

## OVERVIEW

### Mission

Noia's mission is to promote development of East Coast Canada's hydrocarbon resources and to facilitate its membership's participation in global oil & gas industries.

### Profile

Founded in 1977, Noia (Newfoundland and Labrador Oil & Gas Industries Association) is the largest offshore oil & gas industry association in Canada with more than 600 members.

Noia members provide products and services for the petroleum sector. Noia associate members include petroleum companies, trade associations, educational institutions and government bodies and agencies at the municipal, provincial and federal levels.

As a member-directed association, Noia provides:

### Access to Business Opportunities

Noia captures and disseminates information relevant to its membership's business opportunities. Noia gathers and provides analysis of information that is relevant to the market segments of the Noia membership, for the purpose of facilitating participation in the local oil & gas industry.

### A Voice for the Supply and Service Sector

Advocacy is a fundamental component of Noia's activities. Noia works to influence outcomes in public policy, industry policy and resource allocation decisions within political, economic and social systems and institutions that directly affect its members' participation in the oil & gas industry.

### Industry Promotion

Noia creates awareness and promotes the positive impacts of the industry to stakeholders, external groups and the public. Noia's marketing and communications activities raise the profile of the Newfoundland and Labrador oil & gas industry to a national and international audience.

### Networking and Events

Noia provides members with a wide-ranging program of events aimed at introducing its members to key stakeholders in the industry. These events include its flagship event, Noia's annual conference, networking lunches, seminars and supplier development sessions.



To deliver its membership programs and services effectively, Noia has established a strong network of volunteers and a highly-skilled staff team.

As a not-for-profit organization, Noia is governed by a volunteer Board of Directors that provides strategic direction to the Association's professional staff. The Board's Chair, Vice-Chair, Past-Chair and Treasurer, together with the Noia President & CEO, make up the Executive Committee.



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MESSAGE FROM THE CHAIR



As my term as Chair of Noia's Board of Directors comes to a close, despite a tough year of belt tightening and cutbacks in our industry, I can't help but feel proud of all that Noia has accomplished in 2015, especially in light of the continued low price of crude, which has certainly impacted Noia members and, in fact, our entire provincial economy.

As I said in my address at Noia's fall seminar, a phrase from Charles Dickens' *A Tale of Two Cities* reflects the reality of the past year, "It was the best of times. It was the worst of times." Because, while there is no doubt that the oil & gas industry globally and here at home is in a downturn, we are confident that our long-term potential remains as strong as ever. This is clearly evident through recent developments such as the incredible results of Nalcor's seismic assessment, as well as the unprecedented results of the 2015 land sale.

We all know that sooner or later oil prices will rebound. It is important now, during this slower period, to make the fundamental changes to the industry required to maximize and sustain it for generations to come. I am proud that during my tenure as Chair we finalized and formally launched *Redefining Oil*, our vision for a renewed provincial oil & gas industry. More than two years in development, *Redefining Oil* represents a tremendous amount of hard work and dedication by Noia board members and staff.

One of the pillars of *Redefining Oil* is renewed governance. Noia believes that government and industry must work together to develop a long-term vision and a strategy for the further development of a competitive and competent local supply and service community. A local industry that can grow and develop to sell its expertise to the world. One that employs thousands of Newfoundlanders and Labradorians, not just during construction booms but between construction projects as well.

To this end, through *Redefining Oil*, Noia recommended the establishment of an Industry Council to formulate the vision and strategy, and an Industry Development Agency for implementation, monitoring and feedback. We were very pleased to see our new government's vision aligned with ours in Premier Ball's mandate letter to his newly appointed Minister of Natural Resources. The letter included the establishment of a body

mandated to create a transparent energy policy with a focus on developing a more sustainable and competitive industry and the alignment of project benefits agreements with established long-term vision and goals.

With this renewed direction, I look forward to working with industry and government to revitalize the provincial oil & gas industry, for the benefit of all Newfoundlanders and Labradorians. It has been my honour to serve as Noia's Board Chair and I feel fortunate to be able to continue working on behalf of our members as Past Chair in 2016.

I would like to thank the staff of Noia, under the leadership of President & CEO Bob Cadigan, for their professionalism and dedication to promoting the development of our hydrocarbon resources and to facilitating our membership's participation in the global oil & gas industry. I also thank you, our members, for your continued support of the Association.



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Sean Power



MESSAGE FROM THE PRESIDENT & CEO

NOIA  
CONFERENCE  
2015



2015 was a difficult year for Noia members as oil prices continued to decline. The impact on the industry, globally and here in Newfoundland and Labrador, has been significant. Members felt the pressure on their profit margins, saw delayed business and growth opportunities and Newfoundlanders and Labradorians experienced job losses in the oilsands and here in our own locally-based operations.

However, despite the depth and length of the downturn, Newfoundland and Labrador, and the resource potential of Newfoundland and Labrador, will ensure a bright future based on the size and prospectivity of our underexplored basin. As with all commodity pricing, oil prices are cyclical in nature and Noia's members have experienced cycles of low prices and subsequent rebounds since the discovery of Hibernia in 1979. Given this inherent nature of the industry, it is critical to keep a long-term view and plan now for the future.

There are many indicators that the future is very bright. Nalcor Energy's recent resource assessment of just 1.6 per cent of our offshore, covering the area involved in the 2015 Flemish Pass land sale, revealed in-place oil & gas potential of an incredible 12 billion barrels of oil and 113 trillion cubic feet of gas.

The Flemish Pass land sale resulted in more than \$1.2 billion in work commitments from 13 bidders on seven of 11 offered blocks of land. This represented the largest bid Newfoundland and Labrador has ever seen in a land sale – despite the fact that Brent was at \$45 the day the sale closed. These work commitments of \$1.2 billion bring the total work commitments in the Flemish Pass Basin to more than \$2.3 billion since 2008. This is indicative of the great potential international operators and investors see in our resources – potential to keep top-of-mind during these difficult times.

As Sean spoke of in his message, Noia knows that now is the time to be thinking ahead and strategically planning for the future to ensure that our oil & gas resources are maximized to bring the greatest, most long lasting benefits to Newfoundlanders and Labradorians. Redefining Oil is our plan, designed to ensure that through

collaboration, the oil & gas industry leaves a lasting impact on the province's local business community through long-term thinking, renewed governance and moving toward global competitiveness. We were very pleased to see that the our new government's vision aligns with Noia's, as evidenced through Premier Ball's direction to the new Natural Resources Minister to work towards developing a more sustainable and competitive industry with established long-term vision and goals with guidance from an industry council of which the supply and service community will be an important contributor. Noia looks forward to working with the Provincial Government, under the leadership of Minister Coady, to this end.

Noia will continue to advocate on behalf of our members in 2016 with regulatory reform being a key focus for us to reduce counterproductive and poorly implemented regulatory requirements. We will work on your behalf to influence change with regard to transitional Occupational Health and Safety (OHS) regulations, rig intake and operating regulations, as well as other regulatory issues to make offshore Newfoundland and Labrador an efficient and competitive target for international investment. Mobile offshore drilling units (MODUs) and work vessels that pass robust regulatory regimes, such as Norway's, should and must be able to work in our offshore with minimum lost time and added cost to enter Canada. While duty charged on MODUs was eliminated in the 2014 budget, international work vessels still attract duty which adds tens of millions in costs to our projects which are deducted from the royalties paid to Newfoundland and Labrador. This despite the fact that there are no Canadian vessels to perform these tasks. Our regulatory regime must become one of the world's most efficient while maintaining our high OHS and environmental standards.

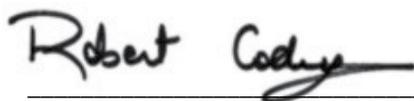
Officially launched in November, after two years in development, *Redefining Oil* will guide Noia as we continue to work tirelessly on our members behalf in 2016. In fact, *Redefining Oil* has already been shaping our work. We also took advantage of an incredible opportunity organized by ACOA to bring best practices back home by visiting Norway in September to learn more about that country's approach to deep and ultra-deep water

developments and how these developments contribute to local supplier development. Noia developed a better understanding of deepwater projects, technology and economics through a meeting hosted by Statoil in Harstad focusing on the Johan Sverdrup and Aasta Hansteen projects, a meeting with the Norwegian Petroleum Directorate and another regarding the Shell-operated Ormen Lange in Stavanger.

Noia also continued to provide service and support to our members in 2015 through many well attended events, including Conference 2015, our Fall Seminar “Navigating Remote Logistics: Recognizing the Challenges. Knowing the Solutions” which focused on managing the logistics of remote operations as we move further offshore, the Society of Petroleum Engineers Distinguished Lecture Series, as well as a timely seminar, in partnership with BDC, aimed at helping local entrepreneurs gain a better understanding of the oil & gas industry and the BDC’s \$500 million in programs aimed at helping small and medium sized business enterprises survive the current downturn in oil prices. Noia also continued to provide communications and membership support services through our delivery of daily news and procurement information, as well as our quarterly Noia News publication.

