

# Terra Nova Development



## Canada-Newfoundland and Labrador Industrial Benefits

### Public Quarterly Report

April 01 2012 – June 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 and can accommodate 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 the Terra Nova project, 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 June 30, 2012. This second 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 second quarter of 2012. Some of these highlights and achievements include:

- the commencement of the Terra Nova Off-Station Project (OSP), which is the most extensive planned shutdown in the history of the Terra Nova FPSO:
  - includes a FPSO swivel replacement, subsea riser and flowline replacement, which will enhance integrity and reliability of offshore assets and production, and
  - includes a new South West drill centre satellite, which relates strictly to enhanced production.
- operational and capital expenditure for the Terra Nova project at just over \$129 million, 69% of which was spent in Newfoundland and Labrador (NL) and the other provinces and territories of Canada:
  - 55% was spent in NL, and
  - 14% was spent in the other provinces and territories of Canada.
- three new contracts with a value greater than \$250,000 were awarded, two of which were awarded locally to companies based in NL and one that is based in other provinces or territories of Canada.
- a total of 1,681 purchase orders valued at \$16.7 million were issued, 1,568 of which were awarded to vendors with a NL location or another Canadian location (89% with a total of \$14.9 million):
  - \$12 million in purchase orders awarded to NL locations (72%), and
  - \$2.9 million in purchase orders awarded to other Canadian locations (17%).
- a total of 2,307 people working on the Terra Nova project by the end of June 30, 2012:
  - 1,940 or 84% were residents of Newfoundland and Labrador, and
  - 171 or 7% were residents of other Canadian provinces or territories.

## Section 3.0 – Employment

As of June 30, 2012 a total of 2,307 people were working on the Terra Nova development. During the second quarter, there was an increase in employment due to an additional 796 people working on the Off-Station Project as well as an additional 387 people supporting Suncor's drilling operation with the MODU Henry Goodrich. Of the 2,307 total, 1,940 or approximately 84% were residents of NL, while another 171 or approximately 7% were residents of other regions of Canada at the time of hiring (Table 3.1). Of the Newfoundland and Labrador residents, 1,225 employees worked onshore, 715 worked offshore and 0 worked in another location outside of NL. Of the residents from other Canadian provinces and territories, 44 worked onshore, 77 worked offshore and 50 worked outside of NL (Table 3.2).

<b>Table 3.1 – Total Employment Summary Terra Nova Project (Q2, 2012)</b>			
Direct Employment (Total Number of Persons)	Newfoundland and Labrador Residents (%)	Other Canadians (OC) (%)	Non-Canadians (NC) (%)
<b>2,307</b>	<b>84%</b>	<b>7%</b>	<b>9%</b>

<b>Table 3.2 – Employment Summary by Location Terra Nova Project (Q2, 2012)</b>						
Location	Total Number of Persons					Total
	Residency Status			Gender		
	NL	OC	NC	Male	Female	
<b>Onshore</b>	<b>1,225</b>	<b>44</b>	<b>76</b>	<b>1,057</b>	<b>288</b>	<b>1,345</b>
<b>Offshore</b>	<b>715</b>	<b>77</b>	<b>115</b>	<b>873</b>	<b>34</b>	<b>907</b>
<b>Other</b>	<b>0</b>	<b>50</b>	<b>5</b>	<b>36</b>	<b>19</b>	<b>55</b>
	<b>Total:</b>					<b>2,307</b>

Of the 2,307 employees supporting the Terra Nova development, 1,966 are male and 341 are female or approximately 15% of the total workforce (Table 3.3). The second quarter had a lower percentage of

females compared to 25% in the first quarter due to the start up of 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 skilled trades category at 97% male, while the discipline that is the most female-dominated is administration at 67% female.

Discipline	Number of Persons				Total Number of Persons
	Male	%	Female	%	
<b>Management</b>	<b>183</b>	<b>89%</b>	<b>22</b>	<b>11%</b>	<b>205</b>
<b>Administration</b>	<b>67</b>	<b>33%</b>	<b>137</b>	<b>67%</b>	<b>204</b>
<b>Engineers</b>	<b>152</b>	<b>86%</b>	<b>26</b>	<b>14%</b>	<b>178</b>
<b>Technicians</b>	<b>294</b>	<b>88%</b>	<b>39</b>	<b>12%</b>	<b>333</b>
<b>Professionals</b>	<b>159</b>	<b>76%</b>	<b>49</b>	<b>24%</b>	<b>208</b>
<b>Skilled Trades</b>	<b>600</b>	<b>97%</b>	<b>19</b>	<b>3%</b>	<b>619</b>
<b>Labour</b>	<b>119</b>	<b>85%</b>	<b>21</b>	<b>15%</b>	<b>140</b>
<b>Students</b>	<b>26</b>	<b>60%</b>	<b>17</b>	<b>40%</b>	<b>43</b>
<b>Other</b>	<b>366</b>	<b>97%</b>	<b>11</b>	<b>3%</b>	<b>377</b>
<b>Totals:</b>	<b>1,966</b>		<b>341</b>		<b>2,307</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 (Q2, 2012)</b>			
Reporting Period	Content		
	Newfoundland and Labrador (%)	Other Canadian (%)	Non-Canadian (%)
<b>This Quarter:</b>	<b>55</b>	<b>14</b>	<b>31</b>
<b>Year to Date (YTD):</b>	<b>50</b>	<b>16</b>	<b>34</b>
<b>Project Cumulative(since production started in 2002):</b>	<b>56</b>	<b>17</b>	<b>27</b>

