Good morning, ladies and gentlemen, and welcome to the Suncor First Quarter 2014 Financial Results Conference Call and Webcast. I would now like to turn the call over to Mr. Steve Douglas, Vice President, Investor Relations. Mr. Douglas, please go ahead.
First, I’ll start with operational excellence. At Suncor we have been driving a disciplined system of operating controls throughout our business and that means adopting consistent standards, processes, and procedures for everything we do. And the goal is to reduce and ultimately eliminate causes of unplanned events and incidents. But it’s really as much about culture as it is about process and we’re working towards a culture of excellence across the company.

The fruits of our labour are evident in our operating results. Month after month, quarter after quarter, we’re steadily improving the reliability of our operations and reducing the frequency and the severity of unplanned outages and incidents. In this quarter we achieved close to 90 percent throughput on our oil sands upgraders to produce a record average volume of 312,000 barrels per day of high-value synthetic crude oil and we accomplished this despite three weeks of planned coker maintenance in the number two upgrader complex. So we are making real progress on upgrader reliability and with no major turnaround maintenance planned until 2016 I’m confident that sustaining 90 percent utilization rates is now within our reach.

Our mining and in situ production increased by 4 percent and 13 percent respectively versus Q1 of 2013. We did deal with a number of minor maintenance issues in both areas and of course that was compounded by a bitterly cold winter here in Northern Alberta. With Firebag now operating at capacity and winter weather behind us, we remain comfortable that production this year will be in line with our guidance. In the downstream, where our operational excellence programs are well entrenched, our refineries once again delivered industry-leading reliability, averaging 96 percent of utilization for the quarter. And, as a result, our refining and marketing business generated record operating earnings of $787 million. Operational excellence was also evident in exploration and production. At Terra Nova where we completed extensive maintenance in 2013 we ramped production back up and operated reliably throughout the quarter. We experienced similar performance at our non-operated properties. With Brent prices remaining well over $100 per barrel and favorable exchange rates, E&P delivered strong margins and cash flow even with the Libyan production shut in for the entire quarter.

So our focus on operational excellence is yielding strong results. Reliability is steadily improving and we’re on track to meet or exceed our production guidance in all areas. Of course that means we’re generating a great deal of cash flow, which puts the focus squarely on capital discipline. We continue to manage our spending in a very disciplined manner. Our plan calls for $7.8 billion in capital expenditures this year but, as with the past couple of years, we will continue to look for opportunities to reduce capital and improve returns. Our capital priorities are very clear: Invest in the base business to ensure reliable and sustainable operations; invest in profitable growth and steadily improve our returns; and return meaningful cash to shareholders through competitive dividends and opportunistic share buybacks. In the first quarter we continued to make strong progress on all of these fronts. Record cash flow generation enabled us to comfortably fund our sustaining growth capital programs and we continue to aggressively return cash to shareholders with another dividend increase and a $1 billion extension to our share buyback authorization.

Turning to profitable growth, I’m pleased to say we’re on track to meet all of our commitments. On the Fort Hills mining project, all the key engineering procurement and construction milestones are tracking to plan and, to put in context, we now have 1,700 people on that site. Our schedule calls for first oil in late 2017. Our various oil sands debottleneck plans continue to progress as well. Notably, we just begun to steam the new wells associated with the MacKay River debottleneck project and we expect to see first oil later this year. This project is expected to expand MacKay River production by about 20 percent at a capital cost of less than $10,000 per flowing barrel.

Our major growth projects in E&P are also moving forward on schedule. At Golden Eagle in the UK North Sea, topsides and subsea infrastructure are now over 90 percent complete. We continue to anticipate first oil around the end of this year. At the Hebron project on Canada’s East Coast, engineering is now over 80 percent complete. Construction of the gravity based structure is approaching 30 percent completion and that project is on schedule to deliver first oil in 2017.

