



PROJECT NEWSLETTER



Status Summary

Activity level in many fabrication yards and equipment suppliers is picking up pace as detailed engineering on the Delta House FPS is rapidly coming to a close. Full time inspection teams are on site at Hyundai’s facility in South Korea and Kiewit’s yard in South Texas. It is an exciting time as plans, specifications and drawings are finalized and employed to transform bulk steel into the parts that will ultimately become a safe, robust and reliable production facility in the Gulf Of Mexico for many, many years.

We are happy to report that all engineering and construction activities are within the planned schedule and that overall, the contracts that have been awarded to date are on budget. Key contracts for line pipe and pipeline installations will be awarded in the coming months. These costs will define most of the total project going forward.

Stay tuned...

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Drilling & Completions

LLOG Drilling has developed a rig strategy that will enable two additional wells to be drilled and completed in early 2014. With the initial critical wells all drilled and cased to TD, the project is set up for an efficient “Completion Batch-set” of the five existing wells starting in Q3 or Q2 of 2014. The goal remains to provide ~7 wells drilled and completed once the Delta House structure is onsite in Q1/Q2

2015. The design and selection of various “long lead time” items for well completions, such as subsea tree, casing and tubing have already been secured to enable the wells to be completed and ready to produce prior to the installation of the Delta House, floating production facility. These specific “long lead time” items can take up to 18 months for delivery. Other completion equipment and services are being solicited for bid request. These completions will require gravel pack equipment for sand control during production.



Ensko 8502 DP Semi-Submersible Drilling Rig

Hull Engineering

The following are recent activities:

Hull and Topsides Deck Truss Engineering Tasks—80% to 85% Complete

Continuing to submit Engineering Design Documents to DNV for Approval

DNV Issuing Approvals

Mooring Chain Engineering—Kick-Off Meeting Scheduled on 29 January 2013

Mooring Messenger Chain—Fabrication started

Mooring Polyester Rope—Engineering Kick-Off Meeting—22-24 January 2013

Mooring Fairleads Fabrication—Ongoing

Mooring Chain Jacks Fabrication Engineering—Ongoing

Mooring Hawse Pipe Enclosure Engineering—Ongoing

Finalizing the Mooring Line Installation Schedule

Issued Mooring Suction Pile Design Specification for Vendor Quotation, Vendor Quotations were due 31 January 2013

Hull Fabrication Site Team office in Korea opened on 14 January 2013

Fabrication of the hull owner furnished equipment is ongoing as can be seen in the photos below of the mooring fairlead wheel fabrication and mooring fairlead support brackets fabrication.



Mooring Fairlead Wheel—
DNV Dimensional Verification
(all found to be within tolerance)



Mooring Fairlead Brackets



Mooring Fairlead Wheels



Mooring Fairlead Machined Pins

Hull Fabrication

With the first steel cutting date a little over 6 weeks away, the site office is minimally staffed with core team members. Discipline inspectors will be brought onboard as fabrication commences.

Activities:

HHI is currently in the process of preparing shop drawings and placing orders for bulk materials and equipment. In addition, sub-contractor and vendor selection is ongoing.

Upcoming events:

First steel cutting event is scheduled for 4 March 2013.

Production Systems Engineering

Engineering/Design:

Overall progress for Engineering Topsides through January is approximately 56% complete. In January, emphasis was placed on completing the Topsides Tertiary Structural Steel drawings, Piping Material Take-Offs for Production Module, and completing 85% of the Piping and Instrumentation drawings HAZOP.

Significant progress has been made towards 3D modeling of the platform including the Production Module, Compressor Module and Generator Module.

Ongoing reviews of Vendor Data Packages.

Flare Scrubber Skid Fabrication located on the lower level is in progress.

Ongoing structural tertiary steel was completed at the end of January.

Starting design of Pipe Racks.

Working with DNV to obtain approval when required.

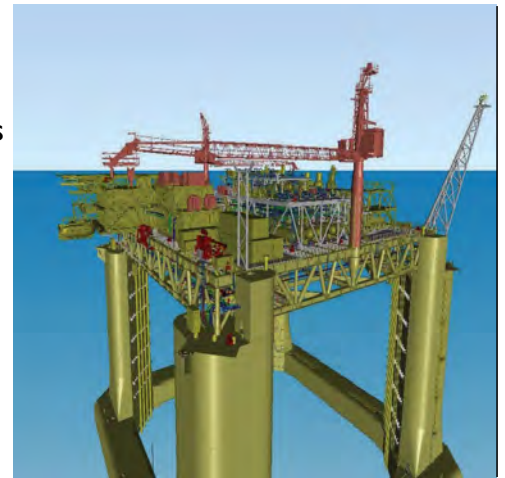
Procurement:

Approximately 91 total Topsides Purchase Orders will be written.