The expenditure content percentages for the first quarter ending on March 31, 2012 were 45%, 19% and 36% for Newfoundland and Labrador, other Canadian and non-Canadian spending, respectively. In comparison, this means there is an increase in Newfoundland and Labrador content (+10%), and a decrease in other Canadian (-5%) and non-Canadian content (-5%) for the second quarter of 2012. These changes are due to expenditures for the Off-Station Project in the province of Newfoundland and Labrador, and the recent planned shutdown of the Terra Nova FPSO.

## Section 5.0 – Contracting and Procurement

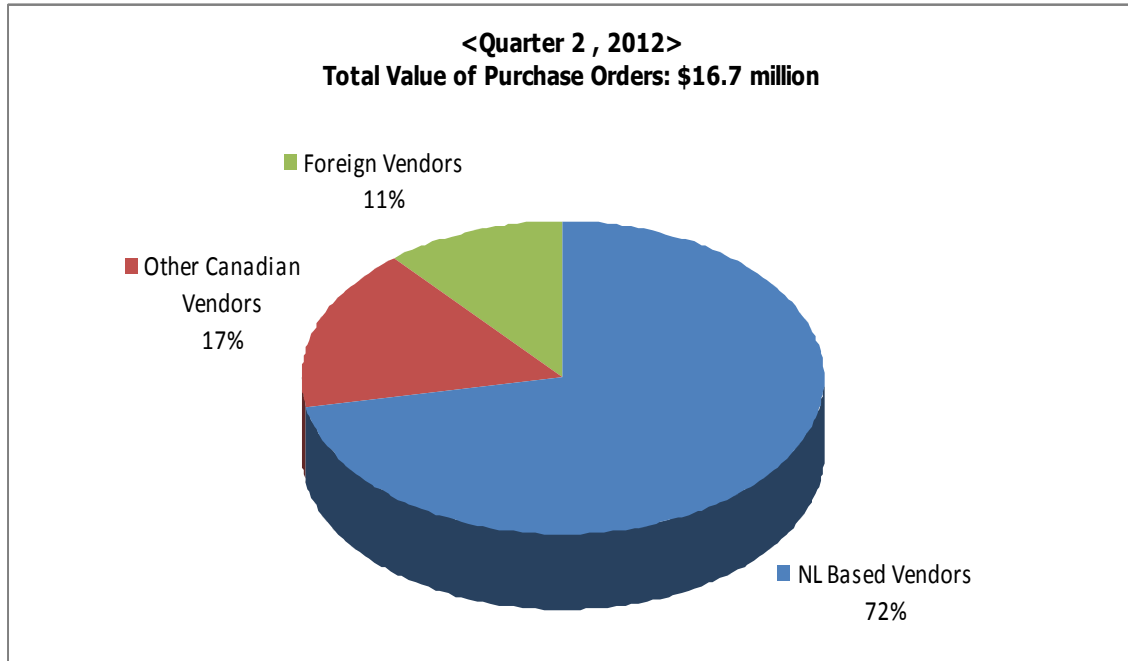
Three new contracts with a value greater than \$250,000 were awarded during the period April 01, 2012 to June 30, 2012 (Table 5.1).

<b>Table 5.1 – New Contracting Activity Terra Nova Project (Q2, 2012)</b>		
Description	Contractor	Contractor Location (NL, Other Canadian, Non-Canadian)
<b>Supply Vessel Services – Atlantic Raven</b>	<b>Atlantic Raven Limited Partnership</b>	<b>NL</b>
<b>Wellstream Offshore Personnel Contract (Seven Pacific)</b>	<b>Wellstream Canada Ltd.</b>	<b>Other Canadian</b>
<b>Bioindicators – Diagnostic Tools for Effective Assessment of Specific Marine Life</b>	<b>Petroleum Research Atlantic Canada (PRAC)</b>	<b>NL</b>



A total of 1,681 purchase orders with a cumulative value of approximately \$16.7 million were awarded during the second quarter of 2012. 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.