



PROJECT NEWSLETTER



Status Summary

Construction of the Delta House Facilities is continuing on schedule. A keen eye on the hull Major Events will notice that the hull is now scheduled to "Launch" on December 26, 2013. A nice Christmas present but, this is later than the original launch date that was scheduled for October 2013. The change is due to some timing adjustments required by another project that will be in the Hyundai dry dock the same time as the Delta House hull. Note that the planned March 1, 2014 hull Sail Away date from S. Korea remains the same as originally projected with no negative impact to the project schedule.

The Upper Level Deck framing has been completed to the final dimension of 225 x 225 feet. The scale of this production deck can now be appreciated. Deck plating is being installed in the areas where production modules will be located.

Some notable milestones will be achieved in the next few weeks. Hyundai will set the first section of the hull into the dry dock. This is officially called the "keel lay" and marks the beginning of a very rapid assembly of the hull in very large sections, called "blocks". Solar will complete and run tests of the gas turbine powered compressors and generators. Sumitomo will complete fabrication of all infield pipe and all Steel Catenary Riser (SCR) pipe. The permit applications for all pipelines and umbilical installations will be submitted to the BSEE and other state regulatory agencies.

Thank you to everyone involved for all of the hard work.

Bruce

Drilling & Completions

LLOG and Sevan are progressing the mobilization and commissioning plans for the Sevan Louisiana. Rig QA International continues with the rig systems commissioning and acceptance, and Lloyd's Register (formerly West Engineering) has initiated the commissioning and acceptance testing of the BOP and BOP systems. The rig is scheduled to leave China in the October time frame and arrive in the GOM in mid to late January 2014. All major vendors who will have equipment and/or services on the rig have been selected and we are moving forward with the installation plans for the 3rd party equipment.

LLOG Drilling is also moving forward with the commissioning plans for the Seadrill West Neptune. We will use Rig QA and Lloyd's Register as our main commissioning contractors for the West Neptune. Rig QA has successfully commissioned other Seadrill rigs of similar class from the same shipyard in Korea and can apply those learnings to our rig, the West Neptune.

Inside This Issue:

Hull Fabrication	2
Hull Engineering	3
Production Systems Engineering	3
Production Equipment Fabrication	4
Production Deck Fabrication	5
Subsea Systems & Pipelines Engineering	6



Hull Fabrication

HHI has expended 270,998 man hours to date. Overall progress is 43%.

Major Events:

Steel Cutting: March 4, 2013 Launching: December 26, 2013

Keel Laying: July 15, 2013 Sail Away: March 1, 2014

Major Equipment delivered to shipyard:

- . GRE piping for hull
- . CCTV equipment
- . First set of Fairleader brackets
- . Riser Piping
- . Sliding Watertight doors

Fabrication Tracking:

- . Total Number of blocks = 84
- . In panel shop = 27
- . In assembly shop = 29
- . Finished assembly (in pre-outfitting) = 5
- . Finished Paint = 3
- . Panels not Started (steel cut only) = 20

Steel cutting for riser porches took place on June 21st in Pohang.

Site team continues to coordinate and meet with USCG.

Riser Porch Jig took place at UNEX. Construction is now complete.

12 sets of 120m of 137mm diameter messenger chain are complete at DiaHan and ready to begin heat treatment, load tests and mechanical tests.

Material delivery for Riser Adapters is expected in mid July at UNEX with fabrication to follow.

Shop drawings for Riser Adapters are underway at UNEX.

Site team continues to visit and evaluate HHI subcontractors.

Inspection of piping spools at Sung-IL (SIM) is on-going. 2,335 spools are to be fabricated with final delivery set for end of July. 1,840 spools have been inspected to date.

Site team continues safety walk-downs on a weekly basis whereas the site team reports any discovered safety concerns to HHI for corrective action.

Site team inspectors and DNV are participating in welder qualification test inspections. To date, 129 welders have been tested in 202 positions with 149 certifications.

Site team participated in HHI conducted coating education course for painting contractors.

