



PROJECT NEWSLETTER



Status Summary

Activity level at the fabrication yards and equipment suppliers is accelerating while some phases of the project are nearing completion. Some highlights are: hull engineering is nearly complete at Exmar while fabrication of the hull began on schedule at Hyundai. Audubon has completed the process and instrumentation design engineering of the production system and issued the first 408 of an estimated 2,744 piping fabrication isometric drawings needed to connect the production system together. Pipeline route survey work offshore is complete which allow Pinnacle to start the detailed route layout of the approximately 120 miles of pipelines required. All work is progressing on schedule and at or below budget.

Please note that the project schedule included on page 7 of this newsletter is a high level compilation of several very detailed engineering and fabrication schedules. While all of these individual schedules are updated at least monthly, they are not updated on the same day of the month.

Inside This Issue:	
Hull Engineering	2
Hull Fabrication	2
Production Systems Engineering	3
Production Equipment Fabrication	3
Production Deck Fabrication	4
Subsea Systems & Pipelines Engineering	5
Regulatory & Permitting Update	6
High Level Schedule	7

Drilling & Completions



Drilling for Delta House is moving forward at the drill bit as well as on the rig contracting front.

Later this fall, we will release the Ensco 8502 and the Sevan Louisiana will arrive in January 2014 to continue drilling operations in the Delta House area. The Sevan Louisiana is a new build 6th Generation Deepwater Dynamically Positioned rig that consists of a rather unique design, a circular Semisubmersible vessel. The rig is rated to water depths of up to 10,000' and its drilling package is capable of wells to 35,000' total depth. The vessel has superior stability characteristics and an efficient hull design that enables a lower dayrate relative to a DP drillship. The cementing contract for this program has been awarded to Halliburton and installation of the cement unit in China is ongoing. This photo shows the Sevan Louisiana under construction in Nantong, China (just north of Shanghai).

The Sevan Louisiana is scheduled to drill two additional Delta House wells as well as complete each well. As mentioned in our update last month, LLOG Drilling has developed a rig strategy that will then utilize a dual BOP DP rig to set up the project for an efficient "Completion Batch-set" of the five other existing wells starting in Q3 or Q2 of 2014. LLOG has signed an LOI with our preferred contractor for the Dual BOP DP Drillship. Contract details are expected to be completed by mid-April. This will enable us to provide ~6-7 wells drilled and completed once the Delta House structure is onsite and ready to produce in Q1/Q2 2015.



Hull Engineering



Exmar Offshore Houston is nearly complete with the engineering tasks and the Exmar Offshore site team at Hyundai (HHI) is now at full complement for the fabrication to begin in Ulsan, South Korea with steel cutting taking place on March 4th.

The following are recent and ongoing activities:

- Hull and Topsides Deck Truss engineering tasks—95% complete
- Continuing to submit engineering design documents to DNV for approval
- Mooring Chain engineering—Pre-production meeting was held February 28— March 1, 2013
- Mooring Messenger Chain fabrication—Ongoing
- Mooring Polyester Rope fabrication—Ongoing
- Mooring Fairleads fabrication—Ongoing
- First Full Size Mooring Polyester testing completed on March 20, 2013
- Mooring Chain Jacks and associated equipment fabrication—Ongoing
- Mooring Hawse Pipe Weathertight enclosure fabrication—Ongoing
- Reviewing vendor quotations for Mooring Subsea Connector
- Mooring Suction Pile vendor quotations have been received and are being reviewed

Fabrication of Hull owner furnished equipment is ongoing. The photos below show fabrication of the mooring polyester rope, mooring fairlead and mooring polyester transport wheel.



Full Size Mooring Polyester Thimble Insertion for Testing



Mooring Fairlead Brackets



Mooring Polyester Transport Wheel Fabrication

Hull Fabrication



Hull fabrication kicked off at the Hyundai (HHI) facility in Ulsan, South Korea with the Steel Cutting Ceremony on March 4, 2013.

Below is list of other activities taking place at HHI:

- Site team is now at full strength
- DNV Kick-Off Meeting Was Held At Site Team Office on March 5, 2013
- HHI began construction on the first 2 blocks—SN11 and SN12
- First Hull Steel Inspection has been performed
- Engineering and Construction Drawings are on-going by HHI



Hull Steel Cutting Ceremony



First Cut of Steel

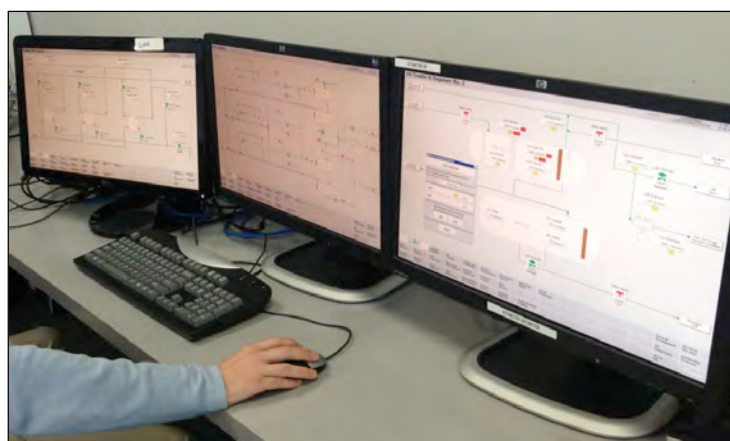
Production Systems Engineering

Engineering/Design:

