



SEA PRODUCTION LTD.

(Incorporated in Bermuda with limited liability)
(Company Registration No. EC/ 39562)

CIRCULAR TO SHAREHOLDERS

FOR INFORMATION ONLY

IN RELATION TO PROPOSED TRANSACTIONS WITH A PRINCIPAL SHAREHOLDER OF THE COMPANY

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No securities regulatory authority or commission has approved or disapproved the contents of this Circular.

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DEFINITIONS

The following definitions apply throughout this Circular unless the context otherwise requires:

“Affiliates” means subsidiary companies (of any tier) of the Company;

“Associate” means:

- (i) in respect of an individual, such individual’s spouse, former spouse, sibling, aunt, uncle, nephew, niece or lineal ancestor or descendant, including any step-child and adopted child and their issue and step-parents and adoptive parents and their issue or lineal ancestors;
- (ii) in respect of an individual, such individual’s partner and such partner’s relatives (within the categories set out in (i) above);
- (iii) in respect of an individual or body corporate, an employer or employee (including, in relation to a body corporate, any of its directors or officers);
- (iv) in respect of a body corporate, any Person who controls such body corporate, and any other body corporate if the same Person has control of both or if a Person has control of one and Persons who are his Associates, or such Person and Persons who are his Associates, have control of the other, or if a group of two or more Persons has control of each body corporate, and the groups either consist of the same Persons or could be regarded as consisting of the same Persons by treating (in one or more cases) a member of either group as replaced by a Person of whom he is an Associate. For the purposes of this paragraph, a Person has control of a body corporate if either (a) the directors of the body corporate or of any other body corporate which has control of it (or any of them) are accustomed to acting in accordance with his instructions or (b) he is entitled to exercise, or control the exercise of, one-third or more of the votes attaching to all of the issued shares of the body corporate or of another body corporate which has control of it (provided that where two or more Persons acting in concert satisfy either of the above conditions, they are each to be taken as having control of the body corporate);

“Company” means Sea Production Ltd., an exempted company limited by shares incorporated in Bermuda;

“Board” means the board of Directors of the Company;

“Circular” means this circular to Shareholders;

“Directors” means the directors of the Company, whose names are set out in the letter to Shareholders from the Company contained in this Circular;

“Person” means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization, other natural or legal person, entity or group;

“Principal Shareholder” means any Person (excluding the Registrar in respect of those shares registered in its name on the Register as nominee of Persons whose interests in such shares are reflected in the VPS and any bare trustee) who is, or was within the twelve months preceding the date of the transaction, entitled to exercise, or to control the exercise of, whether directly or indirectly (including through interests in shares registered in the name of the Registrar on the Register as nominee of such Person whose interests in such shares are reflected in the VPS), twenty percent or more of the votes attaching to all of the issued shares;

“Puffin” means Puffin Ltd., an exempted company limited by shares incorporated in Bermuda;

“Puffin FPSO” means Puffin FPSO Ltd., a company limited by shares incorporated in Malta;

“Register” means the register of Shareholders of the Company and includes any branch register;

“Registrar” means Nordea Bank Norge ASA or such other Person or body corporate who may from time to time be appointed by the Board in place of Nordea Bank Norge ASA, the Registrar of the Company under the Bye-laws of the Company;

“Rubicon” means Rubicon Offshore International Pte Ltd, a company incorporated in Singapore, or its nominee;

“Rubicon Agreements” means each of:

- a) the novation agreement to be entered into between the Company, SPMAS and Rubicon on or about seven (7) days after the date of this Information Circular;
- b) the novation agreement to be entered into between Puffin, SPMAS and Rubicon on or about seven (7) days after the date of this Information Circular; and
- c) the novation agreement to be entered into between the Puffin FPSO, SPMAS and Rubicon on or about seven (7) days after the date of this Information Circular;

“Sea Production Group” means the Company and its Affiliates;

“Shares” means the issued shares of par value US\$1.00 each in the share capital of the Company;

“Shareholder” means the Person registered in the register of shareholders of the Company as the holder of Shares;

“SPMAS” means Sea Production Management AS, a company established in Norway;

“SPMAS Agreements” means each of:

- a) the management agreement dated 15 November 2006 entered into between the Company and SPMAS;
- b) the management agreement dated 15 November 2006 entered into between Puffin and SPMAS; and
- c) the management agreement dated 15 November 2006 entered into between Puffin FPSO and SPMAS.

“VPS” means the Verdipapirsentralen, the computerized central share registry maintained in Oslo, Norway, for bodies corporate whose shares are listed for trading on the Oslo Stock Exchange, and includes any successor registry.

SEA PRODUCTION LTD.
(Incorporated in Bermuda with limited liability)
(Company Registration No. EC/39562)

Directors:
Michael Peter Staheyeff
James Michael Luke
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Registered office:
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Bermuda

3 March 2009

To: Shareholders of Sea Production Ltd.

Dear Shareholder,

1. Introduction

On 15 November, 2006, each of the Company, Puffin and Puffin FPSO entered into the SPMAS Agreements pursuant to which the Company, Puffin and Puffin FPSO each appointed SPMAS as their manager to manage the day-to-day administrative operation of the Sea Production Group. The Board now proposes that the Company enter into new management arrangements whereby under the Rubicon Agreements, the SPMAS Agreements will be varied and novated to Rubicon.

