

EXECUTIVE COUNCIL

RESTRICTED

Title: Ocean Guardian Safety Case to drill in deep water

Paper No: 37/10

Date: 25 February 2010

Report of: Director of Mineral Resources

1. Purpose

- 1.1 To advise the Governor in Executive Council to approve a material change to the Safety Case for Diamond Offshore's semi-submersible drilling rig, Ocean Guardian, to drill BHP Billiton's well in the South Falkland Basin

2. Recommendations

- 2.1 Honourable Members are advised to recommend that the Governor accepts the revision to the Safety Case for the Ocean Guardian to allow it to drill in the South Falkland Basin in water depths of 630 metres.

3. Summary of Financial Implications

- 3.1 None.

4. Background

- 4.1 Desire Petroleum plc has contracted Diamond Offshore Drilling (UK) Limited's semi-submersible drilling rig, Ocean Guardian to drill exploration wells in the North Falkland Basin where water depths are no greater than 500 metres. The Safety case for the rig to drill in this area has been assessed by the Health and Safety Executive (HSE) on behalf of the Falkland Islands Government (FIG) and the Governor accepted the case at a meeting of Executive Council on 3 February.
- 4.2 BHP Billiton (BHP) has assessed the suitability of the Ocean Guardian to drill one of their prospects called Toroa in Licence PL015 where the water depth is 630 metres. Diamond submitted an additional case to HSE on 14 December 2009 where the company presented an argument, supported by their insurance company ABS, that they did not consider the application to drill in the deeper water as a material change to the case already approved by HSE.

- 4.3 HSE took the view at a meeting in January 2010 that the submission did result in a material change and requested a further submission from Diamond. This was received by HSE on 22 January. The Diamond inspector of HSE has advised the Director of Mineral Resources by email that the revision to the safety case is accepted and he will forward a formal letter when he returns to his desk at the end of the month.
- 4.4 The Offshore Installations (Safety Case) Order 2008 regulation 14 (2) (b) requires that where a revision to a safety case is deemed a material change to the current safety case, the Governor has to accept the revisions.
- 4.5 The Governor is recommended to accept the revision to the safety case which has been submitted to the Department of Mineral Resources and to advise Diamond by letter when a form of words is received from HSE.
- 4.6 BHP is expected to agree a contract to sub-lease the rig to drill Toroa starting in early April or at a time when Desire and Rockhopper's first wells are completed.

5. Financial Implications

- 5.1 None

6. Legal Implications

- 6.1 None

7. Human Resources Implications

- 7.1 None