for this are WTI oil of $85 and NYMEX gas at $5.50.

Oil dominates our capital project spending over the 10-year period, reaching more than 80% by 2014. Specifically, we're focused on capitalizing on our bitumen rich portfolio by ramping up spending for about 30% this year to 60% in 2014 and about 65% thereafter. And as Ivor will shortly highlight, our forecast spending will average about CAD2.4 billion per year over the next five years.

We have a strong and opportunity rich portfolio and we have a multiyear project inventory. This allows us to exercise capital discipline and fund only the best projects. We strive to be globally competitive, so supply cost is a very important parameter for both internal and external benchmarking. And we define supply cost as the commodity price required for a particular project to achieve a 9% after tax rate of return.

We're particularly focused on increasing net asset value per share, so projects, which can add material production reserves and net present value at 9% discount are preferred. These projects also have to meet our minimum profit investment ratio discounted at 9% of 0.3 and an IRR threshold of 15%. Other strategic factors that influence our portfolio decisions include capital and production timelines, the risk profiles and level -- being able to leverage our expertise.

The supply cost, as shown here for our bitumen projects are very competitive. Foster Creek is in the range of CAD40 to CAD50 WTI equivalent. Christina Lake has a supply cost of about CAD45 to CAD55, both are benefiting from excellent capital efficiency, low steam oil ratios and low operating costs. Our developing projects are also attractive, especially Narrows Lake, with a forecasted supply cost of CAD45 to CAD55. Telephone Lake, part of our larger Borealis property, will likely be a little bit higher, but still competitive at between CAD55 and CAD65 WTI.

Clearly, we intend to grow our business and we believe that resource development and leading environmental practices must be considered in tandem. In other words, they must be integrated. Environmental performance means different things to different people. And to us, it means the relentless pursuit of measurable improvements in four key areas, as noted on the outer wheel, carbon emissions, habitat, water and air quality. Doing such enables competitiveness and trade for us, which is the fifth segment on the wheel.

We are committed to taking a leadership position in how we approach energy development and its relationship to the environment. To us, it means this in particular, a commitment to performance, letting our leaders lead, innovation and technology, crucial. Efficiency, getting smarter, greener and leaner and relationships, being open to engaging and collaborating.

In terms of environmental performance, we have a good track record of progress in our oil sands operation. Great, in fact. Improvements over the past five years include a reduction in GHG intensity, well pad footprint, software intensity and a significant improvement of our fresh water to bitumen ratio. In fact, we use almost no fresh water. 95% of water we use is brackish, i.e. not potable. None of our water comes from surface sources like rivers or lakes.

As noted in one of my supplemental slides, our GHG intensity is comparable versus the conventional crude oil range, thanks in part to our low steam oil ratio. While we're proud of these results, we are committed to further improvement. We are just getting started.

The five points noted here outline how Cenovus will operate to accomplish further environmental advances. We must build on a compliance base with being really good with external regulations. There is no room for error here. Two, integrate environmental and business planning. We look at our environmental impacts as part of our long-range planning. We also integrate scenarios on environmental policy changes. For example, carbon legislation. So, we can estimate impact within a range.

Three, demonstrate performance. What gets measured gets done. By including key performance measures in our internal score cards, we'll be among the leaders. Four, incorporate innovations into project design and existing operations. By considering environmental impact early in project design, we can work to minimize impact and optimize economics. And five, communicate and engage. Performance-based communication and a commitment to improving further will enable us to have constructive dialogue with our many stakeholders as we proceed to grow our business.

Shown here at the bottom are two photos of how -- that demonstrate how we integrate environment into the business. At the left, the Weyburn CO2 enhanced oil recovery sequestration operation is a classic environmental environment -- environmental business win-win. 40% of the world's annual geological sequestration happens here. The Foster Creek well pad, on the right, is an example of optimizing land disturbance. Nine horizontal well pairs operate off of one site and only four acres of surface disturbance efficiently acts as 185 acres of underground oil sands.

In closing, Cenovus clearly has a tremendous resource base. Our discovered BIIP, as defined by thousands of well penetrations, is high quality and externally evaluated. The reserves and contingent resources within this are economic at only 61 WTI. The supply costs of our individual projects substantiate our globally competitive position.

We have accelerated our development plans and now forecast to reaching 300,000 barrels a day of bitumen by 2019 and our conventional oil assets are forecast to grow. We are looking to achieve growth and address the environment by continually improving and changing how we do business, new ideas, innovation and thoughtful engagement will move us forward.

Thank you. I'll now turn the podium over to Ivor Ruste, our Chief Financial Officer.

Ivor Ruste - *Cenovus Energy Inc. - EVP and CFO*

Good morning and thank you for joining us here today. I'm delighted to be here in my capacity as the Chief Financial Officer for Cenovus. Why am I delighted? Because I have what many CFOs might suggest is a dream job. Here I am, the CFO of a large energy company that has a very strong financial position, excellent financial assets, the ability to be self-funding through the course of developing a best-in-class asset portfolio, all while delivering strong total returns for our shareholders.

So, my objective in the next few minutes is to provide a brief overview of these excellent financial attributes and to outline our financial strategy. As Sheila mentioned, though, I just want to remind you that we are now reporting our financial results in Canadian dollars and on a before royalty basis.

At an overview level, I'm pleased to confirm that Cenovus's financial strategy is designed to support our business strategy. We are in the enviable position of starting off our new company from a position of great financial strength and with a very strong capital structure. Brian referenced, in his comments, our mature oil and gas assets to be financial assets, since they are indeed a critical component of our financial strategy. These assets will continue to generate large operating cash flows. In fact, more than CAD2 billion in 2010 to fund our oil growth.

We will manage our spending and costs to maintain investment grade credit ratings, while retaining the financial flexibility to grow our production base and increase net asset value. We manage our commodity price volatility with an active commodity price hedging program to ensure we will have cash flows to fund our key projects. I will speak in more detail about our hedging strategy shortly.

Our financial strategy ensures that we can support a competitive dividend and generate strong total returns for our shareholders. First, a few words about our capital structure. Cenovus has a solid capital structure with considerable capacity and flexibility. Our existing long-term fixed rate debt consists of $3.5 billion, issued in three tranches of five, 10 and 30-year money, with maturities that stretch out to 2039. Our weighted average coupon rate on this long-term debt is 5.85%, with the average tenure in excess of 16 years, which is commensurate with the long-life nature of our asset base.

We also have a credit facility available with a syndicate of Canadian and international banks. The facility consists of a CAD2 billion three-year component, which also backstops our commercial paper program and a CAD500 million 364-day component. At the end of our first quarter for 2010, the facility was undrawn and there was no issuance under the commercial paper program. Of note, our current debt metrics, shown at the bottom of the slide, are very good, since you're at the low-end or below our managed ranges.

As we look out over the next 10 years, on this slide, you can see that we expect to be self-funding. This means that we expect our free cash flow, i.e. cash flow less capital expenditures, each year to be positive. Even under a commodity price -- flat price commodity scenario and before any divestiture activity.

The green bars represent our cash flow, which grows significantly over the 10 years from approximately CAD2.6 billion in 2010, as we bring new bitumen projects online. The blue bars are our upstream capital expenditures. Downstream capital expenditures, i.e. the hatched bars, are significant in 2010, with the completion of core and we're spending about CAD735 million in 2010 at the Wood River refinery, but are expected to decrease dramatically thereafter.

This gives us the opportunity to consider accelerated development of our upstream oil projects as we move forward. Increased cash flow can be redeployed to fund further growth opportunities, increase returns to shareholders via dividends or share buy-backs and/or to repay debt.

Let's talk more about this use of free cash flow on the next slide here. This is a slide, which is helpful to illustrate the opportunity we have to strike the right balance between reinvestment of cash flow into our capital projects and return cash to our shareholders and debt holders. In order to understand the funding requirements for our long-life projects, we looked at our capital commitments, i.e. the capital necessary for approved bitumen phases, the core expansion downstream, keeping conventional oil and gas on a shallow decline and ongoing corporate capital.

This committed capital is high in 2010, due to the core refinery project, but our committed capital drops to about CAD1.2 billion per year within the five-year outlook. Spending only the committed capital results in very significant free cash flows within the five years, but little or no production growth. This confirmed to us that we have the capacity to fund additional capital projects, whether we repay debt or return additional cash to shareholders via dividends or share buy-backs.

This is a good segue into our discussion of the dividend strategy. We firmly believe that returning cash to our shareholders is good discipline. It also requires us to ensure our capital allocation process and criteria are rigorous and effective. Judy spoke to those criteria that we use for evaluating and prioritizing capital projects to ensure that we invest in high-return projects.

We are currently paying a meaningful dividend of CAD0.20 per share per quarter, about CAD600 million annually, and have the financial capacity to do this. While the ultimate dividend payments are at the discretion of the Board, we continue to be comfortable with this level of dividend for the foreseeable future.

Brian already mentioned that our dividend is a commitment to our shareholders. He also mentioned that we will look to grow the dividend potentially after 2011 when we are generating significant free cash flows and meet the criteria listed at the lower portion of this slide. Share buy-backs are another option for returning cash to shareholders. While we have no immediate plans for doing so, it's an important program to have available if large and unanticipated cash flows arise from higher than expected prices for significant divestitures.

Now, a few comments about our divestiture strategy. We believe it is also good business discipline to continuously high grade our asset portfolio. As such, we are targeting to monetize certain non-core assets. Our current divestiture target is approximately CAD0.5 billion in each of 2010 and 2011. This year, we've already disposed of approximately CAD143 million of properties in two transactions and are actively considering other proposals. However, we will only transact at the right prices, as we have no need to sell assets at distressed prices.

On the acquisition front, we believe that the wealth of opportunity in our existing portfolio makes acquisitions unlikely. We may take advantage of minor tuck-in or swap opportunities that would enhance our existing positions. You'll hear more about these existing positions and organic opportunities from John, Don and Harbir shortly. It's important for you to note that there is no divestiture activities included in our guidance. We're not counting on any divestitures in 2010 cash flow estimates.

No discussion of a financial strategy would be complete without a few comments on managing risk and, in particular, financial risk. As an executive team, we have developed a low to moderate risk appetite to maintain a prudent financial strategy through a variety of established programs and activities. However, our largest risk is commodity price volatility and we utilize financial hedging to establish a reasonable level of cash flow certainty.

The financial hedges protect capital investment commitments, thereby financing production growth and leading to a strong balance sheet. Having a strong balance sheet with currently undrawn credit facilities gives us the financial capacity to weather uncertain economic times.

Two other features of our business also provide some protection to fluctuating commodity prices, integration and economic hedges. Firstly, to the extent we have downstream and upstream operations. For example, increases in light, heavy differentials will mean that cash flows increase in the downstream when they decrease in the upstream business. John Brannan has a couple of good slides on the integration benefits in his presentation coming up.

Secondly, since we consume natural gas in our refineries and upstream plants, our production of this amount of natural gas is an economic hedge against gas price changes. On a day-to-day basis, we have well-established credit controls that achieve a balanced revenue stream across a range of counterparties. We also have a comprehensive set of insurance programs to cover damage from unusual or exceptional events either in the downstream or the upstream business.

Our financial strength gives us the resilience to continue our plans through times of economic uncertainty. We've tested our resilience with changes in commodity prices, as noted on this slide. It's important, I think, to note that WTI sensitivities vary due to changes in royalty rates, particularly with respect to our bitumen production, since the bitumen royalty rates increase on a sliding scale with increased oil prices.

The sensitivities for natural gas crack spreads, i.e. refinery margins, and light, heavy differentials are also shown on this slide. Prices for these commodities have a little less impact on our cash flows than changes in oil prices do because oil continues -- will be a larger percentage of our cash flow. While not on our slide, our cash flow sensitivity to foreign currency changes is in the range of CAD90 million to CAD100 million for each CAD0.05 change in the Canadian-US dollar ratio.

Our hedging strategy is another important component of our financial strategy. Our objective in hedging commodity prices is to protect our cash flows so that we can continue our capital spending and generate free cash flow. This slide speaks to the Board approval volume limits over the current and next two production years for each of the oil and natural gas commodities. As we reflected thereon, we will hedge relatively more of our natural gas production, since natural gas is viewed as a financial asset, where we see locking in our revenue as a very effective way to lock in cash flow.

In summary, these volume limits allow us to hedge approximately 50% of our expected cash flows. The balance of our cash flow protection effectively comes from our balance sheet capacity through the availability of undrawn credit facilities. As Brian and Judy and I have already mentioned a few times now, Cenovus -- at Cenovus, natural gas is viewed as a financial asset that will generate an annuity-like stream of cash flow to fund oil-related production growth. In a few minutes, Don Swystun will speak to how we will manage these unique and important financial assets.