Rubicon is an Associate of a Principal Shareholder of the Company. In accordance with Bye-law 82 of the Bye-laws of the Company, the Company is required to send to each Shareholder an information circular in relation to any material transaction with a Principal Shareholder or an Associate of a Principal Shareholder.

The purpose of this Circular is to satisfy this requirement as well as to explain the reasons for the proposed new Rubicon Agreements and why the Board believes that they are in the best interests of the Company.

2. Rubicon Agreements

Background on Rubicon

Rubicon is an offshore oilfield services company which provides life-of-field development solutions by deploying its fleet of versatile production and multi-service vessels.

Rubicon was founded in 2005 and has its operational headquarters in Singapore. Rubicon currently has two floating, production, storage and off-loading vessels (FPSOs) and a multi-service vessel (MSV). The two FPSOs, the Rubicon Intrepid and the Rubicon Vantage, are under long-term contract to oil field operators in the Philippines and Thailand, respectively. The Rubicon Maverick (Rubicon's MSV) is targeted at the offshore well installation and intervention markets.

Rubicon has been the majority shareholder of the Company since October 2007.

Scope of services

Under the Rubicon Agreements, Rubicon or a nominee of Rubicon will, subject to the control and direction of the Board, supervise and manage the day-to-day operation of the Company and its Affiliates including, without limitation, providing company secretarial services and keeping the books and records of the Company and its Affiliates, preparing accounts and annual budgets, making and receiving payments on behalf of the Company and its Affiliates, providing marketing services, seeking employment of the Company's vessels, presenting business opportunities to the Board, advising and assisting the Board in corporate transactions and all other services as described in the Rubicon Agreements.

Notwithstanding the services to be provided by Rubicon (or its nominee) under the Rubicon Agreements, any and all decisions of a material nature are reserved to the Board or Shareholders in accordance with applicable law. The Rubicon Agreements will not affect the exercise of central management and control of the Company by the Board and will not derogate from the powers and duties of the Board to manage the business and affairs of the Company.

Term

The Rubicon Agreements will be effective from the date of execution until either party terminates the agreement following 12 months' prior written notice.

Management Fee / Reimbursement of Costs

In accordance with the terms of the Rubicon Agreements, Rubicon will receive a monthly fee of US\$250,000 as compensation for the services provided by Rubicon which will be apportioned on a pro rata basis between each of the Company, Puffin and Puffin FPSO based on gross revenue generated by each company as a proportion of total aggregate gross revenue generated by the companies. This fee is in line with the market price for similar services and will be reviewed annually. In addition, reasonable documented costs incurred by Rubicon in performing the services are to be reimbursed by the Company, Puffin and Puffin FPSO in relation to its respective business on an as-incurred basis. Such costs will include the provision of support by key personnel of SPMAS as requested by Rubicon for a transitional handover period of up to 12 months.

Whilst there will be some initial marginal increased costs associated with the proposed changes, the Board believes that such costs are warranted to ensure a smooth transition and avoid any disruption to ongoing operations and that, on a full year basis, overall corporate overhead costs should remain comparable to the level in 2008. Furthermore, the Board believes that the new arrangements will result in a more effective means of managing and developing the Company's business and in the medium to long term will achieve cost efficiencies.

Benefits of the Rubicon Agreement

The principal reasons for the proposed change are the Board's desire to:

- maximize effectiveness and potential efficiencies by enabling the Company to benefit from Rubicon's resources and expertise in the management of the Company's business
- facilitate the further development of the Company, including in the offshore installation and well intervention markets

Operations

In order to manage and grow its business, Rubicon has built a team with strong capabilities in all aspects of the offshore production business, from providing field development solutions, through project design, project management and execution and in operations.

The Board believes clear benefits will result from allowing the Company to benefit from this resource and from combining the expertise and resources of the Company with those of Rubicon, in terms of business development, client service and operational efficiency. Given the geographic focus of the the Company's principal operations in Australasia, the Board believes that it also makes logistical sense to have Rubicon manage those operations.

Offshore installation and well intervention

The Board believes that the offshore installation and well intervention business is complementary to the Company's field development and production activities and represents a potentially attractive new business line for the Company.

Further, the Board believes that as the Company looks to enter and grow this business, the Company will derive significant benefits from Rubicon's expertise in this area.

3. Purchase of crane

In order to develop the offshore installation and well intervention business, the Company will need to invest in vessels. As an alternative to continued deployment as an FPSO, the Board believes that the Crystal Ocean is a potentially attractive candidate for conversion into a multi-service vessel as and when the vessel finishes its contract with Roc Oil. Should the Crystal Ocean not be available within the timeframe of the Company's orderly development of an offshore installation and well intervention business, the Board will explore the acquisition of other vessels and believes that there should be attractive opportunities in the prevailing market environment.

In order to develop this business, in addition to vessels, the Company will need to invest in equipment, including some key items which have long-lead times between ordering and eventual delivery. As a first step, the Board has therefore decided to acquire from Rubicon a new 150 tonne marine crane for US\$4.5 million. The Board believes that the crane is well-suited for the Company's planned activities and, if ordered now from an alternative source, a similar crane could take up to 24 months for delivery. The purchase should therefore accelerate the timetable for the the Company's entry into this new business segment. The purchase price has been arrived at on an arm's length basis.

Yours faithfully,

The Board of Sea Production Ltd.
3 March 2009