



Annual Report
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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 close to 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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2016 BOARD OF DIRECTORS



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P.F. Collins
International Trade Solutions



Vice-Chair
Andrew Bell
K&D Pratt Group



Treasurer
Liam O'Shea
Atlantic Offshore
Medical Services



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Sean Power
DF Barnes



President & CEO
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Technip Canada



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Cougar Helicopters



Director
Stephen Young

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Past-Chair – **Sean Power**, DF Barnes
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Director – **Craig Ralph**, Ralph Business Development
Director – **Torfi Thorarinson**, Technip Canada
Director – **Anne Whelan**, BrenKir Industrial Supply
Director – **Steve Young**

STAFF

Beverley Bishop, Manager, Member Services
Marilyn Buckingham, Communications Coordinator
Robert Cadigan, President & CEO
Jennifer Collingwood, Senior Director of Communications
Katrina Kum, Manager, Marketing & Events
Debbie Rideout, Executive Coordinator
Byron Sparkes, Senior Policy Advisor
Stephanie Walsh, Administrative Assistant

2016 COMMITTEES

Conference Committee 2016

Raymond Collins, PF Collins International Trade Solutions (Chair)
Margaret Allan, Husky Energy
Margot Bruce-O'Connell, ExxonMobil Canada
Paul Carter, Department of Natural Resources
Alex Collins, Statoil Canada
Michael Critch, NSB Energy
Norm Dimmell, DNV-GL
John Downton, Suncor Energy
Bill Fanning, Kvaerner Canada
Andrew Noseworthy, ACOA
Doug Trask, Research & Development Corporation of NL
Richard Wright, Nalcor Energy

Fall Seminar Committee 2016

Craig Ralph, Ralph Business Development (Chair)
Stephen Crane, C&W Offshore
Michael Critch, NSB Energy
Jason Muise, Technip Canada
Andrew Noseworthy, ACOA

Governance Committee 2016

Anne Whelan, BrenKir Industrial Supply (Chair)
Bill Fanning, Kvaerner Canada
Bruce Grant, Stewart McKelvey
Eric Thoms, DF Barnes

Industry Achievement Awards Committee 2016

Sean Power, DF Barnes (Chair)
Margaret Allan, Husky Energy
Bruce Grant, Stewart McKelvey
Andrew Noseworthy, ACOA
Craig Ralph, Ralph Business Development

Membership Engagement Committee 2016

Craig Ralph, Ralph Business Development (Co-Chair)
Christian Somerton, Pennecon Energy (Co-Chair)
Dave Noftall, Levert Personnel Resources
Jon Seary, PC & Network Solutions
Mike Wahl, Definitions Health and Wellness
Karen Winsor, Atlantic XL

Noia - Hibernia Scholarship Committee 2016

Kerri Best, Flourish Energy
Torfi Thorarinson, Technip Canada
Stephen Young

Redefining Oil Committee 2016

Raymond Collins, PF Collins International Trade Solutions (Chair)
Andrew Bell, K&D Pratt
Bill Fanning, Kvaerner Canada
Liam O'Shea, Atlantic Offshore Medical Services
Sean Power, DF Barnes

Research & Development Committee 2016

Bill Fanning, Kvaerner Canada (Chair)
Chad Fowlow, Frontier Subsea
John Henley, Cahill Group of Companies
Brian Johnston, Rutter Inc.
Jake Trainor, Provincial Aerospace

Supplier Development Committee 2016

Kerri Best, Flourish Energy (Chair)
Andrew Bell, K&D Pratt
Barbara Bragg, Spectrol Energy Services
Paul Lannon, Harbour Grace Ocean Enterprises
Scott Stuckless, Exploits Welding and Machine Shop



Noia distributed almost 250 issues of
The Daily Barrel to members in 2016

MESSAGE FROM THE CHAIR

As outgoing Noia Chair, I am extremely proud of all that Noia accomplished in 2016, especially given the prolonged industry downturn globally and here at home, which continues to impact our members and, in fact, our entire provincial economy.

Despite the downturn, we are confident that our long-term potential remains as strong as ever.

This is clearly evident through developments such as the incredible results of Nalcor's most recent independent resource assessment covering the area of the West Orphan Basin which identified 25.5 billion barrels of oil and 20.6 trillion cubic feet of gas potential. That's 60 billion BOE. This assessment led to one of Newfoundland and Labrador's most successful land sales in history which resulted in more than \$757 million in work commitments and seven new entrants to our industry in the past 18 months. This speaks volumes about the prospectivity of our basins and clearly indicates the high level of global interest in our offshore. This land sale also saw Husky Energy commit to the mature Jeanne d'Arc region. There is no doubt that this basin has served this province very well, but as evidenced by Husky's interest, there is still opportunity to maximize the area's remaining resources.

When I took over the reins this time last year, I indicated that I had a number of goals for my term as Chair. At that time I noted that my top priority was the implementation of Noia's *Redefining Oil* strategy framework. Specifically, the establishment of an Industry Council to set the vision for our province's offshore. A collaborative approach is critical to ensuring these resources are developed in a

manner that will result in a sustainable industry for the benefit of all Newfoundlanders and Labradorians. The local supply and service sector is a key component of this success and our hope is that the council will develop a long-term strategy that reverses the deterioration of local participation that occurred during the prolonged decline in the price of oil. Following our call for the establishment of this body in November 2015, the provincial government included an Industry Development Council in the Minister of Natural Resources' mandate letter and it was officially announced by government just before Christmas. Noia looks forward to representing the interests of our membership at the table because 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.

Another of my goals was to strengthen the Noia organization for the benefit of our members through improved Board governance. I am pleased to advise that thanks to a great deal of work this year, led by fellow Board members Anne Whelan and Bill Fanning, along with the entire Noia Governance Committee, changes to our structure have been made which will be implemented by the 2017 Board. I am confident these changes will result in a more effective Board to work on your behalf.

My final goal was to look for opportunities to improve and enhance our member services. In this I must say I was not successful. A year goes by fast and it is surprising how much time is involved in being Noia Chair.

I extend sincere thanks to my fellow Board members for their dedication and commitment this year. I also offer thanks and appreciation to Noia's staff, under the leadership of President & CEO Bob Cadigan, who worked diligently to continue to deliver exceptional support to Noia's members.

And, of course, thanks to you – Noia's members - for your continued participation and unwavering support, especially during what has been another difficult year. I certainly look forward to continuing to work on your behalf in 2017 as Past-Chair.

Raymond Collins
Chair, Noia Board of Directors



MESSAGE FROM THE **PRESIDENT & CEO**

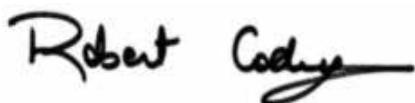
While 2016 was another challenging year for the offshore oil & gas industry, there is much to be optimistic about as Newfoundland and Labrador's 2016 independent resource assessment proved that Newfoundland and Labrador's deepwater basins hold significant potential for future growth in oil & gas exploration, development and production. The 2016 land sale yielded \$758 million in work commitments, for total work commitments of around \$3 billion since 2013. To attract this level of investment by global E&P companies – including seven new entrants – even in light of current low oil prices, is a clear endorsement of the desirability of Newfoundland and Labrador.

