



**CANADA-NOVA SCOTIA BENEFITS**  
**2007 ANNUAL REPORT**

**DMEN-RP-CO-0012.001**

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EnCana Corporation  
Halifax, Nova Scotia

March 28, 2008

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## I. Executive Summary

In 2007, there was a significant increase in activity on EnCana's Deep Panuke offshore natural gas project.

The project was approved for development by EnCana's Board of Directors in October 2007 following a timely and efficient regulatory approval process that took place through the better part of 2007.

In March 2007, regulatory hearings before representatives of the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and the National Energy Board were followed by a series of approvals for the project during the spring, summer and fall months, culminating in the CNSOPB's *Deep Panuke Offshore Gas Development Canada-Nova Scotia Benefits Plan Decision Report* and *Development Plan Decision Report* on October 3, 2007, hereafter the Decision Report.

EnCana's subsequent decision to sanction Deep Panuke on October 25 led to increased project procurement activity in the fourth quarter of the year including the selection of the company chosen to provide and operate the project's production field centre (PFC). As well, five other major project contracts were awarded in Q4 2007.

Leading up to the contract award for the PFC, the bid competition for the contract was a key focus for EnCana during 2007.

As well, during 2007, EnCana continued to develop elements of the Offshore Strategic Energy Agreement (OSEA) with the Province of Nova Scotia.

Work was initiated in 2007 to develop a comprehensive Education & Training and Research and Development Plan for Deep Panuke in compliance with Condition 4 of the Decision Report. As well, EnCana submitted a report to the CNSOPB in December 2007 to comply with Condition 5, Disadvantaged Individuals or Groups.

The following report provides an overview of EnCana's activities in Nova Scotia in 2007.

Highlights of the report include:

- Total spending by EnCana in 2007 on Deep Panuke of \$32.8 million.
- 108,746 person hours of work by Nova Scotians.
- 8,802 person hours of work by Canadians from other provinces.

## **II. Introduction**

The following report is filed in compliance with Condition 10 (Monitoring, Reporting and Auditing) of the Decision Report.

This report covers the period from January 1, 2007 to December 31, 2007

### **II.1 Local Office**

EnCana's local office in Founders Square at 1701 Hollis Street in Halifax is home to the Deep Panuke project. Resident in the office are the project general manager and an interdisciplinary project management team, supported by approximately 50 staff and contractors.

Appropriate levels of decision-making are directed from or take place in the office including project management, engineering, procurement, commercial arrangements, accounting, human resources, regulatory, community relations, drilling and completions and environment, health, safety and quality.

In 2007, EnCana added to its footprint in Founders Square by acquiring additional space on the 8<sup>th</sup> floor to accommodate growing project activities.

## **III. Business Opportunities and Supplier Development**

### **III.1 Update on Activities**

To share business opportunities at Deep Panuke with the local supply community in Nova Scotia in 2007, EnCana utilized recognized channels of distribution such as electronic bulletin board BIDS Nova Scotia, postings to the enhanced Deep Panuke pages on the EnCana web site, supplier workshops, conference presentations such as CORE 2007 and report/newsletter distribution.

As well, EnCana's Deep Panuke business opportunities are frequently reported through third party organizations. For example, the Offshore/Onshore Technologies Association of Nova Scotia (OTANS) regularly includes information on EnCana Expressions of Interest, Requests for Proposal and Contract Awards in the OTANS Daily Bulletin to members. Media in Nova Scotia also report regularly on EnCana business opportunities.

In 2007, EnCana placed emphasis on advancing major contracts to a 'ready to award' status in anticipation of a project sanction decision by year end.

Throughout the year, the nine-month long competitive bid competition for the production field centre (PFC) at Deep Panuke was a key focus for the project team.

In December 2006, EnCana announced that two companies were selected to participate in the competition – Single Buoy Moorings Inc. (SBM) and Modec International. In Q1 2007, EnCana awarded bid competition contracts to SBM and to Modec to formalize the competitive bidding process. In the following months, the companies issued a combined 104 Expressions of Interest to the local supply community to gauge interest in Deep Panuke among Nova Scotia suppliers and to explore local capability and expertise.