Fiber glass systems company conducted training for Glass Reinforced Epoxy (GRE) piping through June 28th.



Riser Porch Installation Jig



Mooring Turn-Down Sheaves



Hull Section - Northwest Node Pontoon Block



Hull Section - Southwest Pontoon Node Block
(Block is on its side)

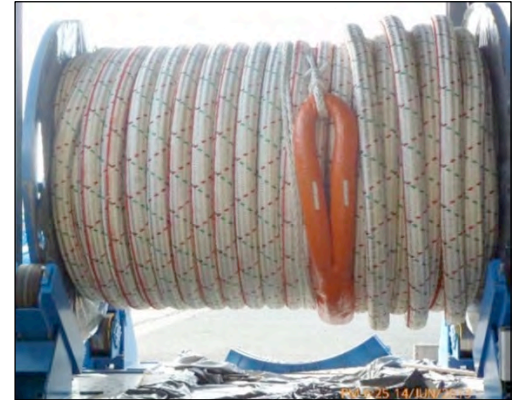
Hull Engineering



Exmar Offshore Houston is working closely with the hull fabrication site team in Ulsan, South Korea and also coordinating the Hull Owner Furnished Equipment.

The following are recent and ongoing activities:

- . Reviewing and Closing Out DNV Comments – Complete
- . Mooring Chain Fabrication – Ongoing Production
- . Mooring Messenger Chain Fabrication – Ongoing Production
- . Mooring Polyester Rope Fabrication – Ongoing Production
- . Mooring Fairleads Fabrication – Production is nearing completion
- . Mooring Chain Jacks and Associated Equipment Fabrication - Ongoing
- . Mooring Hawse Pipe Weathertight Enclosure Fabrication – Complete; Shipped to Ulsan South Korea for installation
- . Mooring Subsea Connector – Engineering phase ongoing



Mooring Polyester Rope Ready For Shipment Packaging

Exmar representatives are witnessing fabrication and testing of hull OFE in China, Korea and Europe.

Production Systems Engineering



Engineering/Design:

- . Overall progress for Engineering Topsides through June is approximately 82% complete.
 - . Continuing Kick-Off Meetings with Fabricators.
 - . Ongoing reviews of Vendor Data Packages.
 - . Issuing Piping & Instrumentation Diagrams for Design / Construction.
 - . Issuing Plate Penetration Drawings to Kiewit.
 - . Issued small valve list (1-1/2" and smaller) to Kiewit for purchase.
 - . Issued Electrical Cable Schedule, Instrument Cable Schedule, Tubing Schedule, and Instrument Index to Kiewit for Bid.
 - . Held Close-Out Meeting of HAZOP Action Items with Risknology.
 - . Issued Production Module Structural Drawings and Bearing Pads IFC.
 - . Issued General Pipe Support Drawings and Pipe Shoe Details to Kiewit IFC.
 - . Issued Lower Deck and Production Module Equipment Location Plans IFC.
 - . Issued Communication Location Drawings and PAGA Detail Drawings IFC.
 - . Producing a Master Integrated Schedule with Kiewit's input.
 - . Producing "Issued for Construction" Isometric Drawings. To date, approximately 1450 out of 2927 (50%) have been issued.
 - . Continuing to issue Production Module and Turbine Compressor Mezzanine structural drawings for construction.
 - . Continuing 3D modeling of Production Module, Turbine Compressor and Generator Modules, Pipe Racks, and ICP. Incorporating vendor packages into the 3D model as they are received.
 - . Ongoing submittals to DNV.

Procurement:

- . Approximately 101 Topsides Purchase Orders will be completed at the end of the project.
- . 88 Purchase Orders (87%) have been issued (4 issued in June).
- . 5 Request for Quotation Packages are out for bid (2 issued in June).
- . 8 Packages are in Technical Development.