I extend sincere thanks to Noia’s 2015 Board of Directors for their dedication, advice and guidance this year. As a ‘working board’, all members gave generously of their time and effort through their participation on the numerous Board committees. I also offer thanks and appreciation to Noia’s dedicated staff. Like our member companies, Noia was faced with doing more with less this year and I’m very proud of the way all staff embraced this challenge and continued to deliver exceptional support to our members.

And of course, thank you, our members, for your continued participation. On behalf of the Board and staff, Noia looks forward to working with you, and for you, in 2016.



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Robert Cadigan

**Conference Committee**

John Henley, Cahill Group of Companies (Chair)  
 Margaret Allen, Husky Energy  
 Murray Brown, C-CORE  
 Margot Bruce-O'Connell, ExxonMobil Canada  
 David Christmas, Schlumberger Canada  
 Geoff Cunningham, A. Harvey & Company  
 John Downton, Suncor Energy  
 Bill Fanning, Kvaerner Canada  
 Caron Hawco, Statoil Canada  
 Jim Keating, Nalcor Energy  
 Tim Murphy, Chevron Canada  
 Andrew Noseworthy, ACOA  
 Sean Power, DF Barnes  
 Doug Trask, Research & Development  
 Corporation of NL

**Fall Seminar Committee**

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 Bill Fanning, Kvaerner Canada  
 Andrew Noseworthy, ACOA  
 Hank Williams, Cougar Helicopters

**Governance Committee**

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 Bill Fanning, Kvaerner Canada  
 Bruce Grant, Stewart McKelvey  
 Eric Thoms, DF Barnes  
 Torfi Thorarinson, Technip Canada

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Selection Committee**

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 Mike Critch, NSB Energy  
 Jack Lawlor, Killick Group  
 Georgina Bursley, Chevron Canada  
 Raymond Collins, PF Collins International  
 Trade Solutions

**Industry Leaders Forum Committee**

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 Raymond Collins, PF Collins International  
 Trade Solutions  
 Rob Crosbie, Crosbie Group

Einer Erjford, Statoil  
 Bill Fanning, Kvaerner Canada  
 Alex Guiscardo, ExxonMobil Canada  
 Stephen Henley, Subsea 7  
 Dave Keating, The Shore Group  
 Malcolm Maclean, Husky Energy  
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 Craig Ralph, ABM  
 Jon Seary, PC & Network Solutions  
 Christian Somerton, Pennecon Energy  
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 Karen Winsor, Atlantic XL

**Noia – Hibernia Scholarship Committee**

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 Torfi Thorarinson, Technip Canada

**Redefining Oil Committee**

Sean Power, DF Barnes  
 Raymond Collins, PF Collins International  
 Trade Solutions  
 Bruce Grant, Stewart McKelvey  
 John Henley, Cahill Group of Companies  
 Bill Fanning, Kvaerner Canada  
 Bob Cadigan, Noia

**Research & Development Committee**

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 Chad Fowlow, Frontier Subsea  
 Brian Johnston, Rutter  
 Jake Trainor, Provincial Aerospace

**Supplier Development Committee**

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 Kerri Best, Waterford Energy Services  
 Barbara Bragg, Spectrol Energy Services  
 Paul Lannon, Harbour Grace Ocean Enterprises  
 Scott Stuckless, Exploits Welding and  
 Machine Shop



### Exploration: Offshore Newfoundland and Labrador

Seven exploration wells were drilled in 2015:

- Aster C-93A drilling terminated February 3 by the Henry Goodrich for Husky Energy in the southern Flemish Pass.
- Bay de Verde F-67Z drilling wrapped up February 5 by the West Hercules for Statoil Canada in the Flemish Pass.
- Cupids A-33 spud April 6 by the West Hercules for Statoil in the Flemish Pass.
- Bay du Nord P-76 spud May 2 by the West Hercules for Statoil in the Flemish Pass.
- Bay du Nord P-76Z spud May 2 by the West Hercules for Statoil in the Flemish Pass.
- Bay du Nord P-76 spud June 11 by the West Hercules for Statoil in the Flemish Pass.
- Bay d'Espoir B-09 spud September 13 by the West Hercules for Statoil in the Flemish Pass.

Eight exploration geoscience and geological programs took place in offshore Newfoundland and Labrador in 2015.

- Multi Klient Invest (MKI) acquired 5,293 square kilometres of 3D seismic data in the Flemish Pass for ExxonMobil.
- MKI and Nalcor Energy Oil and Gas acquired 14,404 line kilometres of 2D multi-client, seismic data in the southern Grand Banks.
- MKI and Nalcor acquired 4,987 square kilometres of 3D seismic data in the Labrador Sea.
- MKI and Nalcor acquired 2,483 line kilometres of 2D multi-client, seismic data in the southern Labrador Sea.
- Western Geco acquired 758 square kilometres of 4D data at the Hibernia oil field.
- Statoil Canada collected seabed cores and other geotechnical data in the Flemish Pass.
- MG3 (Survey) UK Ltd. collected seabed cores, slick samples and other data for Nalcor.
- Statoil contracted Fugro Searcher to conduct a seabed survey in the Flemish Pass.

### Land sales

On November 12, the C-NLOPB announced record-setting work commitments totalling more than \$1.2 billion for seven of the 11 parcels up for bids (NL15-01EN) in the Flemish Pass. Here are the results:

- **Parcel NL15-01-02:** Chevron Canada Ltd. (35%), Statoil (35%) and BG International Limited (30%) for a bid of \$43,175,000.
- **Parcel NL15-01-05:** Statoil (40%), ExxonMobil (35%) and BG International (25%) for a bid of \$11,030,633.
- **Parcel NL15-01-06:** Statoil (34%), ExxonMobil (33%) and BP Canada Energy Group ULC (33%) for a bid of \$225,158,741.
- **Parcel NL15-01-07:** Statoil (34%), ExxonMobil (33%) and BP (33%) for a bid of \$206,258,741.
- **Parcel NL15-01-08:** Statoil (50%), BP (50%) for a bid of \$35,140,653.
- **Parcel NL15-01-09:** Statoil (100%) for a bid of \$423,189,945.
- **Parcel NL15-01-10:** Nexen Energy ULC (100%) for a bid of \$261,000,000.



### Land tenure activity

**Eastern Newfoundland Region:** The nomination of parcels (NL15-01EN) closed in October in the Eastern Newfoundland region, which includes the Flemish Pass and the Orphan Basin. The C-NLOPB will consider the nominations in selecting parcels to be included in a 2016 call for bids.

In February, the offshore board identified Sector NL02-EN in this region. The next step is a call for the nomination of parcels within the sector. A call for bids is due in spring 2016 and bids are expected later in the year.

**Jeanne d'Arc Region:** The nomination of parcels in the Jeanne d'Arc region (NL15-01JDA) closed in October. The C-NLOPB will consider the nominations in selecting parcels to be included in a 2016 call for bids.

**Labrador South Region:** Two sectors have been identified in the Labrador South region. Sector NL01-LS was identified in December 2013, while Sector NL02-LS was identified in June 2015. Sectors are identified at the beginning of a land tenure cycle.

In Sector NL01-LS, a call for the nomination of parcels is anticipated in early 2016. This will be followed by a call for bids later the same year. Bids are scheduled to close in late 2017.

In Sector NL02-LS, oil and gas companies will have an opportunity to nominate parcels in early 2018. A call for bids is expected in the summer of 2018, and bids will close in the fall of 2019.

**South Eastern Newfoundland Region:** In June, the board identified the first sector (NL01-SEN) for the region, which includes the Carson Basin. Interested parties will have an opportunity to nominate parcels in early 2018. A call for bids is anticipated in 2019.