In Q3 2007, EnCana issued Invitations to Tender (ITT) to SBM and to Modec, signalling a wrap-up to the bid competition phase. Both companies responded to the ITT by submitting comprehensive bid documents to EnCana at the end of August 2007, which in turn led to a two-month internal review by the project team of both proposed approaches for building and operating the production field centre. The internal review was followed by contract award to the successful bidder.

In April 2007, the first Procurement Status Report for the project was published to alert suppliers and potential suppliers to contracting opportunities. The document was inserted in the May edition of the project newsletter to enhance distribution and readership.

This Procurement Status Report was available for two supplier workshops hosted by EnCana in April 2007 to formally introduce SBM and Modec to Nova Scotia suppliers. The workshops, held in Halifax, NS, were attended by approximately 300 interested members of the offshore supply community. Advertisements for the sessions appeared in the *Chronicle Herald*, the *Halifax Daily News*, the *Cape Breton Post*, the *New Glasgow Evening News*, the *Amherst Daily News*, the *Truro Daily News*, the *Guysborough Journal*, the *Port Hawkesbury Reporter* and All Nova Scotia, a daily on-line business newsletter.

A subsequent Procurement Status Report for Deep Panuke was published as part of the October 2007 project newsletter.

Beginning in April 2007, revamped Deep Panuke project pages on the EnCana web site ([www.encana.com](http://www.encana.com) or the short cut [www.deeppanuke.com](http://www.deeppanuke.com)) include a section on Business Opportunities, with separate categories for Expressions of Interest, Requests for Proposals and Contracts Awarded.

The project sanction decision on October 25 led to a series of key contract awards for the project starting with the selection of the successful bidder for the production field centre at Deep Panuke.

EnCana announced on November 8, 2007 that it had entered into an agreement with SBM for the provision and operation of the Deep Panuke PFC. SBM will own and operate the PFC and will lease it to EnCana for the life of the project. SBM will be responsible for engineering, procurement, fabrication, installation and

commissioning of the production field centre. In addition to the provision of the PFC, SBM will provide personnel to help ensure a smooth transition into the project's production phase, and will be responsible for the long-term operations of the production facilities, including logistics.

By year end, other major contract awards were being made for Deep Panuke to ensure the project's critical path remained on schedule. The awards included:

- Line pipe supply for the export pipeline to ILVA S.A.
- Drilling unit to Rowan Companies, Inc.
- Pipeline coating to Shaw & Shaw Limited
- Engineering, procurement, installation and commissioning of the export pipeline to Allseas Canada Ltd.
- And the geophysical pipeline route survey to Fugro Jacques Geosurveys

EnCana has encouraged major contractors to the project to engage in transparent procurement processes for Deep Panuke to share information on sub-contract opportunities. To that end, in 2007 PFC competitors SBM and Modec utilized BIDS Nova Scotia to directly communicate with potential suppliers. In turn, these business opportunities were picked up and repeated in the daily OTANS Bulletin and were often the subject of local media reports.

In 2007, EnCana submitted to the CNSOPB two procurement reports for Deep Panuke. The first report focused on pre-sanction procurement activities. The second report, projecting forward for Q1 2008, took the form of a quarterly procurement forecast. Both documents were submitted on November 30, 2007. The quarterly procurement forecast for the CNSOPB is more detailed than the Procurement Status Reports that are published for the contracting community via the Deep Panuke project newsletter.

### III.II Business Expenditures

#### Canada-Nova Scotia Benefits Summary (2007) – Annual Expenditures

CATEGORY	AMOUNT (Millions)
Project Management and Engineering	\$17.1
Office, General, and Administrative	\$2.9
Regulatory	\$0.9
PFC Bid Competition	\$11.8
<b>TOTAL</b>	<b>\$32.8</b>

Total expenditures for Deep Panuke in 2007 were \$32.8 million.

## IV. Project Employment

### IV.1 Update on Activities

EnCana is fully committed to employing a competitive, open and fair recruitment process for Deep Panuke, with full and fair opportunity for Nova Scotians and all Canadians, and with first consideration to qualified Nova Scotians. Foreign workers will be hired only when specialized knowledge or experience is required and when qualified Canadian workers are not available.

