

# Terra Nova Development



## Canada-Newfoundland and Labrador Industrial Benefits

### Public Quarterly Report

July 01, 2012 – September 30, 2012

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## Section 1.0 – Introduction

The Terra Nova Oil Field is situated on the Grand Banks, about 350 kilometers east-southeast of St. John's, Newfoundland, and 35 kilometers southeast of the Hibernia Oil Field. The Terra Nova field is comprised of a combination of producing wells, as well as water injection and gas injection wells, and delivers production from the Graben, East Flank and Far East blocks.

Discovered in 1984, the field was the second to be developed off Newfoundland. Production from the field began in 2002, through the use of a Floating, Production, Storage and Offloading (FPSO) vessel. This was the first development in North America to use FPSO technology in a harsh weather environment.

The FPSO is a ship-shaped vessel which has integrated oil storage capability from which oil is offloaded into a shuttle tanker. The storage capacity of the Terra Nova FPSO is 960,000 barrels of oil with accommodations for up to 120 personnel while producing. The vessel is 292.2 meters long, 45.5 meters wide and stands higher than 18 storeys. Terra Nova pre-production capital expenditures were approximately \$2.8 billion. The FPSO arrived in field on August 21, 2001 and produced first oil in January 2002.

Suncor Energy, as operator of Terra Nova, is committed to enhancing opportunities for the people of the province through participation in the Terra Nova Development. A lasting economic legacy is being created for the province through Suncor's recruitment and training of local talent, its provision of full and fair opportunity to local businesses, and by giving first consideration to locally produced goods and services within the Province, where those goods and services are deemed competitive.

The following represents Suncor's Industrial Benefits Public Report for the quarter ending September 30, 2012. This third quarter public report provides a summary of activities related to the production phase of the Terra Nova project carried out by Suncor and its major sub-contractors.

## Section 2.0 – Project Activity and Benefits Accomplishments

Suncor achieved a number of milestones during the third quarter of 2012. Some of these highlights and achievements include:

- the Terra Nova Off-Station Project (OSP), which was the most extensive planned shutdown in the history of the Terra Nova FPSO:
  - included a successful FPSO swivel replacement and subsea riser and flowline replacement, which will enhance integrity and reliability of offshore assets and production, and
  - included a new South West drill centre satellite, which relates strictly to enhanced production.
- operational and capital expenditures for the Terra Nova project totalled approximately \$217 million, 70% of which was spent in Newfoundland and Labrador (NL) and the other provinces and territories of Canada. Of that:
  - 59% was spent in NL, and
  - 11% was spent in the other provinces and territories of Canada.
- three new contracts with a value greater than \$250,000 were awarded, one of which was awarded locally to companies based in NL and two that were based outside of Canada.
- a total of 1,769 purchase orders valued at \$15.2 million were issued, 1,641 of which were awarded to vendors with a NL location or another Canadian location (87% with a total of \$13.3 million):
  - \$9.2 million in purchase orders awarded to NL locations (60%), and
  - \$4.1 million in purchase orders awarded to other Canadian locations (27%).
- a total of 2,143 people working on the Terra Nova project by the end of September 30, 2012:
  - 1,697 or 79% were residents of Newfoundland and Labrador, and
  - 168 or 8% were residents of other Canadian provinces or territories.

## Section 3.0 – Employment

As of September 30, 2012 a total of 2,143 people were working on the Terra Nova development. During the third quarter, there was a slight decrease in employment due to lack of drilling activity compared to Q2. However, the employment levels are still higher than normal due to an additional 1,167 people working on the Off-Station Project (OSP). Of the 2,143 total, 1,697 or approximately 79% were residents of NL, while another 168 or approximately 8% were residents of other regions of Canada at the time of hiring (Table 3.1). Of the Newfoundland and Labrador residents, 1,212 employees worked onshore, and 485 worked offshore. Of the residents from other Canadian provinces and territories, 65 worked onshore, 56 worked offshore and 47 worked outside of NL (Table 3.2).

