



PROJECT NEWSLETTER



Status Summary

We are happy to report that progress is continuing on schedule on all fronts. Engineering on the Delta House hull, deck and production systems is nearing completion while procurement, manufacturing and fabrication have ramped up to nearly maximum levels.

Numerous fabrication yards across south Louisiana and Texas are busy building production equipment and utility systems that will be integrated into the Delta House platform. We can all be proud of the positive economic impact this project is providing.

Note the photos of the hull sections that are now being fabricated at Hyundai. The Pontoon Tunnels are a safety feature that will allow personnel to walk completely around the inside of entire submerged portion Delta House ring pontoons and allow emergency egress from multiple directions.

Please monitor the photos included in this newsletter closely this summer. Our progress will be dramatic.

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Drilling & Completions

Drilling for Delta House in May continues moving forward at the drill bit as well as on the rig contracting front. The Ensco 8502 is on target to complete drilling operations on the appraisal well at Mississippi Canyon 255 #1. In April, we signed a three year contract for a 6th Generation Dual BOP DP Drillship, the Seadrill West Neptune. The rig is outfitted for 10,000' WD and is rated to water depths of up to 12,000'. Its drilling package is capable of wells to 37,000' total depth. The state of the art 7 ram Dual BOP stacks will enable efficient completion of the Delta House wells starting in September 2014. 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. The cementing contract for this program has been awarded to Halliburton and installation of the cement unit in Korea is ongoing.

The Ensco 8502 rig drilling the well hosted a rig visit by the new Secretary of Interior Sally Jewell, the Director of the Bureau of Safety and Environmental Enforcement James Watson, other DOI and BSEE officials and the media on May 3rd. LLOG staff Steve Stegeman and Joe Leimkuhler reviewed the Delta House Development and addressed general safety and operational issues with the Secretary, Director and media. Media accounts of the visit can be found on the Houston Chronicle website: [Interior-secretary- goes-offshore](#).



West Polar, sister to Seadrill Drillship



Discussing the Delta House Development with Secretary of Interior Sally Jewell

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 – 98% Complete
- Reviewing and Closing Out DNV Comments
- Mooring Chain Fabrication – Ongoing
- Mooring Messenger Chain Fabrication – Ongoing
- Mooring Polyester Rope Fabrication - Ongoing, DNV Break Tests Completed Successfully
- Mooring Fairleads Fabrication - Ongoing
- Mooring Chain Jacks and Associated Equipment Fabrication - Ongoing
- Mooring Hawse Pipe Weathertight Enclosure Fabrication – Ongoing
- Mooring Subsea Connector Vendor Selected – Kick-Off Meeting April 30, 2013

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



Mooring Fairlead Brackets



Mooring Polyester Transport Wheels

Hull Fabrication

- Fabrication is ongoing for Delta House Hull Blocks SNI I and SNI2. These are the Hull Node and Pontoon Sections.
- Site team has contacted USCG to discuss fabrication schedule
- Meeting with and evaluating HHI subcontractors
- Established a Safety Walk-Down Procedure whereas the site team reports any discovered safety concerns to HHI for corrective action
- Established a CFI (Client Finding Item) Procedure and Form for official submittals to HHI upon finding an item that required HHI corrective action



Pontoon Top Shell



Pontoon Tunnel Section

Engineering/Design:

- . Overall progress for Engineering Topsides through April is approximately 69% complete.
- . Continuing Kick-Off Meetings with Fabricators.
- . Ongoing reviews of Vendor Data Packages.
- . Issuing Piping & Instrumentation Diagrams for Design / Construction.
- . Producing a Master Integrated Schedule with Kiewit's input.
- . Issuing Electrical One-Line Diagrams for Construction.
- . Producing Issued for Construction Isometric Drawings. To date, approximately 694 out of 2700 (26%) 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 98 total Topsides Purchase Orders will be completed at the end of the project.
- . 80 Purchase Orders (82%) have been issued (16 issued in April).
- . 8 Request for Quotation Packages are out for bid (2 issued in April).
- . 10 Packages are in Technical Development.
- . The first completed topsides skid, the Flare Scrubber Skid, was delivered to Kiewit along with the Flare Scrubber Pumps, LACT Charge Pumps, Nitrogen Gas Booster Pump System, and miscellaneous valves and instrumentation.

Production Equipment Fabrication

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

The Hydrocyclone Skid is nearing completion at **Accelerated Production**. With the hydrostatic testing completed on 4/23, the skid and piping have now entered the painting process.

The three Launcher/Receiver Skids are being fabricated at **Dynamic Industries**. The skids are being laid out, tacked, welded and painted so the piping, valves and closures can be installed when ready.

The Flare Scrubber Skid that was fabricated and assembled at **Cajun Cutters** was completed on April 12, 2013 and passed final inspection on April 15th. On April 23rd, the skid arrived at Kiewit where it will be integrated into the lower deck of the Delta House platform.

General Marine Leasing continues to work on the Living Quarters. On Levels 1, 2 and the roof, framing has been welded and ultrasonically inspected and accepted. The 1/4" floor plate has been installed and welded. The Level 1 10"x10" vertical tubular supports are welded for the Level 2 structural frame and installation of the inner wall crimp plate has started. The Level 2 HVAC and plumbing penetrations are installed.



Hydrocyclone Skid

Production Equipment Fabrication Continued...

The 1st Stage Suction Scrubber, 2nd Stage Suction Scrubber, and 2nd Stage Discharge Scrubber are being fabricated at **Honiron Corporation**. All cylinder heads are being welded out in the interior of the vessel before they're moved to the station where they will be sub arced. Once the cylinder heads have been completely welded and NDE has been done, the nozzles for the vessels will begin being fitted and welded.

