

Ms Joanna Blair
Solicitor Assisting the Montara Inquiry

28 May 2010
Matter 81558472
By email

joanna.blair@montarainquiry.gov.au

Dear Ms Blair

Private & Confidential

Montara Commission of Inquiry - draft preliminary findings

We refer to your email on 26 May requesting a further response to the issues raised by PTTEPAA in its submission of 18 May 2010 in relation to the terms of the contract between Halliburton and PTTEPAA.

Introduction

The submission of PTTEPAA sets out a number of contractual provisions starting at No. 1 page 2 and going through to page 6.

The submission on page 6 then says:

"In summary PTTEPAA did purchase expertise, skills and advisory services from Halliburton, in addition to machine operating services even though its ability to sue for breach of those services may be contractually limited.

Halliburton failed to provide these services in that it failed to properly advise PTTEPAA of the 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 to it.

Halliburton's cementer acknowledged that part of his role involved raising with PTTEPAA circumstances where the cementing operation had experienced a problem [459:18]. He did this with respect to the apparent float failure but then failed to do so with respect to the volume of fluid he pumped back and the potential ramifications of having done so."

Halliburton's position is that it did provide its services as contracted by PTTEPAA. Further, the scope of the arrangements between Halliburton and PTTEPAA both on the face of the contractual documents and the evidence before the Commission, demonstrated that Halliburton, Mr Geste and Mr Doeg did what they were required to do consistent with the contract and the expectations of the personnel involved.

Services to be provided by Halliburton

The services to be provided under Service Order 6 were as follows:

1. Operation of cementing unit during primary and remedial cementing jobs in accordance with Company's objectives.
2. Operation of cementing unit to perform pressure testing.
3. Operation of all Contractor's ancillary equipment for pressure testing.

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4. Operation of cementing unit during well testing operations.
5. Operation of all contractor's ancillary equipment necessary for completion of well.
6. Maintenance and service of all Contractor's equipment.
7. Supply of written reports on service using cementing unit supplemented by pen recorder charts indicating times and pressures.
8. Provision of shore-based operational, logistics and technical support.
9. Provision of cement slurry design and pilot testing for each cement slurry prior to job.
10. Submissions of reports on cement and chemical usage after each operation. An accurate stock list of cement and cementing additives will be maintained on a daily basis.

These services are largely directed to operation of the cementing equipment and reporting of the job. There is no evidence, and no suggestion on the various submissions, that Halliburton did not meet these obligations.

The only service with any scope for an **advisory** role is number 8. This is expanded on at page 16 of Service Order 6 under "Onshore Support" where it is relevantly stated:

Engineering support to assist the Company with the compilation of cement programs, cement job hydraulic simulation calculations, and the coordination of cement slurry testing with representative rig samples shall be provided by one of Contractor's Cementing Technical Professionals. Currently, Contractor has three (3) cementing engineering personnel based in Perth:...

Engineering staff will work in conjunction with the Perth-based Service Coordinator, who oversees and ensures the smooth operation of the day-to-day rig cementing operations, equipment and personnel. The Service Coordinator based in Perth is...

There is no evidence before the Commission to suggest that Halliburton did not properly meet its obligations. And we cannot discern from the submissions any allegations that Halliburton did not properly meet its obligations, other than the PTTEPAA submission that Mr Doeg is now alleged to have not properly advised Mr Treasure in relation to Mr Treasure's decision to pump back 16.5 barrels following the apparent failure of the floats.

Apart from that issue, which is dealt with further below, there does not appear to be any suggestion that Halliburton, Mr Geste and Mr Doeg did not professionally and competently perform their roles. And there does not appear to be any suggestion from PTTEPAA that Halliburton did not provide the machine operating aspects as contracted.

Under the Master Services Agreement clause 12, PTTEPAA has the ability to issue notices to Halliburton if performance of the services is not in compliance with the agreement or if it is in material breach. No such notice has been issued to Halliburton. To the contrary, until the submission of 18 May 2010, PTTEPAA has only provided very positive feedback to Halliburton about its services.

