Amendment to the Hibernia Benefits Plan

Hibernia Southern Extension Project

Hibernia Management and Development Company Ltd.

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INTRODUCTION AND BACKGROUND

The Hibernia Development Plan was initially approved by the C-NLOPB in June 1986. Since that time a number of Amendments to the Plan have been approved by the Board. The Hibernia Benefits Plan, also approved by the Board in June 1986, covers all phases of the Hibernia project from project development to abandonment. Amendments to the Plan have not been required to this point in time. It is the Proponents’ intent to implement the Hibernia Southern Extension Project (HSE Project) consistent with the principles and commitments contained in the approved Hibernia Benefits Plan. This proposed Amendment to the Plan provides supplementary information related to execution of the Project, including information related to conduct of project engineering and construction activities.

The Amendment also describes the Proponents’ commitment to develop and implement a Hibernia Gender Equity and Diversity Program for the Project in accordance with the Board’s Canada-Newfoundland and Labrador Benefits Plan Guidelines (February 2006) and to establish a Research and Development expenditure program that meets the requirements of the Board’s Guidelines for Research and Development Expenditures (October 2004).

In addition to this proposed amendment to the Hibernia Benefits Plan the Proponents are concluding a Benefits Agreement for the Project with the Government of Newfoundland and Labrador. This Benefits Agreement will be consistent with the commitments made by the Proponents in this Hibernia Benefits Plan Amendment and will contain supplemental commitments.
2 PROJECT OVERVIEW

The Project develops up to 5 additional fault blocks in the southern sector of the Hibernia Field (the Field). Each fault block will be developed with an oil production well drilled from the Hibernia gravity based structure (GBS) and a water injection well drilled subsea from a location 6.5 kilometers south of the GBS. The subsea water injectors will be located in a single drill center in an excavated glory hole to provide protection from iceberg contact.

The Project will utilize existing Hibernia GBS production and water injection facilities with no capacity expansion required. Treated sea water used for water injection will be transported to the subsea drill center via a flexible water injection pipeline laid on the seafloor. A smaller diameter high pressure stimulation line will also be installed to allow initial fracturing of the reservoir to initiate water injection in each block. An umbilical will connect the GBS to the drilling center to provide controls for the subsea wells and to provide chemical injection as required. Total injection capacity is 150 kbd.

The pipelines and umbilical will be pulled into the GBS through existing J-tubes in the GBS structure. Brownfield work on the GBS will be required to connect the pipelines and subsea control systems to the existing Hibernia facilities. Brownfield work on the platform will be conducted by the Hibernia long-term EPC modifications contractor.
3 PROJECT EXECUTION

All HSE Project activities will be managed from the Proponents’ offices in St. John’s, NL. Execution strategies and plans for each major component of the project are described below:

♦ Project Management—executed by St John’s based Project Team

♦ Front-End Engineering Design (FEED) - executed in house supported by various specialist engineering contractors with technical support from ExxonMobil, Houston.

♦ Detailed Engineering – undertaken by international specialist subsea contractors (refer to contracting strategy below)

♦ Construction and Installation – undertaken by international specialist subsea contractors (refer to contracting strategy below)

♦ Topsides Modifications – undertaken by HMDC’s long-term EPC modifications contractor

♦ Platform drilling – up to a 5-well program undertaken by HMDC using existing drilling organization, support infrastructure and contractors

♦ Subsea drilling – up to a 5-well program undertaken by HMDC using subsea drilling contractor commencing in 2012

♦ Production operations – undertaken by HMDC using existing offshore production facilities and support infrastructure

♦ Logistics and support – undertaken by HMDC using existing shore-based infrastructure including support vessels, helicopter support, shore-base, and producing operations organization.

All contracting and procurement activities will be undertaken in accordance with the relevant provisions of the Atlantic Accord Acts and the approved Hibernia Benefits Plan. The Proponents will contractually require Engineering, Procurement and Construction (EPC) contractors to have contracts and procurement offices in the Province.
4 CONTRACTING STRATEGY AND LOCAL CAPABILITY ASSESSMENT

Three engineering, procurement and construction (EPC) contract packages have been identified for the Project. The scope of each of these packages is described below. An overall assessment of local capability to successfully deliver on the work scope is also provided.