- Overall progress for Engineering Topsides through March is approximately 67% complete. In March, emphasis was placed on continuing Kick-Off Meetings with Fabricators, issuing Piping & Instrumentation Diagrams for Design / Construction, working with Kiewit to produce a Master Integrated Schedule, issuing Electrical One-Line Diagrams for Construction, and producing Issued for Construction Isometric Drawings.
- Audubon's Affiliate Company, Cimation, is in full development of the facilities topsides control system. Cimation is designing the Human Machine Interface (HMI) where the operators will operate the facility from and the Programmable Automation Controller (PAC's) which is the brains of the system. It will measure and react to conditions on the platform within milliseconds. The system design is a full Allen Bradley control solution. The PAC's will be a Controllogix L7 series and the HMI will be the Factory Talk View SE. Both systems have multiple layers of redundancy design into their architecture for maximum performance and uptime.
- Ongoing reviews of Vendor Data Packages.
- Ongoing submittals to DNV.

Procurement:

- Approximately 95 Topsides Purchase Orders will be completed at the end of the project.
- 64 Purchase Orders have been issued (12 issued in March).
- 19 Request for Quotation Packages are out for bid (15 issued in March).
- 12 Packages are in Technical Development.



Delta House HMI Screen Development

Production Equipment Fabrication

Inspectors at many facilities are overseeing the planning, fabrication, hydro-testing and painting for a large amount of the Delta House equipment currently in production. Below is a snapshot of current activities.

At **Cajun Cutters**, all piping fabrication and installation is completed on the HP/LP Flare Scrubber Skid. The HP Flare Scrubber is in the primer phase of the three coat system. After coating, the remaining instruments will be connected and the skid will be complete.

General Marine Leasing continues to work on the Living Quarters. All materials for the main structural framing for Levels 1, 2, roof, and heliport have been delivered and are over 60% fabricated. The Level 1 Main frame has been fabricated, welded, and inspected. Level 2 Main frame has been fabricated and welded. The Roof Level is 50% fabricated.

The Hydro Cyclones were fabricated at **Accelerated Production** in Houston. Once complete, they will be mounted onto the Hydro Cyclone skid at **Texas Systems** in Houston as part of the Water Treatment Unit.



HP/LP Flare Scrubber Skid

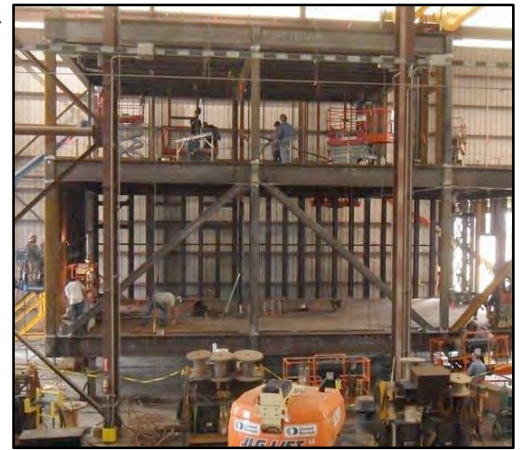
Production Equipment Fabrication Continued...

At the **NOV Petrex** facility, fabrication of Degassers 1 and Degasser 2 are approximately 85 % complete. Heads are on each vessel and all internals are complete. Remaining tasks are to add nozzles, install saddles, hydro-test and paint the vessels. Treater 1 and Treater 2 are approximately 60% complete with fabrication. Each treater has one of it's two heads attached with the 24" manway on it. Internal fabrication will start with installation of pipe supports, anodes, water collector piping, and the header system. After internals are complete, the second heads will be installed on each treater. Fabrication of Separator 3 has started with burning holes for nozzle placements. The IP Separator nozzles are ready for the Magnetic Particle Inspection and Head 1 is installed.

The Pump Skid and Oil Flotation Cell are being fabricated at **Patrick Fab**. They are approximately 50% complete. Both heads have been installed and welded on the Oil Flotation Cell and all internals are complete. Additional nozzles will be installed and then the Oil Flotation Cell will be hydro-tested and painted. Framing and welding for the Pump Skid is complete. All piping for the skid has been fabricated and awaiting welding. Also, the eductors and valves have been received for the pump skid.

