



PROJECT NEWSLETTER



Status Summary

Significant project milestones have been achieved at the time of this report. Mooring system fabrication has begun, Hyundai has begun cutting steel for the FPS Hull, over half of the planned purchase orders for topside production equipment have been issued and Kiewit has started assembly of the lower level deck framing. Contracts for line pipe and pipeline installations will be awarded in the coming weeks.

All engineering, procurement and construction activities remain within the planned schedule and overall, the contracts that have been awarded to date are on budget.

Also note that the included pictures are getting more interesting as the project develops.

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Drilling & Completions

Drilling for Delta House continues to progress forward. We have completed operations at Mississippi Canyon 253 #1 and have moved on to Mississippi Canyon 258 #1. The Well was drilled to TD and successfully cased. After the Well and another Well (MC 255), the Ensco 8502 will be released and the Sevan Louisiana brought in to continue operations in the Delta House area.

The Sevan Louisiana is a new build rig that consists of a rather unique design, a circular DP Semisubmersible vessel. The vessel has superior stability characteristics and an efficient hull design that enables a lower dayrate relative to a DP drillship. A picture of the Sevan Driller – sister rig to the Sevan Louisiana is shown to the right.



Sevan Driller DP Semi-Submersible Drilling Rig

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 utilize a dual Blow Out Preventer (BOP) Dynamical Positioned (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. Negotiations with multiple rig contractors are underway for a Dual BOP DP Drillship. This will enable us to provide 7 or 8 wells drilled and completed once the Delta House FPS is onsite and ready to produce before second quarter 2015.

Exmar Offshore Houston is nearly complete with the engineering tasks and the Exmar Offshore site team at HHI is ramping up for the fabrication to begin in Ulsan, South Korea with steel cutting on March 4th.

The following are recent and ongoing activities:

- Hull and Topsides Deck Truss Engineering Tasks – 85% to 90% Complete
- Continuing to Submit Engineering Design Documents to DNV for approval
- DNV Issuing Approvals
- Mooring Chain Engineering – Pre-Production Meeting Scheduled for February 28 thru March 1, 2013
- Mooring Messenger Chain Fabrication – Ongoing
- Mooring Polyester Rope Fabrication - Ongoing
- Mooring Fairleads Fabrication - Ongoing
- Mooring Chain Jacks and Associated Equipment Fabrication - Ongoing
- Mooring Hawse Pipe Weathertight Enclosure Fabrication – Ongoing
- Issued the mooring subsea connector purchase specification and Audubon has issued the request for quotation from vendors
- Issued the purchase specification for the anchor shackle
- Mooring Suction Pile Vendor Quotations have been received and are being reviewed
- Exmar Hull Fabrication Site Team Will Cut Steel at HHI on March 4, 2013

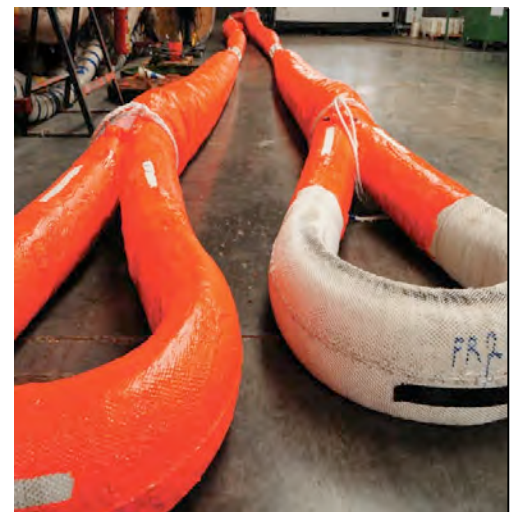
Hull owner furnished equipment fabrication is ongoing as can be seen in the sample photos below from the mooring polyester rope fabrication and the mooring polyester transport wheel fabrication.



Mooring Sub ropes and Sand Filter Assembly



Full Size Mooring Rope Fabrication



Full Size Mooring Test Ropes Completed

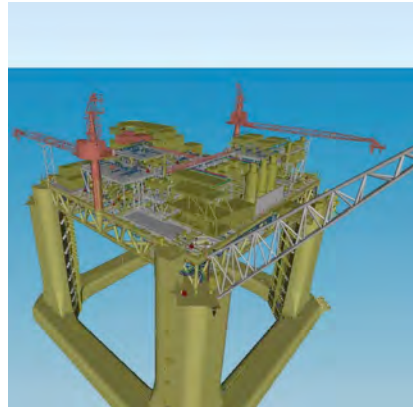
Production Systems Engineering

Engineering/Design:

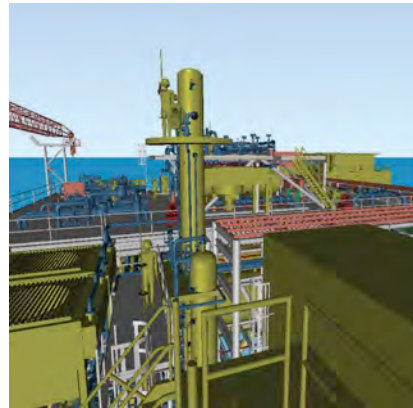
Overall progress for Engineering Topsides through February is approximately 58% complete. In February, emphasis was placed on continuing Kick-Off Meetings with Fabricators, continuing process equipment modeling, conducting constructability model reviews for the Production Module, Booster Compressor Module and Turbine Generator Module, issuing Piping & Instrumentation Diagrams for Design, and producing Isometric Drawings. Ongoing reviews of Vendor Data Packages. Flare Scrubber Skid Fabrication located on the lower level is in progress with final inspection completed at the end of February. Coordination with Exmar for their completed Tertiary Steel Issued for Construction drawings. Coordination with Kiewit on their recently issued schedule to produce a Master Integrated Schedule. Continuing the design of Pipe Racks. Working with DNV to obtain approval when required. Coordinated Owner Furnished Equipment tracking to Kiewit. Issued Production Module framing plans. Issued Production Module Preliminary Grating and Plating Drawings.