To support growing project activities, EnCana increased its resources in the Halifax office from 50 persons at the end of 2006 to about 60 persons at the end of 2007.

In Q4 2007 following corporate sanction of Deep Panuke, EnCana advertised for 14 additional contract positions in engineering, project controls and commercial, drilling and environmental, health, safety and quality. In Nova Scotia, the positions were advertised in the *Chronicle Herald* and on [www.CareerBeacon.com](http://www.CareerBeacon.com), a well recognized web site for local opportunities in the offshore oil and gas industry. As well, the ad for the positions appeared on the EnCana web site ( [www.encana.com](http://www.encana.com) ), in daily newspapers in Newfoundland and the United Kingdom and in Upstream.

Also in Q4 2007, EnCana was pleased to welcome the project's Aboriginal Liaison Advisor to the team. The advisor's role will be to act as a bridge between EnCana and Aboriginal communities in Nova Scotia, sharing information on Deep Panuke business and education and training opportunities.

Further initiatives to support the building of a diverse project workforce are outlined in more detail in the submission to the CNSOPB with respect to Condition 5, Disadvantaged Individuals or Groups, made in December 2007. This document outlines activities such as a commitment by EnCana in 2008 to explore participation in the New Beginnings Program of the Metropolitan Immigrant Services Association, Halifax, NS. The program offers internship opportunities for new Canadians at workplaces in Nova Scotia matching their skill sets.

To support project employment opportunities for young Nova Scotians, planning was initiated in Q4 2007 for a formalized Deep Panuke co-op program for students at universities and/or colleges in Nova Scotia. The first student in the program was hired for January 2008. Students in engineering, commerce, information technology, environmental science and communications programs are expected to be part of the program as it is developed.

## IV.II 2007 Person Hours

### Person Hours (2007)

CATEGORY	PERSON HOURS
Nova Scotia Person Hours	108,746
Canadians from Other Provinces Person Hours	8,802

Total person hours from January 1 to December 31, 2007 for Deep Panuke were 257,082. Nova Scotia person hours were 108,746. Other Canadian hours were 8,802.

## V. Key Stakeholder Engagement

### V.I Update on Activities

In 2007, EnCana continued to liaise with key stakeholders to share information on Deep Panuke. Methods of liaison in 2007 included face to face meetings, presentations and/or participation at conferences and workshops, print material distribution, media relations, community sponsorships and web site enhancement of [www.encana.com](http://www.encana.com) (Deep Panuke pages).

During 2007, six project newsletters were distributed to provide stakeholders with updated information on the regulatory process for the project and other Deep Panuke activities.

Each edition of the newsletter was:

- posted to the Deep Panuke pages on the EnCana web site
- inserted in the weekly *Guysborough Journal* to help ensure circulation in Guysborough County
- dropped by Canada Post to mailboxes in Guysborough County
- distributed to representatives of local, provincial and federal government, fisheries organizations, environmental groups, suppliers and other diverse stakeholders on a large mailing list

The updated Deep Panuke pages on [www.encana.com](http://www.encana.com) also included information on project procurement activities, EnCana conference presentations, speeches, an information brochure and other relevant materials.

In 2007, EnCana issued two news releases involving Deep Panuke:

- sanction decision as announced on October 25
- selection of the SBM as PFC contractor on November 8

### V.II Disadvantaged Groups

In December 2007, EnCana submitted to the CNSOPB a plan in response to the Decision Report's Condition 5, Disadvantaged Individuals or Groups. The plan



outlines a number of activities that EnCana proposes to develop with respect to sharing business opportunities at Deep Panuke, fostering employment opportunities for members of these groups and engaging in education and training programs for group members with relevance to the offshore oil and gas industry.

Before year end, EnCana also was pleased to welcome Dwight Dorey to the Deep Panuke team as Aboriginal Liaison Advisor, Deep Panuke project.

## **VI. OSEA Update**

### **VI.I Update on Activities**

During 2007, EnCana advanced activity on several fronts with respect to the Offshore Strategic Energy Agreement (OSEA) commitments with the Province of Nova Scotia. During 2007, 122,008 hours of work were conducted in Nova Scotia with 108,746 of these hours being Nova Scotia person hours.