<b>Table 3.1 – Total Employment Summary Terra Nova Project (Q3, 2012)</b>			
Direct Employment (Total Number of Persons)	Newfoundland and Labrador Residents (%)	Other Canadians (OC) (%)	Non-Canadians (NC) (%)
<b>2,143</b>	<b>79%</b>	<b>8%</b>	<b>13%</b>

<b>Table 3.2 – Employment Summary by Location Terra Nova Project (Q3, 2012)</b>						
Location	Total Number of Persons					Total
	Residency Status			Gender		
	NL	OC	NC	Male	Female	
<b>Onshore</b>	<b>1,212</b>	<b>65</b>	<b>38</b>	<b>1,075</b>	<b>240</b>	<b>1,315</b>
<b>Offshore</b>	<b>485</b>	<b>56</b>	<b>227</b>	<b>734</b>	<b>34</b>	<b>768</b>
<b>Other</b>	<b>0</b>	<b>47</b>	<b>13</b>	<b>40</b>	<b>20</b>	<b>60</b>
	<b>Total:</b>					<b>2,143</b>

Of the 2,143 employees supporting the Terra Nova development, 1,849 are male and 294 are female or approximately 14% of the total workforce (Table 3.3). The third quarter had a lower percentage of

females than normal due to the OSP. The OSP has a high number of male workers filling traditional skilled trades positions. Table 3.3 also breaks down the employment summary by discipline, which includes management, administration, engineers, technicians, professionals, skilled trades' workers, labour workers, students and others that do not fit under these categories. The discipline that is the most male-dominant is the other category at 97% male (this category largely represents marine crew), while the discipline that is the most female-dominated is administration at 70% female.

Discipline	Number of Persons				Total Number of Persons
	Male	%	Female	%	
<b>Management</b>	<b>154</b>	<b>88%</b>	<b>22</b>	<b>12%</b>	<b>176</b>
<b>Administration</b>	<b>42</b>	<b>30%</b>	<b>98</b>	<b>70%</b>	<b>140</b>
<b>Engineers</b>	<b>125</b>	<b>87%</b>	<b>19</b>	<b>13%</b>	<b>144</b>
<b>Technicians</b>	<b>232</b>	<b>90%</b>	<b>26</b>	<b>10%</b>	<b>258</b>
<b>Professionals</b>	<b>142</b>	<b>78%</b>	<b>41</b>	<b>22%</b>	<b>183</b>
<b>Skilled Trades</b>	<b>699</b>	<b>95%</b>	<b>40</b>	<b>5%</b>	<b>739</b>
<b>Labour</b>	<b>114</b>	<b>85%</b>	<b>20</b>	<b>15%</b>	<b>134</b>
<b>Students</b>	<b>22</b>	<b>56%</b>	<b>17</b>	<b>44%</b>	<b>39</b>
<b>Other</b>	<b>319</b>	<b>97%</b>	<b>11</b>	<b>3%</b>	<b>330</b>
<b>Totals:</b>	<b>1,849</b>		<b>294</b>		<b>2,143</b>

Notes:

- Disciplines are based on the following National Occupational Classification (NOC) Codes:
  - Management** includes: *Senior Managers* as well as *Middle & Other Managers*
  - Administration** includes: *Administrative & Sr. Clerical Personnel* as well as *Clerical Personnel*
  - Engineers** includes: only those in that NOC Code
  - Technicians** includes: *Semi-professionals & Technicians*
  - Professionals** includes: only those in that NOC Code
  - Skilled Trades** includes: *Skilled Crafts & Trades* as well as *Skilled Trades & Service*
  - Labour** includes: *Semi-Skilled Manual Workers, Other Manual Workers* as well as *Intermediate Sales & Service*
- Students** includes: any student enrolled at a recognized educational institution or accredited academic program and includes both graduate and undergraduate students, cadets or any other student.
- Other** includes: positions that do not fit into any of the other disciplines.

## Section 4.0 – Canadian-Newfoundland and Labrador Content

The following table is intended to reflect the benefit distribution from Terra Nova cash expenditures. Table 4.1 summarizes the content distribution of these operating and capital cash expenditures for the period being reported by Newfoundland and Labrador, other Canadian and non-Canadian spending.

<b>Table 4.1 – Canadian-Newfoundland and Labrador Content Terra Nova Project - Operating and Capital cash expenditures (Q3, 2012)</b>			
Reporting Period	Content		
	Newfoundland and Labrador (%)	Other Canadian (%)	Non-Canadian (%)
<b>This Quarter:</b>	<b>59</b>	<b>11</b>	<b>30</b>
<b>Year to Date (YTD):</b>	<b>54</b>	<b>14</b>	<b>32</b>
<b>Project Cumulative(since production started in 2002):</b>	<b>56</b>	<b>16</b>	<b>28</b>

The expenditure content percentages for the second quarter ending on June 30, 2012 were 55%, 14% and 31% for Newfoundland and Labrador, other Canadian and non-Canadian spending, respectively. In comparison, this means there is an increase in Newfoundland and Labrador content (+4%), and a decrease in other Canadian (-3%) and non-Canadian content (-1%) for the third quarter of 2012. These changes are due to expenditures for the Off-Station Project in the province of Newfoundland and Labrador.

