

From: Bobillier, Arnaud (Geneva)
Sent: Friday, April 09, 2010 5:48 AM
To: Martin.Vos@shell.com
Subject: RE: Arctic 1 HSE status

Martin,
Hope you had some good time to relax. Tuesday 09:30hrs Houston (16:30hrs Geneva) April 13th would fit my agenda well.
I will call you on your land line number mentioned below.
Regards,
Arnaud

From: Martin.Vos@shell.com [mailto:Martin.Vos@shell.com]
Sent: 09 April 2010 02:05
To: Bobillier, Arnaud (Geneva)
Subject: RE: Arctic 1 HSE status

Arnaud,

I am back in Houston, please let me know when you are available to discuss the attached.
Assuming you are in Geneva time zone, I can call you tomorrow, Friday 8:30am Houston time or this next Monday or Tuesday morning 9:30am Houston time.

I am ok most afternoons if you happen to be in US time zone.

Best Regards,
Martin Vos

Martin Vos
Vice President Deepwater Wells

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Mobile: +1 832 248 0087

-----Original Message-----

From: Bobillier, Arnaud (Geneva) [mailto:Arnaud.Bobillier@deepwater.com]
Sent: Wednesday, March 31, 2010 6:05 AM
To: Vos, Martin W SIEP-EPT-WD; Coelho, Guilherme (Brazil)
Cc: Vandenbroek, Leon HWM SIEP-EPT-WSC; Brandt, Willem (Geneva)
Subject: Arctic 1 HSE status

Dear Martin,

I noted from my earlier message that you were on holidays: let me know if you wish to talk with me before your return.

I discussed at length the situation of the Arctic-1 with our Management Team in Brazil this morning (Guilherme Coelho and Michel Legrand): a detailed plan –articulated around a planned shut-down- will be presented to me by Friday this week. Such shut-down period is not fully defined yet, but could last a few days. The timing will be discussed and agreed with the Shell organization in Brazil to ensure minimal interference with the well construction. The main objective of the shut-down is to provide the necessary time and help to our Management and Crews to resolve the persisting outstanding issues, and to bridge the gaps existing between shore-based and rig-based management.

I will also carefully look at the issues that could likely exist at the division level and/or fleet wide (as opposed to being Arctic-1 specific).

Let me know when you would like to discuss the matter further.

Best regards,

TRN-MDL-05467036

TREX-26023

Arnaud Bobillier
EVP, Assets

From: Martin.Vos@shell.com [mailto:Martin.Vos@shell.com]
Sent: 31 March 2010 01:59
To: Bobillier, Arnaud (Geneva); Coelho, Guilherme (Brazil)
Cc: Leon.vandenbroek@shell.com; Brandt, Willem (Geneva)
Subject: Arctic 1 HSE status

Dear Arnaud,

I am writing you this note to express my most serious concern with the HSE status on the Arctic 1 in Brazil. Last year I have written and met with Steve Newman after we had High Potential Incidents and some very serious incidents on the Arctic 1, which resulted in a number of serious changes and no more LTIs after the two serious LTIs mid year. However, we are seeing an increase in incidents and HIPOs again and after a recent HSE-MS audit it has become clear that we need to take drastic action now. This time I am sending this note before we have another incident, because I would seriously regret having to call you after another serious incident on the Arctic one. We must act now and turn things around.

I have included a strong view from the Shell Well Delivery Manager in Brazil after he took stock of the HSE state on the rig and summarized his concerns with examples.

As you are aware there have been many HSE issues on Arctic 1 since the start of the contract in 2007 and it was very serious in 2009. We believe that high turnover (ca 50%) and poor management of HSE MS systems at rig and office level of Transocean has contributed to several serious incidents on the rig in 2009. Since mid-late 2009, the turnover has reduced and addition of some new rig management helped, but HSE management is still not at desired levels.

After numerous site visits, incident investigations and audits, we now believe that there are systemic problems in Transocean's HSE management system in Brasil. A recent internal audit on Arctic 1 confirmed that the rig does not comply with Transocean's HSE management system in many areas and there are serious gaps in critical safety equipment maintenance, certification and register. When we deepened our investigations following the audit, it become obvious that this problem is endemic. It is almost in every area and has been accepted by Transocean leadership offshore and onshore over a long time. For example, we understand that the maintenance system (RMS) can be and is monitored offsite. If this is correct, head office must have allowed critical maintenance issue to pass the deadlines, in some instances by two years.

It is obvious that the offshore team are trying to keep the rig running as much as they can but so far they have not been able to catch up with outstanding critical actions in parallel to their day to day operational duties. There is still a long list of outstanding actions. For example, a) 2010 dropped object survey identified ca. 1400 actions and we know that many of those actions were also mentioned in 2008 survey but not completed. b) Long list of TO maintenance and marine bulletins are waiting to be actioned.

Transocean's ability to provide spare parts and equipment to the rig has been an issue for a long time and is now chronic. Arctic 1 has been waiting for a long time (a year or more in some cases) to receive a long list of spares. Management of critical spares has been neglected as there is no support from the onshore Transocean organisation. For example, a high potential dropped object incident investigation in Nov 2009 has revealed that the installation of a retention lanyard was made mandatory in operational and maintenance advisory issued in Nov 2008 and entered into RMS in Feb 2009. Although the NOV recommended kit was ordered in Feb 2009, the equipment arrived end of Oct 2009 approximately a year after the issue date of maintenance advisory. In this case the equipment was actually never installed until after the Nov 2009 incident.

There have been issues with Leadership support to resolve these issues over the last years, and there are now some symptoms of lack of trust on Transocean leadership's commitment on safety. Therefore we believe that crews try to deliver what they think their leadership want from them to 'keep things going at all cost'.

Recommendation:

It is obvious that the amount of issues we are dealing with are extraordinary and will require extraordinary

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interventions. I therefore recommend to suspend the operations at an appropriate point for a good number of days to complete all safety critical outstanding tasks with no further delays and restore the integrity of safety critical systems before we proceed with normal operations. Some of these critical tasks are : a) lifting equipment register and certification, b) pressure vessels and control equipment register and certification, c) restore RMS II maintenance system and complete all backlog of critical maintenance tasks and actions from maintenance advisories d) dropped object prevention program actions and e) safety leadership training with all crews.

An alternative solution would be to complete the outstanding actions as we drill and complete the wells. This is something we have been trying in the last 3 to 4 months. Although there is a noticeable improvement, the pace is lot less than desired and will not deliver what we want to achieve 'complete all actions within 4-8 weeks'. I also believe that this option is not going to help to restore the credibility of leadership on Arctic 1.

In addition to this, we must consider changing some personnel responsible for maintenance and operations. It is obvious that these senior personnel did let this happen and it is my belief that it would be difficult to recover under their leadership on Arctic 1.

I look forward to your consideration and support on this important issue.

Regards,

Martin Vos

Vice President Deepwater Wells

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