- Engineering, Procurement and Management Activities

EnCana's office in Halifax continues to be the centre of project management activity, as well as engineering and procurement management.

During 2007, the project management team in Halifax grew to include ready for operations and subsea/pipeline representation, reflecting the integrated approach to the management of Deep Panuke.

In 2007, 15 Expressions of Interest for business opportunities at Deep Panuke were released from the Halifax office to the local supplier community.

- Export Pipeline - Coating

EnCana issued an Expression of Interest to suppliers on March 30, 2007 for this OSEA commitment. A Bidders List was subsequently issued by EnCana on July 16 followed by Contract Award in January 2008 to local supplier Shaw & Shaw Limited.

- Accommodations Unit and Flare Tower

These OSEA commitments are integral parts of the production field centre (PFC) at Deep Panuke. In 2007, bidders Modec and SBM both issued Expressions of Interest for the Accommodations Unit and Flare Tower as part of their bid submissions to EnCana to be the PFC provider and operator.

- Onshore Drilling Rig Program

EnCana committed financial and human resources to facilitate the development of the capability of an onshore drilling rig manufacturing operation in Nova Scotia. Following an open tendering process in the fall of 2006 and Nova Scotia site visits by major drilling contractors based in Western Canada, two of the contractors subsequently signed agreements with three Nova Scotia companies to build rig components. Starting in early 2007, work on the drilling rig operation involved the following manufacturing sites in Nova Scotia: TrentonWorks in Pictou County, NS, CTS Containers of Dartmouth, NS and Laurentian Steel Fabricators at Sydport near Sydney, NS. With the contracts combined, the cost of rig component construction totals more than \$5 million including labour, transportation and materials.

- Offshore Supply Vessels

SBM and Modec both issued Expressions of Interest (EOIs) in 2007 for supply vessel service at the PFC as part of the preparation for their respective bids to become the PFC contractor. However, both EOIs noted that the procurement process for supply vessel service was “not intended to fully address the commitments made by EnCana Corporation under the Offshore Strategic Energy Agreement (OSEA) for the construction of a supply vessel in Nova Scotia.”

Planning took place in 2007 to determine the best approach to initiate the process for the construction of one of two offshore supply boats that will be required for Deep Panuke. The file will advance in 2008 under EnCana’s direct oversight.

- Wellhead Protection Structures

Planning took place in 2007 to determine the best approach to initiate the process for the Nova Scotia participation in the design, procurement and fabrication activities for wellhead protection structures (described in the OSEA as “subsea trawl over protection structures”) to be installed at the Deep Panuke subsea wellheads. The file will advance in 2008 under EnCana’s direct oversight with the release of Expressions of Interest anticipated in Q1 for these activities.

## **VI.II 2007 Person Hours**

Hours performed in Nova Scotia from January 1 to December 31, 2007 for OSEA related activities were 122,008, with 108,746 of these hours being Nova Scotia person hours.

## **VII. Research and Development, Education and Training**

During 2007, EnCana continued to invest in research and development, education and training initiatives in Nova Scotia, with a view to developing the foundation for targeted Deep Panuke education and training and research and development spending.

## **VII.I Development of Project Plan**

EnCana representatives visited Nova Scotia university and college campuses in the summer of 2007 to review current research capacity and relevant interests, as well as education and training priorities, and to assess current screening tools used to assess local research proposals. The facilities visited were Dalhousie University, Saint Mary's University, Acadia University, St. Francis Xavier University, Cape Breton University and the Nova Scotia Community College, Marconi Campus.

Dialogue also took place with OTANS to determine priorities for education and training and research and development from the supplier community.

In Q4 2007, internal planning was underway at EnCana to develop a proposed protocol for review by the CNSOPB of a disbursement process for Deep Panuke funds based on a calculation of 0.5% of the capital expenditures and gross revenue from the project over its life, as agreed to in the OSEA with the Province of Nova Scotia.

As well, in Q4 2007, EnCana representatives met with various community partners such as Nova Scotia Youth Experiences in Science (NSYES), Techsploration, Discovery Centre and others to identify targeted initiatives related to education and training, particularly seed programs that foster an interest in science, trades and technology careers among youth and youth from disadvantaged groups – a critical link to future participation in and/or a career in the offshore oil and gas industry.