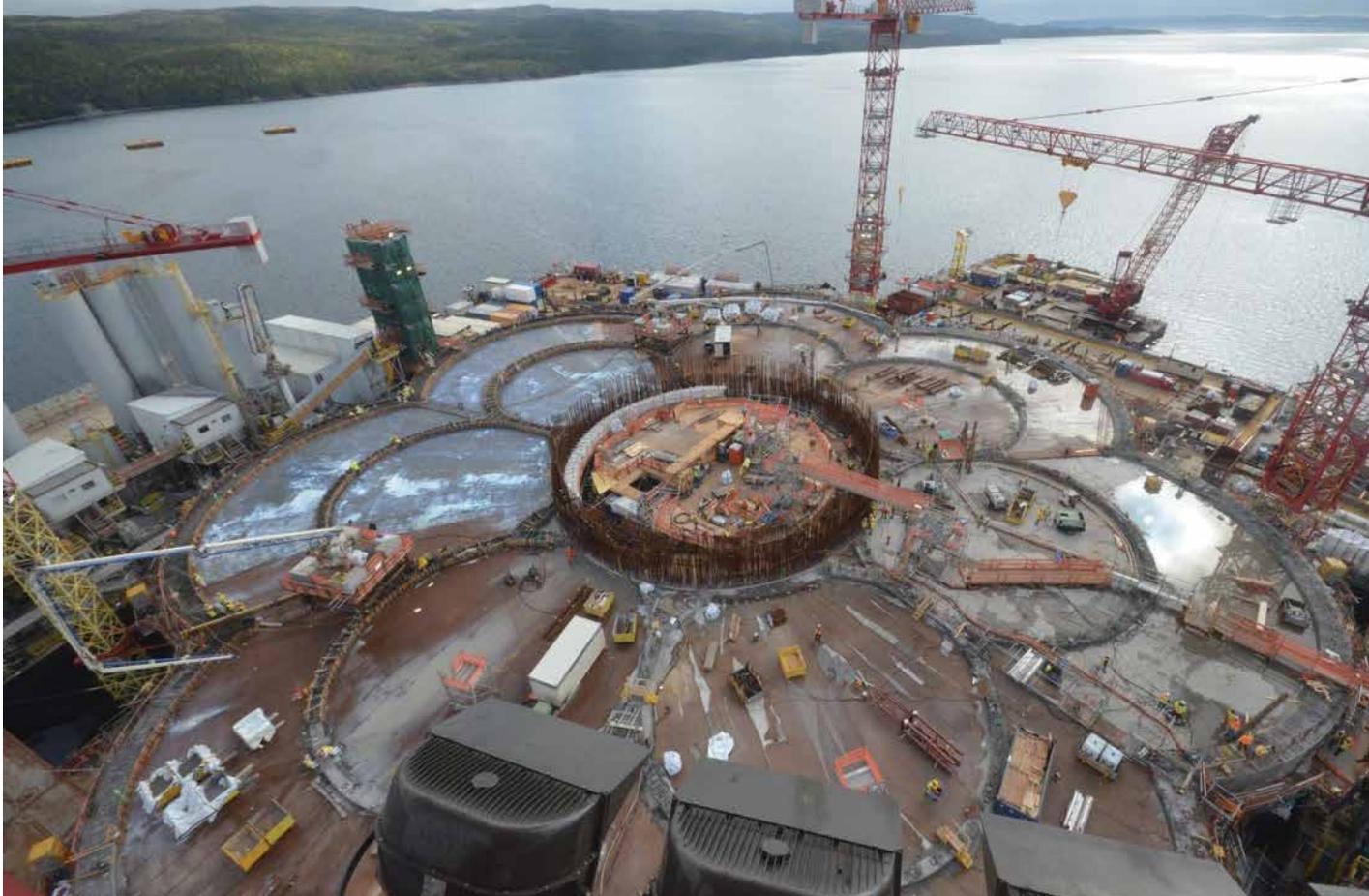
### Expansion

**White Rose Extension Project:** Husky Energy, in 2014, deferred its project investment decision to develop West White Rose using a wellhead platform. During 2015, the company continued to assess its two development options – the fixed platform and a subsea tieback.

### Development

**Hebron:** Toppersides modules started arriving at Bull Arm in late 2015 and integration of all the modules is scheduled for 2016. Construction of the gravity base structure to its full height of 120 metres also continues in 2016. First oil is scheduled for late 2017.





The Hebron GBS caisson roof was complete in early October.

## 2015: The year in review

### Oil prices

World oil prices continued to decrease in 2015 as prices for both Brent crude and West Texas Intermediate (WTI) ended the year below US\$40 per barrel – the lowest level since early 2009, according to the U.S. Energy Information Administration (EIA). Prices for both crude oil benchmarks were down 53 per cent compared with 2014, as Brent averaged US\$52 per barrel and WTI averaged US\$49 per barrel in 2015.

Brent is the pricing benchmark for oil produced in Newfoundland and Labrador and the North Sea, while WTI is the benchmark for oil produced in Western Canada and the U.S.

### Flemish Pass Basin

Statoil Canada's 18-month drilling program began in October 2014 with the arrival of the West Hercules drill rig in Newfoundland waters. By year-end 2015, the semi-submersible had drilled six wells and three sidetracks in the Flemish Pass, where Statoil is delineating its Bay du Nord discovery estimated to contain up to 600 million barrels of light crude oil. The drilling program is expected to continue into early 2016.

In June, at Noia's annual conference, Premier Paul Davis announced the province and Statoil were close to signing a term sheet.

Also at Noia's June conference, Jez Averty, Statoil's Senior Vice President of Exploration for North America, told delegates of the logistical, harsh-environment and capital challenges of developing Bay du Nord, located 500 kilometres east of St. John's.

"The Flemish Pass is in a global fight for capital where only the most competitive projects win. We believe that the Flemish Pass can be a winner, but winning will take smart and innovative solutions," he said June 17. "Winning will take collaborative spirit, mutual respect and beneficial working relations between Statoil, our partner, the authorities, the regulator and the supplier industry – everybody has a part to play."

On November 2, provincial natural resources Minister Derrick Dalley said discussions with Statoil about developing oil in the Flemish Pass were at an impasse, while Statoil said it had not



withdrawn from talks and was hopeful of reaching a mutually beneficial agreement.

### Hibernia

Work continued on the Hibernia Southern Expansion (HSE), the oilfield's first subsea tieback. HSE consists of up to five production wells drilled from the GBS and up to six water-injector wells drilled by the rig West Aquarius. The \$2-billion southern expansion will also enable additional wells to further develop the Ben Nevis-Avalon reservoir, which has been in production since 2000.

Production from HSE was scheduled for late 2015.

A planned maintenance shutdown started September 18 on board the Hibernia platform and production resumed in October.

### Terra Nova

In February, the Terra Nova FPSO hit a production milestone, pumping 370 million barrels of oil – the field's reserve estimate when the project was sanctioned in 1998. In 2013, the C-NLOPB increased its Terra Nova reserve estimate from 419 million barrels to 506 million barrels, bringing it more in line with Suncor's reserve estimate.

In March, the Transocean-owned rig Henry Goodrich wrapped up work for Suncor. A mainstay in the region since 1999, the semi-submersible drilled about 80 wells offshore, including the Terra Nova development wells. The drill rig was cold-stacked in Scotland.

In mid-May, Suncor Energy's Terra Nova oilfield started a planned 10-week maintenance shutdown to repair crude oil and storage tanks, replace the flare tip and conduct a major inspection of the starboard main power generator. The turnaround wrapped up ahead of schedule in early July.

During the annual Noia conference, Suncor's East Coast Vice President, Brent Janke, said the company believes there is more oil at the field than originally thought. Extending the life of Terra Nova, however, will depend on cost effectiveness and competitiveness.

"Our current focus is on extending Terra Nova by improving field recovery," said Janke on June 18.

### White Rose

In March, Husky completed work on the Argentia graving dock, the planned construction site for its concrete gravity structure (CGS).

Husky continues to assess two options to develop 115 million barrels of oil at the West White Rose satellite. The company is assessing a fixed wellhead platform, which has received both government and regulatory approvals, and a subsea tieback option. In June, Husky's development plan for the West White Rose Extension Project (WREP) utilizing a wellhead platform received conditional approval from the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB).

During Noia's annual conference in June, Malcolm Maclean, Husky Energy's Senior Vice President for the Atlantic Region, told delegates the company is looking for ways to reduce the capital costs and risks associated with both development options. Maclean also noted Husky is completing the design of the CGS in St. John's to de-risk the wellhead platform option, minimize design changes and enable the company to more accurately estimate the construction schedule.

In late 2014, as oil prices plunged, Husky had announced it was deferring its investment decision on the wellhead platform development for West White Rose for one year. The company has since said the production from the satellite is expected in the "2020-plus timeframe."

In July, the C-NLOPB increased its oil reserve estimate for the White Rose oilfield based on the WREP development plan – increasing the board's previous estimate by 165 million barrels for a total reserve estimate of 404 million barrels of oil.

The SeaRose FPSO underwent a planned 18-day maintenance shutdown that started in August.

In early September, the GSF Grand Banks rig completed the last of more than 100 wells it drilled in the Newfoundland offshore – many of them at White Rose, including the field's discovery well in 1984. Husky's contract with rig owner Transocean ended September 19.

Husky announced that production had started from a second well at the South White Rose satellite on September 6. The first well came on stream in late June. South White Rose is the second subsea tieback development at the Grand Banks oil field.

In mid-September, rig contractor Seadrill Ltd. cancelled its purchase of the West Mira, a new build, harsh-environment semi-submersible once destined to operate in the NL offshore under a five-year contract to Husky Energy. Construction of the sixth-generation, ultra-deepwater rig in South Korea was behind schedule when Seadrill cancelled the purchase in the midst of continued low oil prices, low demand for rigs and pressure to reduce rig rates.

The company deferred drilling of the North Amethyst Hibernia well until 2016-2017 pending rig availability, according to the company's third quarter results issued October 30. Production from the zone deep beneath the White Rose oilfield had been scheduled for the fourth quarter of 2015.

In December, Husky Energy announced a two year contract with rig owner Transocean to bring the Henry Goodrich back to the NL offshore by mid 2016. The rig will drill development wells for South White Rose and North Amethyst, along with near-field exploration wells.

### Hebron

Work continued this year on the gravity base structure (GBS) with mechanical outfitting, installation, post-tensioning and solid ballasting of the structure. Installing steel plates was the next step to support the roof slab before work on the centre shaft can begin.