We hedge as much of our gas production as is prudent, bearing in mind internal gas usage for fuel and the possibility of dispositions. In practice, this means that 60% of our gas production is hedged at approximately CAD6.00 per Mcf for the balance of 2010 and about 38% is hedged for 2011 for just below CAD6.00.

Please keep in mind that our internal consumption of natural gas also adds another 10% or so of economic hedged protection in each of 2010 and 2011. We've also completed some oil hedges, about 26% is -- of our guidance volumes is hedged at just under CAD80 a barrel for 2010 to provide additional cash flow protection for the capital spending program.

Just as we use our hedging program to support our business plan, our financing activity in 2010 is designed to provide the financial flexibility to fund the plan. We launched the commercial paper program in April, allowing us to access the short-term debt market at lower rates than our credit facility.

We're also preparing shelf prospectus filings for the US and Canada to provide efficient access to debt markets in both jurisdictions. We expect to file the Canadian preliminary shelf prospectus today. The US shelf would be completed in early July. While these prospectuses, once finalized, would allow us to go to the public debt markets, we have no current needs to do so and therefore this is part of our good financial strategy to have ready access to the markets, should the need arise.

Now, an area I know that you've all been waiting for. I'd like to address the exciting topic of financial reporting. It's particularly exciting, since we now have the opportunity, actually the mandatory opportunity, as a Canadian public company, to convert to international financial reporting standards, IFRS.

Our IFRS conversion efforts commenced in 2007 and the required changes to our accounting systems have been developed, tested and are substantially implemented. Since we need to prepare comparative reporting, day one of IFRS was January 1st, 2010 for our opening balance sheet and we're currently preparing this balance sheet. To ensure our teams have IFRS financial reporting expertise, we're educating and training all of our Cenovus accounting and non-accounting teams, too. Our engineering colleagues have really been enjoying this as well.

We are on schedule to report under IFRS starting with the first quarter of 2011. We will be using this as an opportunity to ensure we enhance certain disclosures, especially our growing spending on technology and innovation, the disclosure, which will reinforce how important this is to our business. While our IFRS financial statements will likely take longer to read, with some additional disclosures, overall, IFRS is expected to have no significant impact on Cenovus's operations, cash flows or strategies.

In conclusion, I would like to reiterate three facts to confirm that Cenovus has the financial strength, the financial capacities to support our business plan. First, our strong credit ratings reflect that we have a solid capital structure, with significant credit capacity available to support our financial resilience. Secondly, with our mature oil and gas assets, our financial assets, generating large cash flows, we expect to be able to be self-fund our growth projects and generate significant free cash flow in the years ahead.

And thirdly, we'll enhance our focus on capital spending discipline and cost control to ensure that we continue to be low supply cost leaders with high net backs, delivering strong financial results. This financial strategy will support the overall objective of doubling our net asset value in the next five years and generating significant total returns for our shareholders.

Thank you very much. Now, I'd like to introduce Don Swystun, who's the executive in charge of our financial assets. He'll tell you more about these wonderful cash generating properties as well as some other special growth opportunities in his portfolio. Don, welcome to the podium.

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

Well, thanks, Ivor, for that stimulating presentation. It almost makes me regret choosing engineering as my profession. I'm certainly also going to get very much acquainted with IFRS. I'm Don Swystun, President of Canadian Plains Division.

Today, I'm going to speak to you about the performance of some of our key legacy assets and introduce you to some new exciting opportunities focused on oil, which can add production and value over the near term. We're forecasting liquids production from these assets to grow at a compound growth rate of about 5% to 6% over the next five years. Now, in one form or another, I've had roles and responsibilities relating to these assets and I'm amazed at how they continue to evolve and add value through new discoveries, application of new technology and enhanced oil recovery techniques.

On another personal note, according to the Chinese zodiac, I'm an ox. So, we're born in the year of the ox and coincidentally Cenovus was created in December of 2009, also the year of the ox. And what does the ox sign symbolize? Well, it's prosperity through fortitude and hard work, which is exactly how I'd characterize myself as well as the company.

So, let's begin with a review of our key assets. Now at Cenovus, we have an aggressive bitumen growth strategy, as you heard. The legacy assets in the Greater Pelican Region, Weyburn and southern Alberta, provide us with an annuity-like cash flow stream to help fund that growth. These assets are important contributors to our business and in a sense, are more like financial assets. So, think of us as the rich uncle, the rich benevolent uncle. Not the crazy uncle who ruins your Thanksgiving, the rich, benevolent uncle who gives out cash to his niece, Christina, and his nephew, Foster.

These assets have very unique advantages. We focus on cost control and the goal is to generate meaningful operating cash flow with disciplined capital investment. We have a large land base of 7 million net acres and almost half of that is fee lands, which means we own the mineral rights and we only pay a small mineral tax. We have a flexible, scalable portfolio of both oil and gas opportunities with the current focus on oil, significant existing infrastructure, low finding development costs, low supply costs and obviously high returns.

So, first let's review the Greater Pelican region and focus on the Wabiskaw formation. The mobile heavy oil has a gravity of 13 to 16 API with 2 billion barrels of oil in place. It's producing from horizontal wells and it has evolved from a water flood to a commercial polymer flood with horizontal polymer injection wells. The polymer, in a powder form, is mixed with water, forming a goopy substance that is shown in the picture and injected into the formation. The polymer increases the water viscosity, creating more of a plunger effect, which sweeps out oil to the producing wells.

The Greater Pelican region is in the Athabasca oil sands area of northern Alberta. The currently producing Wabiskaw formation is shown on the stratigraphic depiction, it is the formation in the center, at a depth of about 300 to 400 meters, with gross pay of about 3 to 5 meters. We refer to this area now as the Greater Pelican region, due to the enormous bitumen potential associated not only with the Wabiskaw, but the Grand Rapids and Grosmont formations as well. Harbir will speak in more detail on these and other emerging bitumen opportunities.

Crude in production is from the mobile portion of the Wabiskaw formation at a rate of 23,000 barrels a day, initially developed with horizontal wells on primary, the property was converted to commercial water flood operation in 2003. We began piloting polymer injection in 2004 and in 2006, pattern conversion to commercial polymer flood began. Currently, there are 125 polymer injection wells with the potential for up to another 350 with the combination of in-fill drilling and well conversions.

Oil production response to polymer injection usually takes 18 to 24 months. As you can see, we're probably very much in the early stage of the polymer response. As shown in the forecast, we view Wabiskaw from the Greater Pelican region as an area of growth and we are planning to increase annual funding to over CAD150 million over the next few years. We expect the production rate to grow to 35,000 barrels a day in 2014.

In 2010, we're focused on additional horizontal drilling and installation of what we call three cenopods, or polymer distribution systems, which requires a conversion of 52 wells to polymer injection. In the first quarter of 2010, the operating costs were CAD11.30 per barrel, which includes the cost of the polymer. The long-term funding and development costs have been excellent at about CAD10 per barrel.

Now the second key legacy asset producing since the '50s is the Weyburn property in Saskatchewan. Gross cumulative production of the medium-gravity crude oil to year-end was 430 million barrels. Cenovus holds a 62% working interest and has developed the field through a combination of water flood and carbon dioxide miscible flood. 54 carbon dioxide patterns have been initiated to date, with a minimum of 75 to be developed. We feel there may even be potential to develop up to 90 patterns.

The Weyburn asset continues to perform exceptionally well with 480 wells producing at a gross rate of 29,000 barrels of oil per day. The production history since 1975 is shown here, with production increasing due to vertical in-fill wells followed by horizontal in-fill wells, then water flood optimization and finally, in this last growth spurt, being the CO2 injection that you see in brown.

Now, Weyburn's the largest carbon capture and sequestration project in the world. Everybody wants to tour the facility to say they've been there. But not surprisingly, people don't want to tour in the winter in Saskatchewan. We purchased the CO2 from a coal gasification project in North Dakota and pipeline the volumes to Weyburn. The cost of carbon dioxide is capitalized to the project.

The enhanced oil carbon dioxide miscible flood commenced in 2000 and 16 million tons of CO2 have been sequestered to date. We're currently injecting 2.3 million tons of CO2 per year, or 120 million cubic feet per day. We also recycle and inject another 125 million cubic feet per day.

Now, this diagram shows the CO2 miscible process. We inject both CO2 and water at the surface into the formation. A bank of CO2 injection is alternated with water. It'll lead to a train of stable flood fronts and in the miscible zone of the flood front, the CO2 in essence dissolves into the oil and swells it, leading to increased mobility and more efficient displacement. The oil, water and CO2 are produced at surface. Oil is pipelined to market and both CO2 and water recycled for further injection.

So in Weyburn, we're targeting spending in the range of CAD100 million to CAD150 million annually, which will essentially maintain per net production at about 18,000 barrels a day to Cenovus. We plan, this year, to roll out five additional CO2 patterns. The majority of activity in 2010 is targeting injection with 27 wells forecast. Two additional horizontal oil producers are also scheduled.

Now, our third key legacy asset is, of course, southern Alberta and with about 29,000 net wells, these lands, together with other small assets in Alberta and Saskatchewan, comprise a land position of 6.2 million net acres. The lands are high working interest, where 50% of our position is fee land. We have extensive infrastructure in place, which we leverage to keep operating costs in check. It's particularly beneficial in our gas programs, where we focus on recompletions of existing wells.

The focus for southern Alberta and Saskatchewan is heavy to medium oil development, primarily in Suffield and Brooks. But the production of forecast also includes estimated contribution of lower Shaunavon and Bakken. I'll discuss these in a little more detail shortly when highlighting new growth potential.

In these areas, we're taking our years of experience in horizontal drilling, cracking and enhanced oil recovery and utilizing that knowledge to develop new opportunities through our land base. In 2010, we expect to drill about 165 net oil wells from these areas, with increased annual spending in excess to CAD250 million annually, we're forecasting growth, which reverses the previous decline in trend.

Natural gas, as you heard, generates significant free cash flow and we view it as that financial asset. But there's also a natural hedge against our internal consumption and also provide some diversity. Capital spending is expected to be about CAD300 million per year roughly with in-fill drilling and CBM recompletions as the focus. In the long term, we expect the decline rate to stabilize around 6% per year.

We're working to divest our non-core gas assets, focus our activity on southern Alberta core lands. Production and recompletion counts include 900 coal bed methane recompletions out of a total of 1,300 recompletions. The net backs from these key legacy assets are presented here and they were very strong in the first quarter of 2010. The realized net backs affirm the lower royalty and low-cost structure associated with these profitable properties.

So in conclusion, I'd like to highlight the tremendous free cash flow, we're operating cash flow less capital expense, associated with the legacy assets. The operating cash flow does not include any hedging. In 2009, and as forecast in 2010, we generate operating cash flow in excess of CAD2 billion, while capital spending is well below CAD1 billion. In both years, free cash flow is

approximately CAD1.5 billion. And as you can see by the forecast in 2014, the free cash flow remains at approximately CAD1.5 billion. So, the unique advantages of our legacy assets are forecast to create significant free cash flow for years to come.

Now, I'd like to highlight for you some other opportunities to provide growth and value in the lands outside of some of the key bitumen areas you'll hear about shortly. So at Cenovus, we're looking for new ideas and new approaches required to develop that vast land base. In particular, we're targeting high-return oil production that can be placed on production in the next few years.

Some of the opportunities highlighted include existing plays that we're in, such as the lower Shaunavon and Bakken in Saskatchewan, the higher viscosity, we refer to it as the immobile Wabiskaw oil in Greater Pelican Lake, enhanced oil recovery using alkaline surfactant polymer in southern Alberta, completions of existing wells to develop the coal bed methane potential as well as generating opportunities, including farm-outs, on our fee-land base.

So, we hold 100% working interest in 58 sections of southern Saskatchewan that are prospective for the lower Shaunavon. The medium gravity crude is developed with horizontal wells and multi-stage frac technology. The initial nine wells, eight horizontal and one vertical, are currently producing about 1,000 barrels a day. Initial production in most cases exceeds our type curve, as shown on the plot, which equates to about 100,000 barrels per well. Based on the encouraging performance of these wells, we have commenced a 20-well drilling program. With further success and understanding, we look to potentially add another 10 wells this year.

In southeast Saskatchewan, we're pursuing light oil in the Bakken. Initially, we began evaluating our Saskatchewan fee lands for prospectivity, but we also added to our land position through Crown land sales. We have close to 200 prospective sections that we're currently appraising and we're primarily focused on the Roncott and Estevan areas. But we still hold lands in the Viewfield area, where we also farmed out 30 sections and retained our lesser override.

