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By email

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Dear Ms Blair

Private & Confidential

## Montara Commission of Inquiry - draft preliminary findings

Further to the letter from the Commission dated 19 May 2010, Halliburton, Mr David Doeg and Mr Peter Geste were invited to comment on the various submissions referred to by the Commission, those submissions being made on behalf of:

- 1 Atlas;
- 2 Mr Chris Wilson;
- 3 Mr Craig Duncan;
- 4 Mr Noel Treasure;
- 5 PTTEPAA;
- 6 the Northern Territory; and
- 7 NOPSA.

This response is made on behalf of Halliburton and Mr Doeg and Mr Geste.

In broad terms, the submission of PTTEPAA, and to some extent those of Mr Duncan, seek to re-characterise the role of Halliburton, through their agent Mr Doeg, as being to provide expert advice about the conduct of the cementing operations and that:

*Halliburton failed to provide these services in that it failed to properly advise PTTEPAA of these issues it had identified with the cement shoe other than in the report which is in PTTEPAA's submission is not sufficient to meet its contractual duties.*

(PTTEPAA's comments of paragraphs 1 – 1.303 of the draft report on circumstances and cause (**PTTEPAA's comments**) No.1, page 6)

This position was never put in the hearing and is not supported by any evidence raised in the hearing.

It was never put to any witnesses for Halliburton that they were to provide expert advice over and above what was provided, that they failed to provide such advice or that they failed to provide appropriate advice generally. Nor was it ever alleged or suggested that the actions of Halliburton or any of its agents or employees was in breach of any contractual obligations. Indeed, the terms of the contract were not raised with any Halliburton witnesses.

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**Evidence about Halliburton's role**

The evidence about Halliburton's role was clear, and the Commission has rightly identified that Halliburton's role was limited.

*Given that (i) Mr Doeg's role was confined, in effect, to that of a machinist; and (ii) the **Inquiry heard no evidence** of any deficiencies on Mr Doeg's part with respect to that limited role, the Inquiry considers that it would not be appropriate to level any criticism at Mr Doeg (or Halliburton), notwithstanding significant gaps in Mr Doeg's overall understanding of the mechanics of cementing a casing shoe.*

(Draft Preliminary Findings - the Circumstances and Likely Causes of the Blow-Out (**The Commission's Draft Findings**) Clause 1.72)

It was open for PTTEPAA to assert during the course of the Commission hearings that Halliburton had some greater role. They did not do so. Mr Doeg was cross examined by Mr Abbott (on behalf of PTTEPAA) as to his role and it was never suggested that Mr Doeg did not fulfil his obligations. For example:

Q. Do you say that you had no obligation to tell him of your view that there was still a problem with the cement casing?

A. I did tell him.

Q. Sorry, I beg your pardon?

A. I did tell him.

Q. You did tell him there was a problem?

A. In the paperwork, yes.

Q. But he just had to draw that information out for himself?

A. I don't know. What's the question?

Q. You gave him the information and left it to him to work out for himself, didn't you, that there was a problem?

A. He was on the job. He was aware of everything that happened.

Q. From what you had told him?

A. Yes, and from what he saw.

Q. But do you say that you could have, if you had applied your mind to it, worked out that there was a problem with the cementing?

A. As I've said before, yes, I told him that in the paperwork.

Q. So your position now is that you told him by that paperwork that there was a problem?

A. Correct.

Q. And you thought that, by doing that, you had done everything that was required of you?

A. Yes.

**(Doeg T 464)**

If it was PTTEPAA's position that something further should have been done, it should have been put to Mr Doeg at this time. No such proposition was put and it is unfair and contrary to natural justice for PTTEPAA to now try and assert that Mr Doeg somehow did not fulfil the role expected from him or that he had some different role.

Mr Doeg's limited role was confirmed by subsequent questioning by Mr Berger:

Q. A short time ago, you were asked some questions by Mr Abbott about the information you provided to Mr Treasure as the company man. Do you recall that?

A. Yes.

Q. Did you understand your role at the time to be merely to report the facts, as you understood them to be, or more than that?

