Operating Environment, Regulatory Issues and Economic Outlook for Statoil in Newfoundland and Labrador
Level 3 Evacuation Plan

IN CASE OF EMERGENCY CALL #911

IN CASE OF FIRE USE STAIRS
DO NOT USE ELEVATOR
EXIT BUILDING AND HEAD TO MUSTERING STATION

LEVEL 3 EMERGENCY EVACUATION PLAN
Who we are

• Statoil is an international energy company present in more than 30 countries

• We are headquartered in Norway with approximately 20,500 employees worldwide and are listed on the New York and Oslo stock exchanges

• 1971 MBOE/D annual global equity production in 2015

• NOK 465.3 Billion Total global revenues in 2015

• The second largest exporter of gas to Europe

• The world's largest operator in waters deeper than 100 metres

• World leader in carbon storage

• Our non-NCS operations account for one third of the company’s total production
How we work

Firm commitment to safety, security and sustainability

Our values guide and drive our performance

Stringent ethical requirements and code of conduct

The Statoil Book
GUIDED BY VALUES

Our values embody the spirit and energy of Statoil at its best.

They help us set direction, and they guide our decisions, actions and the way we interact with others. Our values express the ideals we strive to live up to every day.

Open

Courageous

Collaborative

Caring
Newfoundland and Labrador

The Province
- Youngest Canadian Province (1949), with a population of 530,128
- St. John’s population is ~215,000
- Resource based economy: energy, fisheries, mining, forestry, tourism

The History
- Collapse of the fishing industry in the mid-80’s
- Province economy entered into strong recession
- Hibernia on production in 1997
- Up to 40% of GDP (Gross Domestic Product) from oil industry
- Over the past decade, oil royalties from offshore producing projects have totaled over $19 billion

Facts
- First discovered by the Vikings in 998 AD – Lance Aux Meadows
- Oldest English City in North America
- Most eastern point of North America
- Britain’s first overseas colony
- In 1901, the first ever Transatlantic Wireless Signal was received at Signal Hill.
Canada-Newfoundland and Labrador Offshore Area

- C-NLOPB offshore area covers over 1.8 million km²
Statoil Partnerships Offshore Newfoundland

• Statoil holds Working Interests in four projects Offshore Newfoundland:

Operating fields
• Hibernia (Statoil: 5%)
  ExxonMobil operator

• Terra Nova (Statoil 15%)
  Suncor Energy operator

• Hibernia Development Tie-Ins
  (Statoil 9.26%)
  ExxonMobil operator

Development fields
• Hebron (Statoil 9%)
  Exxon Mobil operator
  First oil expected in 2017
Statoil Partnerships Offshore Newfoundland

- Statoil is operator of five discoveries Offshore Newfoundland in the Flemish Pass Basin:
  - **Mizzen** - our first discovery made in 2009 in the Basin.
  - **Harpoon** - discovery was announced in 2013.
  - **Bay du Nord** - discovery is estimated to hold more than 300 million barrels of light, high-quality crude oil.
  - **Bay de Verde** - discovered in 2016 with further appraisal required; located adjacent to the Bay du Nord discovery.
  - **Baccalieu** - discovered in 2016 with further appraisal required; tie-in distance to the Bay du Nord discovery.

- The discoveries are located about 500 kms offshore from St. John’s in a water depth of about 1,100 metres and are located within 10 to 20 km of each other.
- Husky Energy is a 35% partner in all five discoveries, we retain the other 65%.
Statoil in Newfoundland

Ambition to become a producing operator

1996
Norsk Hydro acquires NL assets

2007
Norsk Hydro acquires EL1049 Planning Begins

2008
Drilling and Seismic Licences for Harpoon and Bay du Nord acquired

2009
Mizzen O-16 discovery – a play opener

2010
Planning Additional Flemish Pass licences acquired

2011
Mizzen appraisal and Flemish Seismic Additional Flemish Pass licences acquired

2012
Flemish Seismic

2013
Harpoon Discovery Bay du Nord Discovery

2014
Bay du Nord area seismic Start 19 month drilling campaign

2015/6>
EXP drilling continued New acreage acquired
Regulatory Structure

Government of Canada
Minister of Natural Resources

Government of Newfoundland
Minister of Natural Resources

Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB)
Similar to Norwegian Petroleum Directorate

- Safety
- Legal, Regulatory and Public Affairs
- Operations
- Exploration
- Resource Management
- Administration and Industrial Benefits
- Environmental Affairs
Atlantic Accord - Legislative Scope

• “One-window” approach to regulation for offshore Newfoundland and Labrador area.