Currently, we're evaluating performance of a number of horizontal wells and we'll look to firm additional 2010 drilling plans in the next few months. Evaluation of new wells, unfortunately, has taken more time than expected, as we appear to have entered the monsoon season in southern Alberta and Saskatchewan this year.

So, both the lower Shaunavon and Bakken are developed by horizontal wells and multi-stage frac technology. We expect well costs below CAD2 million to drill, complete and tie-in, while density is estimated at four wells per section initially, with further in-fills beyond that, based upon performance. We continue to test optimal completion strategies, but our latest horizontal wells have about 20 stages, utilizing 10 to 20 tons per proppant first stage.

In southern Alberta, we're taking our experience to the Greater Pelican region in regards to polymer flooding and applying it to heavy oil in the [Manville] formation of southern Alberta. In this case, we're injecting alkaline surfactant and polymer. So, the alkaline surfactant helps reduce interfacial tension, while the polymer aids with the mobility control.

The results of our Suffield ASP pilot project is shown here, commenced in 2006 from six wells and the oil production from the flood is very encouraging. The performance confirms the potential of increasing recovery by over 10%. In Southern Alberta, our fields have over 1 billion barrels of petroleum in place, which are prospective for this method of enhanced oil recovery. We expect to roll this out to other pools in Suffield and Brooks in the next few years. In all cases, the infrastructure is already in place with the existing water floods, which leads to low-cost enhanced oil development.

In the Greater Pelican region, we're also working on technologies to develop the high-cost viscosity -- or the high-viscosity immobile Wabiskaw oil, with 2 billion barrels of petroleum in place. With viscosities in excess of 10,000 centipoise, these portions of the reservoir cannot be developed by horizontal wells with polymer injection.

For 2010, we're targeting the lab testing and simulation of various recovery techniques, including, but not limited to thermal. But we do expect to be piloting a thermal project within a year, while leveraging the existing infrastructure already in Pelican.

Natural gas assets in southern Alberta have low operating costs and require minimal capital, but will continue to generate significant cash flow for many years. Within other growth assets, we continue to look for opportunities to add value and production.

Recompletions of the uphole [belly of our] coals and existing well bores is an excellent example of how our legacy assets continue to keep on giving. The majority of these wells are on fee lands and pay no gas royalty. The cost for recompletion is often simply CAD8,000 to CAD10,000 per perforation or, in some cases, perf and frac at CAD30,000 a well. This results in finding and development costs of CAD0.40 to CAD0.80 per Mcf. Current production is 22 million cubic feet per day and growing. We feel that we have up to 8,000 locations where we can economically recomplete the coals.

Finally, I wanted to highlight our fee land strategy. Fee lands of 3.1 million net acres provides significant production and cash flow. We can -- we're continually looking to add value on from these lands, either through developing our own opportunities or like the coals, or by farming out to lower risk, while retaining a lesser override.

We have recently repatriated about 400 new sections in the Lloydminster area from past farm-outs and are currently assessing numerous opportunities on these lands. Past farm-outs where we retain the lesser overrides that have been successful include the Pekisko in southern Alberta and a recent Bakken farm-out in Saskatchewan. Current royalty interest production from all fee lands is about 8,000 barrels per day.

In summary, the low-cost, high-return key legacy assets will generate tremendous cash flow for years to come. It will help fund our bitumen growth opportunities and certainly support the dividend. Oil production is the focus for new growth, while gas is the financial asset and natural hedge.

So, thank you for allowing me to present to you today and next, I'd like to call on Sheila McIntosh and others on the executive team who are prepared to answer your questions from this first session.

QUESTIONS AND ANSWERS

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Okay. I'm back to another announcement here. If you have a question, we hope you will have questions, please put up your hand and wait a moment for a microphone to be brought to you so that those listening via webcast can hear your question and then, obviously our answers. Please state your name and your company before you ask your question.

And just -- we have received -- we're getting questions as well from the webcast and so, not surprisingly, the Ask a Question button is how those listening via webcast can ask their question. We have received one so far and it was just wanting to clarify whether the 300,000 barrels per day that we said we expected production to be able to get to by 2019 was a net number or gross number. It is a net number to Cenovus.

So, with that, we, I believe are ready to take some questions. Brian?

Brian Dutton - *Credit Suisse - Analyst*

Thank you. Brian Dutton, Credit Suisse. In your supply cost views that you've given, what heavy oil differential are you assuming?

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Judy?

Judy Fairburn - *Cenovus Energy Inc. - EVP - Environment and Strategic Planning*

We're 15% to 20% is generally what our longer-term forecast is.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Don't be shy, folks. Greg? Oh, sorry.

Greg Pardy - *RBC Capital Markets - Analyst*

Thanks. Greg Pardy at RBC Capital Markets. Just in terms of the production profile that you've laid out, how much risking have you done in terms of the ramp-up to full rates, just with the phases that you've got coming, either at Foster or Christina. Are we still looking at 18, 24 months in terms of getting to full rates? And in other words, how much leeway is there in your numbers in terms of hitting the production figures you have?

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

I -- probably what we should do is, if you wouldn't mind, just reserving that for John and Harbir. But basically, it is very consistent what we have been experiencing so far in Foster Creek and Christina Lake and we haven't assumed any substantive improvements in what we've actually been experiencing historically, but John and Harbir will talk about that in a few moments.

Rob Adina - *Rosef Energy Group - Analyst*

[Rob Adina] at [Rosef Energy Group]. This may be a question for later as well. The unlocking of the unrecoverable 49 billion barrels, what are the key technologies you see to achieve that?

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Well, I think we are going to actually -- Harbir's going to talk about some of the technologies later, so maybe we can, again, save that one until the -- well, until the -- after the next sessions.

Dan Farb - *Highfields Capital Management - Analyst*

Hi. Dan Farb from Highfields. When you talk -- on one of these slides here, the goal of 2015 is 400,000 to 500,000 barrels of proved, of project approvals, does that include anything from carbonates or would that be separate?

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

That's nothing from carbonates, no.

Dan Farb - *Highfields Capital Management - Analyst*

Okay. And when would those potentially?

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

There's actually a list, if you look, there's a list of all the projects right behind my first presentation. The -- and we've listed and it aggregates to just a snick less than 500,000 barrels a day and we'll show you which projects they are. None of them are carbonates.

Dan Farb - *Highfields Capital Management - Analyst*

Okay. So, what would the carbonate potential production be? Or is that too early to say?

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

It's too early to say. It's one of the things Harbir is going to talk about in a moment. But as Judy said, we're looking forward to getting a better understanding of it. It is -- we have a huge opportunity there on our lands, which we haven't talked about before.

Unidentified Audience Member

A couple of questions for Don. In terms of natural gas, what would the underlying decline rate be without the CAD300 million annual CapEx?

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

I would look, on average, it would be about 15% to 20%.

Unidentified Audience Member

And then, in terms of the mobile Wabiskaw and some of the other growth opportunities, you just talk generally in terms of what of that would be included in reserves or is unbooked at this point?

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

Certainly just in the immobile Wabiskaw, we don't have anything booked as yet. It's very early. At this stage, we've been very kind of stage process for adding reserves in Pelican because we've gone at a very low capital rate on the mobile Wabiskaw. So, there is still substantial reserves additional to book over the next few years, we expect, as we get into the infill drilling and additional ramp up in the polymer injection.

Unidentified Audience Member

And similar with the Shaunavon and Bakken, minimal bookings at this point?

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

We have nothing in the Shaunavon or Bakken as yet. We were just kind of evaluating it at year-end of last year, so we didn't include any reserves for either of those two.

Unidentified Audience Member

And the last one, just the cost for the CBM recompletions you mentioned, what would those be?

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

Yes, it was -- we generally just can frac these wells. It's pretty amazing. There's just uphole recompletions on existing wells. So, if you can do them for an CAD8,000 perforation, it's generally obviously more than economic. And we -- they're not big numbers. We can generally recover in the 40 million to 50 million cubic feet, but what we've tended to see is the decline is very shallow and they've actually, in some cases, have been inclining in terms of -- some of the coals generally do when you produce them.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

I think Mike.

Mike Dunn - *FirstEnergy Capital - Analyst*

Mike Dunn with FirstEnergy. Guys, with -- you do have your Weyburn project, but I'm just wondering, going forward, as your bitumen production grows, how do you guys think about the potential for increased carbon dioxide taxes and what your strategy is around that?

Ivor Ruste - *Cenovus Energy Inc. - EVP and CFO*

We've tested from an economic perspective, or a financial impact, various scenarios on a cost of carbon. As a general statement, if I can make one political plug here, we certainly -- I certainly believe that some sort of a carbon tax is probably an appropriate way to go forward, so that the cost of that is recognized across all of the producers and consumers in terms of it.

We have tested a cost of carbon under various price scenarios and at this point in time, we don't see that as a material financial impact to Cenovus and to our growth plans. We are actually, and Don's got a couple of ideas, for example, for other projects on existing Cenovus plans where we could utilize our existing knowledge that we've developed at Weyburn on other projects, example, as well.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Peter?

Peter Ogden - *National Bank Financial - Analyst*

Hi. Peter Ogden with National Bank. Just a quick question for, maybe, Ivor on the dividend strategy. This slide says you need strong health, sustainable pace of development and reliable, predictable cash flow. It seems like you have that now, so, why are you waiting until the end of 2011? And what would change your mind on the dividend growth strategy? Maybe more transparency on the refining side? Commodity prices? Your downstream capital's going way down in 2011. Would that change or are you still fixed on end of 2011?

Ivor Ruste - *Cenovus Energy Inc. - EVP and CFO*

Thanks, Peter. I'll go first, but Brian can speak as well. Certainly selecting our dividend strategy is a longer-term perspective on what we might be returning to our shareholders. The existing level of dividend is a commitment. We've got some pretty heavy capital spending on the refinery here in 2010. It finishes up in early '11 as well. And I think just as we looked at modeling out over the next 10-year period, that seemed to be an appropriate time when its additional significant free cash flow was coming available to consider it at that point in time.

Brian, anything to add to that?

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

I guess the one thing that I would, in response to the second part of the question, what would cause us to change that, based on what we have modeled, and we have looked, as you would expect, at various price sensitivities, downside in particular, we do not -- I do not anticipate anything that'll take us off the track of looking at increasing the dividend starting in 2012.

Right now, we're -- we've got a relatively high pay-out relative to our after-tax cash flow, it's at about 25%, I think, in terms of a longer-term dividend strategy, something that keeps us in a band of 20% to 25% of after-tax cash flow is probably something that is quite sustainable for a company like ourselves.

When I think about the dividend, one of the things that I think is important for us to recognize, and I said one of the things not to underestimate is our track record. That track record gives us a maturity as an organization. So, I believe it is a very healthy discipline and in fact sort of a sign of our maturity as an organization and our operations to be able to have a consistent dividend as we go forward.

I think as Ivor mentioned, if we were to find ourselves, for example, in what we would describe as a windfall situation where we had a big upward excursion in prices, that would cause a lot of cash flow to come in, what you would see us do with that is look to a -- utilize normal course issuer bid as opposed to something like a special dividend. That -- and a normal course issuer bid is something that is flexible.

One of the big overall caveats we're looking at everything under is our overall capital structure and making sure that we maintain a very prudent capital structure overall and dividend is something that I believe has to be sustainable. And I really truly do believe it is a commitment to our shareholders.

Connor Ryan - *CPPIB - Analyst*

[Connor Ryan] with the CPPIB. In regards to accelerating development and given that Cenovus is farming out on the conventional side, where do JVs stand with regards to accelerating development on the bitumen side, on the core asset side?

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

With regard to the JVs, we do have one existing, as you're probably aware, with ConocoPhillips that includes Foster Creek, Christina Lake. Narrows Lake is also in that project. And we are looking at accelerating inside that joint venture.

We've actually had conversations with Jim Mulva about the opportunity for either of the two companies to, for example, put additional lands that are contiguous to Christina Lake or Foster Creek or Narrows Lake in to try to make that even bigger. And we're looking at swaps as an example of how we get maybe more lands inside that joint venture.

One of the key things you'll hear about a little bit later from Harbir are our plans to accelerate the strat well drilling program to make sure that we gain more information on some of the projects that we have right now. One of the things that's important to remember is half our land has essentially no drilling on it as of this point in time. So, we actually haven't seen any benefit of that, for example, in our contingent resource, as of yet.