In the midstream this quarter we commenced shipping on what is now known as the Gulf Coast project. We used to refer to it as the southern leg of the Keystone Pipeline. We immediately began to realize considerable price uplifts versus sales in the Midcontinent. Our investments in shipping capacity across the continent have positioned us very well to move our production to globally priced markets and minimize our netbacks. You know, I have been beating this drum for a number of years now and, again, in the first quarter we got 96 percent of our crude production achieving global prices.

In our downstream we have made significant progress on growing margins at the Montreal refinery. In the first quarter we ramped up our crudes by rail deliveries to average 20,000 barrels per day and we achieved a
feedstock cost reduction of more than $10 a barrel on inland crude versus the alternative Brent-based supply. With the recent approval of the Line 9 Pipeline, we are anticipating supplying a 100 percent of Montreal refinery’s feedstock with cheaper inland crude by this time next year. In preparation, we are investing over $200 million in upgrades that will increase operating flexibility and improve yields.

So, as you can see, guided by our commitment to operational excellence, capital discipline, and profitable growth, Suncor is improving reliability, growing returns, and laying the groundwork for future success. So we’ve got a great start to 2014. We are on track to meet our operational, financial, and growth commitments, and deliver strong value to shareholders.

So I am going to pass it over to the Interim Chief Financial Officer, Steve Reynish, to provide his insights on our strong financial performance in the first quarter.

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Steve Reynish, Interim Chief Financial Officer

Thanks and good morning, everyone.

Well, as Steve pointed out, the first quarter saw Suncor deliver a number of production and financial records. All of our business is operated reliably and we took advantage of strong pricing in the upstream and solid margins in the downstream. We also leveraged our strong midstream capability to maximize the margins we captured. It all added up to a very good quarter.

We posted operating earnings of $1.79 billion, including a record $787 million from refining and marketing. Cash flow from operations was also a record at $2.88 billion. We invested $641 million of sustaining capital and $737 million of growth capital. After factoring $108 million for capitalized interest, that left us with free cash flow for the quarter of $1.39 billion. This continues the trend of strong, reliable cash generation.

Over the past three years, Suncor has produced an average or approximately $50 cash flow and $15 of free cash flow for every barrel of production. That puts us at or very near the top of the global energy industry. And we’ve taken steps to steadily increase that cash flow generation by trading out lower-margin barrels for higher-margin barrels. For example, our production mix in the first quarter of this year was 99 percent crude oil and liquids, up from 92 percent in the same quarter last year, and this of course is primarily the result of divesting our low-margin conventional natural gas business in the fall of last year. The past few years, as we have refocused our production portfolio on oil sands and high-quality offshore properties, the divestments we’ve made tended to mask the growth in our core production.

As we go forward, the increase in high-margin production, driven by our suite of profitable growth projects, is expected to produce a corresponding growth in earnings and cash flow. At the same time, we continue to place a huge focus on effectively managing costs. At oil sands our cash cost came in at $35.60 per barrel, which is slightly above our guidance range of $31.50 to $34.50. Higher gas costs and reduced bitumen production drove the higher unit cost. But as we move into our peak production season we are well positioned to meet our cash cost forecast for the year.

Another example of cost improvement is our inland crude supply to the Montreal refinery. Our crude by rail program saved the company of the $20 million in feedstock costs in the first quarter and, as Steve mentioned, we plan increase rail shipments to Montreal and by this time next year move to a 100 percent inland crude access once the Line 9 Pipeline is reversed. These developments are expected to further reduce our crude feedstock costs and significantly improve the profitability of our Montreal refinery. Strong cash flow and prudent cost management are having a positive impact on returns. Our trailing 12-months return on capital employed rose to 12.7 percent this quarter. So we’re making definite progress and we continue to target a 15 percent ROCE.