The next big GBS activity is the final concrete slip form operation that will take the center shaft to its final height of about 120 metres. Construction, including installing the piping and electrical systems, will continue in 2016.

The derrick equipment set arrived in late November at Bull Arm, following a two-month voyage from the Hyundai Heavy Industries yard in South Korea. Hyundai is also building the process and utilities

module, the largest topsides component, and that work will continue in 2016.

In October, the flare boom was completed by Talon Energy Services in Port aux Basques. The drilling support module built by Kiewit Offshore Services in Marystown was completed in December and transported by barge to Bull Arm. The helideck and lifeboat stations fabricated by C&W Offshore in Bay Bulls were nearing completion in November.

All structural levels of the accommodations module were completed by NEAL, a joint venture between Apply Leirvik and North Eastern Constructor's Ltd., which is part of The Cahill Group. Sections of the module were constructed at Cahill facilities in the province and sent to Bull Arm for assembly and architectural finishing.

Integration of all the modules is scheduled for 2016. Tow-out of the completed Hebron platform to the Grand Banks oilfield is scheduled for 2017, with first oil expected in late 2017.

### Land tenure activity

The highlight of this year's land tenure activity was the November 12 announcement of record-setting land sale results in the Eastern Newfoundland region (NL15-01EN), where six companies bid more than \$1.2 billion for seven parcels in the Flemish Pass where 11 parcels were on offer. The combined bids set a record in the NL offshore.

Statoil holds interests in six of the new exploration licences that surround the Bay du Nord discovery and existing ELs held by the company:

- One EL with Chevron Canada Ltd. and U.K. based BG International Ltd., which recently acquired Repsol E&P Canada's interests in three Flemish Pass exploration licences held by Statoil
- Two ELs in partnership with ExxonMobil and NL offshore newcomer, BP Canada Energy Group ULC
- One EL in partnership with ExxonMobil and BG International Ltd.
- One EL with partner BP Canada
- One wholly owned EL



Hebron's drilling support module was moved by barge from the Kiewit Offshore Services fabrication site to Bull Arm in December.

The seventh new EL is 100 per cent held by Calgary based Nexen Energy ULC, another NL offshore newcomer that is a wholly owned subsidiary of China's state energy company, CNOOC Ltd.

The new ELs will be issued mid-January 2016.

Other land tenure activity included the October 20 closing of the nomination of parcels in the Jeanne d'Arc region (NL15-01JDA) and in the Eastern Newfoundland region (NL15-01EN), which includes the Flemish Pass and the Orphan Basin; a sector identification (NL02-LS) in Labrador South, the first step in the region's four year land sale cycle; a sector identification (NL01-SEN) in South Eastern Newfoundland, which includes the Carson Basin and follows a four-year cycle; and a sector identification (NL02-EN) in Eastern Newfoundland, the first step in the region's two year cycle. In January, the C-NLOPB issued three new exploration licences – EL 1135 in the Flemish Pass, EL 1136 in the Carson Basin and EL1137 in the Jeanne d'Arc basin – to operator ExxonMobil for total bids of \$596.7 million following the conclusion of land sales in 2014.

### Offshore resource assessment

On October 1, Nalcor Energy Oil & Gas and the provincial government issued the first in a planned series of resource assessments of the Newfoundland and Labrador offshore. The assessment showed the "in place" hydrocarbon potential to be 12 billion barrels of oil and 113 trillion cubic feet of natural gas in 11 Flemish Pass parcels that closed for bids November 12.

"At 12 billion barrels of 'in place' oil potential we will have several more Hibernia-sized developments in an area covering a very small percentage of our offshore," stated Nalcor President and CEO Ed Martin. "We are seeing similar prospectivity in other areas – it is safe to say offshore Newfoundland and Labrador is poised for tremendous growth."

The resource assessment issued in the fall covers two per cent of Newfoundland and Labrador's entire offshore area.

Future resource assessments for each NL offshore region will be released to the oil & gas industry prior to the bid closure of upcoming licensing rounds.

International petroleum consultants Beicip Franlab produced the assessment using geoscience data collected by Nalcor Energy and its partners since 2011. To date, more than 100,000 line kilometres of 2D multi-client seismic data has been acquired in the NL offshore and marketed to global oil & gas companies.

### Seismic and exploration

In June, ExxonMobil began seismic exploration of a new Flemish Pass exploration licence (EL 1135) awarded to the company in January 2015. The company hired Multi Klient Invest (MKI) to collect 5,293 square kilometres of 3D seismic data using the vessel Ramform Valiant. The survey wrapped up in October.

MKI operated four seismic research vessels in the Newfoundland and Labrador offshore this year, and Nalcor Energy was a partner in three of those surveys. MKI is a subsidiary of the Norwegian seismic company Petroleum Geo-Services (PGS), which is in turn partnered with TGS, another Norwegian seismic firm. The MKI seismic data is marketed worldwide and sold to multiple clients.

The vessel Atlantic Explorer started a 2D survey of the southern Grand Banks in June and collected 14,404 line kilometres of multi-client data when the survey wrapped up on late October.

Ramform Viking began a 3D survey in July collecting 4,987 square kilometres of data in the Labrador Sea, where a licensing round is scheduled in 2016.

Between August and early November, the vessel Sanco Spirit acquired 2,483 line kilometres of 2D multi-client data in the southern Labrador Sea, where licensing rounds are also scheduled. The vessel did infill surveys in Areas of Interest (AOI), a term used by the C-NLOPB to identify areas where future land sales will occur under the board's scheduled land tenure system.

By the end of this year, Nalcor Energy estimates that more than 100,000 line kilometres of multi-client 2D data will have been collected in the offshore since 2011 and made available to the global oil & gas industry.

The vessel Western Trident carried out a 4D survey of the Hibernia oilfield between June 10 and the end of August, collecting 760 square kilometres of data. This survey is designed to show changes in a reservoir as oil & gas is produced over time.

In early February, drilling wrapped up at Husky's Aster C-93A exploration well in the southern Flemish Pass, where the company is partnered with Suncor (40 per cent) and Repsol (20 per cent). In its third-quarter results issued October 30, Husky noted the well did not encounter economic quantities of hydrocarbons.

### New minister, new mandate

Siobhan Coady was named Minister of Natural Resources following the November 30 election of a new provincial government led by Premier Dwight Ball. The minister's mandate, as outlined in a December 14 letter from the premier, includes the creation of an Oil & Gas Industry Development Council consisting of government officials and industry stakeholders. It also includes creating conditions for increased offshore exploration and development by streamlining processes for regulatory approvals and certifications; establishing a generic royalty regime for future developments; and pursuing options for the exploration and development of natural gas.

### Generic oil royalty regime

The Paul Davis government released a framework for a proposed new generic offshore oil royalty regime November 2 – calling it internationally competitive, simplified and transparent. Rather than negotiate separate royalty agreements for each field, the government aimed for a new royalty regime for all future offshore oil developments. Implementation of the new regime requires formal regulation and legislation.

"The regime is built around the R (or return) factor, which is a ratio of project revenue over costs and accounts for variables that affect project economics such as sales revenue, pre-development and development costs, transportation costs, and historical royalties paid," said the provincial government news release.



Among the highlights of the generic oil royalty framework:

- Royalty rates will increase as fields become more profitable. The highest rates will be paid by oil fields that have returned \$3 to the producers (after royalty) for every \$1 spent.
- Basic royalty, which is applied to gross revenue, begins at first production and increases from one per cent to 7.5 per cent as the project recovers its costs.
- Net royalty, which is applied to net revenue, begins once project costs are fully recovered. The rate ranges from 10 per cent to 50 per cent. (Basic royalty is a credit against net royalty once it becomes payable.)

### **BG Group and Teekay Offshore**

In September, U.K. oil & gas company BG Group announced the purchase of Repsol E&P Canada's stake in three deepwater exploration licences – ELs 1123, 1125 and 1126 – operated by Statoil in the Flemish Pass. The ELs are held by subsidiary BG International Ltd. and the purchase price was not disclosed.

BG acquired a 25 per cent interest in EL 1123 where Statoil spud the Cupids A-33 well on April 6. BG also acquired a 10 per cent interest in the remaining ELs in which Statoil (50 per cent) is also partnered with Chevron Canada (40 per cent).

BG Group is in the midst of a merger with Royal Dutch Shell. In late January, shareholders of both Shell and BG are scheduled to vote on the merger of the two companies. Shell also holds 100 per cent interest in five ELs issued in the Laurentian sub-basin off Newfoundland's south coast.

On June 1, nine oil & gas companies operating in the Jeanne d'Arc basin signed a 15-year contract with British Columbia-based Teekay Offshore Partners LP to transport crude from the Hibernia, Terra Nova, White Rose and Hebron oilfields. The shuttle tanker contract had been held by Canship Uglund Ltd. since oil first flowed from the Hibernia oilfield in 1997.