What we need to be able to do is to get more information so we can make a very informed decision about which projects to continue to take to full development for Cenovus itself, which ones we might also consider as an example to look at different commercial arrangements. Those might include additional joint ventures, but it would have to be something where that party brought something more than just capital and dollars to the table.

As Ivor pointed out, if that was the only criteria, we've got, I think, pretty ready access at reasonable rates to long-term debt markets. So, we'd need to bring -- they'd need to bring something to the table other than just pure dollars. We will also look at additional swaps on some of the acreage where we can make an existing project bigger. We'll also look at divestitures as well. So, there aren't any sort of sacred cows in the portfolio, whether that's the conventional portfolio or the bitumen portfolio.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Okay. Sorry. Go ahead, Greg.

Greg Pardy - *RBC Capital Markets - Analyst*

Yes. Greg Pardy. This is a follow-up. A couple of nitty questions. So, you've laid out a long-term cash flow outlook. What is the embedded cash tax, just as a share of your book tax? And then, just one question for Don. I'm just curious what are you paying for the CO2 that you're injecting? Thanks.

Ivor Ruste - *Cenovus Energy Inc. - EVP and CFO*

We -- with respect to the cash tax, minimal amounts in 2010. We -- that's the only guidance that we put out, I think, for 2010, with an effective tax rate overall of about 18%. That grows to an overall tax rate of 20% to 22% -- 23% over that period of time. Cash tax, we will continue to focus on minimizing that and it'll be a smaller portion of that average rate going forward.

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

And I'd love to tell you about the cost of the CO2. In a sense, it's a confidential part of the contract and we've locked it in. So, there's a price that's been locked in over a set period of time. And certainly, it's not -- it's certainly more than economic within the project and it doesn't really impact us. And it's light -- lighter oil or light to medium oil, but at this point we don't usually define what that actual price is.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Could we just bring a mic up to Norman, please? Thanks, Susan.

Unidentified Audience Member

Can you maybe just talk about the faith in the analysis you have in the government's ability to take on these application processes as the queue gets a little bit busy, let's say, between now and 2015?

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

Certainly. The -- we have already, in the regulatory queue, the incremental phases at Foster Creek, which is an incremental 90,000 barrels a day and the incremental phases at Christina Lake, which is an incremental 120,000 barrels a day.

Next month, we will be submitting Narrows Lake, which is an incremental 130,000, if I remember that number correctly. And we have 50% of those two. We also have Borealis in the regulatory queue already. It's been in for a couple of years now and Harbir and the guys are having a look at how we're maybe just restructuring that application a little bit to get that moving a little bit more quickly.

The last project we want to put in is a 100% project, which is Grand Rapids. One of the things that you'll hear a little bit more about Grand Rapids and one of the regions that we're talking about the Greater Pelican region, and John showed -- or Don -- Uncle Don showed the stratigraphy there. But there's a lot of infrastructure in that area. Roads, wells, pipelines, camps, things that we can take advantage of from a commercial nature that we think may work to our advantage in terms of timing on regulatory.

We have assumed, in that schedule, no improvement in the regulatory process from what we are currently experiencing. As you're well aware, the Alberta government has got a regulatory enhancement project underway. Ron Liepert was one of the speakers on Monday. I've had the opportunity to talk to both he and Ed Stelmach about this on more than one occasion over the last few months and they definitely appear to be focusing on opportunities, not in any way to diminish the rigor or the stringency of the regulatory process. And I don't think anybody would want to see that.

What they are doing is focusing on reducing the redundancy and overlap that has been created by the fact that there are three different Alberta agencies involved now that have to touch the file. So, that's what's involved in terms of the regulatory enhancement. It isn't a -- in any way, an attempt to reduce the stringency or the rigor of the process. Certainly, I -- they understand the importance of that.

One of the things that Judy talked about too was performance. We believe that we have very strong performance as an organization, whether that's on health and safety or environment and regulatory. I think that we have a very good -- there's no reason that I can see that would cause us to not believe we can't get that level of regulatory approved projects inside between now and the end of 2015.

Unidentified Audience Member

Thanks. I had a question for Don. You talked about 400 sections of land reclaimed since 2008. Can you talk about the basis of the reclamation? Was it development less than expected? What's the basis of your reclamation there?

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

You're talking about the 400 sections we got back?

Unidentified Audience Member

That's right.

Don Swystun - *Cenovus Energy Inc. - EVP and President - Canadian Plains Division*

Just recently. Yes, that was a long-term formula. That was a 10-year formula that had just expired and there had been -- there's a substantial amount of land, as you can imagine, associated with that and in that case, we had -- the full development hadn't taken place.

And obviously, to some degree they've -- I won't mention who, but whoever had had the lands previously had done significant development on that, but there was a substantial amount of land that still hadn't been accessed and that was to the -- it's in the heavier oil belt in that Lloydminster area, so it wasn't all accessed and I think they focused on some of the better stuff.

So, it's been part of our strategy to go in and really assess our overall fee lands to determine what we may have for additional development potential. So, to bring these back was a real push by our teams to get these things in our shop and start evaluating. But it's very early stages. We just got it back and we're only looking at possible -- other shops call it heavy oil production or potentially some other enhanced projects that we can do on some of those lands.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

I'm just going to jump in one quick question from the -- from those listening on the webcast. Thanks for the update on the material longer-term potential. In the nearer term, however, is there scope for a guidance revision, given the recent production outperformance? You've hinted at this on some of your slides. So?

Ivor Ruste - *Cenovus Energy Inc. - EVP and CFO*

The short answer is we have reaffirmed our existing guidance for 2010. I think it's a little too early in the year to be revising anything. What I will say, and I think I did say it earlier, is we are very much on track to achieve that guidance and the budget, as you saw, in the -- with the first quarter performance and stay tuned. I think it's July the 28th is the second quarter release date.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Okay. I think, in the interests of making sure that you get a bit of a break and get to stretch, we'll break right now and if you could be back at 10 to, so John and Harbir can tell you their stories. Thanks.

(BREAK)

PRESENTATION

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Let's get started so that you actually get to eat lunch today. Thank you very much, Mr. Dutton. Okay. Now, we are on to the second part of our program, and I'm pleased to introduce John Brannan, who's going to tell you about our wonderful producing oil assets.

John Brannan - *Cenovus Energy Inc. - EVP and President - Integrated Oil Division*

Thank you, Sheila, and good morning, everyone. My name is John Brannan, and I am the President of the Integrated Oil Division. I'm excited to be here today to talk about Cenovus and our bitumen-producing assets and our refining assets. I've got a ton of great things to show you, so let's get started.

I will primarily be talking about the core assets that make up our 50-50 joint venture with ConocoPhillips. On the upstream side, we have our bitumen-producing assets. And as rich Uncle Don would refer to them as, my son Foster and my daughter Christina; I wonder if I could get that rich Uncle Don to pay for my other four kids' tuitions and things, but these assets are operated 100% by Cenovus and make up the base for Cenovus' growth over the next few years.

I'll review our Foster Creek and Christina Lake development plans that include the potential to accelerate a few of our next phases and increase our ultimate peak production from each of these facilities. I'd also like to map out what makes us so successful, not only in executing but also in operating our projects. I'd also like to talk a little bit about some of the technology that Harbir's teams have developed and that we've implemented, primarily at Foster Creek and Christina Lake.

Finally, I will provide an overview and an update on our downstream business and how that business will complement our upstream development plans. Foster Creek and Christina Lake are the assets that you're pretty familiar with. The new and future Foster Creeks and Christina Lakes are what Harbir will be talking about following my presentation.

Cenovus' growth will be driven by our bitumen assets. Altogether, our development plan for Cenovus' bitumen assets should take us over 350,000 barrels per day of net productive capacity in the next 10 years and support an annual average growth rate of around 20% overall for Cenovus. In the near to medium terms, the key to that growth lies particularly with our core assets at Foster Creek and Christina Lake.

These properties are currently producing close to 60,000 barrels a day net to Cenovus. With the development plans we have in place, we expect to grow that production to over 200,000 barrels a day net to Cenovus in the next 10 years. This heavy oil production is complemented through integration with our internal natural gas production and our downstream heavy oil refining capacities.

So, how did we get here? Well, we have a proven track record of growth and innovation and a reputation as a safe, reliable and low-cost operator. We have over 12 years of production history, as shown on this slide. We build our projects in 30,000 to 40,000-barrel-a-day phases, a repeatable manufacturing approach to projects execution. It's almost as if Henry Ford were working for Cenovus. This manufacturing approach has allowed us to achieve a 25% annual growth rate over the past five years. We've demonstrated it in the past. We believe we can deliver it in the future.

Some more specifics about our individual upstream projects, this is a picture taken last summer at Foster Creek. This is what a SAGD project looks like. There are no big trucks, no tailing ponds, no fresh water from the Athabasca River. We are producing approximately 100,000 barrels a day gross, and actually I think yesterday it was 106,000 barrels a day from beneath the forest that you see in the picture. The footprint for this centralized plant will service the production for the next 40 to 50 years.

Foster Creek is the largest and longest-running commercial SAGD project in the industry. It's also one of the top-performing heavy oil assets. It has produced over 100 million barrels in its short history. We achieved payout in the first quarter of this year, the largest SAGD project to do so to date. That means we're paying more royalties when you guys are calculating your models. And I also fully expect the province, perhaps signed by the premier, they'll be sending Cenovus Christmas cards this year because we're certainly helping the Alberta budget.

All joking aside, reaching payout is a sign of success. It means we have made a solid return on our investment, and Foster Creek will continue to provide returns for the life of the asset, not only to Cenovus but to the province. Here's some of Foster Creek's metrics. Supply costs are in the CAD40 to CAd50 range, and our operating costs for the first quarter were approximately CAD11 a barrel and we expect to be below that for the first half of 2010.

As you can see from the bars on the graph, our capital efficiency for these projects was less than CAD18,000 per flowing barrel. The facilities are operated by a top-quality, hard-working staff who have operated safely, steadily increased our production and managed to bring on these phases on schedule and on budget.

We've achieved a lot with Foster Creek, but there's a lot more potential to come. Last year, we submitted the regulatory application for our next three phases, F, G and H. These phases will take us to a cumulative production capacity of about 210,000 barrels per day. We are anticipating regulatory approval later this year, and as soon as we receive that approval, we plan to move the phases through to the sanctioning process in conjunction with our partners and then kick off construction initially on phase F. If all goes well, we should have first production by the end of 2014, up to a year earlier than we have previously shown.

From there, we will be able to decide on accelerating G and H. As you can see from the picture, phases F, G and H will be standalone developments beside the existing facilities that I showed you in the previous picture. Phase F is shown here on the slide in purple, and it will contain significant infrastructure that will support the following two phases at G, which is in orange on the picture and H, which is in green.

Foster Creek is a top-tier reservoir, but Christina Lake is even better. It has the lowest steam-to-oil ratio in the industry, averaging 2.16 so far in 2010. Christina Lake is the benchmark asset in the industry. We're currently producing about 16,000 barrels a day gross, and we've recently even hit the nameplate capacity of that facility at 18,000 barrels a day.

Our production has been fairly steady since Phase B came on in 2008, and we are averaging nearly 1,000 barrels a day per well from our 17 wells. We are continuing to reduce operating costs and are currently tracking below our first quarter OpEx of CAD16.50 a barrel. With the increased volume of future phases, we expect this to be further reduced and will eventually come more in line with what we're seeing at Foster Creek of around CAD11 a barrel. Our supply cost here at Christina Lake is in about the CAD45 to CAD55 WTI range.

We are well through our 40,000-barrel-a-day phase C project, and we've actually just started our phase D project, another 40,000-barrel-a-day project that will take us to 98,000 barrels a day by 2013. We ultimately believe Christina Lake can support up to 258,000 barrels per day of productive capacity.

Regulatory applications for the next three phases, that at E, F and G totaling 120,000 barrels per day were submitted at the end of 2009 and we are anticipating regulatory approval before the end of 2011, next year. We are currently reviewing plans to accelerate phase E. Depending upon the timing of the regulatory approvals, we may be able to move E forward by as much as 12 months.

For Foster Creek and Christina Lake, here is what our current project schedule looks like. As you can see, we will be bringing on more than one phase per year for the next six or seven years. Once we receive regulatory approval for our next phases at Foster Creek and Christina Lake, we will have 428,000 barrels per day of approved gross production capacity.

Beyond these current applications, we now think that Foster Creek and Christina Lake can support at least one additional phase, possibly more. These additional phases are highlighted in the brown bars at the bottom of the chart. The brown bars at the bottom will depend upon -- a lot on the strat well programs that Harbir and others will be conducting at both Foster Creek and Christina Lake on those additional lands this winter and in the following winters.