With another strong financial quarter in the books, our balance sheet continues to look very good. Our net debt stands at $6.96 billion for a debt-to-cash-flow ratio of 0.7 to 1 and we have ample liquidity to fund our capital priorities to 2014. We’re also positioned to continue to fund the strong return of cash to shareholders. As you know, during the first quarter we increased our dividend by a further 15 percent, bringing the five-year compounded annual dividend growth to over 35 percent. And it’s interesting to note that this was the 12th consecutive year that Suncor has increased its dividend.

In addition, we continue to aggressively execute on our share buyback program. During the quarter we invested $384 million to repurchase and cancel almost 10.5 million shares. That brings our total investment since the program was initiated two-and-a-half years ago to over $4 billion for a total of almost a 125 million shares or over 8 percent of the Suncor float. Approximately $1.4 billion remains on the current buyback authorization and we are continuing to execute the program. Recently, we’ve seen an uptick in Suncor’s share price as the Canadian energy space comes back in the favour with investors. We believe that Suncor’s unique combination of growth and
free cash flow merits a valuation premium and we continue to see strong upside to investing in our shares.

So, to sum up, it’s been a solid start to the year and we are well positioned to continue that strong performance. We will maintain our focus on running our assets well, allocating our capital in a disciplined manner, and profitably growing our business. We’re confident that the market will welcome the results and reward our efforts.

And with that I’ll pass it back to Steve Douglas.

Steve Douglas, Vice President, Investor Relations

Well, thank you, Steve and Steve.

As was referenced earlier, we have made only a very small change to our 2014 guidance and the details are available on our website, suncor.com. The one change was around our assumption on natural gas prices moving forward and we’ve upped that from $3.86 to $4.50 per gigajoule, but there is no corresponding increase in cash costs. We remain confident we can hit our guidance on cash costs for the year.

A couple of other notes to the financials: in a rising crude price environment the impact of F IFO accounting was a net positive of $200 million in the first quarter. With our share price rising stock-based compensation was a negative impact, an expense of $94 million of after tax, and our U.S. denominated debt is more expensive with a weaker Canadian dollar. That was a net after-tax impact, an expense of $308 million.

With that, I am going to turn it back to Wayne for the Q&A. I would ask if you have detailed modeling questions the IR team and controllers’ team will be available throughout the day and we can certainly pick those up offline.

Wayne, you can open the line.

Question and Answer Session

Operator

Thank you. We will now take questions from the telephone lines. If you have a question and are using a speakerphone, please lift the handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you would like to cancel your question, please press the pound sign. Please press star one at this time if you have a question.

There will be a brief pause while participants register.

Greg Pardy, RBC Capital Markets

Yes, thanks. Good morning. Steve, aside from Firebag and maybe MacKay, you know, you have got a multitude of these smaller in-situ oil sands opportunities and I'm just wondering how some of those might fit into longer-term plan and when we might hear more about them. Thanks very much.

Steve Williams, President & Chief Executive Officer

Okay, thanks, Greg. I mean the first comment I would make, Greg, is that we have got vast resource in in-situ, as you say, and we’re one of the longest term operators now, so we have learned a lot as we have built Firebag and Mackay. One of the good bit of news around the first quarter is that Firebag did performed very well, but maybe not so clear as we actually hit the design capacity on a number of occasions. So we are very encouraged by the way that plant is now performing. But, as you say, we have lots of other opportunities; in fact, we have probably the biggest in-situ resource in the industry. We’ve done extensive delineation. We have drilled a dozen sweet spots some at Lewis and Meadow Creek and so we are getting into the stages of defining what and when that investment will take place. If you remember around the investment day we talked about the modular design concept we are taking forward, so it’s, you know, design the plant once and then build it many times as we start get into more of a manufacturing mode, and we are building into those modular designs the lessons we’ve learnt from Firebag and Mackay River. So I am optimistic. We have got multiple opportunities we're delineating and as we get towards the end of the year we will give you a little bit more clarity and what the timing of those programs look like.