To service the NL offshore contract, Teekay also announced in June that three Suezmax-size shuttle tankers will be built in South Korea at a cost of about \$365-million, with an option for a fourth

vessel. The company expects the three vessels to be delivered between the fourth quarter of 2017 and mid-2018.

### **Western Newfoundland**

In October, the Newfoundland and Labrador Hydraulic Fracturing Review Panel held a round of public consultation sessions in Rocky Harbour, Stephenville, Port au Port East and Corner Brook.

The five-member panel was appointed by the provincial government in October 2014 to review the socio-economic and environmental implications of hydraulic fracturing in Western Newfoundland. The panel has a mandate to make recommendations on whether or not hydraulic fracturing should be undertaken in Western Newfoundland. If the panel recommends proceeding with hydraulic fracturing, it will also make recommendations on the appropriate practices and procedures for potential hydraulic fracturing operations in the province.

A provincial government moratorium on the acceptance of proposals to hydraulically fracture wells in Western Newfoundland has been in place since November 2013.

On the exploration front, Black Spruce Exploration is planning a scaled-down drilling program off Western Newfoundland that does not include "hydraulic fracturing or other reservoir stimulation techniques." The company is proposing to drill one onshore-to-offshore exploration well, targeting EL 1120, in 2015-16, according to a revised project description filed with the C-NLOPB in May. Last January, Black Spruce announced it had paid a drilling deposit for a one-year extension on EL 1120, giving the company until January 2016 to spud a well on the licence.

### **Nova Scotia**

On October 23, Shell Canada started drilling the first of two deepwater exploration wells – Cheshire and Monterey Jack – in the Shelburne Basin using the drillship Stena IceMAX. The Cheshire L-97 well is located in 2,143 metres of water.

The company received approval in October from the Canada-Nova Scotia Offshore Petroleum



Hebron's completed flare boom sits outside Talon Energy's Port aux Basques construction facility in October.

Board (C-NSOPB) to begin drilling in the basin following Shell's commitment to reduce the time to deploy a primary well-capping stack from 12-21 days to 12-13 days. The stack would be used in the event of a blowout.

Shell also reiterated an earlier commitment to deploy a second well-capping stack at the same time. If necessary, the primary well-capping stack would be deployed from Stavanger, Norway, while the secondary stack would be shipped from Aberdeen, South Africa, Singapore or Brazil. Shell holds a 50 per cent interest in six exploration licences in the Shelburne Basin about 350 kilometres south of Halifax. The company is partnered with ConocoPhillips (30 per cent) and Suncor Energy (20 per cent). Shell also owns a 31 per cent interest in the Sable Offshore Energy Project (SOEP).

The C-NSOPB announced in November that Statoil was the successful bidder for two exploration licences – a first for the Norwegian company in the NS offshore. Bids totalled \$82 million for the two parcels located southwest of the Shelburne Basin. The offshore board said no bids were received on seven of the nine land blocks available. The new ELs will be issued mid-January 2016.

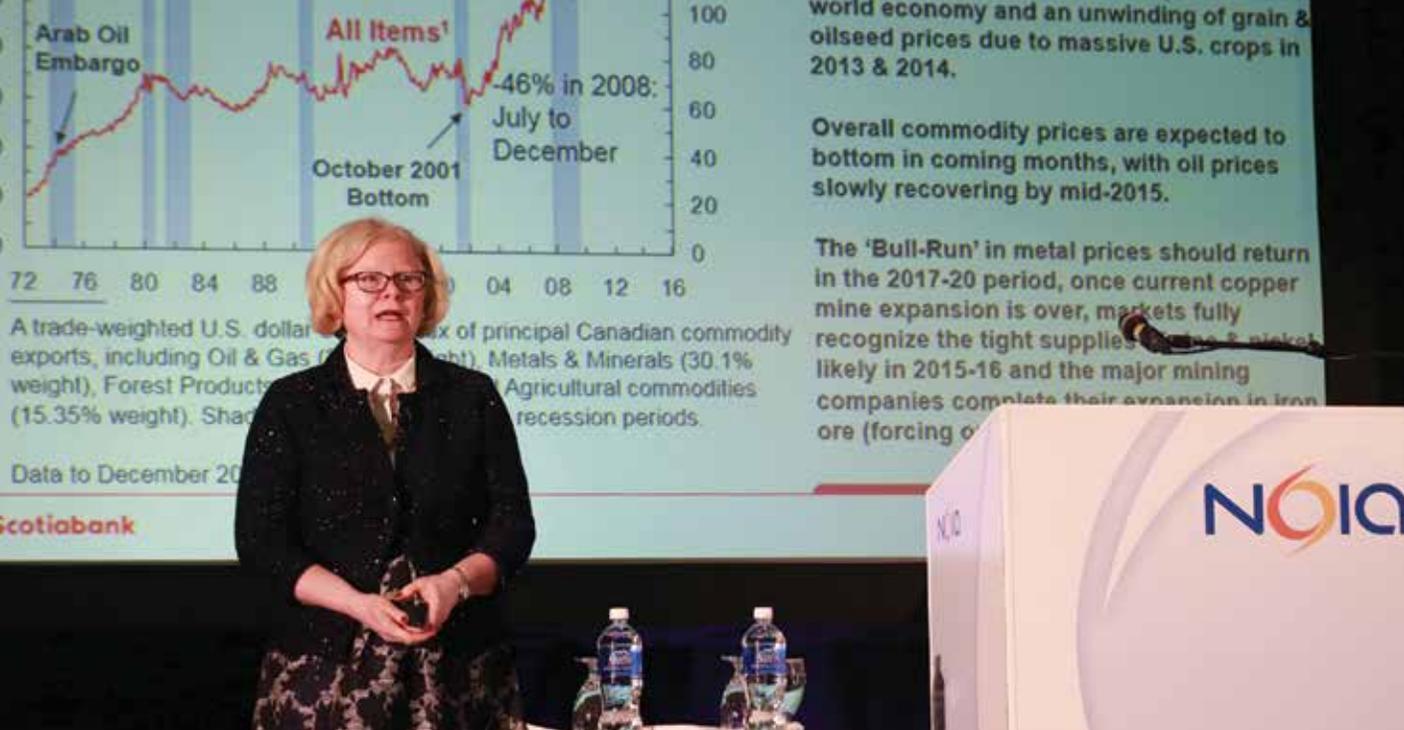
The Deep Panuke natural gas field resumed production in late October following a five month seasonal shutdown. In 2015, Encana Corp. announced the field would become a seasonal operation – producing during the winter months

for the New England market and shutting in during the summer months when demand and prices are low. Prior to the shutdown in May, the field was producing between 180 million cubic feet and 200 million cubic feet of natural gas per day.

Operating on a seasonal basis is expected to extend the life of Deep Panuke, which has been producing high rates of water since the fall of 2014. Encana also cut its remaining reserve estimate for the field by more than half to 200 billion cubic feet. Deep Panuke started production in 2013.

BP remains committed to start drilling a well off Nova Scotia in the latter half of 2017 despite declining oil prices. The company's drilling plans are in the environmental assessment stage. During the summer of 2014, BP acquired 7,090 square kilometres of wide azimuth 3D data. It operates four exploration licences in deep water southwest of Sable Island. BP acquired the licences in 2012 for a bid of \$1.05 billion, and in late 2014 partnered with U.S.-based Hess Corp. (40 per cent) and Australian-based Woodside Petroleum (20 per cent).

ExxonMobil Canada said it could start plugging wells at the Sable Offshore Energy Project as early as 2017, though no firm date has been announced for decommissioning the natural gas field that started production in 1999. The field was expected to have a 25-year lifespan, but in recent years natural gas production has dwindled.



Patricia Mohr speaks to Noia AGM attendees in February.

## Noia Events

### Annual General Meeting

Noia membership elected its 2015 Board of Directors on February 4, 2015, at the association's Annual General Meeting. Elected from a field of 14 candidates, Noia welcomed five new directors:

- Bill Fanning, Kvaerner Canada
- Craig Ralph, ABM
- Torfi Thorarinson, Technip
- Anne Whelan, Brenkir Industrial Supply
- Stephen Young, Subsea 7 Canada

The newly elected directors joined Noia directors and executive officers serving terms in 2015:

- Sean Power, DF Barnes, Chair
- Raymond Collins, PF Collins International Trade Solutions, Vice-Chair
- Bruce Grant, Stewart McKelvey, Treasurer
- John Henley, Cahill Group of Companies, Past-Chair
- Andrew Bell, K&D Pratt Group, Director
- Liam O'Shea, Atlantic Offshore Medical Services, Director

Sean Power assumed the Board Chair position at the Annual General Meeting, taking over for John Henley, who moved into the Past-Chair role. Raymond Collins was acclaimed to the Vice-Chair position.

Noia's 2015 Board Chair, Sean Power, addressed the more than 225 attendees, acknowledging the challenges of the current downturn in oil prices,

while emphasizing the collective responsibility of the industry to develop the province's oil & gas resources with a long-term, sustainable view.

