ENERGY

Partners, Newfoundland near deal on Hebron

Offshore project could rival Hibernia in scale

BY CLAUDIA CATTANEO
Calgary Bureau Chief

HOUSTON • **Chevron Corp.** and its partners are close to nailing down a binding agreement to move forward with development of the $5-billion Hebron Ben Nevis offshore oilfield, marking a new, more cordial phase in the relationship with Danny Williams, Premier of Newfoundland and Labrador.

Gary Luquette, president of Chevron North America Exploration and Production Co., said Hebron will be a world-scale project producing up to 200,000 barrels a day from a concrete gravity-based structure, rivalling the Hibernia project.

"We have all the partners sitting with their hands on the switch now," Mr. Luquette said in an interview. "As soon as we get the commercial agreements with the provincial government hammered out, we are ready to go."

San Ramon, Calif.-based Chevron, the project leader, and partners **Exxon Mobil Corp.**, **Petro-Canada** and **StatoilHydro ASA**, aim to complete commercial agreements by mid-year.

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'We have all smoked the peace pipe'

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They can then quickly reassemble a project team in Newfoundland to oversee local construction, supported by arctic experts in Calgary and deepwater experts in Houston.

Relations between the oil companies and Mr. Williams have been cordial since the signing of a memorandum of understanding on Hebron last year that involved accepting the province as a 4.9% equity partner.

"We have all smoked the peace pipe," Mr. Luquette said. "Premier Williams has said on more than one occasion 'I want to put the acrimonious relationships and negotiations behind us. We are partners in a world-scale project that is going to mean a lot to the provincial government.'"

Before then, the oil companies and Mr. Williams were on bad terms as the Premier fought for greater provincial benefit from its resources.

Mr. Luquette said he has since come to appreciate Mr. Williams' "unsurpassed" popularity with his constituents.

Mr. Luquette said Newfoundland will need to repatriate some of its workforce from Alberta's oilsands for its offshore industry to succeed, something Mr. Williams is determined to see happen.

Mark Nelson, Calgary-based president of Chevron's Canadian subsidiary, said Hebron discussions are focused on such issues as how much of the project has to be built locally, how the province will pay for its share, how ownership interests will change to make room for the province.

Under the latest estimate, the project would cost about $5-billion, but that could vary depending on whether parts can be built in less expensive markets and assembled in the province, he said.

Hebron's structure would stand on 100 metres of water and draw oil from 30 to 50 wells. It will take between eight and 11 years to get to first oil, Mr. Nelson said.

The project was shelved twice this decade because the oil companies and the province could not agree on fiscal terms.

With Alberta's oilsands becoming less competitive due to rising costs and a higher royalty regime, Newfoundland's offshore now looks attractive when stacked against global opportunities and Chevron hopes to build it into a "material business," Mr. Luquette said.

Chevron, Exxon Mobil and Royal Dutch Shell PLC are also planning two more exploration wells in the Orphan Basin — one in mid-2009 and another in 2010, following up on the $200-million Great Barasway well drilled in 2006. The companies have not revealed what they found. The basin could hold five billion barrels of oil or more.

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ccattaneo@nationalpost.com