So, what does our combined future production profiles look like? The bars on this graph are installed production capacity with the two shades of blue representing Foster Creek and Christina Lake and the green bar being our emerging opportunities. So, you can see, the foundation for that growth rate is primarily from Foster Creek and Christina Lake.

With our track record and a manufacturing approach to development, we are confident that we can deliver the Foster Creek and Christina Lake volumes that are represented on here. The red line shows our annualized production rates, and it generally takes about a year to 1.5 years to get up to the production capacity of the existing facility. Foster Creek and Christina Lake alone will see a 10% to 15% compound annual growth rate over the next 10 years. If you included our emerging opportunities that Harbir will be discussing, this growth rate should hit up to 20% over the next 10 years.

This slide is an illustrative SAGD timeline for the average project. Our phases are built off a template design. Generally, we build in three-phase packages with the first phase of a package adding common infrastructure for the next two. For example, at Christina Lake phase C, we have a lot of pre-built infrastructure for phases D and E.

Preparing our application typically takes a couple of years, and this includes things like environmental studies, strat wells and some of the front-end engineering and design work. Regulatory approval is variable and can take from 1.5 to 2.5 years. Upon receipt of regulatory approval, we move the project to sanction and then kick off construction and execution stages, which generally take about 24 to 36 months.

This charts shows the associated spending for a typical phase. It is given in percent of our initial capital on the left. Our capital efficiency includes all of the initial capital, the engineering procurement, construction and commissioning, everything right up until it's turned over to operations. It also includes the initial well capital, the wells that are needed to initially fill up the plant.

Sustaining capital is a combination of continuing well-related capital along with other maintenance-type capital needed to keep the plant running efficiently. You can see from our production ramp-up that that generally occurs, as I said earlier, over about a year to 1.5-year period of time. This gives us an overall last year average F&D for Foster Creek and Christina Lake of approximately CAD8.00 a barrel on an annual basis.

To be successful, a number of different factors must come together. Great projects start with great reservoirs, as measured by particularly steam-to-oil ratios. As I will show in the next slide, again, we believe we are the benchmark when it comes to low steam-to-oil ratios. After steam-to-oil ratios, you need an effective strategy, and you have to be able to implement that strategy. We call it successful execution. Once you've developed that project, you also then need to operate it safely, effectively and efficiently.

SAGD is still relatively young, and the successful implementation of technology will continue to play a huge role in our future success. All of these are dependent on having a great team, and that means getting the right people in the right places. The following slide will demonstrate how we plan on executing on our strategy.

As I said, great projects start with great reservoirs. We not only believe we have some of the best SAGD reservoirs in the industry, we have demonstrated this fact over the years. Steam-to-oil ratio is the best indicator of reservoir quality. Those of you that are familiar with Foster Creek and Christina Lake and Cenovus, we always show this chart. It is one of the largest cost drivers for a SAGD project. While technology -- while design and operations can impact steam-to-oil ratio, much of it is dependent upon the quality of the reservoir.

You can take a great reservoir and through poor reservoir management and inefficient operations turn it into a high-SOR reservoir. But you can start with a poor reservoir, and no matter how much technology you apply to it, you can't make it a great steam-to-oil reservoir. The optimum is to take a great reservoir and, through effective implementation of technology and efficient operations, make it outstanding. That's what we think we do at Cenovus.

As this chart shows, Christina Lake continues to maintain the best steam-to-oil ratios in our peer groups. Foster Creek is also very strong, and we continue to bring down our -- as we continue to bring up our production from phases D and E, we will be continuing to drive down our steam-to-oil ratio and we fully expect to be back holding down both the number one spot and the number two spot on this chart. I might compliment one of our competitors, but the Jackfish project is currently in that number two position. But, remember that fact when Harbir talks about West Kirby assets later in his presentation.

Let's move from the reservoir to the execution strategy. The core of our project execution strategy centers on our manufacturing approach. We do not build mega projects. We build manageable-sized projects using a template design and then we repeat it and we repeat and we repeat it. When it comes to execution our manufacturing approach has allowed us to learn from one phase and implement these learnings into the next phase.

Increasing efficiency has allowed us to accelerate our timeline as we have done at Christina Lake, executing these projects on smaller scale allows us to use dedicated, in-house construction teams along with smaller contractors. This strategy has paid off by allowing us much greater control over our costs and schedules.

One of the greatest examples of this execution strategy has been our module yard. Located in Nisku near Edmonton, Cenovus' module yard was created to optimize the construction of pipe modules. You can see in this picture a number of different modules in various stages of completion. This yard has 28 acres for room -- and room for up to 70 modules to be built at one time and over 200 personnel on site during fabrication. It's basically that assembly line I was talking about before.

137 out of the 144 modules that were required for Christina Lake were built at Nisku over a period of 18 months. Practically no additional modifications or rework were required in the field when those modules hit the yard at Christina Lake. One flange reoriented and one pipe required to be shortened out of 137 modules shows how good those teams put those things together. Christina Lake phase D and eventually Foster Creek phase F will be the next set of modules through the Nisku yard.

So, here's a quick picture of a pipe module, just one of the typical ones, that were constructed at Nisku for Christina 1C, and you can see all -- just go back a second. You can all of the pictures -- or in the picture, all of the different connections that would be made from one module to the next module, so only having two minor corrections is really a credit to the quality of those yards there at Nisku.

Next slide shows -- this is the overall Christina Lake site construction, and you can see how all the different modules tie into the different components of the phase C expansion, the steam generators, the tanks, different units that are there. So, we can see the success of that strategy and our execution and the project -- and the progress of the Christina Lake phase C project.

We are currently about 65% complete on phase C in total. That means engineering procurement, module installations are nearly all finished. All major concrete work is done. We expect all field-erect tanks, pipe racks and equipment will be set by the end of this summer. The plant itself is about 75% complete overall. Hiring and training of operators has begun, and we are currently drilling with two rigs on two different well pads, and we're using electric rigs and that's been going very well so far.

Just to give you a bit of an update on phase D, site grading and piling is in progress and we are starting concrete work. We expect to complete the concrete and piling work on phase D by the end of this year, so we're getting a good jump on that. The D module construction will ramp up through the end of 2010 at the Nisku module yard.

Now on to operations, this is the Foster Creek day-to-day-t-day run chart. As you can see, we do a first-class job of building our phases, but we also do a first-class job of operating them. You can see from this ramp up in production that phases D and E at Foster Creek are now a bit stabilized across the top, but you can see how little unscheduled down time has occurred in that overall chart.

Do you guys usually get to see these daily run charts from other operators? I kind of doubt it. Now that production has stabilized, our steam-to-oil ratio should start coming down and our production rates slowly ramping up over the next six months. Likewise, this is the day-to-day run chart for Christina Lake and, again, we've been very consistent since phase B came on in 2008. This is the facility with the leading steam-to-oil ratios of 2.16 and again, some pretty solid run times.

If you look at the little variabilities in the top, remember that's the production from only 17 wells. So, if one well goes down for a pump change or something like that, we do have a bit of variability. But the teams have been very good on getting those back on very quickly. Our operational excellence also includes continuous improvement, so I'll talk a little bit about those ESPs, which are electric submersible pumps. They're a great example of innovation that we -- or, technology that we have implemented.

ESPs add value by reducing steam-to-oil ratio through a use of lower operating pressures. We were the first to use ESPs, and they have been critical to our overall success. In the beginning, they took a bit of time to install and to figure out how to run them correctly and then work with them the manufacturer to improve their overall run life, but by continually working to address

these issues we have improved the run life and reduced the downtime for a pump change, making ESPs even more attractive. Again, I'd say that we were industry-leading because now you're starting to see lots of other SAGD operators go to ESPs. Close to 100% of our horizontal well pairs are now on ESPs.

Technology has also been a factor in our success. This is the diagram of our wedge wells. Wedge wells are just one of the technologies that we have successfully implemented. We've had great results from our wedge well program at Foster Creek, and we're currently piloting that at Christina Lake.

We have one well that's been installed in the middle of the field, and we've got applications in for additional ones. So far, we're seeing some initial promising results, but it's really hard to make a conclusion based on one well. But this is what wedge wells do for us. They improve our overall recovery in two ways. First, they accelerate recovery from the well pad so we're getting more oil sooner. Secondly, they increase our overall recovery by about 10%.

So ultimately, we're getting more oil out of the ground. They do this from existing pads with very little additional steam, lowering our operating costs. They reduce our emissions and our overall surface disturbance intensity. Judy had showed you that slide earlier where it was about four acres that was accessing about 185 acres, and that's generally about 6,000 or 7,000 barrels a day of production. When you add the wedge wells to that, you get another 10% or 15% on top of that on the same pads.

Here are a couple of examples of other innovations we have implemented. Electric drilling rigs are now a well-established part of our overall program both at Foster and Christina. Compared to traditional diesel rigs, electric rigs are more efficient and produce fewer emissions, in fact 65% less CO2.

Our blowdown, our second-stage blower is a more recent innovation and one that we hope to put into commercial application across our operations. By using blowdown water as feed into an auxiliary boiler, less energy is required since this feed water is already at very high temperatures. This means less gas usage and therefore lower cost and lower emissions.

So, how do we get all this production to market? As you can see from this map, we're not profitability worried about getting our product to market. There are lots of pipelines in the works. In general, the pipeline infrastructure in the industry has stayed a couple of years ahead of the overall production ramp-ups.

Now, for a few minutes on the downstream, we have two high-quality US refineries. They are 50% owned by Cenovus and 100% operated by ConocoPhillips as part of the partnership. Currently underway is a CAD3.6 billion CORE project at Wood River, and I'll talk a bit more about that in detail in a few minutes.

Our mix of assets, natural gas, heavy oil and refining, all complement each other. Our natural gas production acts as an internal hedge. Gas is consumed at both our SAGD facilities and at our downstream refineries. In addition, a significant portion of our heavy oil production is matched to a heavy oil processing capacity. This greatly reduces our exposure to those light/heavy differentials that Brian was asking about earlier.

This integration gives us less volatility and helps balance some of our financial risks. How does this integration reduce our exposure to the light/heavy differentials? This chart gives an idea of the volatility and cyclical nature of the integrated business. For every barrel of crude oil, the total margin that can be earned by converting it into a finished product is shared by the producers on the upstream and the refiners on the downstream.

Over the years, the relative amount of this margin that goes to either the producer or the refiner has varied considerably. If you're integrated you reduce your exposure to overall variability. Currently, we are in a time where the upstream business is good. We have small light/heavy differentials, but eventually that shifts back to the refiner's side, as you can see in this chart.

With the CORE project coming on line in 2011, we have a very close volume match for the upstream bitumen production and downstream heavy oil capacity of Cenovus. Beyond the CORE project, we have no definitive future downstream expansions in our current plans. We believe that it would be to our advantage at this time to be long bitumen over the near term.

However, we continue to look at inexpensive ways to optimize and de-bottleneck our CORE project in our facilities, both there at Wood River and Borger. Based on current plans, as you can see from this chart, we will be long bitumen after 2012. As I indicated, I will give you a quick update on the CORE project. It is over 80% complete. It continues to be on track for a mid-2011 start-up for the coker units. Module fabrication is complete.

Peak work activities are scheduled through the summer and fall of 2010. Early and late flooding on the Mississippi River gave us some headaches, profitability from March to May of this year, and impacted the off-loading schedule. But by early July, we expect to have all of these modules off the Mississippi River.

These module off-load delays and a few other issues early in the life of the project associated with some of the permitting and piling have slightly increased our cost. Final cost is expected to be within 10% of that overall budget. The picture on this slide is the 1,000-ton vacuum tower being lifted into place last month by the [Lampsom] crane.

Here are a few photos of some of our modules for the CORE project that were offloaded earlier this year. The photo on the top left shows one of the issues we had to deal with this winter, as I was indicating. It is the Mississippi River completely frozen across from bank to bank. It's been close to 20 years since that happened, and I'm not so sure this winter the Bow even froze across from bank to bank.

This is a view of the new units area site. On the right side of this picture, you can obviously see the coker drums that are four drums that make up 65,000 barrels a day of coking capacity. At the top of that structure, it's about 210 feet or so off the ground. When the structure is completed with the drilling derricks there will be another 150 feet of structure on top of this. So clearly, you can see this coker structure from far away in the countryside. The total thing will be, as I said, over 350 feet.

At the left back in the picture, you can see that vacuum tower that I showed the previous picture when they were lifting it. Just to the left of the coker drums is the coker hydrotreater. With the completion of the CORE project, Wood River will join Borger as one of the more complex refineries in the United States. Increased complexity equals increased flexibility. Increased flexibility means reduced costs.