Further supporting our promising future is a study recently undertaken by international consultants, Gaffney, Cline and Associates (GCA). Principal Adviser Charles Goedhals presented the interim findings at our Fall Seminar in November. Using data provided by Nalcor Energy regarding scheduled licence rounds and resource assessments, GCA came up with two scenarios to reflect a range of possible outcomes for further exploration and development in the Newfoundland/Labrador sector. GCA also concluded that the Newfoundland and Labrador oil & gas industry is well positioned to grow and meet the challenges which lie ahead in areas recently awarded and yet to be awarded for future exploration and development.

While this is reason for great optimism for the long-term industry, it is equally critical that we maximize the opportunities available to us now, otherwise we will no longer have the local capacity to develop these longer term, deepwater projects. Further assessment of small and satellite fields is essential for continued development of a mature oil & gas industry in Newfoundland and Labrador. For the local industry to progress it is necessary to identify low cost solutions for these developments. This was also explored during our Fall Seminar through a presentation by Technip Canada's Jason Muise.

Government needs to act now to create an action plan to ensure the right conditions for near-term opportunities happen quickly. A collaborative, long-term strategy to maximize the benefit to NL of our incredible prospectivity, as well as create the right conditions to see timely development of these resources, is critical.

Robert Cadigan
President & CEO



This is where the newly established Industry Development Council will play a key role. A collaborative approach is critical to ensuring these resources are developed in a manner that will result in a sustainable industry for the benefit of all Newfoundlanders and Labradorians.

Although the long-term future for Noia members is very bright given our incredible prospectivity, recent procurement decisions by some in the operator community have threatened the very survival of many companies.

Noia believes that without some form of intervention from policy makers, the business opportunities related to future developments will be left to a handful of international service providers who have little investment in Newfoundland and Labrador or in Canada. This result will render the economic growth, purpose and optimizing benefits objective of the Atlantic Accord ineffectual and irrelevant.

It is critically important that measures be taken to help ensure the survival of NL-based companies in order to support future developments and governments need to prepare the way. We worked hard in 2016 to pressure both levels of government to take this important leading role and will continue to do so in 2017.

I extend sincere appreciation to Noia's Board of Directors for their continued guidance over the last year. And, of course, I thank you, our members, for your steadfast support and guidance. On behalf of the Board and staff, Noia looks forward to working with you, and for you, during its 40th year in 2017.



2016 AT A GLANCE

Exploration

Three exploration wells were drilled offshore Newfoundland and Labrador in 2016:

- Fitzroya A-12Z was spud by the West Hercules for Statoil et al within EL 1126 (Flemish Pass Basin) on February 11.
- Bay de Loup M-62 was spud by the West Hercules for Statoil et al within EL 1112 (Flemish Pass Basin) on March 14.
- Baccalieu F-89 was spud by the West Hercules for Statoil within EL 1143 (Flemish Pass Basin) on March 19.

Six geoscientific programs were reported by the C-NLOPB in 2016:

- WesternGeco acquired 10,890 square kilometres of 3D seismic data in the Flemish Pass using the vessel Amazon Conqueror between May and October.
- Multi Klient Invest (MKI) acquired 17,221 line kilometres of 2D seismic data on the Northeast NL (NENL) Slope using the vessels Sanco Spirit and Atlantic Explorer between May and November.
- MKI acquired 7,088 line kilometres of 2D seismic data in the Labrador Sea using the vessel Sanco Spirit between July and September.
- MKI acquired 16,571 line kilometres of 2D seismic data on the South Grand Banks using the vessel Atlantic Explorer between June and November.
- MKI acquired 1,908 square kilometres of 3D seismic data in the Eastern Flemish Pass using the vessel Ramform Sterling between August and September.
- MG3 conducted geochemical sampling off Labrador using the vessel Coriolis II in August and September, acquiring 3,777 line kilometres and 103 gravity cores.

Land Tenure – Calls for Nominations

In January, the C-NLOPB issued calls for nominations in three offshore regions:

- Call for Nominations (Areas of Interest) NL16-CFN01 – North Eastern Newfoundland Region. The deadline was April 27. Under the four-year land tenure cycle for

this region, a call for bids is scheduled for August 2019 and bids close November 2020.

- Call for Nominations (Areas of Interest) – Southern Newfoundland Region. The deadline for nomination of areas of interest was April 27. The region, which includes the Laurentian sub-basin, is under the four-year land tenure cycle. A call for bids is scheduled for August 2019 and bids will close November 2020.
- Call for Nominations (Parcels) – Labrador South Region. The deadline for nomination of parcels was March 16.

In September, the C-NLOPB released NL16-CFN04 – a call for nominations for areas of interest within the high activity Eastern Newfoundland Region. Deadline for nominations was November 30.

A call for nominations for parcels of land in the Jeanne d'Arc Region (NL16-CFN05) was also issued the same day with a closing date of October 27.

Land Tenure – Calls for Bids

In April, the C-NLOPB issued two Calls for Bids:

- NL16-CFB01 consisted of 13 parcels of offshore land in the Eastern Newfoundland Region
- NL16-CFB02 offered three parcels in the Jeanne d'Arc Region.

Call for Bids NL16-CFB03 in the Labrador South offshore region was announced on November 30. Ten parcels over 2,294,340 hectares are available. Closing date for bids is November 8, 2017.

Land Tenure – Land Sales

The C-NLOPB released the results of NL16-CFB01 (Eastern Newfoundland Region) and NL16-CFB02 (Jeanne d'Arc Region).

Seven bids were received and six parcels of land were awarded in the Eastern Newfoundland Region for a total of \$513,972,018 in work commitments:

- Parcel NL16-CFB01-03: BP Canada Energy Group ULC (50%), Hess Canada Oil and Gas ULC (25%) and Noble Energy Canada LLC (25%) bid \$276,305,000.

2016 AT A GLANCE

- Parcel NL16-CFB01-04: BP Canada Energy Group ULC (50%), Hess Canada Oil and Gas ULC (25%) and Noble Energy Canada LLC (25%) bid \$12,050,000.
- Parcel NL16-CFB01-07: Delek Group – Navitas Petroleum Ltd. (30%) and DKL Investments Ltd. (70%) – bid \$48,000,018.
- Parcel NL16-CFB01-08: BP Canada Energy Group ULC (50%), Hess Canada Oil and Gas ULC (25%) and Noble Energy Canada LLC (25%) bid \$125,250,000.
- Parcel NL16-CFB01-10: BP Canada Energy Group ULC (60%) and Noble Energy Canada LLC (40%) bid \$12,200,000.
- Parcel NL16-CFB01-13: Nexen Energy ULC (100%) bid \$40,167,000.

Three bids were received and two parcels of land were awarded in the Jeanne d’Arc Region for a total of \$244,017,776 in work commitments:

- Parcel NL16-CFB02-01: Husky Oil Operations Limited (100%) for a bid of \$155,008,888.
- Parcel NL16-CFB02-02: Husky Oil Operations Limited (100%) for a bid of \$89,008,888.

Three of these companies – Hess Canada Oil and Gas ULC, Noble Energy Canada LLC and Delek Group (Navitas Petroleum and DKL Investments) – are new entrants to the Newfoundland and Labrador offshore industry.

The province welcomed an additional new player on November 30 with the announcement that Anadarko Petroleum Corporation had acquired a working interest in five exploration licences in the Flemish Pass Basin from Shell. This acquisition gave Anadarko access to 1.2 million hectares of acreage with work commitments of \$477 million.