"There is no question that current oil prices are challenging all of us across this industry – supply and service companies, operators and governments alike," said Mr. Power. "Yet, even in the current environment, there is continued optimism about our prospectivity and, make no mistake, Newfoundland and Labrador's future in oil & gas remains strong."

Noia's membership also heard from keynote luncheon speaker, Patricia Mohr, Vice-President, Economics & Commodity Market Specialist with Scotiabank, who discussed how the current price of oil will impact the global economy in her presentation "Changing Oil Market Dynamics – Saudi Arabia Triggers Lower Oil Prices to Slow U.S. Shale Development."

Presentations throughout the AGM highlighted significant industry achievements from the past year that have strengthened Newfoundland and Labrador's position in the global oil & gas industry. This included the acquisition of 30,000 kilometres of 2D seismic data by Nalcor Energy and their partners TGS and PGS, a record land bid of \$559 million for a single parcel of land, and the continued exploration, production and development investments being made by global companies in the province's offshore.





Kevin Roche (L) and Mike Wahl received Noia's 2016 Industry Achievement Awards.

### Industry Achievement Awards

Kevin Roche of Noble Drilling Canada (retired) and Mike Wahl of Definitions Health & Wellness were recognized for their industry contributions at Noia's Industry Achievement Awards Gala, which took place on February 25, 2015 at the Sheraton Hotel Newfoundland.

Mr. Roche was the recipient of the 2015 Outstanding Contribution Award, which recognizes exemplary individuals who have influenced the development of our local oil & gas industry and who have demonstrated qualities of vision, integrity and leadership through their work and lives. Retiring from Noble Drilling in 2011, Mr. Roche was recognized for his instrumental role in building sustainable resource development processes for the East Coast oil & gas industry. His career in the industry spanned 34 years and included leadership positions with several leading-edge companies, here in Newfoundland and Labrador and as far away as Stavanger, Copenhagen and Aberdeen.

Mr. Roche was also instrumental in ensuring the transfer of knowledge between Noble's operations worldwide and the growing oil & gas industry in this province.

Only in its second year, the Rising Star Award recognizes the talents of an impressive individual who is 40 years old or younger and has made remarkable strides in their role in the local oil & gas industry. The 2015 recipient was Mike Wahl, founder and Manager Director of Definitions Health & Wellness. Over the past 12 years, Mr. Wahl transformed his company from a single location fitness studio into a full-service health, wellness and safety company that services 25 oil & gas companies in Newfoundland and Labrador. Under his leadership, Definitions has grown internationally and is recognized as an expert organization in the delivery of health and wellness solutions through the use of innovative, scientifically-based methodologies that provide measurable results.



### Noia Annual Conference

Noia's 31st annual conference took place June 15-18, 2015. Themed *Redefining Oil: Bringing the Future Home*, the conference focused on building a stronger, more sustainable oil & gas industry in Newfoundland and Labrador.

The 2015 program brought together a roster of prominent speakers to address key industry topics, including what current oil prices mean for the global and local industry today and over the long-term; insights into the emerging technologies; pioneering solutions and types of rigs necessary for the remote, harsh deepwater and slope environments; and projections for the true potential of the province's oil & gas industry.

Highlights of the 2015 conference agenda were keynote addresses by the following speakers:

- Captain Richard Phillips, Captain of the MV Maersk Alabama
- Rex Murphy, Host of Cross Country Checkup and Correspondent with The National, CBC
- Arthur Berman, Labrynth Consulting Services
- Honourable Paul Davis, Premier of Newfoundland and Labrador

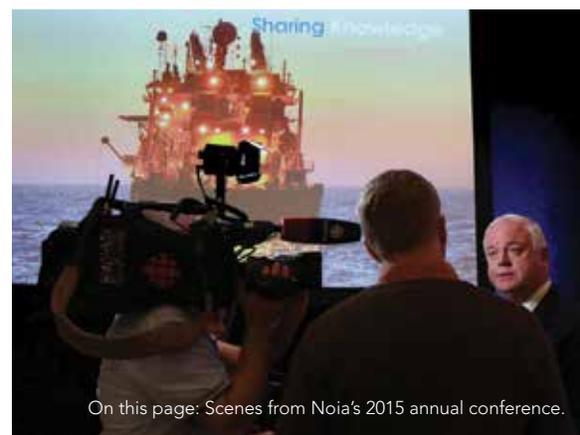
- Jez Averty, Statoil
- Honourable Derrick Dalley, Provincial Minister of Natural Resources

The conference also included a panel discussion on optimizing development costs, featuring:

- Liv Monica Stubholt, Hjort and Chair, 2013 KonKraft Initiative (Norway)
- Ken Cruickshank, Oil & Gas UK (United Kingdom)
- Thomas Ross, McLennan Ross LLP (Alberta)
- Derek Owen, RDO Consulting (Newfoundland and Labrador)

Exxon Mobil Canada, Husky Energy, Nalcor Energy and Suncor Energy provided operator updates and the conference also featured a number of high profile speakers:

- Greig Aitken, Wood Mackenzie
- Jarand Rystad, Rystad Energy
- Carla Regan, Genesis Oil & Gas
- Hilde Benedikte Østlund, Kvaerner
- Brian Rogers, Subsea7
- Tim McMillan, Canadian Association of Petroleum Producers
- Steve Jacobs, Sinclair Group
- Terry Childs, Rigzone
- Scott Tessier, C-NLOPB





Noia publicly launched *Redefining Oil* at the Fall Seminar.

### Noia Fall Seminar

With the world's easy-to-access reserves having already largely been found, international oil companies are struggling to find new sources of oil to replace the resources being extracted. And as the search for oil increases in intensity, exploration in difficult-to-access areas has become a necessity. Globally, more than 50 per cent of exploration spend is in deep-water and remote areas and according to Wood Mackenzie, this trend is expected to continue. Given this reality, "Navigating Remote Logistics: Recognizing the Challenges. Knowing the Solutions" was the theme of the 2015 Noia Fall Seminar, which took place on November 19. The seminar featured a range of speakers that provided a timely, relevant and in-depth look at what it takes to operate in remote areas, including identifying the challenges, and the solutions.

Opening the seminar was Chair of Noia's Board of Directors, Sean Power, who officially launched *Redefining Oil* – Noia's vision for a renewed, long-lasting oil & gas industry for Newfoundland and Labrador.

With *Redefining Oil* setting the stage, speakers then discussed the impact of lower oil prices on both the provincial and Canadian economies; the various requirements and processes for mobilizing rigs to operate in remote locations, as well as Nalcor Energy's recent resource assessment. The seminar also included an engaging and informative panel discussion, "Taking a closer look: an in-depth discussion of managing remote offshore projects," which covered what the supply community, government and regulators need to know to help companies and project operators respond effectively to the challenges involved in remote operations.

The keynote speaker was Wylie Spicer of McInnes Cooper. Mr. Spicer provided much needed information about operating beyond the 200 mile limit, including the implications – to the province, country and operators – of developing fields outside the limit. He also addressed a number of other considerations, including jurisdictional issues, applicable tariffs and search and rescue support.



### Society of Petroleum Engineers Distinguished Lecturer Series

In partnership with the Society of Petroleum Engineers (SPE), Noia hosts a series of luncheons featuring technical presentations. Two were held in 2015:

#### Assessing and Applying Petroleum Engineering Data from the 2010 Macondo Blowout

Speaker: John Turley  
Date: September 14, 2015

#### Bridging the Gap between Drilling and Completions: Challenges and Solutions in Horizontal Wells

Speaker: Mary Van Domelen  
Date: November 9, 2015



### Understanding the New Oil and Gas Environment

In December, Noia partnered with BDC to present "Understanding the New Oil and Gas Environment: Strategies" to weather the storm and seize new opportunities.

This half day information session focused on helping entrepreneurs gain a better understanding of the oil and gas industry and sharing to survive the current downturn in oil prices.

Noia staff joined many Noia members participating in this complimentary session, which included a presentation by BDC's Chief Economist, case studies and an interactive working lunch.

### Hebron Project Supplier Information Webcast

Noia members availed of a Hebron Project-hosted Supplier Information Webcast in late July. ExxonMobil Canada Properties (EMCP), Kiewit-Kvaerner Contractors and WorleyParsons provided members with procurement updates and a forecast of future opportunities. EMCP also gave an update on its Supplier Diversity Program.



Keirsten Mahoney receives the Noia – Hibernia Commemorative Scholarship from Noia Board members Torfi Thorarinson (L) and Paul Lannon.

### Noia-Hibernia Commemorative Scholarship

Established in 1977, the Noia-Hibernia Scholarship Fund is designed to foster the bright minds that will shape the future of our province's oil & gas industry.

Presented annually, the award provides \$1,000 to a graduating high school student in Newfoundland and Labrador who is entering post-secondary studies with the intention of pursuing a petroleum related career. It recognizes excellence not only in academics, but in extra-curricular areas as well. Keirsten Mahoney of Holyrood was the recipient of the 2015 Noia-Hibernia Commemorative Scholarship.

A permanent fixture on the honour roll since grade seven, Keirsten graduated from Roncalli Central High School in Avondale with a 92 per cent average. Not only was she accepted into Memorial University, but was accepted directly into the Faculty of Engineering, where she is currently studying mechanical engineering.

