



WHITE ROSE DEVELOPMENT PROJECT

Canada-Newfoundland and Labrador Benefits Report

**For the Period
July 1 – September 30, 2004**

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1.0 INTRODUCTION

The following represents Husky Energy's (Husky's) Canada-Newfoundland and Labrador Benefits Report for the quarter ending September 30, 2004, as required under the Conditions set out in Decision 2001.01 for the White Rose Development Project.

This report provides a summary of progress/activities related to the Project for the period with the exception of Project expenditures, which are captured for the period February 1, 2002 to September 30, 2004.

2.0 SUMMARY OF PROJECT ACTIVITIES

This section provides progress information for major Project components during the period July 1 to September 30, 2004.

2.1 Project Overview

- At the White Rose Field, the vessel mooring system, including the riser buoy, has been successfully installed and the major subsea equipment has been placed in the glory holes. Upon the arrival of the SeaRose FPSO in 2005, the riser buoy will be pulled into the turret of the FPSO, providing the anchor point for the vessel.
- Five wells including a horizontal oil producer, three water injectors and a gas injector have been drilled as development drilling proceeds on schedule. Based on a production test of the oil producer the estimated productive capability of the well through permanent facilities is between 25,000 and 35,000 barrels per day. This test confirmed the quality and production estimates of the field.
- At Cowhead the heavy lift campaign, consisting of seventeen heavy lifts to place topsides modules onto the SeaRose FPSO was successfully completed over a seven-week period.
- Hookup and integration of the topside facilities onboard the FPSO is the current focus at Marystown.
- First oil remains on target for late 2005 or early 2006.

2.2 Operations

- The document management and development contract is progressing with ongoing development of HSE and standard operating procedures manuals.
- Recruitment is progressing with a target to hire all staff by the end of 2004. Training anticipated commencing in early 2005 following completion of recruitment.
- The simulator has arrived in St. John's.

2.3 Transportation

- Shuttle tanker progress to the end of September 2004 is on schedule.
- Knutsen and Canship Uglund placed newspaper ads for tanker officers and crew. Deadline for applications was September 24, 2004.

2.4 Logistics

- Husky issued invitations to bid for Infrastructure, Facilities and Services; contract award is anticipated during Q1 2005.

3.0 EMPLOYMENT SUMMARY

3.1 Employment by Residence Status

As at September 30, 2004, a total of 2,431 management, engineering, technical, skilled trades, support and consultant employees of Husky and its contractors were employed directly on the White Rose Development Project. Of this total 1,961 or 80.7% were residents of Newfoundland and Labrador when hired, while another 218 or 9.0% were residents of other regions of Canada at the time of hire. Over 97% of positions for the White Rose project were located in Newfoundland and Labrador as at September 30, 2004.

Table 5.1: Participation of Newfoundland and Labrador, Canadian and Non-Canadian Residents in White Rose Activity by Location of Work As at September 30, 2004

| Location | Newfoundland & Labrador | | | Other Canadian | | | Non-Canadian | | | Total Employment |
|----------|-------------------------|--------|-----------|----------------|--------|-----------|--------------|--------|-----------|------------------|
| | Male | Female | Sub-Total | Male | Female | Sub-Total | Male | Female | Sub-Total | |
| TOTAL | 1773 | 187 | 1961 | 202 | 16 | 218 | 238 | 15 | 253 | 2431 |

3.2 Employment by Location (Person Hours)

From July 1 to September 30, 2004, Husky project management, major contractors and sub-contractors carried out a total of 1,235,340 person hours of work related to the White Rose Development Project. Approximately 93.3% of these person hours were worked in Newfoundland and Labrador.

Table 5.2: Summary of Person Hours Worked in Newfoundland & Labrador, Other Canadian, and Foreign Locations

July 1 to September 30, 2004

| Project Component | For the Quarter Ending September 30, 2004 | | | | Project to Date ⁶ | | | |
|--------------------------------------|---|----------------|---------------|------------------|------------------------------|----------------|------------------|-------------------|
| | Newfoundland & Labrador | Other Canadian | Foreign | Total | Newfoundland & Labrador | Other Canadian | Foreign | Total |
| Husky Project Management | 67,602 | 0 | 0 | 67,602 | 467,345 | 766 | 15,597 | 483,708 |
| FPSO Project Management ¹ | 44,448 | 373 | 1,868 | 46,689 | 301,457 | 10,664 | 86,435 | 398,556 |
| FPSO Topsides ² | 683,077 | 48,486 | 160 | 731,723 | 4,482,979 | 792,229 | 43,766 | 5,318,974 |
| FPSO Hull ³ | 0 | 0 | 0 | 0 | 5,228 | 0 | 1,779,935 | 1,785,163 |
| FPSO Turret ⁴ | 0 | 0 | 0 | 0 | 31,971 | 0 | 1,158,261 | 1,190,232 |
| Subsea ⁵ | | | | | | | | |
| Subsea Production System | 163,996 | 120 | 29,212 | 193,328 | 653,937 | 5,615 | 521,882 | 1,181,434 |
| Glory Holes | 0 | 0 | 0 | 0 | 136,325 | 0 | 29,702 | 166,027 |
| Drilling | 146,467 | 2,785 | 130 | 149,382 | 658,570 | 16,646 | 2,228 | 677,444 |
| Logistics | 46,593 | 0 | 24 | 46,617 | 226,917 | 0 | 63 | 226,980 |
| TOTAL | 1,152,182 | 51,764 | 31,394 | 1,235,340 | 6,964,730 | 825,920 | 3,637,869 | 11,428,518 |

Notes:

1. FPSO Project Management also includes hours associated with Siemens ICSS contracts, excluding hours previously reported for turret ICSS.
2. Foreign person hours represent on-the-job training with respect to M01. Several engineering and skilled trades employees from CSE are working in the MacNulty Yard in Scotland as a part of a technology / skills transfer exercise. These workers will bring back learned skills to enable them to carry out specialty work on M01. In addition a similar contingent from Scotland has been posted to the Ontario yard to further facilitate the transfer of knowledge and skills to Canadian workers. A portion of foreign person hours is also attributed to titanium pipe spool fabrication in New Jersey.
3. Hull also includes hours associated with lighting (MariTeam) and VSAT (Aliant).
4. FPSO Turret also includes hours associated with Turret fabrication (Gulf Piping Corporation, Abu Dhabi), TER (various contractors, St. John's), ICSS (Siemens) and lighting (MariTeam).

5. Subsea includes hours associated with Subsea Production System (TOCL/Camserv), TGBs (Cameron) and Glory Holes (Boskalis and Vasco) activity.
6. Project to date adjustment of 2,342 hours by AGR not captured in Q2 2004, 77 hours not captured in WS Atkins March 2004 report and 1,095 hours by xwave for Q1 & Q2, 2004.

4.0 PROJECT EXPENDITURE

For the period February 1, 2002 to September 30, 2004, project expenditures (as a percentage of total cost) were 34.1% Newfoundland and Labrador content, 12.4% Other Canadian, and 53.5% Foreign Content.