4.1 Pipelines, Umbilical & Subsea Equipment Installation (EPC-1)

Scope Summary:
- Design and fabricate umbilical, two flexible pipelines (one for water injection and one for stimulation) and pipeline end terminations (PLETs).
- Install umbilical, pipelines, PLETs, and jumpers.
- Install two 3-slot drilling templates/manifolds.
- Pull-in umbilical and pipelines through existing J-tubes onto Hibernia platform with support from existing topsides MMO contractor.
- Provide support services such as diving operations and rock dumping as required.

Local Capability Assessment: EPC-1 work scope is highly specialized with capability limited to a relatively small number of experienced international contractors. A number of these contractors have established significant capabilities in the Province through participation on previous projects in the region. Subcontracting capability exists within the Province to support the offshore installation portion of the work program.

4.2 Subsea Equipment Fabrication & Commissioning (EPC-2)

Scope Summary
- Fabricate subsea manifolds, templates, control system, subsea trees, umbilical termination assembly, and topsides-located subsea control equipment.
- Commission the entire subsea system

Local Capability Assessment: EPC-2 work scope is highly specialized and expertise is limited to a relatively small number of suppliers, some of whom have established a presence in the Province. There is subcontracting capability within the Province to supply fabricated components and to assist in system integration testing.
4.3 Glory Hole Dredging (EPC-3)

Scope Summary

- Design and dredge glory-hole

Local Capability Assessment: There is limited number of international specialist contractors capable of undertaking the work scope. Services to support this type of offshore work program are available within the Province.

The Table below (Table 4.3-1) illustrates the projected contracting timeline (subject to change as project plans evolve) for each of the three EPC contracts.

Figure 4.3-1: Projected Contracting Timeline – EPC Contracts

<table>
<thead>
<tr>
<th>2009</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>Jul</td>
<td>Aug</td>
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- EoI/RFI & Prequalification Phase
- Co-V and C-NLOPB Bid Slate Review
- ITT Release & Response Phase
- ITT Evaluation, Negotiation Phase
- Co-V and C-NLOPB Award Reviews
- Contract Awards

Legend:
- EPC-1
- EPC-2
- EPC-3

4.4 Drilling Services

Procurement activities in support of Platform based Drilling operations for Hibernia Southern Extension development shall leverage existing contracts established for the Hibernia Platform operation.
Procurement activities in support of subsea drilling and completion activities of up to 5 water injection wells are planned to commence in late 2010 or early 2011, following scheduled full funding reviews for the HSE Project. Drilling contracts are expected to be in place by first quarter 2012, with subsea drilling activities commencing in 2013.

Contracting for drilling and support services may be competitively bid. Alternatively, existing contracts established for Hibernia Platform services may be leveraged where deemed practical and reasonable. Contracting services for the Mobile Offshore Drilling Unit (MODU) will be managed through a joint effort between the St. John's contracting organization and ExxonMobil's Houston-based rig contracting support group.

Potential services for the drilling program, over and above the MODU, include, but are not limited to, the following:

- Directional Drilling Services
- Drill Bits
- Drilling Fluids
- OCTG
- Casing/Tubing Running and Handling Services
- Cementing Services
- Wellheads
- Support Vessels
- Site Survey / Rig Positioning Services
- Subsea Consultant Services
- Electric Line Services, Slickline Services
- Completion Services
5 RESEARCH AND DEVELOPMENT

The HSE Project Proponents acknowledge the statutory requirement set forth in section 45(3)(c) of the Atlantic Accord Acts that a benefits plan contain provisions to ensure that expenditures shall be made on research and development and education and training in the Province.

Since HSE Project R&D expenditure obligations under the Guidelines are to be based on the incremental Hibernia production volumes to be realized from the HSE Unit, it is the Proponents' intent to manage HSE Project R&D expenditure obligations as part of the overall management of Field production phase R&D expenditure obligations.

HMDC, the Proponents, and other operators in the area, are currently working to develop R&D programs to meet the requirements of the Guidelines while taking account of local R&D capacity and the R&D needs of the industry. To meet the requirements of the Guidelines HMDC will continue to consult with the Board during the development of the program.

