Moratorium impacts on local oil & gas business capabilities

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THE onshore oil and gas industry in NT has enjoyed the historical bipartisan support of both ALP and CLP governments.

There have been hydraulically stimulated oil and gas wells onshore in the NT since 1967 and that industry has been incident-free for five decades.

It is very important to note that this hi-tech industry has been supported by a diverse range of highly specialised, locally based service companies and their skilled workforce during the same period.

My personal experience has been in the services side of the upstream oil and gas industry, spanning 35 years which started out as an apprentice “fitter and turner” in 1982, where I later became a tradesman in oil and gas equipment manufacturing and repairs.

I spent a decade in technical or managerial roles in South East Asia and ultimately became the manager of an NT-based “Oil Country Tubular Goods” or “Casing & Tubing” repair facility, from February 2004 until July 2016, when I had the unpleasant task of shutting down this very same 32-year-old local business and retrenching all the skilled workers.

It would be fair to say that due to the fall in global oil prices, there had been a tapering of the offshore activity, which stressed the local oil and gas service businesses significantly. How- ever, there was also strong optimism in the ramping up of the onshore activity by the Australian oil and gas operators, who are well known for actually engaging local businesses and indigenous communities, and during 2015 we saw a significant increase in the activity we received from these onshore operators, where our facility was regularly engaged to provide services to both Origin and Pangea.

During late 2015 and early 2016, we were in constant communication with both Origin and Pangea for their upcoming 2016 requirements, and we were already performing inspection and preservation of some of their well bore equipment.

That was up until the incoming ALP government announced it would impose its moratorium on the onshore activities of the oil and gas operators. Then shortly after we received fateful communication from our customers that unfortunately all the work we were quoting or tendering was now cancelled.

While the ALP government may have only thought that the moratorium would just “pause” the business activities of the oil and gas operators, they failed to recognise the industry as a whole and the cascading implications that their moratorium would have on the long established local oil and gas service companies, causing the sudden and total loss of their prime revenue source, leaving these companies no option but to close their businesses and retrench their local skilled staff.

So in essence, what the moratorium has also done is to inadvertently remove the essential locally based industry capabilities, which in my case, was an OCTG manufacture, repair and inspection facility, which is directly associated with the well bore integrity.

So in a post-moratorium era, there will now be no local OCTG service facility in NT for the oil and gas operators to rely on, so they will need to source support from interstate or overseas instead, adding logistic cost, and if there is a well control issue, a much greater turnaround time for any unforeseen OCTG requirements.

In the oil and gas industry, OCTG accessories are classed as a critical component for the well bore integrity and are strictly controlled by comprehensive specifications and procedures and OCTG facilities must undergo strict licensing and qualification and ongoing external audits to be able to manufacture and/or repair OCTG accessories.

There are some antagonists who, despite having no actual industrial experience or understanding of what OCTG is, will still lay claim to well bore failures, even comparing OCTG to stories of rusty leaking water bore casing failures, which pastors may relate to.

However, Australian standard for steel casing used in water bores is only Grade 350 mild steel — it’s much thinner than oil and gas casing — it only runs in a single layer and usually not cemented at all. Whereas in an onshore oil and gas well, the casings are special-high alloy grades, strictly controlled by an international industry standard of API 5CT, the wells have three to five concentric layers of thick casing, each layer individually cemented with a specialised cement formula, and each layer individually pressure-tested for well integrity.

The oil and gas industry has a long history of operating to high environmental and safety standards, and it is essential this continues. Policymakers before sound policy threatens the livelihoods of many Territorians well positioned to benefit from the safe and sustainable development of our natural resources. Unfortunately, I and my former staff, are already proof of this.