Land Tenure – Licences Issued

In mid-January, the C-NLOPB issued seven licences to oil & gas companies that bid successfully in the 2015 land sale in the Flemish Pass:

- EL 1138: Chevron Canada (35 per cent), Statoil (35 per cent) and BG International* (30 per cent);

- EL 1139: Statoil (40 per cent), ExxonMobil (35 per cent) and BG International* (25 per cent);
- EL 1140: Statoil (34 per cent), ExxonMobil (33 per cent) and BP Canada (33 per cent);
- EL 1141: Statoil (34 per cent), ExxonMobil (33 per cent) and BP Canada (33 per cent);
- EL 1142: Statoil (50 per cent) and BP Canada (50 per cent) **;
- EL 1143: Statoil (100 per cent);
- EL 1144: Nexen Energy (100 per cent).

* U.K.-based BG International was acquired by Shell in early 2016. Shell’s interests in EL 1138 and EL 1139 were subsequently acquired by Anadarko Canada E&P Ltd.

** ExxonMobil Canada bought into EL 1142 during 2016 and working interests were revised to Statoil 34%, BP Canada 33% and ExxonMobil Canada 33%.

Development

Mating of Hebron’s concrete base and topsides took place at Bull Arm’s deepwater site on December 13 and 14. Hook-up and commissioning will continue until the middle of 2017. The structure will then be towed to the Hebron field, with first oil anticipated in late 2017.

Expansion

Husky Energy continued to defer its investment decision on the development of West White Rose. Two development options are under consideration – a fixed platform and a subsea tieback.

In November, Statoil issued calls for EOIs from candidates who wish to be considered, in an upcoming tender process, to conduct studies on three potential development concepts for Bay du Nord. The three studies – a deep draft floater study, a ship-shaped FPSO study and a subsea and marine study – are all planned to take place in early 2017, subject to the company receiving final management and partner approval to proceed.

Significant Milestones

Hibernia produced its one billionth barrel of oil on December 21. Originally issued a 25-year production licence and thought to hold 520 million barrels of recoverable oil, Hibernia’s reserve estimates have been increased several times. The most recent update, issued by the C-NLOPB in December 2014, states ‘proven and probable’ reserves of 1,644 million barrels of oil. The Hibernia Management and Development Co. now estimates the project’s life will extend beyond 2040.



Hebron's integrated topsides (foreground) and concrete base (in distance) in Bull Arm in late 2016. Photo courtesy of the Hebron Project.

2016 INDUSTRY HIGHLIGHTS

Hebron

It was a busy and eventful year for the \$14 billion Hebron project. In June, ExxonMobil Canada announced that the project was 80 per cent complete.

The utilities processing module (UPM), which was built by Hyundai Heavy Industries in Ulsan, South Korea, arrived in September. The ancillaries – helideck and two lifeboat stations constructed by C&W Offshore in Mount Pearl and assembled in Bay Bulls – arrived at Bull Arm in January. The massive concrete-pouring operation to construct the GBS continued apace in the deepwater site at Bull Arm.

With the arrival of the UPM, the integration and commissioning of topsides modules and ancillaries began with the installation of the drilling support module and the derrick equipment set. The living quarters module, helideck and west lifeboat station were then integrated with the UPM, followed by the east lifeboat station and the flare boom. The pipeline and bases for the offshore loading system (OLS) were installed during the summer.

By November, concrete pouring on the GBS was complete and the topsides module components

were assembled at the pier in Bull Arm. Mating of the concrete base and topsides took place at Bull Arm's deepwater site on December 13 and 14. Hook-up and commissioning will continue until the middle of 2017. The structure will then be towed to the Hebron field, with first oil anticipated in late 2017.

ExxonMobil seismic acquisition and drilling

ExxonMobil Canada and its co-venturers participated in licensing approximately 5500 square kilometres of 3D seismic acquired by WesternGeco from May to October. Seismic acquisition operations are complete and the data is being processed, allowing further evaluation of the acreage, which is within the area of the exploration licenses awarded in January.

In October, ExxonMobil unveiled plans for an extensive drilling program when it filed provisional plans with the Canadian Environmental Assessment Agency (CEAA) to drill up to 35 exploration wells off Newfoundland between 2018 and 2030. The project description states the wells would be located in the established Jeanne d'Arc Basin and the Flemish Pass Basin, where significant hydrocarbons were discovered in 2013 by Statoil.

2016 INDUSTRY HIGHLIGHTS

In the 2013 Flemish Pass land sale, ExxonMobil, Suncor Energy and ConocoPhillips bid a record \$559 million for the licence, located 50 kilometres southwest of Statoil's Bay du Nord discovery. ConocoPhillips transferred its 30 per cent share to Statoil in August.

ExxonMobil may drill up to five wells on the Flemish Pass, with the first wildcat possibly spudding in 2018.

Flemish Pass Basin

In June, Statoil and its partners finished a 19-month exploration drilling program offshore Newfoundland, intended to increase understanding of the Bay du Nord project and test new areas in the Flemish Pass Basin.

The West Hercules rig drilled nine wells during the program, which included four wells close to the 2013 Bay du Nord discovery, three appraisal wells on the discovery and two outside the discovery area. The drilling program resulted in two discoveries of oil at the Bay de Verde and Baccalieu prospects, which added to the resource base for potential development of the field.

In a June media release, Statoil said the drilling results have improved the company's understanding of this frontier discovery.

"The appraisal and near-field exploration of the Bay du Nord discovery has reduced key reservoir uncertainties and confirmed that the volumes are within the original volume range of the 300 to 600 million barrels of recoverable oil initially estimated by Statoil in 2013, but potentially towards the lower end of the range," Statoil said in its release.

The drilling program began in November 2014 and was extended by one month to incorporate the drilling of Baccalieu, a well on a licence awarded by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) in the 2015 land sale, which Statoil was able to progress from access to well-completion in four months.

Statoil's assessment of the commercial potential of the Bay du Nord discovery is ongoing.

In November, the company issued calls for EOIs from candidates who wish to be considered, in an upcoming tender process, to conduct studies on three potential development concepts for Bay du Nord. The three studies – a deep draft floater study, a ship-shaped FPSO study and a subsea and marine study – are all planned to take place in early 2017, subject to the company receiving final management and partner approval to proceed.

Statoil sells out of oilsands

Statoil announced on December 15 that it had signed an agreement to divest its oilsands projects to Athabasca Oil and would no longer operate any oilsands assets.

In the company's announcement, Statoil Executive Vice-President for Development & Production International Lars Christian Bacher stated, "This transaction corresponds with Statoil's strategy of portfolio optimisation to enhance financial flexibility and focus capital on core activities globally, including offshore Newfoundland, Canada."



The Flemish Pass Basin has the potential of 12 billion barrels of oil and 113 trillion ft³ of gas within the area of the 2015 land sale



Atlantic Explorer was involved in two geoscience acquisition programs offshore Newfoundland and Labrador in 2016. Photo courtesy of PGS.

White Rose

The semi-submersible drill rig Henry Goodrich resumed operations on the White Rose field in May and completed the North Amethyst-Hibernia level well at the North Amethyst field. That well was brought into production in September. At South White Rose, a third infill well has not yet been spudded but first production is expected near the end of 2017. The Henry Goodrich is contracted to Husky Energy to May 2018 and is being used for a range of development and exploration drilling opportunities on White Rose and its satellite fields.

A planned maintenance turnaround on the *SeaRose* floating production, storage and offloading (FPSO) vessel was completed successfully in August.

There was no change in the status of West White Rose as Husky Energy continued to evaluate development options, which could include a wellhead platform or subsea tieback. Speaking at Noia's conference in June, a Husky executive said the company is looking for more stability in oil prices before approving the field extension.