Called "responsible, mature and hard-working" by her high school principal, she also won the praise and respect of all her teachers. In 2014

she was recognized by the Roncalli Central High teaching staff as the Level 2 recipient of the Roncalli Ambassador Award, which is presented to a student who exemplifies strong leadership qualities, a positive attitude, cooperation, outstanding behaviour, enthusiasm, participation in a variety of school sponsored activities and is a role model for other students. In grade 9, Keirsten was also the recipient of the Johnson Horizons Leadership Award, which recognizes outstanding leadership qualities and a strong academic standing.

A well-rounded individual, in addition to her school work, Keirsten has always made time for extracurricular activities. She is an accomplished fiddle player who plays with the award winning, non-profit group, The Celtic Fiddlers. She is also a valued member of the student council leadership team and volunteers with Ronald MacDonald House. She was named Female Athlete of the Year while in high school and was a key contributor to the girls' basketball and volleyball teams.

Keirsten has also been involved with the prestigious and challenging Duke of Edinburgh Program, as well as the Shad Valley program at the University of Saskatchewan.



## Industry Events

### Northern Exposure 2015

Northern Exposure was established in response to the interest expressed by island-based and other Canadian companies looking to learn more about the growing economic opportunities in Labrador. This high-profile three-day event helps to promote Labrador business and partnership opportunities in nearly every sector, and this past year attracted more than 800 participants from across Newfoundland and Labrador, Canada, and abroad.

Northern Exposure 2015 took place January 27-29 at the Delta St. John's Hotel and Mile One Stadium in St. John's and included conference sessions and keynote presentations focusing on what Labrador has to offer, as well as the many partnership opportunities that exist in various sectors.

Bob Cadigan, Noia's President & CEO, spoke at the conference and many Noia members were in attendance.



### Arctic Technical Conference, Denmark, March 23 – 25

ATC is an Arctic-focused expansion of the Offshore Technology Conference (OTC), the world's foremost event for the development of offshore resources in the fields of drilling, exploration, production and environmental protection, founded in 1969. ATC is built upon OTC's successful multidisciplinary approach with 14 technical societies and organizations working together to deliver the world's most comprehensive Arctic event. The annual Arctic Technology Conference has a proven success record in providing a worldwide platform for industry colleagues, vendors and academia to network, share ideas, research and showcase cutting edge technology to overcome the challenges for producing in the world's harshest climate.

Noia's President & CEO, Bob Cadigan, attended this informative conference and brought back many learnings to share with members.



### 2015 Offshore Technical Conference (OTC), Houston, Texas

Many Noia member companies joined Newfoundland and Labrador's oil & gas industry delegation at the annual Offshore Technology Conference (OTC) in Houston from May 4 to 8. OTC brings together industry leaders, investors, buyers and entrepreneurs to develop markets and business partnerships. Delegates have access to leading-edge technical information, the industry's largest equipment exhibition and new professional contacts.

Once again, Noia hosted the annual East Coast Canada reception. Sponsored by Chevron, Nalcor Energy Oil & Gas and the Government of Newfoundland and Labrador, the reception – attended by more than 200 delegates – provided Noia members with the opportunity to network with others involved in developing East Coast Canada's hydrocarbon resources.



### Expo Labrador, Happy Valley-Goose Bay, June 21 – 24

Managed by the Labrador North Chamber of Commerce, Expo Labrador provides a venue for delegates and exhibitors alike to network with other industry leaders while learning about recent resource developments in Labrador. Expo Labrador 2015, with the theme *20 Years: Looking Back, Forging Ahead*, was held June 21-24 at the E.J. Broomfield Memorial Arena in Happy Valley-Goose Bay. In addition to Noia members attending the event, Noia staff staffed a booth at the tradeshow.

### Learnings from Norway

At the invitation of the Norwegian Embassy, in September, Noia Chair, Sean Power, and President & CEO, Bob Cadigan, travelled to Norway to learn more about that country's approach to deep and ultra-deep water developments. The focus of the informative two-day meetings included regulatory and policy environments in other countries, field development, remote logistics and support, as well as technology development, including R&D and commercialization improvement especially related to deep and ultra-deep water in harsh environments.



### Offshore Europe in Aberdeen, Scotland

With the theme *Inspiring the next generation*, SPE Offshore Europe 2015, held in Aberdeen, Scotland from September 8-11, sent out a very clear message that the oil & gas industry has a future for many years to come.

Noia was represented in the Government of Newfoundland and Labrador-led delegation at the 2015 conference, which was the second highest attended in the long history of the show, with 55,947 delegates attending from 104 countries.

Over the four days of the world's largest upstream oil & gas conference and exhibition outside North America, around 5000 visitors attended the conference plenary session, 11 keynote sessions, 80 SPE technical paper presentations, and daily topical lunches and breakfast briefings.



### Placentia Bay Industrial Showcase

The 2015 Placentia Bay Industrial Showcase featured discussions about Canada Flourspar's project at St. Lawrence, North Atlantic's Come by Chance oil refinery, the Hebron GBS project at Bull Arm, the Vale nickel plant at Long Harbour and construction activities by Husky Energy, as well as potential fabrication and marine transportation opportunities at Argentia.

In addition to Noia's booth in the tradeshow, Noia President & CEO, Bob Cadigan, was one of the many distinguished speakers at the event.



Redefining Oil Launch



Noia's annual golf tournament



Noia Board Chair Sean Power



# INDEPENDENT AUDITORS' REPORT

To the Members of  
**Newfoundland & Labrador Oil & Gas Industries Association**

We have audited the accompanying financial statements of **Newfoundland & Labrador Oil & Gas Industries Association**, which comprise the balance sheet as at December 31, 2015, and the statements of revenue and expenses and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. Management's responsibility for the financial statements Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Newfoundland & Labrador Oil & Gas Industries Association** as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

St. John's, Canada,  
January 21, 2016

*Ernst + Young LLP*

Chartered Professional Accountants

# BALANCE SHEET

As at December 31

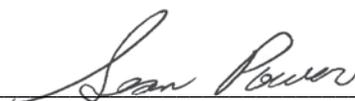
	2015 \$	2014 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	994,999	979,347
Accounts receivable [note 3]	225,874	314,650
Prepaid expenses	35,789	36,865
<b>Total current assets</b>	<b>1,256,662</b>	1,330,862
Scholarship Fund investments, internally restricted [note 6]	14,615	14,158
Capital assets, net [note 4]	150,438	130,499
	<b>1,421,715</b>	1,475,519
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities [note 7]	181,802	254,432
Deferred revenue [note 5]	255,442	241,404
<b>Total current liabilities</b>	<b>437,244</b>	495,836
Deferred capital contributions [note 5(a)]	115,279	105,635
<b>Total liabilities</b>	<b>552,523</b>	601,471
 <i>Commitments [note 8]</i>		
<b>Net assets</b>		
Net assets - unrestricted	854,577	859,890
Net assets restricted for Scholarship Fund [note 6]	14,615	14,158
<b>Total net assets</b>	<b>869,192</b>	874,048
	<b>1,421,715</b>	1,475,519

See accompanying notes

On behalf of the Board:



Director



Director



# STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS

Year ended December 31

	2015 \$	2014 \$
<b>REVENUE</b>		
Annual conference	972,848	1,058,967
Membership fees	562,782	555,144
Programs		
Seminars and events	223,226	310,802
NOIA news	88,612	91,770
Other publications	105,156	109,959
Special projects		
Supply Chain Project	70,917	42,862
Labour Market Development Program	117,776	142,693
Miscellaneous	5,433	7,182
Interest income	8,424	14,121
	<b>2,155,174</b>	<b>2,333,500</b>
<b>EXPENSES</b>		
Administration	1,160,125	1,227,210
Annual conference	373,624	459,191
Special projects		
Labour Market Development Program	116,073	140,858
Industry Sustainability & Growth Program	150,651	114,225
Supply Chain Project	109,077	72,448
Programs	240,636	281,529
Amortization	10,301	9,100
	<b>2,160,487</b>	<b>2,304,561</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(5,313)</b>	<b>28,939</b>
Net assets - unrestricted, beginning of year	859,890	830,951
<b>Net assets - unrestricted, end of year</b>	<b>854,577</b>	<b>859,890</b>

See accompanying notes

# STATEMENT OF CASH FLOWS

Year ended December 31

	2015	2014
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the year	(5,313)	28,939
Add item not affecting cash		
Amortization	10,301	9,100
Net change in non-cash working capital balances related to operations [note 10]	31,260	(163,423)
<b>Cash provided by (used in) operating activities</b>	<b>36,248</b>	<b>(125,384)</b>
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	(30,240)	(18,920)
<b>Cash used in investing activities</b>	<b>(30,240)</b>	<b>(18,920)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in deferred capital contributions	9,644	10,960
<b>Cash provided by financing activities</b>	<b>9,644</b>	<b>10,960</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>15,652</b>	<b>(133,344)</b>
Cash and cash equivalents, beginning of year	979,347	1,112,691
<b>Cash and cash equivalents, end of year</b>	<b>994,999</b>	<b>979,347</b>

See accompanying notes



# NOTES TO FINANCIAL STATEMENTS

December 31, 2015

## 1. DESCRIPTION OF BUSINESS

Newfoundland & Labrador Oil & Gas Industries Association [the "Association" or "Noia"] is incorporated under the Newfoundland and Labrador Corporations Act as an organization without share capital. Noia members share a common interest in the offshore/onshore oil and gas sector.

