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BY: Minister for Information

National Offshore Petroleum Safety Authority

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INVESTIGATION OF FIRE AT VARANUS ISLAND GAS PIPELINE

Purpose: To update you on the investigation into the fire at Apache's Varanus Island facility.

Background: As reported in previous Ministerial Briefings (Min ID B08/1569, B08/1810 and B08/2034) sent to you on 4 and 11 June and 23 July 2008 respectively, a substantial fire occurred at Varanus Island on 3 June 2008 as a result of a ruptured gas pipeline. The pipeline is operated by Apache Energy Limited. The pipeline is licensed by the West Australian Department of Industry and Resources (DoIR) under the *WA Petroleum Pipelines Act 1969*. NOPSA does not have jurisdiction at the site but is providing advice and technical services to DoIR in support of DoIR's investigation of the incident.

Investigation Status: The DoIR-led investigation has continued to be delayed by the factors detailed in the Briefing sent to you on 23 July 2008. Nevertheless, NOPSA will issue findings from the investigation to the Director, Petroleum & Royalties Division of DoIR on Friday 12 September 2008. The findings will be in the form of the working document as stipulated in the terms of reference (ToR) for the investigation that were agreed between NOPSA and DoIR in June 2008. In line with the ToR, the findings will address:

1. The nature of the incident and the sequence of events;
2. That the evidence indicates that the plant was operating normally prior to the incident;
3. That there was no evidence of contemporaneous extrinsic activity contributing to the cause of the incident;
4. That the evidence indicates that the first pipe rupture occurred while that pipe was being operated at a pressure within its design envelope, but that the rupture was caused by excessive stresses in relation to reduced pipe wall thickness arising from corrosion of its external surface;
5. That there is evidence that underlying factors relating to cathodic protection, inspection and maintenance of the pipe contributed to the incident.

Due to the impediments previously described, principally delays by Apache in providing information and delays in forensic testing, there are aspects of the investigation that have not been concluded, namely:

- a) Completion and full analysis of the forensic testing of pipe samples;
- b) Statements from key Apache personnel; (Apache and its key personnel have declined to be interviewed and have, to date, failed to provide written answers to all the written questions issued to them)
- c) Identification of specific technical details relating to cathodic protection of the subject pipe.

These matters may be resolved in due course, but certainly not in time to be included in the working document to be issued to DoIR. However, resolution of these matters is unlikely to significantly change the nature of the findings of the investigation and therefore the working document is considered by NOPSA to adequately address the investigation ToR. It is understood that DoIR will review the working document with a view to considering the preparation of a prosecution brief.

Issue: NOPSA will issue the documented findings from the investigation to DoIR on 12 September 2008, in line with previous commitments. The findings of the investigation, whilst fulfilling the terms of reference, may not fully meet public expectations.

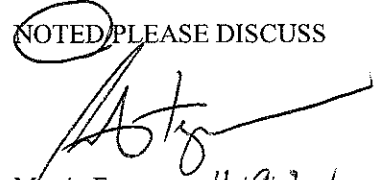
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NOTED/PLEASE DISCUSS


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