In its 2017 production guidance and capital program announcement on December 13, the company stated that engineering design and subsurface evaluation work was continuing at West White Rose to increase capital efficiency and improve resource capture, and that the project would be considered for sanction next year. Husky has said production from the satellite is expected in 2020 or later.

In September, Husky started the environmental assessment process with the Canadian Environmental Assessment Agency (CEAA) as part of its regulatory due diligence to clear the way for work on exploration licences in the Jeanne d'Arc and Flemish Pass basins. The project, as proposed, would include drilling of up to 10 wells over an eight-year period beginning in 2018. The additional exploration licences acquired by

Husky in the 2016 land sale may also be incorporated into the environmental assessment, should the CEAA determine it necessary.

Hibernia

Drilling was a major focus for Hibernia in 2016.

By the end of April, the West Aquarius drill rig had completed an intensive drilling program for the Hibernia Southern Extension (HSE). The subsea tieback consists of production wells drilled from the Hibernia GBS and water-injector wells drilled by the West Aquarius. The \$2 billion expansion will also enable additional wells to further develop the Ben Nevis-Avalon reservoir, which has been in production since 2000.

In July, Hibernia Management and Development Co. (HMDC) shut down both drill rigs on the platform to upgrade drilling equipment to optimize drilling performance and ensure the long-term safety and integrity of the rigs. The work is on schedule for completion in early 2017. According to Hibernia, the upgrades are necessary because the rigs will be in use longer than was anticipated when the platform started production 19 years ago.

In early November, the West Aquarius was drilling subsea water-injection wells seven kilometres south of the Hibernia platform.

Hibernia awarded a seven-year contract to Parker Drilling Canada for drilling services in June. The Texas-based company took over from Paragon Offshore (formerly Noble Drilling) in July. In October, a five-year contract renewal was signed with Wood Group for engineering, procurement and construction management (EPCM) services at the platform.

Hibernia achieved a significant milestone on December 21 when it produced its one billionth barrel of oil.

2016 INDUSTRY HIGHLIGHTS

Originally issued a 25-year production licence and thought to hold 520 million barrels of recoverable oil, Hibernia's reserve estimates have been increased several times since it began production. Estimates were increased to 1,244 million barrels in 2006 and to 1,395 million barrels in 2010. The most recent update, issued by the C-NLOPB in December 2014, is 'proven and probable' reserves of 1,644 million barrels of oil.

In announcing the production milestone, HMDC president Jennifer Walck said, "Through extended-reach drilling, geological and reservoir modeling technology and daily maintenance and operations of the equipment, the team has been able to discover and produce more oil and extend the projected life of the project beyond 2040."

Terra Nova

A four-week planned maintenance turnaround for the Terra Nova FPSO was the key activity this year on the Terra Nova field. The turnaround began in May and was completed successfully in June.

In October, a 19-month drilling contract with Transocean was announced. The contract will utilize the ultra-deepwater Transocean Barents rig, at a day rate of \$260,000, for an overall contract value of approximately \$119 million. The rig is expected to begin operations on the field in Q3 2017. The work scope includes maintenance of existing wells and drilling of new wells in the Terra Nova field. Suncor is currently in the process of evaluating and awarding contracts for the provision of services in support of the project work scope.

Western Newfoundland

Old Harry is still in the game, thanks to an unconventional extension to its leases granted in September by the C-NLOPB. The prospect, located in the Gulf of St. Lawrence, offshore western Newfoundland, measures 30 kilometres long and 12 kilometres wide and has the potential to contain approximately two billion barrels of crude.

Halifax-based Corridor Resources has been granted several extensions to its lease in the area due to an environmental assessment process that has been complicated by opposition from fish harvesters, environmentalists and indigenous rights groups. According to Upstream magazine, the C-NLOPB proposed swapping Corridor's existing EL 1105 for a new, four-year EL on the same land because it is unable to extend Corridor's existing nine-year licence.

In June, Mark Jarvis, CEO of Shoal Point Energy, reacted with disappointment and concern to the final report of the Newfoundland and Labrador Hydraulic Fracturing Review Panel, released on May 31. Shoal Point is looking to proceed on EL 1070 in the Port au Port area.

"The report concludes that many years of study, development of new government policies and research are required before hydraulic fracturing can be used, if ever, in the province of Newfoundland and Labrador," said Jarvis in a media interview. "We find the conclusion puzzling, because the individual reports written by the experts on the panel came to more constructive conclusions."



The Hebron oilfield is estimated to hold 700 million barrels of oil

2016 INDUSTRY HIGHLIGHTS

Jarvis said the reports by panel experts, presented as appendices in the main report, were balanced and thoughtful.

“We do not understand how you logically get from these expert reports to the conclusion in the main report that development should be delayed for years,” he said.

Meanwhile, in November, the C-NLOPB announced that ELs 1127 and 1128, both owned by Black Spruce Exploration, were cancelled due to non-compliance with the terms and conditions of its licence agreement. According to the C-NLOPB, Black Spruce “did not meet its obligations with respect to the Environmental Studies Research Fund (ESRF), a federal research program that sponsors environmental and social studies. Further, the 30-day period afforded to Black Spruce Exploration Corp. to request a hearing before the Oil and Gas Committee regarding ELs 1127 and 1128 has expired with no such request. Those lands now revert to the Crown.”

At the same time, the board announced that EL 1120, also held by Black Spruce, had been amended to extend Period One to eight years, 364 days, subject to the filing of amended drilling and security deposits for the extended period.

Nalcor Energy Oil and Gas

By the end of 2016, Nalcor Energy Oil and Gas and its international partners TGS and PGS, had acquired 145,000 line kilometres of 2D multi-client seismic data throughout the Newfoundland and Labrador offshore area. In addition to the 2D survey, a 3D seismic survey was acquired over a portion of the West Orphan Basin, which is located within the area of the C-NLOPB 2016 Eastern Newfoundland Call for Bids. The data from the new 3D images was analyzed in 2016. This is the first time a 3D survey has been conducted offshore Newfoundland and Labrador in advance of a scheduled license round. This seismic survey program, which includes marketing the multi-client data to global oil & gas companies, has been ongoing since 2011.

In August, the provincial government, Nalcor Energy and Beicip-Franlab released the findings of the second independent resource assessment in advance of a licence round. The assessment identified in-place

resource potential of 25.5 billion barrels of oil and 20.6 trillion cubic feet of gas in the West Orphan Basin.

Land Tenure

In mid-January, the C-NLOPB issued seven licences to oil & gas companies that bid successfully in last year’s land sale in the Flemish Pass:

- EL 1138: Chevron Canada (35 per cent), Statoil (35 per cent) and BG International (30 per cent);
- EL1139: Statoil (40 per cent), ExxonMobil (35 per cent) and BG International (25 per cent);
- EL 1140: Statoil (34 per cent), ExxonMobil (33 per cent) and BP Canada (33 per cent);
- EL 1141: Statoil (34 per cent), ExxonMobil (33 per cent) and BP Canada (33 per cent);
- EL 1142: Statoil (50 per cent) and BP Canada (50 per cent);
- EL 1143: Statoil (100 per cent);
- EL 1144: Nexen Energy (100 per cent).