Greg Pardy, RBC Capital Markets

Okay, great. Thanks very much.

Operator

Thank you. The following question is from Guy Baber from Simmons. Please go ahead.

Guy Baber, Simmons
Thank you all for taking my question. Upgraded sales volumes during the quarter, obviously very strong and above the high end of the guided range for the full year, I believe, despite the fact that your total oil sands production was not as strong as it could have been. Could you just comment a bit more on the strength of the upgraded sales volumes and your confidence level in maintaining those strong rates and at this point should we be viewing your full-year guidance as conservative on the upgraded volumes?

Steve Williams, President & Chief Executive Officer

Thanks for the question, Guy. I mean you know we've been on a reliability push around upgrading for a number of years now, and recognize it's been something we had to work on because it wasn’t acceptable to us. We're making real progress and we're comfortable and confident in the progress we’re making. You heard me say in the prepared notes there that we achieved the 312,000 barrels a day in spite of the fact we went into planned annual maintenance on Unit 2 for three weeks, so very encouraging what we’re seeing there.

Just a comment for those who don’t necessarily appreciate the detail of upgrading, of course there is sort of a catch-22 in upgrading, which is absolutely the right business decision and absolutely the right thing to do from an earnings and cash generation point of view, particularly from a margin point of view, which is you do destroy volume across an upgrader. So, you know, for every barrel you put into an upgrader about 0.8 of a barrel comes out. So, you see—part of the reduction in bitumen is to do with the fact that we are more reliable in terms of the upgrading. So we will some of that. Part of that is to do with the fact, as I said, we had maintenance issues in mining and in extraction, compounded by the weather that we have to work through.

But let me directly answer your question. We are not changing any of our guidance, so that’s gives you an indication of how comfortable we are with the volumes from the front-end. We haven’t increased the guidance around upgraders because, you know, the position we’ve wanted to adopt for the last few years has been to understate and over-deliver. So we’re very comfortable with the guidance ranges. We’ll take another look at those towards the middle of the year.

Okay, great. Very helpful. And then my follow-up was I was hoping to get just a little bit more clarity on the medium-term growth outlook. A substantial increment of your new production volumes between now and 2016 should be driven by those logistics debottlenecks. Can you just be a little bit more specific around the incremental production that you could unlock and what specific projects we need to be looking for that can contribute to that production improvement. Just trying to gain a bit more confidence in that production growth given it’s going to be such an important driver over the next few years.

Steve Williams, President & Chief Executive Officer

Okay. We’re quietly confident about what we’re looking at. If you think that the majority of the growth in that period comes from Firebag coming up to full throughput and staying there and we’re very comfortable. The plant came up much faster than we expected, it’s been very reliable and, as I say, we’ve actually gone through, on a daily basis, the 180 level, and so now working at how we can reproduce that day after day, So very comfortable with Firebag.

MacKay River of course is one of the other ones that I talked about. That project has gone very well. We drilled the wells. We’ve got the first steam in and production from that will come towards the end of the year. So very, very comfortable. And we’re also quietly confident around the logistic pieces. As we’ve started to utilize the facilities that we put in over the last 12 months—the tankage, the cooling and the pipelines—we have been able to take advantage of that. Of course, that was partly related to why we’re seeing the upgrader reliability improve as we’ve improved the feed quality into the upgrader itself by using, by putting those volumes of Firebag material straight to market as opposed to going through the upgrader feed system.

A bit complicated there but in summary I would say we’re comfortable and we’re confident with those debottleneck projects.

Guy Baber, Simmons

Great. Thank you for the comments.

Operator
Thank you. The following question is from Paul Cheng from Barclays. Please go ahead.

**Paul Cheng, Barclays**

Hey, gentlemen. Good morning. Several quick questions. Steve, any update about Montreal coker project?