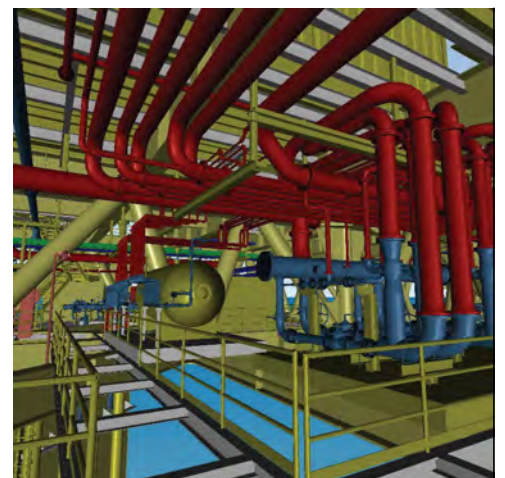
A total of 50 Purchase Orders have been issued with 12 issued in January.

A total of 15 Request for Quotation Packages are out for bid, with 11 issued in January.

A total of 26 Packages are in Technical Development.



Overview of the Platform Upper Deck looking from the Southeast column.



Lower Deck Firewater Piping

Production Equipment Fabrication

Work on the HP and LP Flare Scrubber Skid is underway at the Cajun Cutters Facility. Piping fabrication began on January 4th and was completed on January 15th. Once completed, 15% of all piping welds were NDE tested. Installation of pipe supports and pump supports began on January 15th and the installation is ongoing.



Installed Pipe Supports onto the HP & LP Flare Scrubber Skid



Treater #1 Complete

Began receiving valves January 23th and that process is ongoing. The next step in the skid construction is coating and then assembly of piping and vessel. The skid construction is approximately 70% complete.

Work on Treater #1 and #2 continued. The girth seams were completely welded and x-rayed on January 15th. After Treater #1 received AI inspector approval, it was shipped.

The long seams on Treater #2 were x-rayed on January 14th. Results showed one small repair was needed. The repair was completed on January 15th and fitting up the girth seams began immediately. Once completed, welding of the girth seams started and is still underway.

Production Deck Fabrication

Kiewit is fitting, welding, and heat straightening primary plate girders and node sections between the primary plate girders for the lower deck level. Stiffeners are also being installed and welded in the plate girders and node sections. NDE is being performed on the plate girders.

The pad eyes and cheek plates for lifting the platform have all been cut and beveled. All the cheek plates have been fitted to the pad eyes and welding is in progress. Once the cheek plates are welded to the pad eye, they will be inserted into the node sections for the upper level.

Kiewit and the Construction Management Team are doing weekly quality walks and safety walks. We have also started having weekly project meetings on Thursdays for updates, discussions, scheduling and information purposes.

Recently, DNV paid a two day visit to the Kiewit job site. They were shown all of the work currently in progress.



1/5—Laying out node sections to receive web plates



1/8—First plate girder fabricated and ready for welding



1/16—Installing web plates on node sections



1/22—Installing final connection plate on node sections for welding

Subsea Systems & Pipelines Engineering

Subsea:

Mobilized for the hazard survey of the infield, gas and oil pipeline locations on 1/19/13. They have completed shooting the Marmalard and SOB2 sites. Expected completion date is 2/10/13.

Developed and issued Request for Quotation packages on 1/8/13 to bidders for the line pipe for the infield and export pipelines. Bids were due 1/25/13, and expected award date is 2/15/13.

Developed and issued Request for Quotation packages on 1/23/13 to bidders for the infield pipeline installations. Bids are due 2/20/13. RFQ packages for the export pipeline installations are expected to be issued next week, with bids due back in late February.

Coordinated with Shell on subsea assembly design for oil export pipeline. Developed and issued Request for Quotation packages to bidders for the subsea valves and hot tap, including Shell specifications, on 1/22/13. Bids were due back 1/29/13.

The RFQ packages for the gas export subsea valves were issued to BP for review and comments. Plan to issue to bidders next week, contingent upon receipt of BP approval and specifications.

Finalizing the riser and umbilical hangoff details on the Delta House semi-submersible. Issued hull piping specifications, I-tube end connection requirements and coating details. Build all downcomers with the requested Splasatron coating or equivalent.

Coordinated with DNV on the final CVA nomination package and submitted to LLOG for approval and BSEE submittal.



M/V Fugro Enterprise – Hazard Survey Vessel

Topsides:

Working on chemical injection module structural, piping, electrical and tubing interfaces.

Participated in group review of P&ID drawings on 1/16/13. Currently revising design, drawings, and RFQ packages based on comments and changes discussed.

Finalized locations for equipment inside MCC building and issued equipment dimensions on 1/14/13.

Finalized and issued chemical pump schedule to LLOG for approval, upon which we can finalize layouts and order pumps.

Finalizing HPU and TUTA P&ID drawings and RFQ packages.

Regulatory & Permitting Update



On February 1, 2013, LLOG received approval from the Bureau of Safety and Environmental Enforcement (BSEE) for our design, fabrication and installation verification plans for Marmalard, SOB2 and the gas/oil export pipelines. Additionally, we received approval for the nomination of Det Norske Veritas (DNV) as our Certified Verification Agent for all pipeline risers and the Delta House Facility.

The Conceptual Plan (CP), Development Operations Coordination Document (DOCD), and the Conservation Information Document (CID) are still on schedule for submittal 1st quarter 2013.