Also in January, the C-NLOPB issued calls for nominations in three offshore regions:

- North Eastern Newfoundland Region – The deadline for nomination of areas of interest was April 27. Under the four-year land tenure cycle for this region, a call for bids is scheduled for August 2019 and bids close November 2020.
- Southern Newfoundland Region – The deadline for nomination of areas of interest was April 27. The region, which includes the Laurentian sub-basin, is under the four-year land tenure cycle. A call for bids is scheduled for August 2019 and bids will close November 2020.
- Labrador South Region: The deadline for the nomination of parcels was March 16.

In April, the C-NLOPB issued two Calls for Bids. NL16-CFB01 consisted of 13 parcels of offshore land in the Eastern Newfoundland Region and NL16-CFB02 offered three parcels in the Jeanne d’Arc Region. This land sale closed and results were released November 9. A total of eight parcels of land were picked up by seven companies, resulting in \$757,989,794 in work commitments.

Husky Energy was the sole winner in the Jeanne d’Arc Region. The successful bidders in the Eastern Newfoundland Region were BP Canada Energy Group, Hess Canada Oil and Gas, Noble Energy Canada,

2016 INDUSTRY HIGHLIGHTS

Nexen Energy and DelekGroup (Navitas Petroleum Ltd. and DKL Investments Ltd.). BP Canada and Nexen Energy were new entrants to the Newfoundland and Labrador offshore arena in the 2015 land sale. The remaining Eastern Newfoundland Region companies are new entrants in 2016.

The province welcomed another new player to the Newfoundland and Labrador offshore on November 30 when Natural Resources Minister Siobhan Coady announced that Anadarko Petroleum Corporation had acquired a working interest in five exploration licences in the Flemish Pass Basin from Shell. This acquisition gave Anadarko access to 1.2 million hectares of acreage which have work commitments of \$477 million.

In September, the C-NLOPB released a call for nominations for areas of interest within the high activity Eastern Newfoundland Region. Deadline for nominations was November 30. A call for nominations for parcels of land in the Jeanne d'Arc Region was also issued the same day with a closing date of October 27. These areas are directly adjacent to a number of significant discovery, production and exploration licences in the Jeanne d'Arc Basin.

Call for Bids NL16-CFB03 in the Labrador South offshore region was announced on November 30. Ten parcels over 2,294,340 hectares are available. Closing date for bids is November 8, 2017.

Canadian ban on offshore Arctic drilling

The Canadian and U.S. governments announced bans on Arctic offshore oil & gas activity December 20. The Canadian ban on new licensing in all Arctic waters was issued for an initial period of five years.

"It is unfortunate that we were not consulted prior to this decision being made," Raymond Collins, chair of Noia's Board of Directors, said in a statement to Noia members. "However, upon hearing the announcement we immediately reached out to the federal government to determine what, if any, impacts this will have on our industry and our members. We have been assured that there will be no ramifications on the Newfoundland and Labrador offshore industry, where science has proven that drilling can be done in an environmentally-conscious manner. While we understand that this announcement will cause some disappointment within our membership, we need to focus on successful development of our offshore resources for the long-term benefit of all Newfoundlanders and Labradorians."

Newfoundland and Labrador appoints industry development council

The provincial government announced the make-up and inaugural appointments to the Oil & Gas Industry Development Council in mid-December.

Announced by Natural Resources Minister Siobhan Coady at Noia's Oil & Gas Conference in June, the council will be chaired by the natural resources minister, with Noia and CAPP serving as fixed members. The nine individuals appointed are Raymond Collins (Noia representative), Gisle Stjern (CAPP representative), Robert Crosbie, Gus Doyle, Bill Fanning, Stephanie Hickman, Kimberly Keating, Malcolm Maclean and Sean Power. Raymond Collins, chair of Noia's Board of Directors, expressed his pleasure on the council's establishment, which Noia had called for in its *Redefining Oil* strategy announced in 2015.



The NL offshore has had seven
new entrants in the past 18 months



"A collaborative approach is critical to ensuring resources are developed in a manner that will result in a sustainable industry. The local supply and service sector is a key component of this success and our hope is that the council will develop a long-term strategy that reinvigorates local participation," Collins said.

Council members were selected using a merit-based appointments process. The body will assess the long-term vision for the province's oil & gas industry and focus on developing a more sustainable and competitive industry.

Nova Scotia

The first well drilled by Shell in its deepwater Shelburne Basin exploration project was completed in September and deemed "non-commercial." Drilling on the Cheshire prospect began in October 2015. The well is located on the Southwest Scotian Shelf, in water depths ranging from 1,500-3,500 metres. The *Stena IceMAX* drillship spud Monterey Jack, the second exploration well in the two-well drilling program and located approximately 120 kilometres away, on September 25.

Partners in the Shelburne project are Shell (50 per cent), ConocoPhillips Canada (30 per cent) and Suncor (20 per cent).

BP Canada postponed an oil exploration project that had been scheduled to begin in 2017 and continue until Q2 2018. The company said the delay will allow

it to finalize locations of the exploration wells and put in place a more robust environmental assessment plan. The company is partnered with U.S.-based Hess Corp. (40 per cent) and Australian-based Woodside Petroleum (20 per cent) in the deepwater exploration licences southwest of Sable Island.

The Deep Panuke natural gas field ceased production for five days during January for plant maintenance activity. During 2015, the field was shut down for five months during the summer, resuming production in October when natural gas prices are higher. This year, the field was shut in for April and part of May. Production has not been strong at the field due to higher amounts of water and less gas than anticipated.

ExxonMobil's plans to phase out and decommission the Sable Offshore Energy Project have not changed, though the company has not put in place a firm timeline. It was announced in 2016 that the Nova Scotia government is on the hook for an additional \$100 million in decommissioning costs, after the operator unexpectedly increased the cost of abandoning the project.

The C-NSOPB announced on November 3 that its NS16-1 Call for Bids, issued in May, had resulted in no successful bids and that the parcels would remain as Crown land. Six parcels had been offered, three in shallow water on the Scotian Shelf, south of Sable Island and adjacent to the Sable Offshore Energy Project, and three on the outer shelf and slope of the central Scotian margin.

The West Orphan Basin has the potential of 25.5 billion barrels of oil and 20.6 trillion ft³ of gas within the area of the 2016 land sale

2016 at Noia

Noia's participation in consultations

Noia Responds to Proposed Changes to Canada-NL Benefits Plan Guidelines

In January 2016, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) announced it was undertaking public consultations on the draft revised Canada-Newfoundland and Labrador Benefits Plan Guidelines.

Given the significant impact of how the benefits provisions of the Atlantic Accord impact Noia's member companies, Noia conducted extensive consultations (four sessions over a two-day period in February and one webcast session) with members to discuss the changes and hear their views. Over 100 members provided feedback, which informed the submission made to the C-NLOPB in March.

"What we heard from members during these sessions echoes what we heard during our extensive consultations that informed the development of *Redefining Oil*. These sentiments are reflected in the submission made to the Board, in particular, the need for greater focus on the long-term development of the industry to ensure that it is sustainable and will create a lasting legacy for all Newfoundlanders and Labradorians," said Raymond Collins, chair of Noia's Board of Directors. "Based on the incredible prospectivity work of the provincial government, through Nalcor Energy Oil and Gas, we know that we have an incredible opportunity ahead of us. It is critical that we make the right strategic changes now with a long-term view to ensuring we maximize this new era."

Noia Presents to Expert Panel on Federal Environmental Assessment (EA) Processes

In October 2016, Noia President & CEO Robert Cadigan, presented to the expert panel established by the federal minister of Environment and Climate Change to review federal environmental assessment (EA) processes.