The Proponents have agreed with the Government of Newfoundland and Labrador to contribute C$10 million to one or more R&D oriented legacy projects pursuant to the provisions of the above referenced Benefits Agreement which stipulate that such commitment is predicated upon such expenditures being creditable against the Proponents R&D expenditure obligations pursuant to the Guidelines.
6 GENDER EQUITY AND DIVERSITY PROGRAM

The HSE Unit Operator and HMDC will establish, in consultation with various stakeholder groups, a Gender Equity and Diversity Program that is consistent with the Board's Canada-Newfoundland and Labrador Benefits Plan Guidelines (February 2006). The Gender Equity and Diversity Program will also be consistent with the Unit Operator and HMDC's corporate diversity policies. This Program will apply to all of the Unit Operator's and HMDC's activities in the Province.

Consultations with the Board and other government and non-government stakeholders commenced in the third quarter of 2009 and the Program is currently under development. A Diversity Coordinator has been hired and certain elements of the Program are currently being implemented. The Program is expected to be fully implemented across both the Hibernia and Hebron projects by 2012.

The objectives of this program are:

♦ Address employment equity for the Project, including full access to employment opportunities for, and employment of, qualified women and Disadvantaged Groups in the Project, with an emphasis on continuous improvement

♦ Implement proactive programs and practices that contribute to the creation of an inclusive work environment and corporate culture

♦ Promote accountability and responsibility for diversity.

The Gender Equity and Diversity Program shall include the following plans:

♦ A women's employment plan and business access strategy (the "WEP") in which the Unit Operator will establish quantifiable objectives and goals. The Unit Operator agrees that it will initially set such goals by taking into consideration the availability of women in particular occupational categories. The WEP will institute ongoing programs and processes to facilitate employment and participation for women in all phases of the Project, and at all facilities, sites and offices in the Province where work is performed by the Unit Operator and main contractors relating to the Project is taking place.

♦ A diversity plan and business access strategy for Disadvantaged Groups (the "Diversity Plan") in which the Unit Operator will establish quantifiable objectives and goals. The Diversity Plan will institute ongoing programs and processes to facilitate employment and participation for Disadvantaged Groups in all phases of the Project, and at all facilities, sites and offices in the Province where work is performed by the Unit Operator and main contractors relating to the Project is taking place.
The WEP will include the following provisions:

- The Unit Operator will put in place the necessary organizational resources to develop and implement the WEP;
- The Unit Operator will create training and recruitment programs for women in consultation with training and educational institutions in the Province;
- The Unit Operator will provide facilities for the Project that are accommodative of women in terms of living accommodations and a safe and respectful working environment;
- The Unit Operator will require that each main contractor to the Project in the Province provide the Unit Operator with a plan for compliance with the WEP, and will require that contracts related to the execution of the Project in the Province include an acknowledgement from successful bidders that they are aware of the existence and importance of the WEP;
- The Unit Operator will set longer-term qualitative goals to employ more women in occupational areas where women are historically under-represented;
- The Unit Operator will develop an implementation schedule, and monitor and report on progress to the Board; and
- The Unit Operator will consult on development and progress on the WEP in an annual consultation with the Province and other stakeholders, including community groups, the Board and government agencies.

The Diversity Plan will include the following provisions:

- The Unit Operator will put in place the necessary organizational resources to provide leadership in consulting community groups, and developing and implementing the Diversity Plan;
- The Unit Operator will create training and recruitment programs for Disadvantaged Groups in consultation with training and educational institutions in the Province;
- The Unit Operator will require that each main contractor to the Project in the Province provide the Unit Operator with a plan for compliance with the Diversity Plan, and will require that contracts related to the execution of the Project in the Province include an acknowledgement from successful bidders that they are aware of the existence and importance of the Diversity Plan;
- The Unit Operator will develop an implementation schedule, and monitor and report to the Board; and
The Unit Operator will consult on development and progress on the Diversity Plan in an annual consultation with the Province and other stakeholders, including community groups, the Board and government agencies.
7 BENEFITS MONITORING AND REPORTING

The Proponents intend to utilize HMDC’s established internal processes to monitor and report benefits related information for the Project.

Key elements of the process are:

- Employment reporting (# of people directly employed on the project) reported quarterly as per HMDC’s quarterly benefits report
- Expenditure/content reported quarterly as per HMDC’s quarterly benefits report
- Procurement and contracting activities reported per the C-NLOPB’s established Guidelines
- R&D expenditures reported in accordance with the Board’s established Guidelines
- Gender Equity and Diversity reporting per processes and procedures to be established in consultation with various stakeholder groups, including the C-NLOPB.