Production Equipment Fabrication

Below is a snapshot of current activities that our inspectors are overseeing:

General Marine Leasing continues to make progress on the 38 Man Quarters Building. The package is 40% complete. On Levels 1 and 2, we have installed and welded inner/outer crimp plate walls and blasted and zined Level 1. On the interior and exterior we have welded crimp plate wall seam areas. Installed 3" x 7" density rock wool insulation on internal side of exterior walls. Laid out and installed galvanize steel throughout wall framing. GML continues to fabricate, install and weld on several walkway access sections, east and west walls. The Roof Level fabrication and welding of framing sections continues. Blasting and zining roof deck in paint yard continues. Began fabricating and welding on exterior stairways. Started installation and welding of structural beam framing and corner gussets on south east and west landing.

The Workshop Building is being fabricated at **Stallion Offshore** in Abbeville, La. The buildings main structure is fabricated, and will have approximately one week of welding then will be ready to receive the penetrations for various components needed for this project.

At **Powell Electrical Systems**, the Motor Control Center (MCC building) has the interior coatings completed on the first floor and the three coat system on the exterior of the building.

Launcher/Receiver Skids are ready to receive blast and paint and another visual inspection at **Dynamic Industries** in New Iberia, La.

NOV Petrex in Harvey, LA has received various size valves and instrumentation for the Condensate Stabilization Skid. Fabrication is set to start in July. Recently, fabrication began on the Gas Dehy Skid. The main skid beams and intercostals have been cut. The handrails, access ladder and access platform are also under construction. The Division 2 Separators are all still in the fabrication process. Separators 1 and 2 are in the process of having various nozzles installed and welded. Separator 3 is getting its heads sub arced to its shell. The IP Separator and Test Separator are both getting several internal installations done. Oil Treater Degassers are 100% complete awaiting shipment to Kiewit. Oil Treaters are about 95% complete. External fabrication of both vessels is completely done. They are currently going through the blasting and painting processes.

The 1st Stage Suction Scrubber was hydro tested recently at **Honiron**. After the test was complete and another visual inspection was done, all the test equipment and flanges were taken off and the vessel was sent to **Lonestar** for blast and paint. The 2nd Stage Suction followed the same process.

At **McIver & Smith**, fabrication of the LP Separator/Degasser and Oil Separator vessels are complete. They await weighing, center of gravity, and load plans which are in progress. Major welding and fabrication of the Dry/ Wet Oil Tank internal elements are nearly complete. Attachment of top head to vessel, clean-up, and coatings are in preparation.



38 Man Living Quarters



1st Stage Scrubber



Oil Treater Degasser

The two Fuel Gas Coalescing Filters are being fabricated at **Peco Facet** in Mineral Wells, TX. Vessel 1 has all internals and nozzles installed. Vessel 2 has 60% of the internals and 85% of the nozzles installed. Overall completeness of the two vessels is 65%.

Airdyne has received all of the major components for the Instrument Air Skid. Overall completeness of unit is 40%.

The RO Mid Frame Skid is being fabricated at **H2O** in Lafayette, La. This skid will be located in the Main Skid for the Potable Water Unit.

On June 4th, **Seatrax** FAT function testing of the 2nd pedestal crane was completed. Seatrax is continuing to run the engines and operate the hoist drives and slew drives, to try to identify any potential problems that may occur during the initial break-in period. The Pedestal Cranes are on schedule to deliver on August 14 and September 11, 2013.



Pedestal Crane

Production Deck Fabrication



Lower Level Framing:

All plate girders have been fitted in place and tertiary steel and braces are being fitted and welded. The East and West sides and the South end will be removed for the float and reinstalled after the float. Bearing pads are also being installed. At present, everything is being prepared to be turned over to the blasters and painters.

Upper Level Framing:

Plate girders and tertiary steel is being installed and welded, and deck plate is being installed.