**Steve Williams, President & Chief Executive Officer**

Yeah, let me just back up a little bit and take an opportunity to say what’s going on there Paul. So, if you recall, we put the rail facility in and that rail facility is designed for sort of in the mid 30s in terms of thousand barrels a day. We put about 20 through there on average through the first quarter as we brought the facility online. We'd expect to average, for the rest of the year, north of 30,000 barrels a day. So, the rail facility, the first part is done. We’re delighted with the news around the Line 9 reversal and anticipate that line being reversed plus or minus a few months on the end of this year. We’re just working through the specific schedules on it now. And that enables us then, if we choose, to fill the refinery with inland crudes. And the reason I wanted to restate that is the vast majority of the upgrade you get on the refinery comes by moving from international crudes to inland crudes. And I know I've had a smile on my face when Steve D has been talking about, just to put that in context, we've got 50 million barrels of crude through that refinery. If you'd look last year, the margin was $20 a barrel difference between international and inland, it would have been $1 billion cash. That differential is significantly different this year. What we've seen this year on average has been nearer 10. And of course will affect the market as we start to move that material so we would expect to see it less than that. But you see a significant amount of earnings and cash generation just by putting inland crudes in.

We then have a sequence of projects which range through, first of all, changing some of metallurgy on the refinery, then the Isomax project and then the coker project. The first two projects we’ve already approved and are in play. So the metallurgy pieces and the Isomax project are being executed now. The final piece then is the cokers. The cokers are an important and strategic project for us but are a margin project and, you know, the returns are not as immediate and not necessarily as high as the first piece is. So you will see us do it in sequence. So that’s a long way of saying I expect to have on my desk by the end of this year the proposal for the coker project, so we’ll be in a much clear position towards at the end of this year, maybe beginning of next year, to decide whether we go ahead with that project when we’ve seen some of the impacts of the mods we are making.

**Paul Cheng, Barclays**

Steve, do you have a preliminary cost estimate for the coker? Given you already had the equipment opinion on hand, should we assume that is going to be more like in the 500 instead of, say, a couple billion dollars?

**Steve Williams, President & Chief Executive Officer**

We haven’t talked I mean I have one but we haven’t talked publically about an estimate, Paul. I mean I would give you two benchmarks: one, it will be significantly less than anything we could build in the Fort McMurray region, partly to do with major project productivity and execution, and then there is another reduction because we already have all of the significant pieces of that project constructed. So it comes in a fraction of most upgrading projects. So the economics relative to other coking are very good so it puts us in a very strong position.

**Paul Cheng, Barclays**

Second question: If the Gulf Coast oil prices start moving into the discount for the international market, any plan for the remainder of the year before the completion of the line 9 reversal to ship some oil from the U.S. Gulf Coast to the Montreal? And also whether you have any plan after you ship your oil to the Gulf, on Keystone XL down to the Gulf Coast to export it to other regions?

**Steve Williams, President & Chief Executive Officer**

Sorry, Paul, you broke up on the second part of your question there.

**Paul Cheng, Barclays**

Okay. The two parts on this question is that with the U.S. Gulf Coast price start to move into the discount position comparing to the international market, do you have any plan before the line 9 reversal complete for the remainder of this year to ship oil from the U.S. Gulf Coast to the Montreal? And, secondly, once you get the oil down
through the Keystone XL sent down to the Gulf Coast to re-export it into another country?

Steve Williams, President & Chief Executive Officer

You know, two comments I would make. First, on the Line 9, if we move things by ship it’s opportunistic and we’ve done it. We did actually put a big ship in last year deliberately to test out the logistics because one of the benefits of the Line 9 reversal is it gives us, with our midstream capability, a lot of flexibility in that region and actually on the continent, because you have the Line 9 going into the refinery, we have the rail capability, and the mix of the two is very effective. We use ships regularly and so we look at the markets, look at the arbitrage and take advantage of that and we’ll continue to do it on an opportunistic basis. So, in a sense you’re right, we don’t necessarily have to wait until Line 9 is reversed in order to get preferred economics there. On Keystone, you know, we have opportunities. We are in a very strong position because we did—part of our market access strategy and why I was bullish for the last couple of calls around what we think is a preferred position we’ve got into is because we were one of the companies who secured firm capacity on Keystone South. So, yes, we will have the opportunity and we’re looking to see what we would do putting some of that onto water.