The CORE project will enable Wood River to source a variety of lower-cost crudes and produce higher-value margins for the refined products, thereby increasing our overall gross margins. Both Wood River and Borger will be well positioned for success relative to other peer refineries in North America.

To wrap up, I'd like to leave you with a few key points. Cenovus has, without question, two of the top SAGD projects in the industry and we're working to accelerate their development. Foster Creek and Christina Lake are high-quality reservoirs that they have the ability to drive our growth over the next 10 years. We have the most experience in the industry and a track record of being a safe, reliable and low-cost operator.

We expect to not only maintain this track record but to improve on it as we continue to develop technologies to improve our recoveries, lower our costs and reduce our emissions and our overall footprint. Finally, we participate in the full value chain from the natural gas that fuels our bitumen through to the refining of our production into finished transportation fuels.

Thank you for listening to my presentation. I will now hand the mic over to Harbir Chhina to talk about the vast portfolio of additional assets and new technologies that will become the next Foster Creeks and Christina Lakes. Thank you, Harbir.

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Thanks, John. It's a pleasure to be here today. I'm Harbir Chhina, the Executive Vice President of Emerging Plays. When I look back in my career, I spent 28 years in this business and I think that this day is pretty important to be because this is the first time we've been really -- been able to talk about the true potential of this company. The key thing I want you to walk away with is that this is just a start. We've been just warming up to now. The race is just about to begin.

A lot of the guys before me have taken a lot of my lines, so I'm just going to make up stuff as I go along. So on this slide, basically the key thing you need to note from what we've said before is we've been focused on the McMurray formation development, and now we're starting to talk about the Wabasca development. We're starting to talk about the Clearwater and even a little bit on the Grosmont, and there's a Wabasca in the -- for our Foster Creek region that we've never talked about. There's zero continued reserves. I'm going to tell you what we -- what our plans are to do on that one.

So next, the other thing we haven't talked about is our confidential lands. So over the last decade, we've been accumulating lands around our key areas. Borealis is really the biggest one. Then, there's Christina is the other main one. 50% of our lands don't have any wells on them. So, we've been constrained on the amount of capital we've been spending on our delineation, so that's the reason that we haven't been able to drill and proceed faster.

So -- but go next, so here is a blow-up of the Borealis area. 80% of this land does not have a well on it. We've -- you guys have always known that we have 1.3 million acres, but you didn't know where it was. Now, you can see where it is. One reason we really like Borealis is because of the permeability. It's got perms of like anywhere from 12 to 18 darcies. It's the only reservoir, which you can see through the rock, which is pretty good.

The other thing I want to point out, what's different here, is that before we told you we had a 35,000-barrel-per-day project in the Borealis area, well no we're calling that Telephone Lake because the whole area is called Borealis. So, Telephone Lake now -- from now on when we refer to it is the old Borealis application. So, just treat that in your head that Telephone Lake. Why do we call it Telephone Lake? If you Google that area you'll find a lake that looks like a telephone, so we try to keep things simple around here.

No, go back. So, the other areas is Steepbank and East McMurray, so we feel from the wells that are already there that we've got a great potential to add to that resource. So, that's we're not talking about the green yet because we've got to drill up -- we've got lots of work to do just drill up that blue part and the brown part.

When you add up the whole acreage there, there's about 800 sections. That's about 12 townships. So do a 30,000-barrel-per-day project, if you do a math on 20 meters of pay you'll need about eight sections. We have 800. Even if you discount this thing at 10%, there's a lot of potential -- discount it by 90% I mean. There's a lot of potential here, so next.

Okay. This is the Christina Lake area. About 40% of the lands here were under confidentially, so we're leasing them now. So, we're going to talk a little bit more about West Kirby, but some of the other areas and narrows, and what we won't talk about is Winefred and Hardy and Leismer. So, those are the three names that over time, over the next few years as we start drilling wells over there, we're going to start to put them into the hopper in terms of doing environmental impact assessments and going to an application phase.

So now, let's just talk about just West Kirby. So, on the left there you see West Kirby A. Well there, we bought this land but we've been just sitting on it. If we feel there's only potential for less than 60,000 we really don't touch it. In our business, it's all about manufacturing. So, we'll get to the less than 60,000s after the next five years. We've got lots of stuff at 60,000 to 250,000 barrels a day. So, West Kirby is at the bottom, is inner plus. Up at the top is Petrobank, and so it's not a high priority still right now for us, but we think it's capable between A, B and C about 60,000 barrels a day.

Now, I'll give you a good rule of thumb. It says here there's contingent -- the resource estimate of 0.1 billion barrels. Well quick math, 100,000 barrels a day, 27 years is 1 billion barrels. So, when you see the 0.1 contingent it really means that our -- our QRE's think that there's only a 10,000-barrel-a-day potential in that. So, just keep doing that math in your head when I show the numbers on what the potential really is going to show up here in the next 5 years.

Now, let's blow up around the Kirby C area. So we bought this land, Kirby C, over the last seven years. Jackfish 1, that's the one John showed you, has a steam-oil ratio comparable to us. Well, there's a reason for it. They're hugging us. Jackfish 2, they're building that project right now. Right below it is our land where we haven't drilled a single well yet since we bought the land.

When I look at the logs around that, they're drilling wells right next to our boundary. Their plant is right there. If you look at their application, all their future pads are right against the boundary. This is a play we haven't even talked about. So, the wells -- if you look at the wells immediately to our boundary, you'll see wells about 20 meters of pay and then the highest 39 meters of pay right next to us. So, this is close to a no-brainer property as you can get.

So, we're just going to drill that up and go down the application path, and then we'll decide what we want to do. Do we want to development it? Do we want to swap it, sell it, trade it, whatever? Those things will come in the future, but first let's just drill it up and prove that the oil is there.

Next? So, this is our historical delineation program. Really, everything in our business starts with the wells. If you don't know what you have it's a very risky business, so you should be drilling wells. I've been involved in a couple of projects at my career where we didn't spend time, or the company didn't spend time delineating, and then you end up wasting a lot of money on the facilities and stuff. So, you really have to put the well density in. In fact, you -- everybody should be applying a probability of success based on the well density of what people are telling you.

So in our business, we used to do about 100 to 200. We're ramping that up to about 500, and we've already figured out from our winter drilling program where those -- actually we have up to 600 that we've figured out, but we think we can only drill 500, or Brian won't give us money for more than 500. But -- so we've already started surveying those wells already, so we're in a good position to go up to the 500.

Next? Okay. This graph is everybody treats barrels -- bitumen barrels the same, and you have to start to differentiate a barrel. Each barrel is not created equal, and this graph assumes -- and that's assuming the reservoirs the same. The reservoirs aren't the same, but this graph shows you what our acreage position is with zero wells per section, one, two, four and eight.

Then, you go -- you need eight wells per section in seismic to get an application in, and then you go into the development, construction and development. So the key point, look at us. All the bars are on the development side, on the application side. This graph alone tells you the potential of our company, and we're barely going to be -- even though we're very -- going to be very aggressive with our delineation program, we're barely scratching the needle.

Next? This just typically -- when we start off a play, this was a typically township, a mile by a mile -- sorry, six miles by six miles. We'll drill about 16 wells to see where the oil is. Normally, there's oil everywhere but oil that meets our 10-meter cut-off and stuff. Then, we'll go on to the delineation stage, which is about four to eight wells per section. So, you can see we understand the reservoir a little bit better. This only shows one dry hole. Normally we drill a few -- or less than 10 meters, not dry. We'll always have oil.

Then next -- and then we'll do an EIA on that one, and then we'll go on and drill -- really try to understand our reservoir on where our wells are going to be placed laterally and vertically. Then we've nailed it down, and then we drill a lot of observation wells. Not only are we monitoring on in the reservoir, we also monitor what goes up-hole, make sure that everything is confined and everything's working the way we want. We do a lot of 4D cross-fold seismic, stuff like that, to really understand what's going on in our reservoirs.

Next? So, if we do that delineation on what we're planning and start the EIAs how much do we really move? So, we do hit a little drop to zero wells per section acreage position, and we do increase the construction and development and the application. We think that's going to add a lot of value. Basically at zero wells per section, you're just starting off at zero, at basically land value. Then, when -- once you develop it, well just look at the deals that are being done, anywhere from about CAD7.00 to CAD10 per barrel. So, that's kind of your range there.

Next? So, John talked about our base growth and the current production. I'm going to talk in more detail on the top three, but I did want to talk about the bottom ones, that we do have all of these plays that we're proceeding with, the Clearwater, Winefred and West Kirby, East McMurray, Steepbank. The growth model, we just started to get a team together. We've done some initial drilling, and we'll slowly grow that over the next year.

Next? So, this is a timeline of where we sit. Narrows Lake, it'll -- we'll submit that in the next few weeks. It will take us about 1.5 years to 2 years to get approval, and then we'll -- I'll sanction that project. We usually sanction these projects before we get approval of -- because sometimes we're very confident in that. So pre-ordering equipment and engineering will start to do that. You just can't move dirt until you get your approvals.

Then, the Grand Rapids is the next one. Telephone Lake we talked about and some of the other ones, so this -- don't expect the schedule to remain as it is. For example, Telephone Lake, or the old Borealis, used to be ahead of Narrows Lake and Grand Rapids. But a couple of years ago when we submitted the application, we felt that it was going to take longer to do that one. That's why we started drilling up Narrows, and now we're starting to drill up Grand Rapids. So, you will see all these plays, but the timing of regulatory, construction, development might change year to year, depending upon which we feel more comfortable with.

The other thing I wanted to point out is on the right side is the net production to Cenovus, so we don't like, like I said before, touching anything, which isn't going to be close to a 60,000 to 250,000. So five years from now, I may have a whole bunch of new projects for you that'll be in the 20,000 range. But right now -- or 20,000 gross, but right now we're sticking to about the 60,000-barrel-per-day range.

Now, everybody shows you these charts. So one thing I want to tell you, we talk about capital efficiencies and op costs and all of that, but going through the development of Foster and Christina has taught me that there's two things that are important. One thing is we don't run our business from the top down. That was -- that's very important. I see some projects where it -- that -- the marching orders are coming from the top.

So, Brian listens to his technical people and which projects he wants to do, and that's very important. Then, we are as a business unit assets, so we're fully accountable and we have full authority once the money is given to us in delivering on production and reserves and op costs and capital efficiencies.

The second thing that I've never talked about before that I think is very important when I look back that as Foster Creek evolved, the first 10 people were involved in the pilot. The culture was different, very entrepreneur. Then we went to 3,000 barrels, about 50 people, still lots of entrepreneur but the culture was changing. You had to adapt to it.

Then we went to 30,000, you're up to 250 people, and the culture changed again but you still had to keep the entrepreneur spirit alive so you had to change that. Now you're up to 1,000 people and ready to go after 680,000 barrels a day, so you can have all the strategy you want.

Culture is going to eat strategy any day for lunch, and that's something you have to adapt to year after year. Not only is there a shortfall of people, one of the most difficult in my career has been for -- going from technical to management, a very difficult thing to do, but yet still retain the technical abilities. So, we see -- when we talk to you we tell you it's pretty simple and straightforward, and it is to us, but there's a lot of work being done behind the machine to keep the manufacturing mode, the innovation going. So, remember those words. Usually, people don't.

Okay, let's talk about Narrows. This is a -- this is a project, a real -- a project becomes real when you put the application in and you've got a good chance of getting it approved, and Narrows is in that category with -- the application is set up for either SAGD or SAP. Of course, SAP we're -- feel very comfortable with that project. We'd piloted it three times, and we think the steam/oil ratios will be about 30% less than SAGD, so that's what you see over there, 2.1 versus 1.6.

Again, do the math on the contingent resource on the 0.5 for -- associated on the 130, and -- but that's a gross versus a net number. We expect the economics to be real good. I'm a real believer in one thing before we start a project, and that's a good log. That looks like a good log to me. Then, the other thing to look for is the lateral and vertical continuity of the log, and 1 billion barrels associated with the log so everything looks good there.

We've kind of given you milestones for each one of these projects so you can keep track of us on whether we're living up to our commitments or not. So, I'm glad that -- now, I'm not going to say we're going to deliver on everything. Like I said, things do change year to year but you will know the milestones that we have for each project every year.

Next? So, let's talk about the next play, Grand Rapids. The one thing I really like about this play is we don't have to divide by two. It's really good when you have partners. The capital gets divided by two, but it hurts when the production and the reserve gets divided by two. It really hurts. So, boy, Grand Rapids is 100%. We feel we have potential to produce up to 180,000 barrels per day in this property, and we think we can do it in three trenches at 60,000 barrels. The steam/oil ratio is going to be definitely higher than Foster Creek and Christina, 3 to 3.5.