Halliburton submits that the weight of evidence is that Halliburton and its representatives met and exceeded the expectations of its client PTTEPAA in all respects. This is evidenced by the post cementing report for the work performed on 7 March 2009 (HAL.9002.0004.0298):

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

In addition, Halliburton received numerous other, complimentary post cementing reports, 2 of which are attached with this response.

We also note a number of examples whereby technical advisory services were provided by Halliburton to PTTEPAA.

Mr Geste (as the Technical Professional responsible under the contractual documents) was called on numerous occasions to provide unplanned cement job slurry designs and

slurry placement methods. He was usually called by the cementer on the rig or by the Drilling Superintendent (Mr Wilson) onshore. In either case he contacted Mr Wilson onshore for confirmation of the cement job parameters and approval of the proposed slurry design and placement method.

This relationship, and the nature of changing cementing requirements, is demonstrated by the fact that the Montara H1 Cementing Programme (HAL.9001.0001.0219) was a third version of the program.

Mr Geste does not get called by the cementer on the rig during an actual cement job as the cementers are required to remain on the cement unit awaiting instruction from the Company Man and there is no telephone available nearby.

On one occasion Mr Geste was called twice by the Company Man (who he believes was Mr Treasure at the time) during a cement job as it appeared the drill string had become stuck during an unplanned cement plug job to stabilize the formation. At the time Mr Geste had provided two cementing options prior to commencement of the job in case a longer pumping time was required. When the Company Man was concerned about the slurry setting too fast Mr Geste explained that it was very unlikely to be the case and that it was more likely to be a subsidence of the wellbore trapping the string.

The Company Man called the second time after the string was pulled free so Mr Geste recommended to change to the longer pump-time slurry design for a greater safety margin. This was in fact done and the cement job proceeded without issue after this point.

This is the nature of the advice contemplated by the contract, and the parties to it, as demonstrated by the evidence in the hearing. The advice that PTTEPAA now say, having not raised it with any witnesses during the course of the hearing, Mr Doeg ought to have provided was not contemplated under the contractual arrangements.

As PTTEPAA identifies, the expertise from Halliburton under the contract in the form of access to engineering and technical support was to be provided onshore. In this case, this was Mr Geste in Perth. Any such advice, if it was to be sought from Halliburton, should have been sought from Mr Geste.

All onshore support services supplied by Halliburton are on 24hr/7 day call to provide technical support and advice to customers. Mr Geste, as the cementing technical professional contracted in relation to this cement job, was available on 24hr/ 7 day call. In this case he was not contacted.

So, in so far as PTTEPAA allege that they purchased expertise, skills and advisory services from Halliburton, in addition to machine operating services, they did not seek to access those services on this occasion in relation to the pumping back of fluid and its ramifications.

Reporting by Mr Doeg

Mr Doeg's conduct during the cementing operation on 7 March 2009 was entirely reasonable and in accordance with the contractual relationship between PTTEPAA and Halliburton.

Clause 5.9 of the Master Services Agreement requires Halliburton to provide suitable sub contracted staff, in effect, that Mr Doeg would be suitably qualified and trained, and would exercise due skill, care and diligence in the performance of his work.

There is simply no evidence before the Commission, and it does not appear to be suggested in any way by PTTEPAA or any other party that Mr Doeg was not suitably qualified and trained.

PTTEPAA's submission alleges that the specific failure to provide advisory services was by the cementer Mr Doeg, in particular that Mr Doeg did not raise a concern with the volume of fluid he was directed to pump back by Mr Treasure and the potential ramifications of having done so.

It is not clear when PTTEPAA say Mr Doeg should have done this.

Should he have done this prior to pumping back the 16.5 barrels?

If this is the submission by PTTEPAA, it is unfair and misconceived.

Mr Doeg's evidence was clear – he was not in a role to “suggest” things to the Company Man (**Doeg T 463**). He tells the Company Man what occurs, and the Company Man makes the decisions based on that information.

Mr Doeg was not there to second guess or countermand Mr Treasure in the decision he made about how to respond to the float failure. This was not within Mr Doeg's contractual remit or experience. He did what he was told and made sure Mr Treasure and PTTEPAA had all of the facts.

