



Newfoundland & Labrador Oil & Gas Industries Association

Suite 602 Atlantic Place (Box 44), 215 Water Street

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## **Hebron Public Review Commission**

### **Request for Submissions for Additional Information**

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#### **Supplier development and technology transfer**

Since the early days of the Hibernia project, each new offshore development has provided opportunities for local companies to acquire experience and enhance their expertise in building, operating and expanding the oilfields off the coast of Newfoundland and Labrador. This technology transfer has enabled each new project to build on the successes of the previous projects to develop the capacity of the local offshore industry.

The CNLOPB's 2006 Benefits Plan Guidelines states that the development and production of the petroleum resources in offshore Newfoundland and Labrador should "make a lasting contribution to the sustainable development of the province's economy."

The guidelines go on to say these benefits achievements are expected to show "an increasingly positive trend of continuous improvement as the industry and the local supply community continues to evolve and mature; and, any slippage or deterioration in these measurements from benchmarks and achievements established by previous projects of similar scope, or similar concepts and technologies will require significant explanatory documentation."

NOIA believes the Hebron project represents an opportunity to make continuing advances in the transfer of technology, capability and expertise to the local offshore industry.

Two particular areas where we feel there is room for a step change in improvements are in the areas of supplier development and technology transfer. NOIA is keenly interested in ways the proponent plans to achieve a step change in these two vital areas.

The proponent's attention to supplier development is appreciated. As well, the proponent's commitment to work with post-secondary institutions and to provide training and experience to individual Newfoundlanders and Labradorians is laudable. This training, however, does not always provide on-the-ground capability that local companies can use to bid successfully on contracts and continually improve their capabilities with each offshore project.



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Not all local companies bidding for work on the Hebron project are likely to be globally competitive their first time out. New entrants to the offshore industry may require assistance from the proponent to develop the prerequisites that enable them to successfully bid for offshore contracts. Those prerequisites may include, but are not limited to: health, safety and environment; quality control; and a clear understanding of how the expressions of interest (EOI) process works.

As well, we believe technology transfer enables more specialized local companies to expand their offshore expertise to take part in larger contracts, such as the hook-up/commissioning phase and the operations phase, of the Hebron project. As their expertise evolves, local companies are then able take on larger roles during the development and steady-state operations of offshore projects.

1. What permanent improvements are the proponents planning to make for future operations at the Bull Arm fabrication facility as a legacy for the people of Newfoundland & Labrador?
2. What percentage of the total project is possible to be spent in Newfoundland & Labrador?
3. Is the proponent committed to scaling its bid packages so that small- and medium-size enterprises in the supply and service community can participate more fully? If so, what steps will the proponent take to assess local supply and service capabilities to allow for consistent scalability of its bid packages?
4. What quantifiable local benefits targets are contained in the Hebron DA?
  4. a) Is the proponent willing to provide a public report to demonstrate how these quantifiable local benefits targets have been met? If so, will they be released quarterly or annually to track progress?
5. How will the proponent undertake supplier development activities to support “increasingly positive trend of continuous improvement” during development of the Hebron project?



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6. Similarly, could the proponent outline its plan for providing technology transfer?
7. What initiatives is the proponent undertaking to assist new entrants gain the prerequisites to bid competitively on Hebron contracts? NOIA has traditionally been involved in similar supplier-development initiatives and has the competencies required to help the proponent succeed in these efforts.
8. In the spirit of continuous improvement, what initiatives will the proponent undertake to assist more specialized local companies interested in stretching their capabilities and gaining valuable experience on more complex jobs? What specific technology transfer opportunities is the proponent making available in consideration of local companies?
9. The proponent indicates it will use “best in class” equipment for the Hebron production platform, the first GBS construction project in the province in almost two decades. What steps will the proponent take to ensure the local contractor community will have access to information, such as shop drawings, operations and maintenance manuals, to improve the local supply chain’s training and ability to service the selected equipment during the project operations phase?

**Drilling support and drilling derrick modules**

In the Hebron agreement, the proponent undertook to build three modules – the accommodations unit, drilling support module and drilling derrick – in the province if sufficient fabrication facilities and skilled labour are available to do the work. NOIA understands the accommodations unit will likely be built at the Bull Arm facility.

1. What specific steps will the proponent take to ensure that the drilling support module and the drilling derrick are built at local facilities?
2. Do the drilling support module and the drilling derrick have to be built indoors?
  - 2a. If this is the case with the Hebron project, please explain why, when other similar modules have been built successfully outdoors?



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3. Given that the Utilities Process Module will be built internationally, will there be sub-contracting opportunities for the local service and supply community?

### Pool 3

As with any offshore project, Pool 3 of the Hebron oil field offers potential benefits to the local supplier and contractor community. The proponent has suggested one of the options for developing Pool 3 is via a subsea tie-back to the Hebron GBS.

The proponent also notes there are uncertainties regarding Pool 3's reservoir quality and that "further technical work is required to reduce the risk associated with this development." (*CNLOPB's completeness review of the Hebron DA, Aug. 4, 2011*)

In its response to the CNLOPB's completeness review of the Hebron DA, the proponent said "additional studies to further define the Pool 3 design basis, including cost and schedule estimate, are anticipated to be completed in 2012." (*ExxonMobil response to question No. 59 in completeness review of the Hebron DA, Aug. 4, 2011*)

When these studies are completed in 2012, a clearer picture should emerge of how Pool 3 will be developed. Unfortunately, the Hebron public review process will likely be completed by that time. While NOIA realizes further study is required, the potential development of Pool 3 via subsea tie-back represents an opportunity for considerable local participation in the project.

1. Is Pool 3 covered in the Benefits Plan submitted to the CNLOPB as part of the Development Application?
2. What local benefits will be derived from the development of Pool 3?

A handwritten signature in black ink that reads "Robert Cadigan". The signature is written in a cursive, flowing style.

Submitted by Robert Cadigan, President & CEO, Sept. 23, 2011