## **VII.II Petroleum Research Atlantic Canada (PRAC)**

PRAC is a core research organization receiving funding from EnCana. In 2007, EnCana provided \$100,000 in contributions to PRAC, a leading research organization for the region, through direct funding and spending to support PRAC-led initiatives. As well, EnCana's Vice President Atlantic Canada was a member of PRAC's Board of Directors in 2007.

## **VII.III Environmental Studies Research Funds (ESRF)**

Each year, levies are applied to lands in frontier areas to help pay for research studies under ESRF, which is directed by a joint government/industry/public management board and administered by a secretariat that is located in the National Energy Board office in Calgary, Alberta. EnCana provided \$10,610 in funding to ESRF for activities in Nova Scotia's offshore in 2007.

## **VII.IV Other Research & Development, Education and Training**

Throughout 2007, EnCana helped to fund activities to support the advancement of Research and Development, Education and Training for the oil and gas industry in Nova Scotia.

EnCana participated in and/or provided funding support for industry networking events and technical conferences, including:

- Fishermen Scientists Research Society 14th Annual Conference held on February 16 & 17, 2007 in Truro, Nova Scotia;
- The 34<sup>th</sup> annual Aquatic Toxicity Workshop in Halifax in September 2007;
- CORE, the annual conference of the Offshore/Onshore Technologies Association (OTANS) of Nova Scotia, in October 2007;
- The 1st Annual Chemical and Conventional Munitions Dumped at Sea Conference in Halifax on October 9 & 10, 2007
- The Oil and Gas 101 training program offered by OTANS to members of the Nova Scotia business community.

In 2007, EnCana provided funding and participation through a number of task forces and committees on safety and environmental issues, such as the Eastern Scotian Shelf Integrated Management (ESSIM) Initiative, the Sable Island Stakeholder Committee, and the Sable Gully Advisory Committee.

EnCana provides representation on various committees of the Offshore Energy and Environment Research (OEER), a not-for-profit association dedicated to fostering offshore energy and environmental research and development including examination of renewable energy resources and their interaction with the marine environment. EnCana also participates on the planning committee and has committed to provide financial and in-kind support for the Nova Scotia Energy Research and Development Forum 2008 to be held at St. Francis Xavier University on May 21 and 22, 2008.

For several years, EnCana has supported energy education modules for educators through support for training programs offered by the Energy Solutions Group during educator professional development days.

Building on the success of the modules, which have targeted public school teachers, guidance counsellors and Department of Education staff, EnCana participated in and provided funding for the *Energy for Students* day at Chedabucto Centre in Guysborough, NS in May 2007. The day-long program for students, aimed at exposing them to careers in the offshore oil and gas industry, was delivered in partnership with Energy Solutions Group, ExxonMobil, Maritimes & Northeast Pipeline and other supporters.

In 2007, EnCana's community investment program in Nova Scotia continued to focus on initiatives and programs that encourage youth to consider careers in science and technology.

EnCana's main support was directed to development of science fairs in Nova Scotia for students in junior and senior high school through funding for Nova Scotia Youth Experiences in Science (NSYES), regional science fairs in Halifax

and Port Hawkesbury, NS and the Canada-Wide Science Fair in Truro, NS in May 2007. EnCana's core activities to support science fairs in 2007 were:

- Funding for another successful science fair promotional campaign with media partners Global Television and the Chronicle Herald;
- Support for development of a science fair video aimed at walking students and educators through the steps to develop a good science fair project – the video is now an approved curriculum resource for science teachers in Nova Scotia and more than 500 copies are in circulation;
- Lead sponsorship of local volunteers at the Canada-Wide Science Fair in Truro, NS; every year EnCana's corporate presence at this prestigious national event includes sponsorship of Platinum awards for the three age groups represented at the fair and the Best in Fair Award.

Among other initiatives and organizations that received funding in 2007:

- The Discovery Centre (Nova Scotia's hands-on science centre)
- The Techsploration program for young women in Nova Scotia considering careers in a science and technology field
- The Nova Scotia Community College led Underwater Robotics – International ROV (Remote Operated Vehicle) Competition for Nova Scotia high school students
- The 100<sup>th</sup> anniversary celebrations for the Faculty of Engineering at Dalhousie University

## **VIII. Activity Forecast for 2008**

EnCana's core objective in 2008 is to continue to adhere to the project schedule for Deep Panuke to ensure key milestones are met and critical project elements are delivered on time.