Mr Doeg is not in a position to be able to contact onshore during a cement job as he is required to standby on the unit awaiting further instructions from the Company Man. There is not an outside telephone line situated at the cement unit. He could not seek further advice and is reliant on the skills and experience of the Company Man in these circumstances.

If Mr Treasure wanted to seek further specific advice there were a number of options available to him. For example:

- seeking advice internally, within PTTEPAA.
- seeking advice from Mr Geste as Halliburton's technical professional under the contractual arrangements.

What he may or may not have done is unclear, except to say that he did not discuss the matter any further with Mr Doeg or any Halliburton representative.

Should he have done this at some time after the 16.5 barrels had been pumped back?

To the extent that this is the submission by PTTEPAA, it is clear that Mr Doeg did everything that could reasonably have been expected of him. With respect to this, we repeat our submissions in our earlier letter dated 25 May 2010 and say:

- Mr Doeg knew that something had gone wrong, but did not know precisely what, and raised this fact with PTTEPAA personnel.
- Mr Doeg provided all of the information necessary to enable PTTEPAA to determine what may have gone wrong and the potential risks. This is unchallenged.

To suggest that this is not sufficient must be rejected. The evidence on that is clear. Mr Doeg's evidence is that Mr Treasure was aware of everything that happened from what he saw and was told by Mr Doeg. So, he had seen it, been told about it and been given a report. Mr Treasure's evidence was that there was nothing else Mr Doeg could have done to make it clearer that a problem had occurred and had not been resolved.

Mr Doeg properly acknowledged in his evidence that it was part of his role to raise concerns about the cementing job with his client. Mr Doeg did this on this occasion:

- 1 He identified that the floats had most likely failed and shut in the well at surface while he sought clarification and instruction from Mr Treasure, the Company Man.
- 2 He identified that the plan to pump back 16.5 barrels, as directed by Mr Treasure, did not work, although acknowledging that he did not know why (**Doeg T 461**).

Summary

In relation to PTTEPAA's submission as to the terms of the contract with Halliburton:

- 1 In so far as PTTEPAA did purchase expertise, skills and advisory services in addition to machine operating services, these services were onshore as specified in the contract. Those services are generally in relation to technical

issues to do with cement design and performance. In any event, Mr Geste was available 24/7. Mr Geste was not contacted in relation to any issues to do with cementing on 7 March 2009.

- 2 Halliburton, through Mr Doeg, properly informed PTTEPAA of the issues with the cementing on 7 March 2009 both verbally at the time and in the reports which were contractually required to be provided.
- 3 It was part of the role of the cementer, Mr Doeg, to report the facts to PTTEPAA and he did so in relation to the apparent float failure and the fluid pumped back. It was not his role to provide advice as to "ramifications" and consistent with this he was not asked to. The contract and conduct of the parties reflects this position.
- 4 Halliburton submits that it did provide its services as contracted by PTTEPAA and the documents and evidence support this.

Yours sincerely



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HALLIBURTON	CUSTOMER	SALES ORDER No.	DATE
	PTTEP Australasia	0	15 July 2009

CEMENT/PUMPING JOB SUMMARY

WELL	LOCATION/FIELD NAME	COUNTRY	HES REP	CUSTOMER REP	WELL TYPE
Spruce 1 ST1	Timor Sea	Australia	Nick Sholer	Paul O'Shea & Lyndsay Wishart	Exploration
JOB TYPE	JOB PURPOSE CODE		BDA	RIG	
Zonal Isolation	PLUG TO ABANDON 7528		Perth	WEST ATLAS	