At **Petrex**, the fabrication on both of the Oil Treater Degassers is complete. Final hydro-testing on these vessels was done on April 24th, followed by coating. Both Oil Treaters are still in fabrication and are expected to be completed soon. Petrex is in the process of installing heads, nozzles and internals on the five Separators.

Fabrication on the Pump Skid and Oil Flotation Cell is nearly complete at **Patrick Fabrication**. Preparation for load out is taking place.

The Oil Separator, Separator/Degasser and the Dry/Wet Oil Tank are being built at **Mclver & Smith**. Long seams and girth welds have been completed on all three vessels. Installation of nozzles has begun.

Powell Industries has completed the outer structural shell along with the internal walls on the MCC building. Painting started on April 19th and is scheduled for four weeks. Once complete, Powell will begin installation of the architectural wall inside the building.

The two Pedestal Cranes are in the fabrication and welding stage of production at **Seatrax**. The Operator's Cabin on one crane is the first module to move into the assembly phase with the windows and insulation being installed.



MCC Building



Pedestal Crane

Production Deck Fabrication

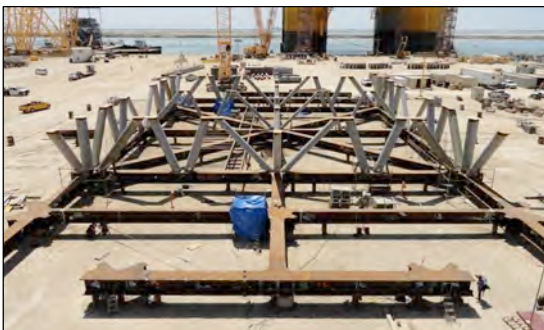


Work at Kiewit continues to progress slightly ahead of schedule. Plate girder fabrication and stiffener installation continue in the shop, as well as Node fabrication and stiffener installation. Framing of the lower and upper levels continue to progress. The pad eye node sections have been installed on the upper level and are being moved slightly to be within dimensional tolerances. The installation of the tertiary steel on the lower and upper levels, installation of tubular braces and lofting of the production module are all in progress.

The sub-contractor for pipe spooling is in the process of ordering material to begin pipe spooling.

The Flare Scrubber skid was the first skid to arrive at the Kiewit yard, along with the flare scrubber pumps with motors, and the LACT charge pumps with motors. LLOG supplied valves continue to arrive at the Kiewit site.

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



Lower Level Framing



Upper Level Framing

TOPSIDES

- . Chemical Injection Module:
 - . Issued purchase orders for the Hammelmann Pumps and Milton Roy Pumps on 4/4/13. Receiving and currently reviewing drawings for approval.
 - . Issued purchase order to Omega Natchiq for the Methanol Distribution Skid on 4/8/13. Received and currently reviewing structural drawings.
 - . Issued RFQ package for the Chemical Storage Tank on 4/26/13. Bids are due back 5/10/13.
 - . Preparing Chemical Injection Module RFQ for issue in early May.
 - . Projected delivery for the Chemical Injection Skid is late October.
- . Hydraulic Power Unit (HPU) and Topsides Umbilical Termination Assembly (TUTA):
 - . Finalized topside WHRU and boarding valve requirements with Audubon.
 - . Revised P&ID drawings for bid issue.
 - . Preparing RFQ for issue in early May.
 - . Projected delivery for the HPU and TUTAs is early October.
- . VK 817 Receiver and Launcher
 - . Issued preliminary P&IDs and weights to subsea division for approval.

SUBSEA

- . Issued the revised detailed well site layouts to Exmar, FMC, 2H, DNV and LLOG on 4/2/13. Currently updating the drawing based on FMC comments, and plan to reissue next week.
- . Issued comments to Fugro on the preliminary route drawings for the export and infield lines. Currently reviewing draft of Fugro hazard survey reports for the export lines. Final reports are expected to be received in mid-May.
- . Beginning to prepare pipeline, umbilical and jumper permit packages. Plan to submit permits upon receipt of final hazard survey reports.
- . LLOG, Petroflow and Pinnacle are working together to finalize the insulation requirements for the infield lines. Waiting on revised pricing for pipe coating and insulation.
- . LLOG and V&M agreed on Purchase Order terms and conditions. Reviewed and replied with comments to V&M and Sumitomo on their quality plans, inspection test plans and UT procedures. Held pre-production meeting with V&M in Germany on 4/18/13, and pipe production will start in September. Held pre-production meeting with Sumitomo in Japan on 4/30/13, and pipe production will start in May.
- . Issued Purchase Order to Micro-Alloying, Inc. to serve as the metallurgy consultant for pipe manufacturing and all welding.
- . Finalizing clarifications for all of the pipeline installation bids. Issued several revisions of a preliminary bid summary to LLOG.
- . Issued Umbilical Fabrication RFQ to bidders on 4/10/13. Bids are due back 5/9/13.
- . Shell approved the hot tap and valves for purchase. Issued Purchase Order to Oil States for the hot tap on 4/16/13. BP ordered the valve for the tappable tee, and it should be delivered by April 2014. Currently awaiting new pricing from Cameron for the valves based on Shell and BP comments.
- . 2H Offshore solicited bids for the riser stress joints and baskets.
- . Issued VK 817 preliminary modification package to Enterprise and Shell on 4/10/13. Currently revising package based on comments received from Enterprise.
- . ROV vessel Joshua Chouest mobilized 4/24/13 to Delta House platform location to conduct a site investigation on several side scan anomalies.