EnCana will comply with conditions attached to project sanction of Deep Panuke, and will keep the CNSOPB informed of project activities through documents such as the quarterly procurement forecast, the quarterly stakeholder consultation report and other reports as required.

Project activity at Deep Panuke is organized into functional elements. The following section describes activity anticipated in 2008 for each of these elements. Overall, increased activity with respect to major contract awards is expected to occur throughout 2008.

## **Project Management Element**

- Geophysical and Geotechnical

A new geophysical survey will take place in early 2008 to collect additional information offshore. In the re-design of Deep Panuke between 2003 and 2006, the original site for the production field centre was moved, the wells were changed from platform wells to subsea wells (therefore now requiring subsea flowlines), and the first 40 kilometres of the export pipeline route was shifted due to the new location of the field centre. These changes triggered the requirement for a new survey at Deep Panuke to fill information gaps.

In late Q2 or early Q3 2008, Seaforth Geosurveys Inc. will perform a geotechnical investigation at the Deep Panuke production field centre site with the M/V Investigator.

- Community Consultation and Outreach

Community consultation will continue with communities at pipeline landfall and with interested publics in Nova Scotia. To prepare for construction activity onshore related to the installation of the Deep Panuke export pipeline, EnCana expects to issue an Expression of Interest for current and traditional land use review and monitoring at pipeline landfall in Q1 2008.

### **Element 1 – Drilling and Completions**

EnCana expects to issue and award a number of procurement packages to support drilling and completion activities, anticipated for the field in 2009, such as primary integrated well services, OCTG (oil country tubular goods) and completions equipment. It is expected that many of the packages will be bid through global service and supply companies with local offices in Nova Scotia.

### **Element 2 – Subsea**

In 2008, the contract for EPIC (engineering, procurement, installation and commissioning) of in-field flowlines and umbilicals will be awarded, as well as subsea trees and wellheads.

Additionally, it is expected that separate packages will be issued for design, fabrication and installation of wellhead protection structures. By year end, design activity for these structures will be complete and fabrication will have commenced.

### **Element 3 – Export Pipeline**

Preliminary activity is expected in the pipeline landfall area in 2008, in preparation for the arrival of the export pipeline in 2009.

Manufacture of the linepipe will be completed in 2008 with shipment of the 175 kilometres of product to Sheet Harbour, NS in Q3 2008. Concrete coating will be performed by Shaw & Shaw in Sheet Harbour, resulting in significant local economic impacts. Work related to the pipeline coating contract will be complete by year end.

### **Element 4 – Production Field Centre (PFC)**

In Q2 2008, PFC contractor Single Buoy Moorings Inc. (SBM) is expected to award the local contract for the accommodations unit for the PFC. Two local firms, Irving Shipbuilding and Atlantic Fabricators are being evaluated for this contract.

In Q4 2008, SBM expects to award the contract for the flare tower to a local fabricator in Nova Scotia. Additionally, the award of the telecoms package to a Nova Scotia service provider will be made in 2008.

Throughout 2008, it is expected that SBM will continue to issue bidding opportunities to the local supply community as the company moves from design to construction of the PFC.

SBM intends to open its Nova Scotia office in 2008, as SBM Nova Scotia Contractors Inc. The office is expected to be located in Halifax, NS.

### **Element 5 – Ready for Operations and Operations**

SBM is expected to name a site for its offshore supply base, choosing either a location in Halifax Harbour or at Mulgrave, NS, as well as issue contracts for vessels, helicopters and related goods and services.

During 2008, EnCana will continue to work in conjunction with SBM to develop long-term strategies for these requirements.

### **Other activities**

In addition to these core Deep Panuke project elements, EnCana anticipates it will explore in 2008 support for new drilling rig construction as part of the OSEA's onshore drilling rig program. The anticipated 2008 work will involve local manufacturer Laurentian Energy, one of the three local manufacturers who participated in the program in 2007, and Nabors Canada.