The Canadian Environmental Assessment Act, 2012 (CEAA 2012) and its regulations establish the legislative basis for the federal practice of environmental assessment in most regions of Canada. Prior to CEAA 2012, exploration

drilling was an Accord Act EA, falling under the responsibility of the C-NLOPB.

Noia is highly supportive of the federal government's objective for the review to "regain public trust and help get resources to market and introduce new, fair processes." Noia believes it is extremely critical that fair and efficient processes are in place to enable the exploration of Canada's significant offshore petroleum resources. Further, consistent and efficient regulatory processes are integral to international competitiveness for exploration investment, particularly in the current market context.

Noia's presentation, which can be found within the members-only area of its website, is structured around the following themes: the need to support investment certainty; who should be responsible for conducting EAs; and the need to avoid unnecessary duplication.

As outlined in the presentation, Noia holds the following positions:

- That the C-NLOPB be designated the responsible authority under CEAA 2012.
- That the CEAA process for approval of an exploration well is a duplication of the C-NLOPB's requirements under the Atlantic Accord Act.
- That exploration drilling should not be a designated project under CEAA 2012 – the former C-NLOPB's EA process was comprehensive and effective.
- That the narrow interpretation of designated project regulation could result in unnecessary and repetitive EAs covering identical areas.

Noia believes that for EAs to be comprehensive and responsible, it is imperative that they be conducted by those with in-depth knowledge and expertise as it relates to the offshore environment. Further, Noia is aligned with the objective for this review and believes that mandating the C-NLOPB as the responsible authority for all EAs related to offshore petroleum activity will help realize the review's objectives.



Noia led a delegation of more than 100 representatives of the province's oil & gas industry to OTC 2016.

2016 at Noia

Noia Events

Annual General Meeting

The 2016 Board of Directors was elected on February 4, 2016, at the association's Annual General Meeting.

Raymond Collins succeeded Sean Power as Board chair. Mr. Power moved into the past-chair role with Andrew Bell taking over as vice-chair.

Additionally, Noia members elected three new directors:

- Hank Williams, Cougar Helicopters
- Christian Somerton, Pennecon Energy
- Kerri Best, Flourish Energy

Natural Resources Minister Siobhan Coady provided the keynote address at the AGM luncheon and focused on the foundation, prospects and future of the province's oil & gas industry.

"Over the years, the oil industry in Newfoundland and Labrador has evolved. We built our expertise, and introduced the world to our offshore. We have gained tremendous experience and insight and the industry has grown significantly. We have a solid foundation, exciting prospects and global interest. Now is the time to maximize this opportunity and ensure we develop a vision of a sustainable world renowned oil & gas industry," said Minister Coady.

Noia's 2016 Board of Directors Chair Raymond Collins also addressed the more than 260 members in attendance, noting that while the industry is in the midst of a slow-down as a result of low oil prices, it is important now, more than ever, for all stakeholders – including industry and government – to move forward together to ensure that the oil & gas industry is globally competitive and sustainable for the benefit of future generations.

"As outlined in *Redefining Oil*, Noia's vision for a renewed, long-lasting oil & gas industry in Newfoundland and Labrador, 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. Ensuring this collaboration will be a focus of Noia's, under my leadership as chair, in 2016."

AGM sessions also highlighted significant industry achievements from the past year that have strengthened Newfoundland and Labrador's position in the global oil & gas industry.



Noia's Industry Achievement Awards and 30-year member recognition awards were presented during Oil & Gas Week 2016.

2016 at Noia

Industry Achievement Awards

Noia honoured Robert S. Crosbie of Crosbie Group Ltd. and Dr. Richard Wright of Nalcor Energy Oil & Gas at its 2016 Industry Achievement Awards luncheon, a flagship event of Oil & Gas Week.

The Outstanding Contribution Award recognizes exemplary individuals who have influenced the development of the local oil & gas industry and who have demonstrated qualities of vision, integrity and leadership through their work and lives.

During his 36+ year career, Rob Crosbie has done just that. Chairman and chief executive officer of Crosbie Group Limited (CGL) since 1991, Mr. Crosbie's entrepreneurial spirit, vision, pursuit of excellence, business acumen, commitment to education and innovation, community leadership, record of charity, and high standards of ethics and integrity are just some of the attributes which have inspired so many who have had the opportunity to work with him. These values have also been key to his ability to build what has come to be regarded as one of the most respected home grown businesses in our province. Mr. Crosbie's views are sought out by the general public, industry associations and government and he has played a leading role, often behind the scenes, in helping to shape both industry and public policy.

In addition to his considerable business success, Mr. Crosbie has also been an active private and public sector advisor and director and has an outstanding record of charity and volunteerism for the betterment of our industry and our province.

The Rising Star Award was launched in 2014 to recognize 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. Dr. Richard Wright, Nalcor Energy's exploration manager, was this year's winner.

Richard Wright certainly fits that description through his leading role in developing and executing Nalcor's multi-year exploration strategy – a strategy focused on reducing risk and uncertainty for the global industry while gaining knowledge about our resource potential to maximize the benefit for the people of the province.

Dr. Wright's technical expertise, keen business sense, industry insight and passion for the province has been instrumental in reshaping Newfoundland and Labrador's oil & gas future. Under his guidance, Nalcor's exploration strategy has seen much success for the local industry. The basin area offshore Labrador has more than doubled and new areas in the slope and deepwater are being surveyed for the first time in the province's history. New play types that have never been seen before in our offshore are being seen – successful play types that are yielding some of the leading discoveries in other hydrocarbon regions of the world.

The event also acknowledged the following Noia members marking 30 or more years as Noia members and contributors to the local oil & gas industry:

- Atlantic Canada Opportunities Agency (ACOA)
- Acuren
- A. Harvey & Company
- College of the North Atlantic
- Oceans Limited

"On behalf of Noia's Board of Directors, I offer sincere congratulations to this year's award recipients," stated Raymond Collins, chair of Noia's Board of Directors. "I would also like to thank the five 30+ year Noia members also acknowledged today for their long-term commitment to the province's oil & gas industry."



Noia's 32nd annual Oil & Gas Conference was held in June with more than 1000 delegates and distinguished leaders in attendance.

2016 at Noia

Noia Oil & Gas Conference

Noia was proud to deliver its 32nd annual Oil & Gas Conference June 21-23 at the St. John's Convention Centre.

More than 1000 delegates had the opportunity to engage in discussion covering all facets of today's industry, including the impact of oil prices on global markets; responses and actions resulting from the drop in oil prices in different jurisdictions and what these mean to the Atlantic Canada offshore; the current opportunities in the Jeanne d'Arc Basin; technology and innovation and their impact on operational efficiency; and the future of exploration and assessment of Newfoundland and Labrador's frontier basin potential focused on the upcoming 2016 exploration land sale and beyond.

Keynote addresses were delivered by Newfoundland and Labrador Premier Dwight Ball, as well as Natural Resources Minister Siobhan Coady. Luncheon keynote speakers were Valerie Plame, Vivian Krause and Gwynne Dyer.

ExxonMobil Canada, Husky Energy, Suncor Energy, Nalcor Energy and Statoil Canada provided operator updates. In addition, delegates heard updates from our industry's newest entrants with presentations from Mark Finley of BP and Patrick McVeigh of Nexen Energy.

This year's delegates had the opportunity to participate in an engaging panel discussion titled "Adapting to Global Change: Lessons Learned from Different Jurisdictions." Moderated by Chevron's Mark MacLeod, this session featured expert panelists who discussed how global developments have impacted how they do business, as well as the perspective of senior representatives from other jurisdictions and the global industry.

