

Quarterly Environmental and Social Report

Second Quarter 2010


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Rising to the Challenge

"Helping to bring Papua New Guinea's natural gas to the global market while balancing economic growth, environmental protection and social development demands the integration of ingenuity, integrity, innovation and reliability with an unwavering commitment to delivering on our promises."

Peter Graham, Managing Director, Esso Highlands

Executive Summary

This second Papua New Guinea Liquefied Natural Gas (PNG LNG) Project (the Project) Environmental and Social Quarterly Report demonstrates how Esso Highlands Limited, as operator of the Project, is delivering on commitments in the areas of safety, security, health, environment and social management.

Esso Highlands Limited (Company), a subsidiary of Exxon Mobil Corporation, is constructing and will operate the Project on behalf of the co-venturers – Oil Search Limited, Kroton No. 2 Limited, Santos, JX Nippon Oil and Gas Exploration Corporation, Mineral Resources Development Company and Eda Oil.

The Project is still in the early stages of the four-year construction period. Key activities during this quarter (April–June 2010) included further establishing Project teams and necessary infrastructure within Papua New Guinea. The Project continued pre-construction biodiversity and cultural heritage surveys, engaged with stakeholders throughout the Project Impact Area and promoted business and training opportunities within Papua New Guinea.

Quarterly Project status briefings were established to ensure a continuous and transparent flow of information to elected Papua New Guinean officials, including both members of the National Government and the opposition parties. The Project is working with the Government to ensure agencies such as the Department of Labour and Industrial Relations and Immigration and Citizenship Service (part of the Department of Foreign Affairs) have the infrastructure and resources to manage the requirements for successful Project execution.



Biodiversity of Papua New Guinea – Common Green Birdwing Butterfly

Construction activities during the quarter focused on improving and upgrading infrastructure, including road and bridge works, telecommunications, and constructing camps to house the construction workforce. Detailed engineering, execution planning and procurement activities for other aspects of the Project also progressed.

Table 1: Contracts and Main Construction Activities

Contractor	Major Second Quarter 2010 Activities
Upstream Infrastructure (C1)	
Clough Curtain Brothers Joint Venture	Infrastructure activities at a number of work fronts including: <ul style="list-style-type: none"> • Wharf and laydown at Kopi. • Bridge and road works on Northern and Southern Logistics Routes. • Camp construction and site clearing activities.
Telecommunications (EPC1) - TransTel Engineering	Installation of telecommunications infrastructure for both the construction and operational phases.
LNG Plant Early Works (C2)	
Curtain Brothers Papua New Guinea Limited	LNG plant site Pioneer Camp construction, and associated power and utilities. Upgrade of the Lea Lea Road. LNG plant site bypass road and fence installation.
Offshore Pipeline (EPC2)	
Saipem	Detailed engineering and execution planning at the contractor's office in Singapore.
LNG Plant and Marine Facilities (EPC3)	
Chiyoda and JGC Corporation	Detailed engineering, procurement and execution planning at the contractor's main execution office in Yokohama.
Hides Gas Production Facilities and Hides Wellpads (EPC4)	
CBI Clough Joint Venture	Detailed engineering, procurement and planning at the contractor's main project offices in Singapore and Brisbane.
Onshore Pipelines and Infrastructure (EPC5A)	
SpieCapag	Detailed engineering and execution planning. Fabrication of all uncoated onshore line pipe. Construction of temporary bush camp near Kopi started.
Komo Airfield (EPC5B)	
McConnell Dowell and Consolidated Contractor Group Offshore	Detailed engineering and execution planning. Pioneer Camp construction and site clearance activities.
Oil Search Limited Associated Gas Development	
Aker Solutions	Detailed engineering design work, equipment procurement and execution planning for upgrades of the Kutubu Central Processing Facility and the Gobe Production Facility.
Drilling (new wells and workovers)	
Nabors Drilling International Limited	Detailed drilling and completions engineering design. Execution of contract for the supply of drilling rigs and commencement of additional contracting and procurement activities commenced.
Port Moresby Construction Training Facility	
Eos	Ongoing construction and fit out of training facility.

Environmental Performance

The Project's approach to environmental protection begins with a thorough understanding of the physical surroundings and operating environment with the goal of minimizing the Project footprint.

To continue the efforts in this area, this quarter the Project Environmental Field team was expanded to enable site verifications across all active construction worksites.

At the end of this quarter, approximately two thirds of the overall survey program and one third of the onshore pipeline survey were