Basically, the reason for that is because this is a lower permeability reservoir, about 3 darcies, 4 versus 7 to 8 darcies at Foster and Christina. The thickness is lower. It's 20 meters. Oil saturation is a little bit lower, so when you combine all of those you get a steam/oil ratio about the 3 range. The good thing I like about this play is I don't need geologists here. This reservoir is very continuous and consistent, and so when you drill wells 3 miles apart the logs look exactly the same, which is what a reservoir engineer loves, consistency.

The other thing I really like about this play is that it's right next to Don's mobile Wabasca development, which means he's already put in a lot of infrastructure. He's already put in pads, which we can use. He's put in roads. He's put in pipelines. He has power lines available so a lot of that, it really helps in keeping the costs low.

So, what we've started in January, Cenovus formed in December 1, we started doing our environmental impact assessment on our initial engineering to support the application in January. We expect to have this application completed by the end of next year. Now besides that, we've already put in an application for a pilot here. A couple of things I need to tell you about the pilot, we do expect to have it operational before the end of the year. So, really in 11 months we've gone from not talking about a play to actually hopefully having something operating.

The other thing is we're doing this pilot very differently. We're doing it cheap, and we're doing it to address three technical reasons. Because this reservoir is consistent laterally, vertically, we can afford to drill our wells really long here. I expect our first pilot will be somewhere about 1,200 meters to 1,400 meters, which'll make this some of the longest SAGD wells. We've done a lot of technology development at Foster and Christina on how we can distribute steam and produce from these long wells, so we're going to take advantage of that.

The second thing is we want to prove up the peak rate, which usually takes us about 12 months. The third thing is to just core a steam -- just go in there after we steamed it and core this reservoir to make sure everything looks good. We don't expect to pilot this for more than a couple of years, and we're very comfortable with our SAGD predictions now, especially when a reservoir is consistent as this reservoir, so very little piloting required. Basically, it's just to address a few technical things.

Now, the -- you must walk away today thinking about the Greater Pelican Region between what Don showed you, currently producing at 23, going to 35. He's talked about the non-mobile Wabasca, a pilot going in there. I'm talking about the Grand Rapids' 180,000-barrel-per-day potential. We are unleashing the potential of the Greater Pelican Region today. So -- and you're

going to keep hearing more and more from us on how this play evolves, so start calling this the Greater Pelican Region and not just Pelican where we were at the 20. This is -- there's a lot more potential here that we're unleashing.

Next? Telephone Lake, really we're waiting for the regulatory folks to come out with a top water policy, and once we get that -- we've seen the draft of it. Once we see that, we'll amend our application. Then, hopefully it gets down to the 1.5 to two-year queue to get the approvals.

One thing we have done is some drilling in the area, so that 35,000 has now become 50,000, which means that we've -- very comfortable with the well spacing. You've got 4 to 16 wells per section, so very comfortable with that lease now, and we'll look at ways to accelerate. Again, look at that log. Like, it looks beautiful. Again, this is just Telephone Lake, and just like we do, we'll create new names for you as we drill it up and we think there's potential for another 60,000-barrel-a-day phase and continue to put that into the hopper.

Next? Okay, let's talk about technology. I think this is a key. Our motto in our company is status quo is unacceptable. We must continuously evolve and become better at this business. That's why I say we just got started. So, we have a number of projects in the hopper, about 50 of them. We have commitment from Brian and our Board of Directors to increase our funding and just be a key part of the company. I'm so happy when I hear those words, so we're going to continue to come out with new technologies and I'll talk about a couple of things here next.

Yes? So, this is a -- you've seen the supply cost. We have different supply costs for different projects, but this technology curve will apply to every one of those projects. That's why we put it on a basis of zero in how much the supply cost could drop, because this applies to all of the projects.

Now, before I cover the technology, there's one thing. When we started Foster Creek we started it with one premise, and that premise was that we are not smart. So, the first patent we ever got at Foster Creek was on a coil tubing with pressure and temperature sensors because we said we need to understand what we're doing. If we screw up, we need to understand it. So, that coil tubing string became the first patent, and that was very important.

That premise is important. When you think you're really smart and know this business, that's -- that -- there's a good chance you're going to fail if you've got that attitude. We've always had the attitude that -- that let's get the data and let's learn, adapt, but do it fast. That's been the key. So, the liners was the first -- second thing we improved to keep the sand out of the wells, to keep the oil flowing. Then the ESPs, we were the first company to do that. Then, John talked about the boilers and the wedge wells, so I won't get into that one.

But we've got a number of other projects, and we expect to roll out one per year for you so that you can see that we're going to continue to evolve and improve, and a lot of these are related to not only capital efficiencies and op-cost efficiencies or higher recovery factors but also our environmental footprint. The ESPs, one of the big benefits of ESPs was going to be low-pressure SAGD. Well, we haven't gone to low-pressure SAGD yet, so the big benefit of the ESPs is still yet to come. We're still operating our reservoirs at 2,000, 2,500, and we want to operate at close to 1,000 there.

Okay. Okay, let's talk about SAP. So, I put this slide for all our shareholders that model the SAGD. So, it -- SAP is very complex. We inject a whole bunch of butane. Then we slow down, and then we inject nothing. So I said, "How can everybody model SAGD straightforward," so these are their -- this -- if you applied these to your existing models, you will get the right rate of return and the NPVs.

Basically, we're saying that there's a 30% improvement in production or SOR, which leads to more production. So they go hand-in-hand. 15% increase in recovery factors. Now, one thing that's not on this slide is that we're comparing 100 meters of SAGD to 130 meters of SAP. Because we feel, when you to put the solids, you can go to a higher well spacing. So you benefit from that. So, there's a 15% improvement in recovery factors, 10% decrease in sustaining capitals, some reduction in op costs and our API enhancement gives us a net back, which is about CAD1.00 higher than if you were just doing SAGD.

And of course this is the third time we're trying it. We're ready for the commercial phase. The only decision now left to do is do we do the first 16,000, 100% SAP? Or do we do a percentage of it with SAP? That's something that we'll decide over the next six months or so. So really, new technology really to be commercialized. So far, the third pilot, we're not seeing any surprises at all. It's as expected, the rate enhancement and things like that. So, that's good.

Okay. Let's talk about combustion. We've never talked about this ever. First of all, this is not new to us. We've been doing combustion for the last four years. As some of you will remember, the gas over bitumen, the gas production got shut in. Well, we said, well, how do we get our gas out still and not let the pressure drop? This was our solution.

So you see that picture on the right, the black arrows where we put in the air. The red arrow is where the gas, natural gas, gets produced. The pressure doesn't actually change. Then we started putting in air, we have to ignite it and then the combustion starts. The -- on the left there is actually a temperature profile. As we saw temperatures of up to 400-degrees C, we operate SAGD at about 225 to 250 degrees C. So these temperatures are far higher than SAGD.

What's happened now is since we've been doing it for four years, we've transferred a lot of that heat as its combustion's gone through to the top and the bottom, to the heated oil. So, remember that zone I told you about, the Wabiskaw in the [Primrose Air] reference range, where we have zero contingent resource? Next year, we want to drill a well where the heat is already.

We expect to produce this well on primary production. While 15 years ago, we did vertical wells, we got 2, 3, 4 cubes, expect to be quite a bit better than that. That would open up this whole play that you've never even heard about, that McDaniel gives us zero contingent resource for.

The play on the right is a clear water development. If you go up to Foster Creek, you have to go over this pool and it's, of course, an extension of the Imperial Coal Lake in the CNR Rail Coal Lake facilities. That's what the clear water's an extension of. Here, we'll do huff and puff. Now here we don't have a pilot, so over the next couple of years, we'll put in a pilot to do combustion and start heating up the oil. Then we can do either SAGD at the bottom or we can do huff and puff.

We expect huff and puff in this type of reservoir to be about 4 to 5 steam-oil ratio. If we do this after we do the combustion, we expect the steam-oil ratio to drop to 1.6. So we have a patent pending on this. We haven't talked about this before because of the patent reasons, but now it is protected, so we're going to talk about this process even more. Firm believer in using combustion in the right way, in the right application, with the right welcome configuration.

Okay. I think some of these have been mentioned before, but stakeholders are a key part that we've been focused on the last decades and working with them, creating jobs and opportunities. That it's a win-win situation. When we're benefiting, they benefit. When our projects get stalled, their work gets stalled. So it's been a good model so far.

I won't talk about the regulatory, that's been mentioned now. Labor. Really the key part of our strategy is small engineering companies, break it up into small work packages and then give those to small contractors. That's working really, really well. So we're going to maintain that recipe on our future projects. Of course, the culture of technical innovation, that's going to continue to grow and I have support, like I said, from Brian and our Board.

So really, today I hope you walk away thinking, okay, they've -- they're talking about all these new projects, but I hope you walk away thinking every year I expect Cenovus to put in another project into the hopper or another technology or another cost reduction. Because that's what you should expect from that. That track record. I believe we've got a proven track record of lowest capital cost efficiencies and the execution model. That's just going to continue to grow.

Okay. Thank you for your attention. Now, before I finish and we go to Q&As, I just wanted to say one thing. These are eight commitments that anybody that works, so these are all the executives, the VPs signed this for each asset and when somebody comes to our site, we make them read those commitments and then sign their name.

The first one, I'll just read out for you. I won't read out the rest. "Our work is never so urgent or important that we can't take the time to do it safely." That's the number one. Our safety record has improved substantially in the last four years. We're very committed to this one. All our contractors know that we're committed.

With that, we'll go to Q&As now, I think. Thank you.

QUESTIONS AND ANSWERS

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Okay. So as before, wait for a microphone, please and we will be happy to take your questions. So, you got a bit of the technology, so I guess if there are still leftovers from the previous section, just again, put your hand up and if you want a little bit more clarity on some of that.

Unidentified Audience Member

So, I've got a number -- over here. I've got a number of questions. First of all, on the -- so on the submersible pumps, obviously the effectiveness of it varies by reservoir, but maybe I missed it. Can you quantify the improvements that one would expect in terms of SOR from the use of submersible pumps? It seems like a lot of work, given that the thing -- the pumps seem to last less than a year and then you have to replace them and.

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Hello? Yes. First of all, the original pumps we've put in were about six months. But now we've got up to 20 months. So, that has improved. The other big thing, when we used to gas lifting, it was very difficult to get the production, once a well went down, to get the production back. We found with the ESPs that it was a lot easier to get the downtime -- not only get the wells back, but you were able to get the production that you didn't get when the well was down. So, that really helped a lot.

But the big benefit, like I said, the other one, before I get into that one, is that with the pumps, you have a lot higher temperature fluids coming back into your plant. What that means is that we can transfer that heat to the water that goes into your boilers and that improves your gas -- the amount of gas that you need. We think that's about a 18% to 20% improvement -- less gas usage because of the ESPs.

So, the third one I talked about was the low-pressure SAGD. That, if you go from operating from 2,500 to 1,000 and with blowdown, you're basically going to get about a 25% improvement in the SOR. So that's why when we say Foster, we used to say a steam-oil ratio of 2.5 when we're steaming and I wouldn't be going below or down and go to the lower pressures. We expected that to go about two. So that's where the benefit really shows up too.

Unidentified Audience Member

Great. Thank you. On the combustion technology, so would that be used, then, as sort of the final stage of recovery? Is that the last bit that's used after other recovery methods are tried? Is that the way it works? So you --?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Don't -- for the example I gave you for the Wabiskaw, where we just do the primary.

Unidentified Audience Member

Right.

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

That will actually be the initial recovery scheme. We would probably do other schemes associated with that or a different way of doing combustion, in addition to the top in the gas cap or using heat or using solvent. I believe something like that, solvents might be the best thing after we do the primary production. So, there's more to come. The combustion is just the start of a new stage of processes.

Unidentified Audience Member

But the -- but just to repeat again, the nature of the reservoir that would be more -- that you would be more pre-inclined to use combustion technology on would be what?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

It would be anything that's top gas or top water.

Unidentified Audience Member

Okay.

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Or perhaps even bottom water.

Unidentified Audience Member

Okay.

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

You have to have some ability. Because the reason combustion didn't work in the old days was the bitumen is immobile. Even if you start the combustion, mobilize the oil, that oil was pushing colder oil and you weren't making any progress. So, the mobility zones are important to make combustion work.

Unidentified Audience Member

So, some gas and some water.

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Yes.

