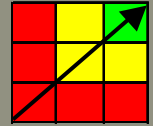


# Joint Operator 3<sup>rd</sup> Party Audit Program

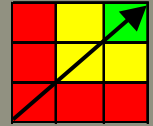
Drill Safe Meeting

June 8, 2006 - Sydney



## Audit Program

A group of Australian Petroleum Industry Operators got together to discuss and finalize a program to outsource QHSE auditing of specific Drilling Service Contractors with operating centres in Western Australia.



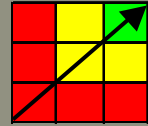
## Audit Program

### Foundation members of the group

- Apache
- Arc Energy
- BHP Billiton
- Chevron
- OMV
- Santos
- Woodside
- Peak Group

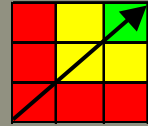
### Potential members

- Shell Australia
- Inpex Browse



## Audit Program Drivers - 1

1. Service Contractors have been subjected to similar QHSE audits by multiple Operators
  - Time and costs to each Operator
  - Disruptive and time consuming for Service Contractors
  
2. Regulatory and Legislation Change January 1 2005
  - National Offshore Petroleum Safety Authority (NOPSA) came into effect (administering Commonwealth PSLA)



## Audit Program Drivers - 2

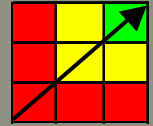
### Legislative Changes (in part)

#### PSLA – Management of Safety on Offshore Facilities PART 7

- Management of Safety on Offshore Facilities PART 7 states that the “Operator” is the person that, or will have the day to day management and control of...the facility and...the operation
- The “Operator” under the new legislation is now the Drilling Contractor

#### PSLA – Schedule 7 Occupational Health and Safety

- Division 1: Duty of Operator requires that...all reasonably practicable steps are taken to ensure...the facility is safe and without risk and...all work and other activities are carried out in a manner that is safe and without risk.

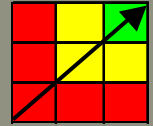


## Audit Program Drivers – 3a

### Legislative Changes

### Drilling Contractor Response

- Need to be assured that all personnel and services on the MODU reduces risk to ALARP (competencies and fit-for-purpose). This is particularly relevant for Service Contractors provided by the Operator Group
- Drilling Contractor may request to audit the Petroleum Companies safety management system to understand their processes for awarding/managing Service Contractors

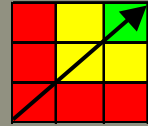


## Audit Program Drivers – 3b

### Legislative Changes

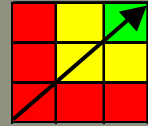
### Operator Group Response

- Operator Group agreed a united response was ideal
- It was agreed an outsourced QHSE audit program specific to drilling and completion Service Contractors with operating centres within Western Australia will be pursued
- A key objective for the Operator Group is to gain assurance that Service Contractors systems and capabilities meets or exceed that as described in their respective contracts so as to ensure risks associated with their activity on the MODU is managed to ALARP



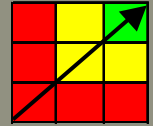
Audit are conducted to determine

- Full compliance with AS 4801: 2000 OHS Management Systems
- Partial compliance with ISO 14001 Environmental Management Systems
- Partial compliance 9001 Quality Management Systems



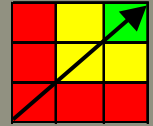
## Companies to be audited

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Baker Hughes Inteq</li><li>• Baker Atlas (Baker Hughes)</li><li>• Baker Oil Tools</li><li>• Cameron</li><li>• DrilQuip</li><li>• Expro</li><li>• GeoServices</li><li>• Halliburton</li><li>• MI Swaco</li><li>• Premium Casing Services</li></ul> | <ul style="list-style-type: none"><li>• Rheochem – Safety only</li><li>• Schlumberger</li><li>• Smith Services – Safety only</li><li>• Sonsub</li><li>• Subsea</li><li>• TMT</li><li>• Vetco Gray</li><li>• Weatherford</li><li>• KMC Oiltools</li></ul> |
|---|--|



Audit findings are:

- Identifying and complying with local legislation
- Training needs analysis and training matrixes
- Communication – toolbox meetings, supervisor leadership
- Conduct and record management reviews
- Environmental hazard identification & correlation of environmental objectives to their business



## Audit findings are:

- Monitoring and measuring safety aspects (health hazards)
- HSE indicators tend to be lag indicators rather than lead indicators.
- Management reviews focus on recovery rather than preventative measures