Panelists were:

- Stephen Marcos Jones, Director of Business Excellence, Oil & Gas UK
- Peter Bjerager, Director of Operations, Oil & Gas, DNV-GL, North America

- Håkon Skretting, Regional Director, INTSOK
- Knut Boe, President North Sea Canada, Technip

A number of other high profile speakers also delivered informative and engaging presentations:

- David Barrowman, Wood Mackenzie
- Auden Martinsen, Rystad Energy
- Tim McMillan, CAPP
- Naheed Nenshi, Mayor of Calgary
- Jeff O'Keefe, C-NLOPB
- Ken Dyer, Husky Energy
- Neil Greig, Helix Well Ops (UK) Ltd.
- Trond Bendiksen, Upstream Oil & Gas
- Stephen Hale, Rutter Technologies
- Murray Brown, C-CORE
- Michael Critch, NSB Energy
- Knut Egil Pedersen, Kvaerner

According to a post conference survey, this year's delegates were more than satisfied:

83% of Noia conference delegates felt the conference met or exceeded their expectations

92% felt there were adequate networking opportunities throughout the event

81% said conference speakers delivered valuable information

91% said they would recommend the Noia conference to a business associate

93% plan to attend Noia's 2017 Oil & Gas Conference



Noia's Fall Seminar *Deepwater Technology and Near-Term Opportunities* drew considerable media attention in November.

2016 at Noia

Noia Fall Seminar

The balance between the need to maximize the Jeanne d'Arc Basin's remaining reserves now and preparing for the developments we know are in our deepwater future was the focus of the 2016 Noia Fall Seminar, which took place on November 23 at the Delta St. John's Hotel, with the theme *Deepwater Technology & Near-Term Opportunities*.

From a shallow water/near-term perspective, Jason Muise, managing director of Technip Canada, provided a global perspective of the Newfoundland and Labrador market and then focused on the importance of the Jeanne d'Arc Basin, including the cost and technical challenges to subsea tiebacks and the research and development advancements that will reduce barriers to further development.

Moving into deeper water, delegates heard from international energy industry consultants Gaffney, Cline & Associates about the results of three deepwater technology studies: Understanding Processes and

Methodologies for Deep Water Oil & Gas Projects; Understanding Global Approaches and Trends Related to Engineering and Fabrication for Deep Water Oil & Gas Projects; and Understanding Logistical and Operational Support for Oil & Gas Projects in Deep Water, as well as their high and low case projection of future drilling activity and resulting developments.

Tying it all together was an engaging panel discussion, "Near-term opportunities and positioning for the long-term," featuring leaders with Pennecon Energy Services, Crosbie Group and Cahill Group. The seminar concluded with a timely keynote address from Tim Powers, vice-chair with Summa Strategies. Mr. Powers presented delegates with fresh public opinion data on the Canadian public's view on offshore oil development in this era of climate change. He also discussed where Newfoundland and Labrador fits into the national conversation about energy and the environment, and provided a view of the impact of the 2016 American presidential election on the industry.

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 2016:

Making Safety Personal in the Oil & Gas Industry

Speaker: Warren Hubler
Date: March 7, 2016

Lessons Learned – How NOT to Do Drilling Automation

Speaker: William L. (Bill) Koederitz
Date: October 21, 2016

Noia circulated
more than 200
procurement
postings to its
members in 2016



Board directors Kerri Best and Stephen Young presented the 2016 Noia-Hibernia Scholarship to Jenna Broders (L) of Conception Bay South.

2016 at Noia

Noia-Hibernia Scholarship

The Noia-Hibernia Scholarship Fund, established in 1997 – the year that the Hibernia platform was completed and started drawing oil – 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.

The 2016 winner was Jenna Broders of Conception Bay South.

In the words of her teachers, Jenna's academic ability and work ethic are second to none. She consistently performed at the top of her class in all her courses throughout high school.

Well-rounded, in addition to her academic excellence, Jenna participated in many extracurricular activities

throughout high school. She was a member of the volleyball, ice and ball hockey, basketball, badminton, softball and ultimate frisbee teams while attending Queen Elizabeth Regional High School. She was also a strong member of the Student Council and Spread the Net committee and volunteered her time at many school events. Jenna has completed the bronze, silver and gold Duke of Edinburgh Award levels and has received numerous sports awards, including the 2015 Sport Newfoundland and Labrador sportsmanship award. Jenna also participated in numerous activities in the community, including volunteering and coaching with a variety of community-based programs, and continues to do so.

Jenna is currently studying science and engineering at Memorial University with a goal of working in the oil & gas industry with a focus on technical safety for people and the environment to prevent major disasters. Noia is proud to support Jenna as she continues her studies and works towards her chosen profession.



Left: Hebron's concrete base, moored in Bull Arm in late 2016. Photo courtesy of the Hebron Project. Right: Board Chair Raymond Collins responds to media questions.

2016 at Noia

Industry Events

Northern Lights 2016

The Baffin Regional Chamber of Commerce and the Labrador North Chamber of Commerce once again jointly produced Northern Lights, a high-profile business and cultural showcase of Nunavut, Nunavik and Labrador/Nunatsiavut.

Northern Lights 2016 took place in Ottawa from January 27-30. The four-day event attracted 200 exhibitors and approximately 1,200 delegates.

Sean Power, past-chair of Noia's Board of Directors, spoke on the Association's behalf at a Newfoundland and Labrador workshop, titled "Path to the Arctic." Noia's presentation focused on the province's oil & gas industry capabilities. Other workshop presentations were delivered by representatives of Memorial University of Newfoundland, C-CORE, the National Research Council of Canada and Nalcor Energy.

Offshore Technology Conference

Noia led a delegation of more than 100 representatives of the province's petroleum companies and organizations to the annual Offshore Technology Conference (OTC) in Houston, Texas, May 2-5. More than 68,000 attendees from 120 countries gathered at the annual conference, placing 2016's OTC among the top 15 highest attended in its 48-year history.

Noia members have been attending OTC for the past 30 years as it allows for international exposure, opportunities for networking and exchange of industry information, and facilitates contracts and cooperative ventures.

"The Offshore Technology Conference enables Noia members to meet with international partners and make new connections. This is especially important to our supply and service companies looking to access and export to global markets. The conference also offers our members the opportunity to better understand the technologies to be used in future deepwater development

and export of our harsh environment and other technologies," said Raymond Collins, chair of Noia's Board of Directors.

Offshore Northern Seas

Noia and the Maritimes Energy Association, along with the provinces of Newfoundland and Labrador and Nova Scotia, coordinated an Atlantic Canadian Delegation to Offshore Northern Seas (ONS) from August 29 – September 1 in Stavanger, Norway. More than 20 Noia-member companies were part of the delegation.

Attracting delegates representing industry operators and suppliers from around the globe, ONS occurs every second year in Norway. This year's theme was *Transition*.

"ONS provides Newfoundland and Labrador companies the opportunity to showcase our oil & gas service capabilities and technologies to the international energy industry; highlight this province's offshore oil & gas opportunities; build networks; and lays the groundwork for future partnerships and collaboration," said Raymond Collins, chair of Noia's Board of Directors.