## Section 5.0 – Contracting and Procurement

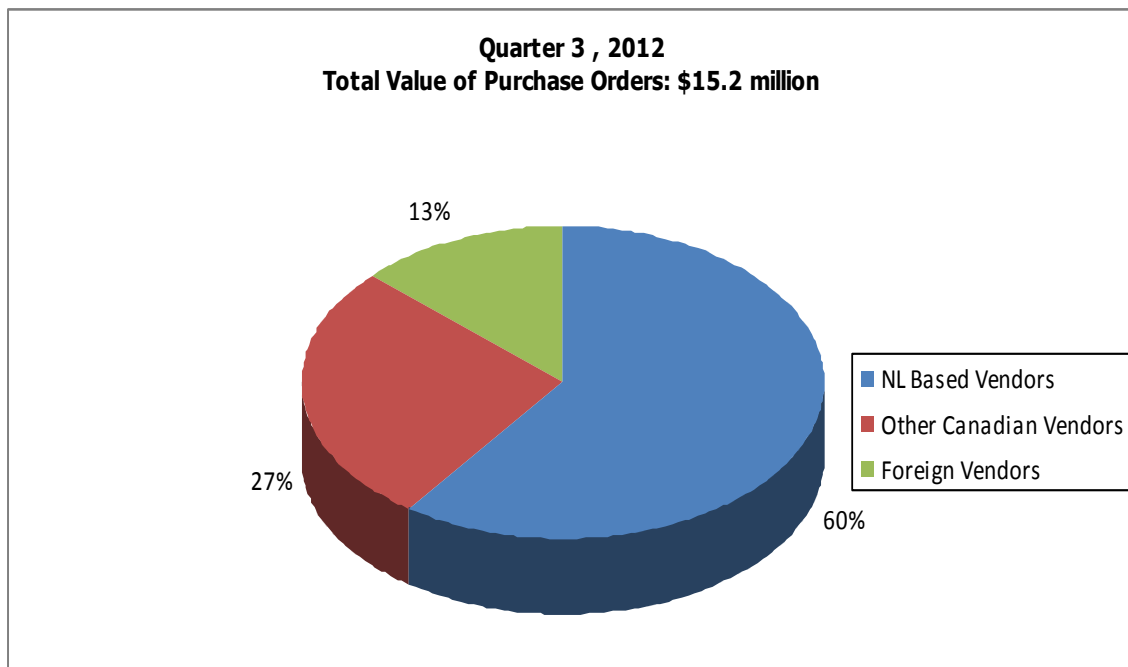
Three new contracts with a value greater than \$250,000 were awarded during the period July 01, 2012 to September 30, 2012 (Table 5.1).

<b>Table 5.1 – New Contracting Activity Terra Nova Project (Q3, 2012)</b>		
Description	Contractor	Contractor Location (NL, Other Canadian, Non-Canadian)
<b>2012 Flare Tip Replacement</b> <b>Marine Dredge Disposal</b> <b>Light Intervention Vessel and Services</b>	<b>Vertech Offshore AS</b> <b>Petroleum Research Atlantic Canada (PRAC)</b> <b>Helix Well Ops (UK) Ltd.</b>	<b>Non-Canadian</b> <b>NL</b> <b>Non-Canadian</b>



A total of 1,769 purchase orders with a cumulative value of approximately \$15.2 million were awarded during the third quarter of 2012. Approximately \$13.2 million, (87%) was spent in Canada including NL. Figure 5.1 summarizes the location of the vendors that were awarded purchase orders as well as the percentage of the total awarded value.

**Figure 5.1 - Purchase Orders (Percentage of Participation on a Value Basis)**



## **Section 6.0 – Conclusion**

Suncor Energy is committed to enhancing its local Industrial Benefits for the people and the province of Newfoundland and Labrador. Throughout Terra Nova’s life of field, Suncor Energy will be creating a lasting economic legacy that will benefit the people of the province.