KEY PERFORMANCE INDICATORS

TYPE OF JOB (Cementing or Non-Cementing): <i>Select the job type (Cementing or Non-Cementing)</i>	<input type="text" value="Cementing"/>	WAS THIS A PRIMARY CEMENT JOB (YES / NO)	<input type="text" value="YES"/>
TOTAL OPERATING TIME (hrs) <i>Rig up/ Pumping/ Rig Down</i>	<input type="text" value="6.0 hrs"/>	DID WE RUN WIPER PLUGS?	<input type="text" value="None"/>
HSE INCIDENT, ACCIDENT, INJURY: <i>This should be recordable incidents only</i>	<input type="text" value="NO"/>	WAS THIS A PLUG OR SQUEEZE JOB?	<input type="text" value="Plug Job"/>
WAS THE JOB DELIVERED CORRECTLY AS PERJOB DESIGN: <i>This will be dictated by the customer</i>	<input type="text" value="YES"/>	WAS THIS A PRIMARY OR REMEDIAL JOB?	<input type="text" value="Primary"/>
TOTAL TIME PUMPING (hrs) <i>Total number of hours pumping fluid on this job</i>	<input type="text" value="2.0hrs"/>	MIXING DENSITY OF JOB STAYED IN DESIGNED RANGE <i>Density defined as +/- 0.2ppg. Calculation: Total bbls cement mixed at designed density divided by total bbls of cement multiplied by 100</i>	<input type="text" value="100%"/>
NON -PRODUCTIVE RIG TIME: <i>As a result of Halliburton cementing PSL</i>	<input type="text" value="0.0 hrs"/>	WAS AUTOMATED DENSITY CONTROL USED	<input type="text" value="YES"/>
NUMBER OF JSA'S PERFORMED:	<input type="text" value="1"/>	JOB WAS PUMPED AT DESIGNED PUMP RATE <i>Pump rate ranged defined as +/- bpm. Calculation: total bbls of fluid pumped at the designed rate divided by total bbls of fluid pumped multiplied by 100</i>	<input type="text" value="100%"/>
NUMBER OF UNPLANNED SHUTDOWNS (After starting to pump)	<input type="text" value="0"/>	NUMBER OF REMEDIAL SQUEEZE JOBS REQUIRED - HES <i>Number of remedial squeeze jobs required after primary job performed by HES</i>	<input type="text" value="0"/>
TYPE OF RIG (CLASSIFICATION) JOB WAS PERFORMED ON:	<input type="text" value="JACKUP"/>	NUMBER OF REMEDIAL AQUEEZE JOBS REQUIRED - COMPETITION <i>Number of remedial squeeze jobs required after primary job performed by competition</i>	<input type="text" value="0"/>
REASON FOR UNPLANNED SHUTDOWNS (After starting to pump) <i>Add details in job logs</i>		NUMBER OF REMEDIAL PLUG JOBS REQUIRED - HES <i>Number of remedial plug jobs required after primary plug pumped by HES</i>	<input type="text" value="0"/>
REASON FOR NON-PRODUCTIVE RIG TIME (Cementing PSL responsibility): <i>Add details in job logs</i>			

EJCS / CUSTOMER COMMENTS

Dear Customer,

We hope you were happy with the service quality of this job performed by Halliburton. It is the aim of our management and service personnel to deliver equipment and services of a standard unmatched in the service sector of the energy industry

Please take the time to let us know if our performance met your expectations. Please be as critical as possible to ensure we constantly improve our service. Your comments are of great value to us and are intended for the exclusive use of

- Did our personnel perform the job to your satisfaction?
- Did our equipment perform the job to your satisfaction?
- Did we perform the job to the agreed upon design?
- Did our products and materials perform as you expected?
- Did we perform in a safe & careful manner? PPE, Pre/Post mtgs, JSA
- Did we perform in an environmentally sound manner? Spills, discharges, clean up
- Was the job performed as scheduled? On time, as designed/discussed
- Did the equipment condition & appearance meet you expectations?
- How well did our personnel communicate during mobilisation, rig up and job execution

Please indicate your response by placing a tick in the box underneath the rating that best matches your opinion.

	5	4	3	2	1
Superior Performance / Establish new quality standard					
Exceeded Expectations (Provided more than what was expected)					
Met expectations (Did what was expected)					
Below expectations (Did not do what was expected, recovery made) Create CPI					
Poor (Job problems / failures occurred) Create CPI					

YES	NO
<input checked="" type="checkbox"/>	<input type="checkbox"/>

Overall, I was satisfied with Halliburton's job performance

Customer Comments? (What can we do to improve/maintain our services?)

Good to see Dave mentoring Nick to complete a successful balanced plug. Good job Nick.

Customer Signature:

A. Sholer

Date:

15-July-09