• Joint management: Federal Canada and the province of Newfoundland and Labrador.

• Newfoundland and Labrador is to be the principal beneficiary of its offshore oil and gas resources.

• Intention: Oil and gas developments be implemented and managed in a manner that creates a lasting economic legacy for the people of the Province.

• Offshore resource revenues should be treated as though resource is on land.
Development Plan

Regardless of security of supply, province always has fundamental decision power for approval of Part I of a development plan.
Benefits Plan

Development focus

- Local office with resources and decision-making ability
- Full, fair opportunity for local suppliers and manufacturers
- Employment opportunities for qualified persons in Newfoundland
- First consideration to workers, suppliers and service providers in NL
- R&D/E&T in NL
- Enhance diversity in the workforce
- Supplier Development
- Increased Level of Reporting
# The Authority Process – Norway and NL

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<tr>
<th>Fiscal regime</th>
<th>Norway</th>
<th>Newfoundland and Labrador (NL)</th>
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| Fiscal requirements in place | • Well regulated and understood.  
• Exploration Tax Credit introduced in 2004. | Legislated Royalty Regime in place since 1996, however, a policy of negotiation has been the norm.  
• Fiscal, Equity and Benefits Agreement (FEB).  
• Need to negotiate early. |

<table>
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<tr>
<th>Development approval</th>
<th>PDO (Plan for Development and Operations)</th>
<th>DP (Development Plan)</th>
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| • Early insight from government.  
• The OD attends Partner Licence Committee meetings from exploration through out the licence period (development and operation phase)  
• PDO issued at DG3  
• Decision within 6 months. | • Approval is a Fundamental Decision  
• Negotiated Benefits Agreement with Province in advance of DP and Benefits Plan (BP) submission  
• The DP approval process takes a minimum of 2 years from submittal. |

| Environmental Impact Assessment | KU - Same process as NL | EIA - Same process as Norway |

**Strong Compliance with Accord Acts = Strong Reputation and Effective Operations**
Operating Offshore Newfoundland

- A development Offshore NL in deepwater requires the drilling of several subsea wells using a harsh environment semisubmersible drilling rig.
- There is well established competence and service capacity in the local area that has been conducting drilling activity offshore NL for decades supporting the Hibernia, Terra Nova, Whiterose, Hibernia Southern Extension developments and copious exploration activity.
- Statoil as an operator has successfully conducted exploration drilling activity offshore NL since 2008.
3 Main Challenges – Offshore Newfoundland

1. Weather Conditions
2. Personnel Transportation
3. Ice Conditions (Sea Ice & Icebergs)
Weather Conditions

- Fog during the summer months
- High Wind/High Seas during the winter months
- Icing on Helicopters/Supply Vessels/Rig
Personnel Transportation

**Helicopter**
- Limited Personnel via. Helicopter
- Flights Delayed due to Weather
- Round Trip - Hours
- No Night Flights

**Supply Vessel**
- Round Trip - ~ 50+ Hours
- Significant # Personnel Transferred by Vessel
- Limited by Sea Height
- No Night Transfers
Ice Conditions

- 6-7+ Month Ice Season
- Combination of Sea Ice & Icebergs
- Significant downtime Waiting on Ice/ Weather
- Dedicated Ice Observer onboard the Rig
Ice Management Technologies

- Strengthened fixed structure to withstand iceberg impact
- Excavated drill centres protecting subsea equipment
- Disconnectable turret
- Strengthened hull to withstand limited ice conditions
- Iceberg management
Ice Management
Iceberg Alley
Iceberg Alley
Discussion