

## Direction – section 574

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*Offshore Petroleum and Greenhouse Gas Storage Act 2006*

Direction number: 810

### Direction

To: Jadestone Energy (Eagle) Pty Ltd

### Issue of Direction/s - Section 574 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)*

Attached is a written notice of directions made under s 574 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)*.

Please provide written acknowledgement of receipt of this direction. Please refer to the information regarding s 575 in the attached *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)* explanatory statement for notification of direction requirements.

A person commits an offence if:

- (a) the person is subject to a direction under s 574; and
- (b) the person engages in conduct; and
- (c) the person's conduct breaches the direction.<sup>1</sup>

Please provide this office with documented evidence of your compliance with the notice of directions.

If you have any questions relating to the content of the instrument, please contact Derrick O'Keeffe.

Yours sincerely

Signed:



Derrick O'Keeffe

Head of Division S&I

Dated: 09/03/2021

NOTES: (Please see explanatory statement)

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<sup>1</sup> Section 576 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)*

Direction number NOPSEMA 810

I, Derrick O’Keeffe, Head of Division – Safety and Integrity of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), make this instrument under section 574 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) pursuant to a CEO instrument of delegation dated 17 December 2020.



Derrick O’Keeffe

Head of Division S&I

National Offshore Petroleum Safety and Environmental Management Authority

**Dated: 09/03/2021**

## **DIRECTION**

### **1. Commencement**

These Directions take effect on the date of signature.

### **2. Application**

These Directions apply to Jadestone Energy (Eagle) Pty Ltd, ACN 627 006 679, the registered holder of petroleum production licence AC/L8 and petroleum production licence AC/L7 (the titleholder).

**AND**

### **3. Extended Application**

Pursuant to subsection 574(3)(a) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, this instrument also applies to Jadestone Energy (Eagle) Pty Ltd, ACN 627 006 679, as the registered operator of the Montara Venture and Montara Wellhead Platform facilities in relation to the petroleum production licences identified above.

### **4. Direction**

(1) The titleholder are given the Directions contained in Schedule 1.

(2) Each direction in Schedule 1 is a separate direction.

**Schedule 1 – Directions****Direction 1**

As a consequence of the matters summarised in the Explanatory Statement, Jadestone Energy (Eagle) Pty Ltd (Jadestone) is directed to, within 60 days from the date this direction is signed:

- a) Conduct a detailed review of those aspects of the safety management system (SMS) that relate to the management of corrosion, to identify any gaps between existing management of corrosion and industry good practice (e.g. such as described in the Energy Institute's "Guidance for corrosion management in oil & gas production & processing", second edition, March 2019).
- b) Revise the Safety Management System (SMS) to address any gaps in the SMS that may be identified as part of the review conducted by Jadestone pursuant to Direction 1(a).

**Direction 2**

Jadestone is directed to, within 180 days from the date this direction is signed, implement a corrosion management system to ensure the facilities meet specifications and are safe and fit for purpose, which includes but is not limited to the following:

- a) The revised SMS from Direction 1b).
- b) A comprehensive corrosion condition baseline for both the Montara Venture and the Montara Wellhead platform facilities relating to subsea infrastructure, topside structural, main (cargo) deck, and hydrocarbon containing systems.
- c) Evidence of consistent, competent and objective assessment of the effects of corrosion (by e.g. inspectors, senior engineers and technical authorities) for the following activities:
  - inspection,
  - review of inspection data,
  - fitness-for-service assessments,
  - risk assessments and
  - specification of remedial requirements and actions.
- d) A resourced, time-based remediation plan.

**Direction 3**

Jadestone is directed to provide evidence to NOPSEMA of completion of Directions 1 and 2, to enable Directions 1, 2 and 3 to be closed out.

## **Explanatory Statement**

### *Offshore Petroleum and Greenhouse Gas Storage Act 2006*

#### **Background**

NOPSEMA initiated an inspection (October 2020 – February 2021) to review corrosion management and follow up on failure to close remedial actions required to address deficiencies identified in NOPSEMA inspections (2017, 2018 & 2019) with regards to inspection, maintenance and repair (corrosion).

This inspection of the Montara facilities (both the Montara Venture and the Wellhead Platform with associated sub-sea structure) was conducted as an office-based inspection of Jadestone's records and sampled the management of corrosion in subsea infrastructure, topside structural, main cargo deck, and hydrocarbon pressure systems.

The information reviewed has not satisfied the inspectors that the implemented Safety Management System for Inspection, Maintenance and Repair, specifically with regards to corrosion, is managing the risk of a Major Accident Event (MAE) occurring to a level that is As Low As Reasonably Practicable (risk ALARP).

In summary, the inspectors concluded from the inspection completed in February 2021 that:

- The operator has not taken sufficient action to identify corrosion related hazards at the subsea infrastructure, and ensure that it is fit for service;
- sampled fitness for service calculations for hydrocarbon service pipework contained errors and omissions, such that integrity assessments may result in latent process safety risk gaps;
- the operator's response to identified anomalies in hydrocarbon service pipework, topside structural elements, subsea infrastructure and deck plate was inadequate in terms of risk assessment and timeliness;
- The operator's Fabric Maintenance Strategy does not describe the actions required to ensure the effective and timely remediation of defects;
- operator has failed to demonstrate that the topside modules' structure elements are being maintained to ensure that they are fit for purpose;
- that corrosion on piping systems is not being managed to ensure that they are fit for purpose.

On request of Jadestone, additional documents submitted up to 26 February 2021 were considered by the inspectors. It was noted that there has been some progress towards addressing the issues identified in the inspection report, however the inspectors concluded that until the full works described in Directions is completed, the risks remain.



**Legislation**

Part 6.9 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (the Act) provides that NOPSEMA has functions in relation to the occupational health and safety of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations; the structural integrity of facilities, wells and well-related equipment; and environmental management.

Under subsection 574(2) of the Act, NOPSEMA may issue a direction about any matter in relation to which regulations may be made.

Section 666(2) of the Act gives the CEO of NOPSEMA the power to issue a direction under section 574 of the Act. The power may be delegated by the CEO under section 675 of the Act.

Under sub section 576(1) of the Act, if a person is subject to a direction under section 574 and the person engages in conduct that breaches that direction, the person commits an offence:

- **Fault-based offence** – 5 years imprisonment or 2,000 penalty units, or both (10,000 penalty units for a body corporate).
- **Strict liability offence** – 100 penalty units (500 penalty units for a body corporate).
- **Civil penalty provision** – 525 penalty units (2,625 penalty units for a body corporate).
- **Continuing offences** – a person who commits a fault-based or strict liability offence commits a separate offence in respect for each day during which the offence continues. The maximum penalty for each day that the offence continues is 10% of the maximum penalty that can be imposed in respect to that offence.
- **Continuing contraventions of civil penalty provisions** – a person who contravenes the civil penalty provision commits a separate contravention in respect for each day during which the contravention continues. The maximum civil penalty for each day that the contravention continues is 10% of the maximum civil penalty that can be imposed in respect to that contravention.

**Note:** the value of one penalty unit is \$222 pursuant to section 4AA(1) of the *Crimes Act 1914*.

**Notification of a direction that has an extended application**

Pursuant to section 575:

(1) If a direction under section 574 applies to:

- (a) a registered holder; and
- (b) a person referred to in paragraph 574(3)(a);

**the registered holder must cause a copy of the notice by which the direction was given to be:**

- (c) given to that other person; or
- (d) displayed at a prominent position at a place in the offshore area frequented by that other person.