

DEEPWATER JOA REVISIONS UPDATE

Post Macondo Re-look

Participating Companies

- Anadarko
- Apache
- BP
- BHP
- Calypso
- Chevron
- ConocoPhillips
- Deep Gulf
- ExxonMobil
- Hess
- McMoRan (PXP)
- Nexen
- Noble
- Shell
- Statoil
- Woodside

New Regulations Prompt JOA Updates

Final Drilling Safety Rule (Drilling Safety Rule) (08/15/12 final):

CEO Certification of Compliance with Regulations

Independent 3rd Party Verification of Blowout Preventer (BOP)

Professional Engineer Verification of Casing Design and Cement Procedures

Incorporation of API recommended practices

NTL 2010-N06 (Environmental NTL) (06/18/10) – Worst Case Discharge Calculation

NTL 2010-N10 (Spill Response NTL) (11/08/10) – Well Containment Plan

Workplace Safety Rules (SEMS Rules) (11/15/10 – Part I) and (6/4/13 – Part II)

Scope of data required in support of operations

Management of Change process (Operator's process)

Stop Work Authority

API Center for Offshore Safety



Key Provisions Reviewed and Revised

- ▣ Well Planning
 - Article 2.68 (Well Plan)
 - Article 5.7 (Information to Participating Parties)
 - Articles 10.1.1/11.1.1/13.1.1 (Revision of Well Plan)
 - Articles 10.1.2/11.1.2/13.1.2 (Automatic Revision of Well Plan)
 - Articles 10.1.4/11.1.4/13.1.4 (AFE Overruns & Substitute Well)
- ▣ Article 22 (Liabilities)
- ▣ Article 24 (Transfer of Interest)

Key Provisions Updated Well Planning

- ▣ Expands the definition of “Well Plan”
- ▣ Includes WCD, Basis of Well Design and Well Containment System as information to be provided to Participating Parties

Well Planning

- Provides for Pre-Exploratory Well AFE Meeting:
 - Intended to communicate preliminary well design, rig selection/type and timing, a total estimated depth, Objective Depth criteria, surface and bottom hole location(s), and zone(s) of interest
 - Also Applies to Appraisal Drilling
- Addresses Automatic Revisions to the Well Plan Pre and Post Well Commencement

Article 22

- ▣ With respect to Liability, provides options to either:
 - Limit Operator's financial exposure in the case of Gross Negligence/Willful Misconduct
 - ▣ All Participating Party's liable for proportionate share up to a certain dollar amount ("Cap") regardless of gross negligence/willful misconduct
 - ▣ All amounts in excess of the Cap are borne by a Party only to the extent caused by their gross negligence/willful misconduct.
 - Make Party that is Grossly Negligent solely responsible with unlimited liability

Article 22

- ▣ Includes Optional Definition of Senior Supervisory Personnel in Connection with Gross Negligence/Willful Misconduct
 - Similar to AIPN Model Form JOA definition
- ▣ All Participating Parties must reimburse Operator for their proportionate share of costs and expenses until a final determination of Gross Negligence/Willful Misconduct is made

Transfer of Interest

- ▣ New Article 2 provision defining “Transfer Notice”
- ▣ Article 24 now includes optional provisions that require:
 - 1) Transferor remains liable for the obligations of its Transferee after the effective date of the transfer
 - 2) Transferor is not responsible for the obligations of its Transferee if Transferee is a “financially capable” party, as defined in Article 24, at the time of the Transfer Notice
 - 3) Transferor is not responsible for obligations of the Transferee beyond the effective date of the transfer

Forward Plan

- ▣ Substantially Complete with Major Revisions to Articles
 - Need to Address
 - ▣ Article 5 (Rights and Duties of Operator)
 - ▣ Exhibit “B” (Insurance)
 - ▣ Exhibit “K” (Health, Safety, Environment)
- ▣ Year End 2013-Adoption of Revised DW JOA (inclusive of all Exhibits)