Procurement:

Approximately 95 total Topsides Purchase Orders will be completed at the end of the project. 55 Purchase Orders have been issued (10 issued in February). 9 Request for Quotation Packages are out for bid (7 issued in February). 31 Packages are in Technical Development.



View of the Platform from Northeast Corner. The Flare Boom is in the forefront, Production Module on the North side with the manned areas on the South side.



Production Module Upper Level and Condensate Stabilization Skid

Production Equipment Fabrication

At the Cajun Cutters Facility, both HP and LP Flare Scrubbers were installed on the deck of the Flare Scrubber Skid and began the installation of piping on both vessels. Approximately 90% of the piping is complete and the hydro test took place on February 21, 2013. Electrical and Instrumentation installation began on February 20, 2013.



Overall Flare Scrubber Skid to this point

Production Equipment Fabrication Continued...

Petrex is approximately 65% complete with fabrication on Oil Treater Degassers 1 and 2. Almost all nozzles are installed and currently working on the internals of the vessel. Each Degasser has one head installed and awaiting installation of the second.

Petrex is approximately 25% complete with fabrication on Treaters 1 and 2. Installing nozzles on Treater 1 and are making calculations for nozzle placements on Treater 2.

All Division 2 Separators are completely rolled, long seams welded, and girth seam welded.

Patrick Fab is about 5% complete with fabrication of the Oil Flotation Cell. Shell has been rolled and long seam welded. Installed and welded one of the heads.



Oil Treater Degasser 1



Oil Treater 1



Oil Flotation Cell



Oil Flotation Cell Head

Production Deck Fabrication



Kiewit continues to move forward with plate girder and node fabrication in the shop for both the lower level and upper level deck pancake sections. At present 9 node sections are in progress in the shop and 4 have been moved to the yard. 32 plate girders are in progress in the shop and 16 have been moved to the yard. Work continues on the 4 pad eye node sections for the upper level, which will be used to lift the platform for installation on the hull. Cutting material for webs, flanges, stiffeners, and node sections continues to be ahead of fabrication.

Kiewit has started framing of the lower deck pancake section in the yard, starting with the very center node section working outwards to form a box.

Both DNV and the USCG have been actively involved in the Delta House project at the Kiewit site working with the construction management team.



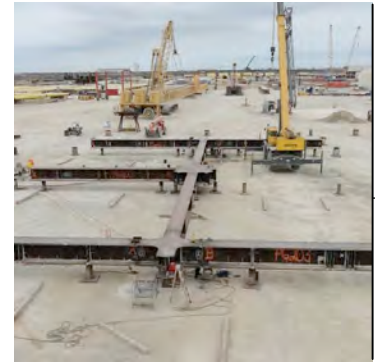
1/29—Lower level node sections in progress in various stages



2/14—Four pad eye node sections in progress in the structural assembly building



2/20—Fitting the first plate girder to the center node section on the lower level pancake



2/22—Moving another node section into place in the lower level framing

Subsea Systems & Pipelines Engineering

TOPSIDES

- The Chemical Injection Module is in various structural, instrumentation and electrical design stages right now based on subsea and topside requirements.
- Final markups are being implemented into the P&ID drawings for HAZOP issue and review in early March.
- Request for Quotation Packages have been issued for the Methanol Pumps and Distribution Panels. Bids have been received and are currently under review. Purchase orders will be issued in early March for these items.
- Remaining Request for Quotation Packages for the Milton Roy Pumps, Chemical Tank and Module Fabrication & Assembly will be issued in March.
- The Hydraulic Power Unit (HPU) and Topsides Umbilical Termination Assembly (TUTA) P&ID drawings have been issued into the design review stage. The Request for Quotation Package for this equipment is under development and will be issued in March.

SUBSEA

- Fugro Geoservices has completed all field work collecting shallow hazard survey data. They are currently processing data, and we expect to receive a preliminary AutoCAD of the proposed routes in early March. During the initial hazard survey mobilization, Fugro shot a circle of data where the Delta House semi-submersible suction piles will be located. This raw data was delivered to the mooring system designers on a hard drive.
- GEMS completed the final soil core drops and are currently processing the field data to generate the final report.
- Bids for the pipe coating were solicited and are currently under review.
- Issued Purchase Orders to Sumitomo Corporation for the infield and export SCR pipe and the infield line pipe and to V&M for the export line pipe. Pipe will be delivered in batches beginning in October 2013 and ending in February 2014.
- Developed and issued Request for Quotation Packages to bidders for the infield and export pipeline installations. Both bids are due back 3/7/13.
- Received additional comments from Shell on subsea assembly design. Incorporated these changes into the drawings and resubmitted the drawings and the proposed valves and hot tap materials to Shell for approval.
- Issued Purchase Order to Parker Hannifin for the Steel Flying Lead Bundle.
- Reviewed and approved FMC documentation and final count for the pressure caps. FMC issued award documents, currently awaiting LLOG approval.
- Received CVA nomination and plan approval from the BSEE.
- Began sizing subsea control umbilicals based on current routes and LLOG provided SITP's. Expect to issue umbilical fabrication Request for Quotation package by end of March.