Powell Industries started fabrication of the MCC structural building on and has progressed to the present stage with the 1st floor, 2nd floor and roof section fitted and welded. Powell is in the process of installing the steel walls on the building.

The Suction and Discharge Scrubber Cylinders for the Turbine Compressor Scrubbers were rolled and welded at **Wagner Plateworks** in Houston. Continued fabrication of the Turbine Compressor Scrubbers will take place at **Honiron** with nozzles being inserted and welded. Mist Eliminators, a variety of components, and piping will be installed before the heads are welded on and the scrubbers are completed.



MCC Building

Production Deck Fabrication



Kiewit continues construction of the lower level framing and has begun the construction of the upper level framing. Both levels are being fabricated from the center outward. Dimension checks are being done daily by the Kiewit surveyors to insure that the level is maintained and that cross checks and gauges are kept to within tolerances per DNV standards, Exmar specifications and API RP 2A code. Fabrication and welding of the plate girder and node continues to progress in order to meet the yard fabrication demands. Cutting began on the tertiary steel beams and the first priority is complete. Installation in the upper level has begun. The four pad eye node sections are nearing completion of welding and NDE. They will be moved to the upper level framing shortly for installation. Painting of braces started with the first priority and the second priority in progress. Installation of the braces began on March 25, 2013.

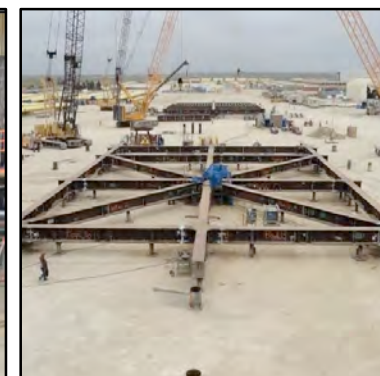
DNV and USCG continue to take an active role in the project, by site visits and yard tours to witness and audit the work in progress.



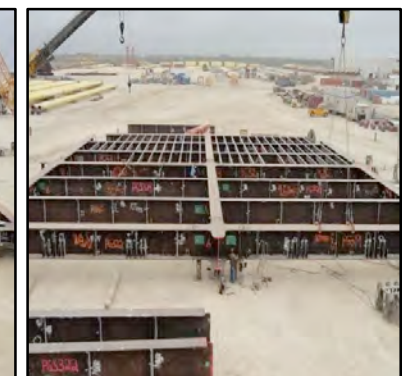
Brace ready for Installation on Lower Level



Pad Eye Node Sections



Lower Level Framing



Upper Level Framing

Subsea Systems & Pipelines Engineering

TOPSIDES

- . Chemical Injection Module:
 - . Completed HAZOP review and are currently revising P&ID drawings for Request for Quotation (RFQ) issue in April.
 - . Issued RFQ's and received bids for the Hammelmann Pumps, Milton Roy Pumps and Methanol Distribution Skid. Currently finalizing clarifications with vendors. Purchase orders for these items will be issued in April.
 - . Issued updated MCC requirements to Audubon.
 - . Finalizing pump location plans.
 - . Working on tank design basis for RFQ issue.
- . Hydraulic Power Unit (HPU) and Topsides Umbilical Termination Assembly (TUTA):
 - . Completed group review of P&ID drawings and are currently revising for bid issue.
 - . Working with Audubon to determine topside HPU requirements in regards to reservoir/line sizing and control requirements.
 - . Preparing RFQ for these items for issue in April.

SUBSEA

- . Received preliminary route drawings from Fugro for the export and infield lines. Pinnacle will review routes and return to Fugro with comments, working towards the final hazard survey reports.
- . GEMS completed all 12 of the soil core drops, and submitted their final soil reports 3/28/13.
- . Evaluating pipe coating bids from Bayou Pipe, Brodero Shaw, Womble, and Perma Pipe.
- . Received executed Purchase Orders for the pipe from Sumitomo Corporation and V&M. Both companies are beginning to submit quality plans, inspection test plans and UT procedures for review and approval.
- . Received and evaluating all of the pipeline installation bids. Expect to issue a recommendation the first week of April.
- . Working with Shell and BP on proposed valves and drawings for the export lines. Attended meeting with BP and LLOG 3/27/13 in Covington. Purchase orders will be issued upon approval.
- . 2H Offshore issued the RFQ for the riser stress joints and the baskets, and expects to receive pricing by 4/15/13. Purchase order will be issued by 4/22/13.
- . LLOG executed FMC award documents for the pressure caps and additional multi-phase flow meters.
- . Reviewed and submitted comments on the FMC MANTIS, subsea controls, and analysis input documents, including the design basis, sensor schematic, hydraulic schematics, simulation inputs, and scope of supply.
- . LLOG is adding two more possible remote well locations. Submitted sketches to FMC of all of the hardware additions for these new well locations, and FMC is working up quotes.
- . Drafted and issued the detailed well site layouts to FMC that show all of the proposed flying lead lengths.