Paul Cheng, Barclays

Okay. Do you already have the permit to export oil from U.S. into the Montreal or do you have to apply it?

Steve Douglas, Vice President, Investor Relations

Maybe I’d just add—it’s Steve Douglas here, Paul—we weren’t marketing a lot of third-party bitumen this quarter so the impact was small but what we did see going down to the Gulf, we were seeing about an $8 a barrel uptick or premium versus marketing those barrels in the Midcontinent.

Paul Cheng, Barclays

Perfect. Thank you.

Operator

Thank you. The following question is from David McColl from Morningstar. Please go ahead.

David McColl, Morningstar

Good morning. Just kind of two questions here. The first one, you mentioned four cargoes that you’ve already shipped, I was wondering if you could clarify whether that was one Eagle Ford and maybe three LOS cargoes up from the Gulf Coast and, looking forward, I know you mentioned kind of, I think, a more opportunistic volumes by tanker once Line 9 comes on, ah, is that kind of implying that you’d see or expect to see lower LOS volumes coming up?

Steve Williams, President & Chief Executive Officer

I’ll answer the first part and I’ll let Steve pick up the second part. My line broke up there, David. We’ve had four cargoes. Three were the Eagle Ford and one was light Louisiana sweet.

Steve Williams, President & Chief Executive Officer

Very little in this quarter I think. Steve is just signaling to me the actual number is sort of 3,000 or 4,000 barrels a day. But clearly the opportunity is there for that to increase because, you know, just about the time when it came on in the products we had available through the period.
And just in terms of, you know, the cost to us to move those barrels, David, is in the $4 a barrel range, to move them to Montreal out of the Gulf, so it’s purely opportunistic. If we saw Louisiana light sweet at $6 to $7 under the alternate barrel, the Brent barrel, then we’d look at doing and again.

David McColl, Morningstar

Okay, great. Maybe just one other question on the rail side then: Can you give any split between the volumes that came up to Montreal, how much were from Western Canada and maybe how much were kind of Bakken volumes on the U.S. side?

Steve Douglas, Vice President, Investor Relations

Not sure the exact split but we’re loading out of North Dakota and also out of Cromer, Manitoba. Cost typically is about $10. It can be as high as $12 all-in to move the barrels, so a little higher out of North Dakota than north of the boarder. And on a landed basis we realized about a $10 cost, feedstock cost improvement over the alternate barrel.

David McColl, Morningstar

Okay. So you can’t give a split then on how much was kind of Canadian but a good portion was from the kind of Bakken region you think?

Steve Douglas, Vice President, Investor Relations

Yeah, that’s right. I’ll—offline, David, I’ll pick that up and get the actual split.

David McColl, Morningstar

Perfect. Thank you very much.

Benny Wong, Morgan Stanley

Thanks. It’s Benny Wong from Morgan Stanley. My question is with the fair amount of cash on hand is there the potential to accelerate the return on capital to shareholders or are you trying to balance that ahead of the upcoming Fort Hills cut backs? Can you provide us sense of how you think about that and your pace? Thanks.