Noia's mission is to promote development of East Coast Canada's hydrocarbon resources and to facilitate its membership's participation in the oil and gas industries.

Noia is a non-profit organization under the *Income Tax Act* (Canada) and is not subject to income tax.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Accounting Handbook – Accounting Standards for Not-for-Profit Organizations ["GAAP"], which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below:

### Revenue recognition

Noia follows the deferral method of accounting for contributions, which primarily include grants and certain government assistance amounts. Annual conference revenue is recognized as the services are provided. Membership fees are billed on an annual basis and are recognized as revenue over the twelve-month membership period. Restricted contributions that have been designated for special projects such as capital expenditures are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable. All other revenue is recognized when services are provided and collection is reasonably assured.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and high interest savings accounts.

### Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.



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## Capital assets

Tangible and intangible capital assets are recorded at cost. Amortization is provided on the declining balance basis at rates that will reduce original cost to the estimated residual value over the useful lives of the assets.

## Leases

Leases entered into are classified as operating wherein rental payments are expensed as incurred.

## Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

## Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates include revenue recognition. Actual results could differ from these estimates.

## 3. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

	2015	2014
	\$	\$
Members and trade, net	<b>196,811</b>	314,650
Atlantic Canada Opportunities Agency	<b>29,063</b>	—
	<b>225,874</b>	314,650



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## 4. CAPITAL ASSETS

Capital assets consist of the following:

		2015		2014	
	Rate	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
<b>Tangible</b>					
Computer equipment	30%	110,666	82,099	28,567	15,800
Furniture and equipment	20%	36,532	31,097	5,435	6,749
		<b>147,198</b>	<b>113,196</b>	<b>34,002</b>	22,549
<b>Intangible</b>					
Computer development and website	50%	53,688	52,531	1,157	2,315
Capability database	50%	115,279	—	115,279	105,635
		<b>168,967</b>	<b>52,531</b>	<b>116,436</b>	107,950
<b>Total capital assets</b>		<b>316,165</b>	<b>165,727</b>	<b>150,438</b>	130,499

Included in the intangible assets balance for 2015 is \$115,279 [2014 – \$105,635] relating to the development of a database that is currently in progress and not available for use. It is expected that the database will be available for use in 2016.

## 5. CONTRIBUTIONS AND DEFERRED REVENUE

- [a] During 2012, the Association received \$150,000 in a grant relating to the development of a capability database. To date, the Association has incurred \$115,279 [2014 – \$105,635] in costs relating to the database. This amount has been recorded as a deferred capital contribution and a corresponding intangible asset. Once available for use, the intangible asset and deferred capital contributions will be amortized to expenses and revenue, respectively, in the statement of revenue and expenses and changes in unrestricted net assets. The remaining amount received in respect of the grant, \$34,721 [2014 – \$44,365], has been recorded in deferred revenue.

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[b] During 2015, the Association received \$145,000 [2014 – \$90,000] in contributions relating to the work of the Petroleum Industry Human Resources Committee [“PIHRC”], for which Noia is the coordinating agency. PIHRC is an industry-government working committee, co-chaired by Noia and the Canadian Association of Petroleum Producers, which promotes careers in the Newfoundland and Labrador oil and gas industry within the province’s K-12 educational system. PIHRC is currently in the third year of a three-year funding agreement with the Department of Advanced Education & Skills. In 2015, Noia incurred \$107,347 [2014 – \$142,693] in costs relating to this agreement. This amount has been recorded as an expense and corresponding revenue has been recorded. The remaining amount received in respect of this agreement, \$37,650 [2014 – nil], has been recorded in deferred revenue.

[c] Other amounts included in deferred revenue consist of \$172,681 [2014 – \$182,862] of deferred membership fees, nil [2014 – \$10,000] of deferred seminars and events revenue, and \$10,390 [2014 – \$4,177] of other deferred revenue.

## 6. SCHOLARSHIP FUND

In 1997, Noia announced the establishment of the “Noia Hibernia Commemorative Scholarship Fund” [the “Scholarship Fund”]. The Association internally restricted net assets to fund the Scholarship Fund; as at December 31, 2015, the Scholarship Fund had a balance of \$14,615 [2014 – \$14,158]. The Scholarship Fund offers an annual scholarship of \$1,000 to a graduating Newfoundland and Labrador high school student entering post-secondary studies who intends to pursue a petroleum-related career. The scholarship is awarded to the student who best meets academic, extra-curricular and needs criteria. In 2015, one \$1,000 scholarship was awarded [2014 – one \$1,000 scholarship]. The fund is invested in non-callable Canadian denominated debentures, bearing an interest rate of 6.15% and maturing in 2028 with interest earned being reinvested. In 2015, the fair value of the investment increased by \$1,457 [2014 – \$2,683].

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2015	2014
	\$	\$
Trade accounts payable	<b>89,930</b>	145,843
Accrued liabilities	<b>91,872</b>	108,589
	<b>181,802</b>	254,432

## 8. COMMITMENTS

Commitments for the lease of office premises will result in the following future expenditures:

	\$
2016	95,249
2017	49,335
	<b>144,584</b>

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## 9. FINANCIAL INSTRUMENTS

The Association has exposure to credit risk, liquidity risk and interest rate risk, which are outlined below:

### Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Association's credit risk is primarily attributable to its accounts receivable.

### Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they become due. As at December 31, 2015, the Association had cash and cash equivalents in the amount of \$994,999 [2014 – \$979,347]. To the extent that the Association does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party funding or membership rate increases, assuming these could be obtained. All of the Association's financial liabilities are short-term in nature and are subject to normal trade terms.

### Interest rate risk

The Association's cash and cash equivalents balances and scholarship investments are primarily invested in high-interest savings accounts issued by Canadian chartered banks. The Association has no debt, and believes its interest rate risk is not significant.

## 10. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

Net change in non-cash working capital balances related to operations comprises the following:

	2015	2014
	\$	\$
Decrease (increase) in accounts receivable	<b>88,776</b>	(181,717)
Decrease (increase) in prepaid expenses	<b>1,076</b>	(19,234)
Increase (decrease) in accounts payable and accrued liabilities	<b>(72,630)</b>	71,615
Increase (decrease) in deferred revenue	<b>14,038</b>	(34,087)
	<b>31,260</b>	(163,423)



# Outgoing Board Members

- Past-Chair – John Henley, Cahill Group of Companies
- Treasurer – Bruce Grant, Stewart McKelvey
- Director – Andrew Bell, K&D Pratt Group
- Director – Paul Lannon, Harbour Grace Ocean Enterprises
- Director – Liam O’Shea, Atlantic Offshore Medical Services



# Noia Sponsors 2015

On behalf of all members, Noia acknowledges the support of the companies who generously supported us by sponsoring events throughout the year.

## Annual General Meeting

### Premium Sponsors

- DF Barnes
- GRI Simulations

### Event Co-sponsors

- Cahill Group of Companies
- Harbour Grace Ocean Enterprises
- Hyflodraulic
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- Nalcor Energy
- PF Collins International Trade Solutions
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## Industry Achievement Awards

### Premium Sponsors

- Destination St. John’s
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### Event Co-sponsors

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- Cox & Palmer
- DF Barnes
- Eastern Audio
- PF Collins International Trade Solutions
- Stewart McKelvey



# Noia Sponsors 2015

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Pennecon Energy

### Hole Host Sponsors

Pennecon Energy

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ABM

NSB Energy

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## Fall Seminar

### Gold Sponsors

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Nalcor Energy

Port of Argentia

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Harbour Grace Ocean Enterprises

Kuehne+Nagel

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UTEC Survey

### Booth Space Sponsor

TGS

## Networking Socials

### Spring Networking Social

Stewart McKelvey

### Pre-Summer Networking Social

Clovelly

### Fall Networking Social

BDC

### Member Holiday Reception

FMC Technologies



# Noia Sponsors 2015

## Play on the Edge Conference Sponsors

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Terrapure Environmental  
Upstream Solutions Incorporated  
Wood Group PSN

### Keynote Luncheon Sponsors

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Golder Associates  
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Nalcor Energy  
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ABB  
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East Can Transport Services  
KPMG LLP  
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### Panel Sponsor

TD Bank

### Golf Tournament - Cart Sponsor

Pennecon Energy

### Golf Tournament - Hole-in-One

Brenkir Industrial Supply

### Golf Tournament - Golf Hole

Cox & Palmer  
DF Barnes  
East Coast Catering  
Knightsbridge Robertson Surette  
PAL Charters  
Pennecon Energy

THANK YOU





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