Miscellaneous:

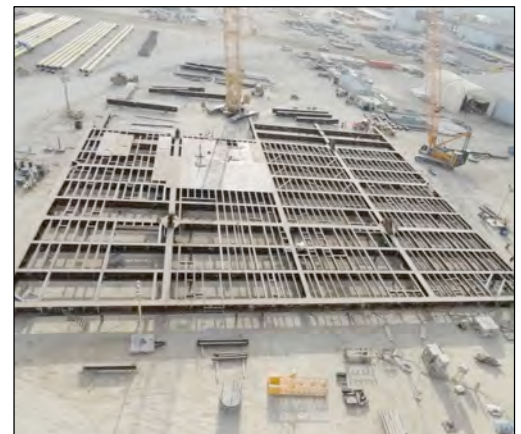
Pipe racks #3 has been fabricated and is being painted. Pipe rack #1 is being fabricated. Pipe support fabrication continues. Production module material is being cut and fabrication has begun. The ADCP skid has been cut and fabrication is in progress. The compression module has been lofted. KOS started cutting material for drain troughs for fabrication. We received 2 coolers and the Hydrocyclone Skid on site. Valves continue to arrive almost daily. Completed and galvanized E&I supports on site. The three biggest skids of the project will be fabricated at KOS with the topside.

Coatings:

Blasting and painting pipe supports, valves, and pipe racks.



Lower Level Framing



Upper Level Framing

TOPSIDES

Chemical Injection Module:

- .Met with LLOG for a final design review of the Chemical Injection Module. Incorporated minor changes to design per LLOG.
- .Received and approved drawings from Omega Natchiq for the Methanol Distribution Panels and fabrication is in progress.
- .Issued Purchase Order to AGI Industries for the Chemical Tank on 6/17/13.
- .Issued Purchase Order to Tech-Quip for the Chemical Storage Tank Level Gauges and Transmitters on 6/18/13.
- .Issued Chemical Injection Module RFQ to bidders 6/20/13. Bids are due back 7/10/13.
- .Projected delivery for the Chemical Injection Skid is 12/15/13.

Hydraulic Power Unit (HPU) and Topsides Umbilical Termination Assembly (TUTA):

- .Issued HPU & TUTA RFQ to bidders 6/21/13. Bids are due back 7/10/13.
- .Projected delivery for the HPU and TUTA is 12/15/13.

SUBSEA

- .Reviewed and approved FMC specifications, hydraulic and electrical drawings, and kicked them off on electrical and hydraulic analysis.
- .Submitted final hazard surveys and permit attachments for all export and infield pipelines to LLOG for BSEE submittal.
- .As of 7/8/13, Sumitomo has completed 100% (77,164.4') of the 8" x 0.970 wt line pipe, 99% (20,967.6') of the 8" x 1.130 wt SCR pipe, 82% (26,389.4') of the 6" x 1.125 wt SCR pipe, 96% (41,351.7') of the 6" x 0.750 wt line pipe, 99% (13,938.0') of the 12" x 0.813 wt SCR pipe, and 67% (9,488.7') of the 16" x 1.000 wt SCR pipe. The 8" and 12" pipe will be loaded onto the M/V Bright Ocean this week for shipping.
- .V&M has moved up the schedule for the 12" and 16" line pipe fabrication. They will begin production in mid-July 2013 instead of late September.
- .Finalizing clarifications of Master Construction Contract amendment between LLOG and Technip for the pipeline installation. A job kickoff meeting was held 6/26/13.
- .2H Offshore issued the Purchase Order for the titanium sections of the riser stress joints. The steel sections of the riser stress joints have been removed from RTI's work scope and will be awarded elsewhere. RTI is currently reviewing Purchase Order terms and conditions, but they have begun engineering, and a kickoff meeting is pending.
- .Held meeting with LLOG, Versabar, Exmar, and Technip to look at riser pull-in engineering options. Vessel crane and chain jacks options were eliminated. Issued Purchase Order to Versabar for the winch pull-in design. Issued deck drawings and equipment layouts to Versabar. They are working up the first draft of the pull-in equipment layout. Once this draft is complete, a meeting will be held with Pinnacle, LLOG, Technip, Versabar, and Exmar to review.
- .Issued bid requests to vendors for the hull riser fittings and flanges.
- .LLOG and Pinnacle made a Delta House presentation to the BSEE and BOEM.