Steve Williams, President & Chief Executive Officer

Yeah, I mean I think we have been very clear, Benny, around what our priorities are, and I sort of said those. You know, you are going to see us focusing on ops excellence, generating the cash, and then exercising capital discipline. We are putting the capital towards making sure we are sustaining the reliability of the business first, then we’ve got this suite of growth projects where we are relentlessly focused on productivity and not spending that money effectively and, as you say, we’ve got money left over when we’ve satisfied those priorities. We’ve committed to dividends, which will, um, we’re not giving specific numbers but will continue to grow as our earnings grow and as our production grows and you will see that trend continuing out through time, although of course that is a Board approval. We’ve then been aggressively buying shares back. We bought 8 percent of the company back already as part of the program and last quarter we put another $1 billion into that program. We currently have $1.4 billion approximately left of that authority to buy back and at these prices, even at the prices we are seeing today, I expect that program to continue, and at the current rate of buy back we will need to revisit the program towards the end of the year when we will have exhausted the fund which is currently available to us.

So I would say you are going to see more. I mean we are aggressively pursuing it. We recognize that part of this first quarter was excellent operation around particularly the upgraders and the desulphurization plants in oil sands to give us very high margin products; excellent reliability in the downstream, which means for that oil sands crude we are able to fully realize margins there; and some exchange rate pieces in there. So, you know, we did some really good things and we are pleased with that but the market gave us some things as well. So, you are right, we’ve erred on the side of being cautious in terms of the balance sheet and we test that regularly. So clearly with the amount of cash we’ve generated in the first quarter, if we see that continue then it gives us even more opportunity to pursue that set priorities that I laid
out there, and clearly that will include looking at moves in dividends and potentially more share buybacks.

Steve Reynish, Interim Chief Financial Officer

Benny, I would just add to that, the Fort Hills capital program represents something like 15 percent of our annual capital. So I wouldn’t view it as any sort of threat to any decisions we’ll be making on returning cash to shareholders.

Benny Wong, Morgan Stanley

Great, thank you.

Operator

Thank you. The following question is from Chris Feltin from Macquarie. Please go ahead.

Chris Feltin, Macquarie

Okay. Thanks.

Operator

Thank you. The following question is from Menno Hulshof from TD Securities. Please go ahead.

Menno Hulshof, TD Securities

Thanks and good morning. I’ve got a couple of questions. First, you mentioned that you produce through design capacity at Firebag on a few occasions so how should we be thinking about Firebag run rate production through 2014 and into 2015? And then moving on to the North Sea, I’m seeing three turnarounds at Buzzard totaling roughly nine weeks between now and the end of the year, so does that take care of turnaround activity at Buzzard for the next little while or should we expect more downtime in 2015?

Steve Williams, President & Chief Executive Officer

Okay. I mean let me just comment on Firebag. Firebag is included in our guidance and we’re comfortable with guidance. I would put just a slightly optimistic note on the end of it, which is sort of underlining what I said earlier. What we bought was a 180,000-barrel-a-day facility. We’ve already been through that for a number of days in the first quarter. It’s been very reliably producing and, as you can see from my numbers, got up into the 160s on average through the quarter, even including the cold weather. So very encouraged by Firebag. One of the

with the spike we saw and the high levels we’ve seen, that thesis still holds good in our view.

I’d sort of push back a little bit on the Montney. I mean it’s a world-class piece of resource there. It’s absolutely top quartile in terms of its quality, its right in the sweet spot, and it’s sort of 7 trillion, 8 trillion cubic feet. So it’s a major piece of gas if we chose to develop it. We’ve delineated it. We’re in a position where for very low cost we can hold the lease. We can also have the capability in the company, should something happen that we don’t anticipate, to produce that gas as well. So we like it, we like our options around it. We don’t have any plans to sell that at the moment, we don’t have any plans to put that into an LNG facility at the moment, but we like our options there.