Unidentified Audience Member

Okay. And then, finally, could you talk about, from a technology standpoint, where you're at with regards to the carbonates gross fund?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Okay. Carbonates is a difficult reservoir. It's very heterogeneous. So we have started to staff up. We've done some initial drilling. So, we're doing our assessment of the play. That's why, in your milestones, we have a pilot in 2012. So we've still got to figure it out. We've got to do some more drilling this year and next winter and then we'll come up with what we want to try for a pilot and we'll release that to you at that time.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Mark has one.

Mark Polak - *Scotia Capital - Analyst*

Mark Polak with Scotia Capital. A couple of questions. First, on the Foster Creek operating cost guidance for the year, it's in the CAD12, CAD13 range, but you mentioned it's going to be below CAD11 in the first half of the year and Q1 is in that range. Is there some turnaround activity in the second half of the year that brings that up?

John Brannan - *Cenovus Energy Inc. - EVP and President - Integrated Oil Division*

No, we -- we're just saying that we're coming in through two months of the second quarter and we feel very confident that we'll be very similar to our first quarter's operating ranges. We do have a little bit of work that we're doing, but no major turnovers -- turnarounds.

Mark Polak - *Scotia Capital - Analyst*

Thanks. And the second one is for Harbir on the Grand Rapids, just wondering if you could talk a little bit about the differences in producing from the Grand Rapids versus the McMurray? When I look at the -- it looks like a pretty conservative number that McDaniel has given for resource there, relative to what you think the production potential is. Is that just a matter of medium ore strat wells drilled or is there any question marks around producing from there?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Yes. Absolutely, on your second question. It's basically drilling more strat wells and we're still looking at whether to do a summer program there and we'll see if we can accomplish that one. Otherwise, we'll be doing it in the winter next year. But basically, it's a well drilling issue.

In terms of the reservoir, really the McMurray channels are like 100 million years old river system and you can see how a river will vary and where deposit its sands and where it will throw in mud and stuff. So it's very variable and then the -- another set of rivers will cut through it. So the geology is very complex.

The key thing about Foster is there were major river systems and so it becomes more predictable at Foster and Christina. But as you go to the east part of the Athabasca oil sands, they've become more unpredictable and that's why you'll see smaller

phases on the east side of the deposit, whereas the Grand Rapids is a shoreline. It's very consistent, kind of like the Oregon beach.

So, you can predict what's going on over miles. So that's a big difference that we do not expect to drill, you saw it here, I said when we start before -- when we drew our pads, we'll go up from anywhere from 16 up to 30 wells per section and so we don't expect that we'll ever need anything close to that for the Grand Rapids because it's a very predictable reservoir.

Mark Polak - *Scotia Capital - Analyst*

Thank you.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

I'll just jump in quickly here with one that came in from the web. If -- it's asking us, really, to clarify the upstream, downstream balance and the fact that we plan to be long bitumen.

John Brannan - *Cenovus Energy Inc. - EVP and President - Integrated Oil Division*

Sorry. What was -- making sure we have the right (inaudible - microphone inaccessible) questions. Could you ask that one more time?

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

It's really wanting some clarification around the upstream, downstream balance and our plans to be long bitumen.

John Brannan - *Cenovus Energy Inc. - EVP and President - Integrated Oil Division*

Yes, so as I showed on the charts, when we finished the core project, our downstream capacity at Wood River will be about 240,000 barrels a day. Add that to what we have at Border, and you're close to 280,000 barrels a day, something like that. As we finish Foster Creek, ramping it up to about 120 and then ramping up Christina Lake C&D, we'll be fairly matched to that overall and we'll be fairly integrated with our production and our downstream capacities.

Beyond that, we have no additional plans for downstream expansions, yet we do, as you saw today, have expansions for our upstream capacity. So that we will then ultimately be long bitumen. We are looking, and we've got that strategy because it ties into where we're thinking, the near term, that the light, heavy differential will stay in that kind of 15% to 20% type range and that the advantage will be to the upstream producer over the downstream end of it.

So we do look at, are there ways at Foster -- sorry, ways at Wood River and Border that we can debottleneck the existing facilities or reconfigure things or can we get additional heavy processing capacities out of those existing facilities? We'll try to up those capacities as best we can, lowest cost. But not a big expansion like the core project. Alternate to that, we are doing and looking at supply agreements and those things with other refiners so that we do have -- we are moving and have the ability to move our heavy crudes to existing refineries outside of the partnership.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Okay. Tracy or --?

Mark Friesen - - *Analyst*

Hi, it's [Mark Friesen]. I have a question about the confidential lands on the east side of the Borealis region. What's your understanding of the presence of the overbearing cap rock in that area? Also what's your understanding of the relevance of that cap rock or the necessity of it for potential production?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Okay. First of all -- first, there are two issues on the east side. One is what you just mentioned about the cap rock and the other one is the water. We know we start to go from rich pays to water, but then on the Saskatchewan side, there are areas that become oil again. So, if you find oil in that water areas, it's going to be choppy. It's just a matter of drilling it up. But we do expect to find quite a bit of water there, so -- but that's not going to be a surprise to us.

In terms of the cap rock, it's the same thing. Approximately where the water line is approximately where the cap rock issue is. So what that will require is, again, it will be dependent on an area-to-area basis. Generally, the cap rock is missing, but you might have an area where there's significant reduction or zero permeability in that area that you could run a SAGD project and I think a lot of the regulation are going to make us drill the wells on -- above the zone of interest and monitor them and make sure that we're not contaminating anything higher up.

So I do expect, generally, what you're saying is true. But I do expect areas where it should be okay to do SAGD. It will be just a matter of monitoring and proving it to the regulatory folks.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Okay. Peter?

Peter Ogden - *National Bank Financial - Analyst*

Peter Ogden, National Bank. Just a quick question on Borealis or Telephone Lake, I guess. It was always looked at as the problem child. It was kept out of the JV a few years back with the Conoco joint venture. So there was always some questions around the viability of that. Can you explain, maybe, what has changed? Why it's been a longer regulatory process? Why it hasn't been pushed through? I think you might have touched on it a little bit and what amendments have to go through and what has changed over the last, I guess, year and a half or so on that prospect?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Okay. The first thing, this is generally on the oil sands. These are connected to fresh water, a lot of the oil sands. In fact, in the Fort McMurray area, the Athabasca River cuts through the oil sands. So, the pressures are very low, which means that you do have fresh water there. So the regulatory folks said they felt that they have to look at protecting this fresh water, even though it's sitting right with the bitumen itself. Because there's oil in -- where the water is and there's oil underneath the water.

So, that's what's taking time is -- and actually, with the drilling that we've done in the last three, four years, they have learned a lot from us that they could come up with those policies and what's established and now they have put out a final draft and we'll see what comes out of that. But it's been related to the fresh water and that's going to be an issue for a lot of the other projects in protecting, not only the fresh -- contaminating other fresh waters that are above the zone of interest.

Peter Ogden - *National Bank Financial - Analyst*

Just a follow-up question. I notice the supply cost changes a little bit between Narrows Lake, Telephone Lake and everything else. The SORs aren't changing all that much. Is it -- what are the capital costs per flowing barrel on something like Telephone Lake, without infrastructure in the area compared to maybe the Pelican Lake one?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Okay. So generally, Foster, we've delivered on the average about 15 to 18. Christina was talking about 20. But if we just did one 30,000 barrel a day project, it will be hard to do it in the 20,000 barrel per day range. You'll be in the 30-type number. But when you start to do multiple phases, that's how you get the costs down. There's absolutely no infrastructure in Borealis.

So there's roads, pipelines, power lines, all of that, camps, all of that needs to go into place. So when you just do it applied to the first 30, it'll be expensive. But when you look at it from overall, we try to get our capital efficiencies down for the future phases. That's the reason I always keep saying, don't touch a reservoir unless you think you can recover 1 billion barrels. Because that's where the returns really start to show up, when you get to 100,000 barrels a day.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

I think we have one question here.

Chris Feltin - *Macquarie - Analyst*

Hi. Chris Feltin from Macquarie. Just maybe a technical question for Harbir. There was a presentation at the U of C a couple of weeks back, specifically on some of the advancements in solvent and I think Cenovus actually had some interesting data showing some initial results from your bottom's up process, maybe talk about that.

I think the data was showing the SAP as the US made it right now is about a 1.5 SOR, in terms of what you could drive it down to, but maybe some of the initial results out of the lab are showing that you could potentially even get that lower to -- too as low 0.5. So, I guess what I'm wondering is, is there still another step change to come here from your perspective in terms of where the solvents could drive that SOR?

Harbir Chhina - *Cenovus Energy Inc. - EVP - Enhanced Oil Development and New Resource Plays*

Absolutely. So, when I say one technology per year, you kind of named one of the ones that's going to come up in the future. We are looking at the bottom of SAP. It has great applications in type of the Foster Creek area, where we have the bottom water. But we're developing a lot of it really fast with SAGD. So, we're looking at it for Borealis too and definitely we think it's a process to be looked at for the Grand Rapids.

So even though we're talking about SAGD, to us it'll make money, add value, but we do expect to cater the right recovery scheme for the Grand Rapids and the Greater Pelican region. Something like a bottom-up SAGD type process with solvents is probably what will come out -- we'll probably come up with.

Sheila McIntosh - *Cenovus Energy Inc. - EVP - Communications and Stakeholder Relations*

Okay. I think with that, we'll end the Q&A session. So, thank you to Harbir and John and -- oh, well, how about you catch them at lunch, Mike? Okay. Because we've got Brian going to be making some closing remarks. So, thank you, gentlemen.

I just want to point out as well that sitting at the back of the room, we have a number of our Vice Presidents who actually are involved in operating the assets and involved in some of the new resource plays. So, you may want to find some of those gentlemen at lunch as well.

So, I think now it's over to Brian to wrap up.

Brian Ferguson - *Cenovus Energy Inc. - President and CEO*

Thanks, Sheila. Thank you very much for investing this time today to come and to better understand what Cenovus is all about and what the real opportunity is on our asset base. I hope that you found the day informative and I do apologize if, to some degree, it felt like we were asking you to drink from a fire hose. There will certainly be opportunity to follow-up, obviously, over time. There is a lot of information in the package and Sheila's IR team will be pleased to follow-up with you as need be.

Before we head off to lunch, I would like to just review some of the things that were new today that you heard about. We expanded our disclosure on the resources in place in Cenovus's land. We have been very methodical over the first six months of our life in making sure that we put a good deal of due diligence and supported by an independent evaluation of the resource that's on Cenovus's lands.

You've seen some very big numbers. 56 billion, for example, discovered. That's half the land we haven't yet drilled on. So, the numbers really are huge. I think if you try to distill it, if you think about it in terms of our reserves, our existing book proved plus probable reserves, and our 2C, the best estimate, economic contingent resource, all that we've got booked and all that's been reflected by McDaniel is just a fraction of what's on our lands.

That's what we're really going to be able to get after and move forward. We are going to continue to be very disciplined in what we do. Foster Creek and Christina Lake, everybody has heard about those. They've been around, we've been operating Foster Creek since the mid-90s, '95, I think, the first well was drilled there.

They are our marquee assets, but as Harbir said and showed you, we've got a lot more assets that are going to add a lot more value as we go forward. As John said, there's lots of expansion opportunity at Foster Creek and Christina Lake as we go forward. Those are both producing assets today so a lot more to come.

We have provided you more detail on how we're going to turn that resource into value for our shareholders, continue delineation of the resource and how we're going to grow our bitumen production. We have set out very clear milestones that -- they're the same milestones that I'm going to be judged by, by our Board of Directors and that we're going to be monitoring internally with our employees. So, they're the same ones we've shown you as we're using internally. They're not a different set more strat wells. More regulatory approvals. A very step-wise fashion as we move up that step change that I described earlier.

We have the financial flexibility and the financial capacity to make sure that we develop this in a prudent fashion and at the same time that we are reinvesting into our business, we are also going to be able to continue to grow our dividend over time. That total shareholder return is very important to us. Everything that we do is about building the value on a per share basis of the company.

I acknowledge that the goals that we have enunciated today will not be easy, but I definitely believe that they are achievable. The principles that are going to continue to guide us are set out on this slide. They're going to keep us focused on the challenge I described. Our challenge is bringing forward the value that's on our lands, so that we can increase net asset value on this opportunity-rich resource base. I believe all these actions will continue to increase total shareholder return.

With that, thank you for joining us. Please join us for lunch next door and as Sheila mentioned, all the Executive Vice Presidents and Vice Presidents, all -- the whole leadership team of the company is here and we will be pleased to continue the conversation. Thank you very much.