A. Like I say, Noel was on the job - Mr Treasure - and he was aware of everything that happened, and I reported the actual details to him.

Q. But my question was, really, did you see your role to be merely to report the facts to Mr Treasure, or was it something more than that?

A. I report the facts, yes.

Q. At the time, your view was that it was up to Mr Treasure to interpret those facts and determine what to do with them, was it?

A. Correct.

**(Doeg T 468)**

Again, there was no assertion or proposition put that Mr Doeg had some greater role.

This position was not challenged at all.

That Mr Doeg had properly fulfilled the role that he had been engaged to fulfil was confirmed by Mr Treasure:

Q. So in this document was all the information, I want to put to you, that anyone in your position needed to realise that a problem had occurred and had not been resolved; correct?

A. Correct.

Q. In the clearest of terms; correct?

A. It was obvious, yes.

Q. Well, it can't be any clearer. What else do you think Mr Doeg should have done to make it clearer to you?

A. **There's nothing else he could do, is there?**

**(Treasure T 498)**

To the extent that PTTEPPA are now suggesting that Halliburton or Mr Doeg did not adequately or properly perform their roles, this is also contrary to the complimentary evidence at the time as demonstrated by the comments of Mr Treasure on the Halliburton Cementing Report (HAL.9002.0004.0298):

*Thanks Dave & Nick Good Job Well Done. It was a huge job 515bbls of slurry*

In addition to PTTEPAA's general attempt to recast the role that Halliburton played in the cementing operation, Mr Duncan also seeks to recast his evidence.

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*This is a reasonable statement. It comes down to a difference between what Halliburton is contracted to supply and what they are expected to supply. There are many service companies involved in a drilling operation and Halliburton are one of the bigger ones. They supply specialized services, knowledge and experience to their clients. **To say that they are just machine operators is not correct and not what was meant, at least by me.** They provide a service and are expected to provide advice. They are not however responsible for the decision. In the case of Mr Doig, he was not directly responsible for the decision to pump fluid back into the well. There is however one area that does not seem to have been explored very far and that is the communications between Mr Doig and Mr Treasure after the float valves failed.*

*If you assume that Mr Treasure was not completely incompetent the question in my mind is why did he get it so wrong in the pumping back sequence. The answer I come up with is communications. At a critical time, he had returned to the office and was not able to see the Halliburton chart located at the cement unit. If he was told that the floats failed he would know that float failure would result in some fluid entering the casing. He would have asked how much fluid was returned. To hear that the volume was 16.5 bbls could easily be interpreted as 16.5 bbls more than we should have just as it could have been interpreted as 16.5 bbls in total. How that conversation actually was we will never know however Mr Treasures actions were consistent with him thinking that we had 16.5bbls more fluid return than expected. That communication was critical and we got it wrong. I do not want to find fault with Mr Doig but that communication was inadequate either in transmission by Mr Doig or in interpretation by Mr Treasure. **The best placed person to realize what was happening at the time was Mr Doig** and we missed an opportunity at that time. Contractually, no fault but it could have been better.*

Aside from being largely speculation as to what Mr Treasure may or may not have done or understood, it is speculation that is inconsistent with Mr Treasure's own evidence that there was nothing more that Mr Doeg could have done to bring the problems with the cementing operation to his attention (**Treasure T 498**).

It is also contrary to the evidence to assert :

*If **he was told** that the floats failed he would know that float failure would result in some fluid entering the casing. He would have asked how much fluid was returned.*

Mr Treasure was told that the floats failed:

- Q. On the first occasion, you thought that the valves had failed, and you notified the company man?
- A. Correct.

Q. On the second occasion, you thought that the plan to re-seat the plugs hadn't worked, so you notified the company man?

A. Yes.

(Doeg T 462)

The submission by Mr Duncan is also contrary to his evidence that it **was not** part of Halliburton's role to assess and evaluate, with a view to determining whether or not a problem existed.

Q. I'm just wondering, do you say that the nature of your arrangements in place with Halliburton at the time required the Halliburton cementer to independently evaluate the merit of that instruction and provide advice as to it, or do you say that his job, in effect, was to do what he was told to?