During ONS, Noia and INTSOK – the Norwegian Oil and Gas Partners – partnered to deliver a Canada Session focused on approaches for deepwater oil & gas activity in Eastern Canada. Noia President & CEO Robert Cadigan presented the "Newfoundland and Labrador Market Update," with a focus on this province's industry capabilities. The session also featured an opening address from Canada's Ambassador to Norway Artur Wilczynski and presentations from Jim Keating, Executive Vice President, Corporate Services and Offshore Development, Nalcor Energy; Toby Balch, Director of Business and Technology, Nova Scotia Department of Energy; Sandy MacDonald, Cox and Palmer; and Gisle Stjern, Vice President, Offshore Canada, Statoil.

A large, stylized blue dollar sign (\$) is the central focus of the page. It is rendered in a bold, sans-serif font. The sign is positioned vertically, with its top and bottom stems extending towards the edges of the page. The background is a light blue gradient.

AUDITORS' REPORT AND **FINANCIALS**

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, 2016, 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 is 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 in our audit 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, 2016, 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 19, 2017

Ernst + Young LLP

Chartered Professional Accountants

BALANCE SHEET

As at December 31

	2016 \$	2015 \$
ASSETS		
Current		
Cash and cash equivalents	1,154,069	994,999
Accounts receivable [note 3]	365,941	225,874
Prepaid expenses	11,890	35,789
Total current assets	1,531,900	1,256,662
Scholarship Fund investments, internally restricted [note 6]	13,738	14,615
Capital assets, net [note 4]	152,487	150,438
	1,698,125	1,421,715
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities [note 7]	497,262	181,802
Deferred revenue [note 5]	224,997	255,442
Total current liabilities	722,259	437,244
Deferred capital contributions [note 5[a]]	124,879	115,279
Total liabilities	847,138	552,523
Commitments [note 8]		
Net assets		
Net assets - unrestricted	837,249	854,577
Net assets restricted for Scholarship Fund [note 6]	13,738	14,615
Total net assets	850,987	869,192
	1,698,125	1,421,715

See accompanying notes

On behalf of the Board:

Director



Director

Director



Director

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS

Year ended December 31

	2016 \$	2015 \$
REVENUE		
Annual conference	831,515	972,848
Membership fees	554,647	562,782
Programs		
Seminars and events	117,341	223,226
NOIA news	53,665	88,612
Other publications	85,319	105,156
Special projects		
Supply Chain Project	73,830	70,917
Labour Market Development Program	91,420	117,776
Deepwater Studies	375,000	—
ONS Delegation	137,818	—
Miscellaneous	6,569	5,433
Interest income	7,895	8,424
	<u>2,335,019</u>	<u>2,155,174</u>
EXPENSES		
Administration	1,146,074	1,160,125
Annual conference	311,460	373,624
Special projects		
Labour Market Development Program	92,095	116,073
Industry Sustainability & Growth Strategy	—	150,651
Supply Chain Project	104,809	109,077
Deepwater Studies	375,000	—
ONS Delegation	138,190	—
Programs	174,009	240,636
Amortization	10,710	10,301
	<u>2,352,347</u>	<u>2,160,487</u>
Excess (deficiency) of revenue over expenses for the year	(17,328)	(5,313)
Net assets – unrestricted, beginning of year	854,577	859,890
Net assets – unrestricted, end of year	837,249	854,577

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended December 31

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	(17,328)	(5,313)
Add item not affecting cash		
Amortization	10,710	10,301
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	168,847	31,260
Cash provided by operating activities	162,229	36,248
INVESTING ACTIVITIES		
Additions to capital assets	(12,759)	(30,240)
Cash used in investing activities	(12,759)	(30,240)
FINANCING ACTIVITIES		
Increase in deferred capital contributions	9,600	9,644
Cash provided by financing activities	9,600	9,644
Net increase in cash and cash equivalents during the year	159,070	15,652
Cash and cash equivalents, beginning of year	994,999	979,347
Cash and cash equivalents, end of year	1,154,069	994,999

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 CPA Canada handbook – Accounting, – Accounting Standards for Not-for-Profit Organizations ["ASPE"], 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.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 ASPE requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities 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:

	2016	2015
	\$	\$
Members and trade, net	146,677	196,811
Atlantic Canada Opportunities Agency	219,264	29,063
	<u>365,941</u>	<u>225,875</u>

4. CAPITAL ASSETS

Capital assets consist of the following:

		2016		2015	
	Rate	Cost	Accumulated amortization	Net book value	Net book value
		\$	\$	\$	\$
Tangible					
Computer equipment	30%	113,824	91,143	22,681	28,567
Furniture and equipment	20%	36,532	32,184	4,348	5,435
		<u>150,356</u>	<u>123,327</u>	<u>27,029</u>	<u>34,002</u>
Intangible					
Computer development and website	50%	53,688	53,109	579	1,157
Capability database	50%	124,879	-	124,879	115,279
		<u>178,567</u>	<u>53,109</u>	<u>125,458</u>	<u>116,436</u>
		<u>328,923</u>	<u>176,436</u>	<u>152,487</u>	<u>150,438</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Included in the intangible assets balance for 2016 is \$124,879 [2015 – \$115,279] 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 2017.

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 \$124,879 [2015 – \$115,279] 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 change in net assets. The remaining amount received in respect of the grant, \$25,121 [2015 – \$34,721], has been recorded in deferred revenue.
- [b] During 2016, the Association received \$47,009 [2015 – \$145,000] 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 2016, Noia incurred \$83,682 [2015 – \$107,347] 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, \$977 [2015 – \$37,650], has been recorded in deferred revenue. The project was completed in March 2016.
- [c] Other amounts included in deferred revenue consist of \$168,222 [2015 – \$172,681] of deferred membership fees, \$27,674 [2015 – nil] of deferred seminars and events revenue, and \$3,002 [2015 – \$10,390] 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, 2016, the Scholarship Fund had a balance of \$13,738 [2015 – \$14,615]. 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 2016, one \$1,000 scholarship was awarded [2015 – one \$1,000 scholarship]. The Scholarship 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 2016, the fair value of the debentures decreased by \$877 [2015 – \$1,457].

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2016 \$	2015 \$
Trade accounts payable	64,882	89,930
Other	375,000	—
Accrued liabilities	57,380	91,872
	<u>497,262</u>	<u>181,802</u>

Other accounts payable represents an amount owed to an external consult which relates to a Deepwater Studies Project funded by Atlantic Canada Opportunities Agency.

8. COMMITMENTS

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

	\$
2017	<u>49,335</u>

9. FINANCIAL INSTRUMENTS – RISKS AND UNCERTAINTIES

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, 2016, the Association had cash and cash equivalents in the amount of \$1,154,069 [2015 – \$994,999]. 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 balance 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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:

	2016	2015
	\$	\$
Decrease (increase) in accounts receivable	(140,067)	88,776
Decrease in prepaid expenses	23,899	1,076
Increase (decrease) in accounts payable and accrued liabilities	315,460	(72,630)
Increase (decrease) in deferred revenue	(30,445)	14,038
	<u>168,847</u>	<u>31,260</u>

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

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2017 will mark Noia's 40th year of supporting the province's offshore oil & gas industry. Over these 40 years, our mandate has never wavered from promoting the growth of East Coast Canada's oil & gas resources and facilitating our membership's participation in global oil & gas industries. Education, information and advocacy remain the cornerstones of our work.

Noia looks forward to continuing to support our members as we work together to turn our potential into reality – a long-term, sustainable offshore oil & gas industry for the benefit of all Newfoundlanders and Labradorians.



Learning from the past. Focused on the future.