Steve Williams, President & Chief Executive Officer

Yeah, you know, we’re still very pleased with the deal we did around our gas business. We’d assumed a mid/long term price of gas in decision process in the sort of $4 to $6 range, so gas prices are very much where we expected them. We do have a sort of hedge on gas prices, because we are such a large power generator. We are depending on how that spread between gas price and power is on a particular day. We can be hedged in the sort of 20 percent, 30 percent, 40 percent range effectively of gas prices coming into our business. So our strategy was very clear. We have a view that there is relatively cheap long-term gas on this continent and even...
things we will be looking at as we go through this year is, you know, we've talked about the debottleneck capability of Firebag and we'll start to get clear. As we test it up near to its limits then we are able to see where we're able, ah, either with investment or without investment maybe, starting to push that 180 upward. So what I would say is in the round we've included it in guidance and we're towards the, at the moment we're towards the top end of our expectations. Do you want to handle the Buzzard one, Steve?

Steve Douglas, Vice President, Investor Relations

Sure. So, Menno, we included originally in our IR deck guidance in the first quarter some fairly extensive maintenance at Buzzard, a total of nine weeks, and in fact some changes have been made to that. The operator has been looking to optimize the maintenance windows because some of it was third-party maintenance. So it will be less than that. So there is some upside to budget production for 2014. We actually don't have the 2015 maintenance schedule yet. I'd certainly anticipate typical four-week turnaround that we see annually in the summer but don't have the specifics yet for 2015.

Menno Hulshof, TD Securities

Great, thanks. That's it for me.

Operator

Thank you. The following question is from Mike Dunn from FirstEnergy. Please go ahead.

Mike Dunn, FirstEnergy

Okay, thanks. That's all for me.

Mohit Bhardwaj, Citigroup

Hi. Thanks for taking my question. Just a quick question on the natural gas supply disruptions, if you guys can talk about the lost opportunity in the first quarter.

Steve Williams, President & Chief Executive Officer

Let me just give you a few context questions and then maybe later if you want specific discussion with the group. They're relatively minor. I mean they were bigger in the fourth quarter. We've a combination of a better process with the service provider and our ability to manage around it has meant the impacts have been smaller. They have been small around Firebag and the base plant. I don't see them having a big effect going forward. It is possible there will be some things we are not aware of but on current plans and the way the process is working, as we have gone into the lighter demand period for gas generally in the region because of the seasonality and as the provider is starting to get into fixing some of the issues there, I see the impact diminishing. So I think it will be negligible as we go forward.

Mohit Bhardwaj, Citigroup

Thanks for that, Steve. And just thank you also for sharing your thoughts around use of excess cash. I just wanted to come back to what you said during the last earnings call that you would want to maintain a run rate of around $500 million in share buybacks per quarter and I was just wondering, you said you are comfortable at current levels for buying back shares, just your thoughts around that as well.

Steve Williams, President & Chief Executive Officer

I mean you sort of summarized it there for me. I mean on the supply side we the cash, assuming market conditions and the business performs as we are planning for this year, and then it becomes a question of our view. We are
an opportunistic value buyer in the market so we do calculations just the same as everybody else. We’re very comfortable at these levels and the prices we expect this year we expect to continue. So you’ve sort of got the bands. And I think, you know, we think it’s been a relatively aggressive program, buying 8 percent of the company in a couple of years, and see ourselves continuing to buy on a value basis and continuing the program.

Mohit Bhardwaj, Citigroup

And final one from me on MacKay River, for the expansion, when do we get to an announcement on the approval?

Steve Williams, President & Chief Executive Officer

Sorry, that’s—well, the first one, the first piece of the project, which is, I’m calling it the debottleneck, is obviously approved, it’s largely constructed, and we expect to have approximately 8,000 barrels a day on by the end of this year. The duplication of the plant, the big expansion, I’m just looking at Steve for conformation but I think that comes across my desk by the end of this year.

Mohit Bhardwaj, Citigroup

Thank you for your thoughts.

Steve Williams, President & Chief Executive Officer

Thank you.

Operator

Thank you. There are no following questions registered at this time. I would like to return the meeting to Mr. Douglas.

Steve Douglas, Vice President, Investor Relations

Thank you, Wayne, and appreciate everyone taking part and of course, just a reminder, we will be available throughout the day and going forward and we welcome