A. Can I say both?

Q. Well, you can. I might not understand it.

A. Okay. His job was to do what he was told, but his job was also to wave a red flag if he thought something was incorrect.

Q. Is there anything in your contractual arrangements with Halliburton that would reflect that second aspect of the relationship?

A. I believe there is, but I'm not familiar with that contract at the moment to be able to tell you exactly where. In general, all of our contracts require people to work in a good, caring manner, and if you spotted something that was wrong and you failed to respond to that, that's a breach of the duty of care. It shouldn't be done. So to that extent, yes, but I don't think there's a particular clause that says, "Thou shalt tell someone when he's making a mistake."

Q. Yes, but I suggest that there is an important distinction that can generally be made between, on the one hand, someone being aware of a problem and raising it for consideration with their client and, on the other hand, someone whose actual job is to form a view about whether there is a problem or not and then, if satisfied that there is, raising it with their client. Now, which of those two alternatives most accurately describes the nature of the relationship that you had with Halliburton with respect to the actual operation of cementing the casing shoe?

A. Once again, I'd said say there's a bit of both. We're not specifically requiring them to form a view, but they have experience and expertise in that area, and if they did form a view, I would expect them to let somebody know about it.

Q. Of course. So if they happen to consider that there's a problem, you would expect them to raise it with you; is that right?

A. With somebody, yes.

Q. But it wasn't actually part of the service that they were delivering to assess and evaluate, with a view to determining whether or not a problem existed; is that fair?

A. That's fair, yes.

**(Duncan T 1519)**

We note further that the terms of the contract between Halliburton and PTTEPAA were specifically raised during the course of Mr Duncan's evidence above, but no evidence was led, and no terms of the contract were put by PTTEPAA to any witness to suggest that the requirements of the contract were anything other than those outlined by Mr Duncan. Certainly, there was no evidence led and no suggestion put that the terms of the contract required Halliburton to provide a level of expert advice over and above that provided as is now being suggested by PTTEPAA. Further, no witness suggested Mr Doeg (or Halliburton) acted inappropriately, as is now being suggested by PTTEPAA.

The amendments to the draft report proposed by PTTEPAA which relate to Mr Doeg and Halliburton should be rejected.

Finally, we refer to and repeat the earlier submissions made on behalf of Halliburton and Mr Doeg on 13 and 14 May 2010, in particular that there was nothing to suggest, and nothing put to any witness that the arrangements between Halliburton and PTTEPAA were otherwise than in accordance with industry practice.

**The Position of Lead and Tail cement**

Halliburton and Mr Geste adopt and support the submission made by PTTEPPA at point No. 3 of their comments on the draft report of circumstances and cause, specifically, that the issue of the position of the lead and tail cement slurry should not be considered as a cause of the incident. The evidence in the hearing was that, having regard to the composition of both the lead and tail cement slurry, the final position of the cement did not impact on well integrity.

In addition to the evidence of Mr Wilson referred to by PTTEPPA, Mr Geste gave the following, unchallenged evidence:

- Q. And your expertise includes the design of what I understand to be the lead cement, which is the cement that passes through a shoe float and back up into the annulus; is that correct?
- A. Well, the definition of "lead slurry" is when there are two kinds of slurry, a lead and the tail, and the lead gets pumped first, therefore called "lead", yes.
- Q. And where it is designed to end up in the casing is in the annulus, in this case between the 9-5/8" casing and the 13-3/8" casing?
- A. In this case, the top of it was planned to be in that annulus, yes.
- Q. Where you have a lead and tail slurry, they are both designed, I take it, so that when they set, they will each have characteristics that will prevent fluid passing from one side of that barrier to the other?
- A. I don't quite understand your question.
- Q. Sorry. It's designed to put a plug of cement inside the casing?
- A. Inside the casing?
- Q. Sorry. You have the casing and the annulus.
- A. Yes.

Q. And the design of the cement is to push cement into the casing so that it will extrude out into the annulus and leave some cement in the casing?

A. That's correct, yes.

Q. So whether the cement is in tail slurry or lead slurry, it still has to have that same essential characteristic?

A. Well, I design them that way, yes.

(Geste T 4823)

Yours sincerely



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