

OFFICIAL MAGAZINE

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COVER

The platform rig on BP's Andrew platform in the North Sea, managed by KCA DEUTAG, is only one of 13 platforms managed for the operator. A Northwest Europe outlook begins on page 10 followed by a Southeast Asia review. A series of articles on innovative drilling techniques begins on page 20.

**DRILLING
CONTRACTOR**



CAPITAL WIRELINES

Australian agency budget puts unwonted burden on contractors

Brian T Petty, Senior Vice President-Government Affairs

Australian Offshore Regulatory Authority (Canberra) – After two years in development, the new federal National Offshore Petroleum Safety Authority (NOPSA) and its industry-funded annual budget were announced by the Australian Government for launch 1 January 2005. IADC has expressed opposition to drilling contractors' share of the "cost recovery" scheme for the total NOPSA budget. In a meeting in Washington with **John Hartwell**, Head of Division in charge of the NOPSA implementation process, IADC Senior Vice President-Government Affairs **Brian T Petty** pointed out that IADC wasn't sufficiently involved in the consultation process leading up to the announcement of the funding scheme, and that the result is unfair to drilling contractors who'll bear a disproportionate cost burden relative to the oil companies operating offshore Australia.

Mr Hartwell formally replied after returning home "In relation to the points you raise about the consultation processes, I acknowledge your concern that your members' interests may not have been fully met in the dialogue we have had with the industry. From our perspective, we consulted closely with the Australian Petroleum Production and Exploration Association, (APPEA), on this issue. I acknowledge that the rig owners are members of APPEA, albeit Associate Members only, and to ensure your members' views are heard, I have asked my staff to ensure effective consultation is established and maintained directly with IADC, as NOPSA moves forward.

"We knew from the outset that the cost-recovery policy would not be easy as it is extremely difficult to develop a mechanism that minimises cross subsidies, is as equitable as possible and meets the Government's Cost Recovery Guidelines. However, the Minister has said that the cost-recovery system will be reviewed after 12 months of operation. We will ensure that IADC is fully involved in those discussions. In addition, I should mention that there will be the power for NOPSA to exempt companies where the circumstances make this appropriate. An example could be a very short drilling campaign where a rig may visit Australia for a short visit. In so far as any of this may impact on marketing rigs in Australia, we believe that most if not all of the additional costs to rig owners will be passed onto the oil companies and this point was acknowledged in a meeting with industry."

IADC's Petty responded: "We appreciate the steps you're taking to ensure an active and independent dialogue with IADC in the administration of NOPSA, and in the review of its cost-recovery system planned after 12 months of operation. Naturally, we regret that modifications to the charging scheme won't be made before then, and we remain convinced the burdens are inequitable as between drilling contractors and the oil companies.

"Finally, I'm compelled to repeat that IADC members won't be able to simply 'pass through' their allocated portion of the total NOPSA levy, despite what has been claimed or wished for. Certainly no member or representative of the drilling industry offered that view in any meeting with the NOPSA implementation team. However, that said, we welcome the opportunity to make our case more robustly when the formal review of the cost-recovery system commences."