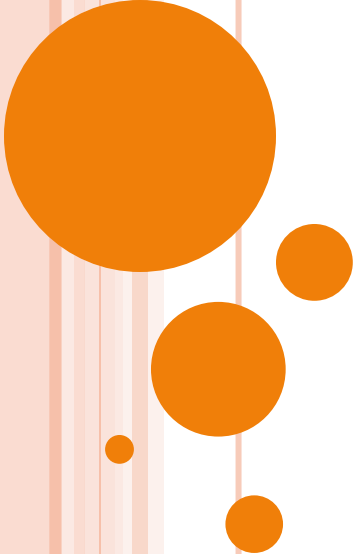# EMERGENCY MANAGEMENT PROCESS

OCS Advisory Board

Summer Seminar

June 19, 2014

OUTLINE

- Emergency Management
  - Crisis Management
  - Emergency Response
  - Business Continuity
- Example
- Questions

EMERGENCY MANAGEMENT DEFINED

Emergency Management - being prepared to respond immediately and effectively to all emergencies involving your company's personnel and assets. For company products or interests such as common carriers, chartered vessels and facilities operated by others, your company should be prepared to monitor the response and, if warranted, take appropriate action.

What is an "emergency"? The Oxford Dictionary defines an emergency as a *serious, unexpected, and often dangerous situation requiring immediate action*.

How should you respond? It is important to address the incident/event immediately to avoid escalation of the incident/event and to ensure protection of people and the environment.

Why is Planning necessary?

- The potential causes of significant business disruptions and interruptions are many however, they can generally be grouped into the following categories:
    - Loss of a Facility (fire, bombing, earthquake, power outage, IT disruption, etc.)
    - Loss of Access to a Region (hurricane, earthquake, etc.)
    - Loss of Personnel or Access to Facilities (pandemic, flooding, etc.)
- The overarching goal of emergency planning is to protect people and the environment

PLAN ACTIVATION TRIGGERS

Triggering events leading to the activation of an emergency management plan could include any event or situation that disrupts the ability of your company and its staff to function in their normal work location. This might result from damage or loss of their office building or field facility due to:
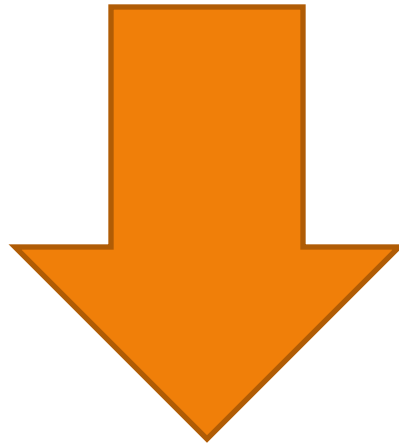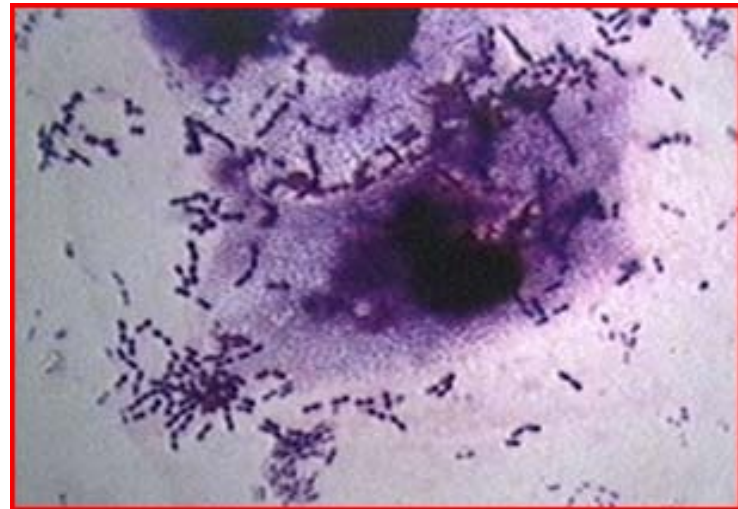
OFFICE BUILDINGS

- Fires

- Loss of Utilities

- Civil Disorder

- Street Closures

- Weather Events

- Power Outage

- Toxic, medical or biological hazards

- Failure of communications and computing systems

- Terrorist Threats

PANDEMIC (INFLUENZA)

Thunderstorms

FLOODING

Hurricanes

2008 – HURRICANE IKE

Bolivar Peninsula after Hurricane Ike

THE AFTERMATH OF HURRICANE RITA

Gilchrist, Texas after Hurricane Ike
Sept 14, 2008

2008 – Hurricane Ike – Downtown Houston JP Morgan Chase Building 600 Travis

1500 Louisiana – Downtown Houston

Typhoon Min-Spar Platform

REFINERIES

ONSHORE BLOWOUT

Offshore Blowout

OIL SPILLS

COMPONENTS OF EMERGENCY MANAGEMENT

Emergency Management consists of three separate, but overlapping, response mechanisms:

- **Emergency Response** - focus on the onsite physical response and management of incidents

- **Crisis Management** - focus on the broader implications of incidents or events (reputation, markets, etc.)

- **Business Continuity** - focus on continuous availability or prompt recovery of critical business processes and facility operations

Risk and Examples of Incidents
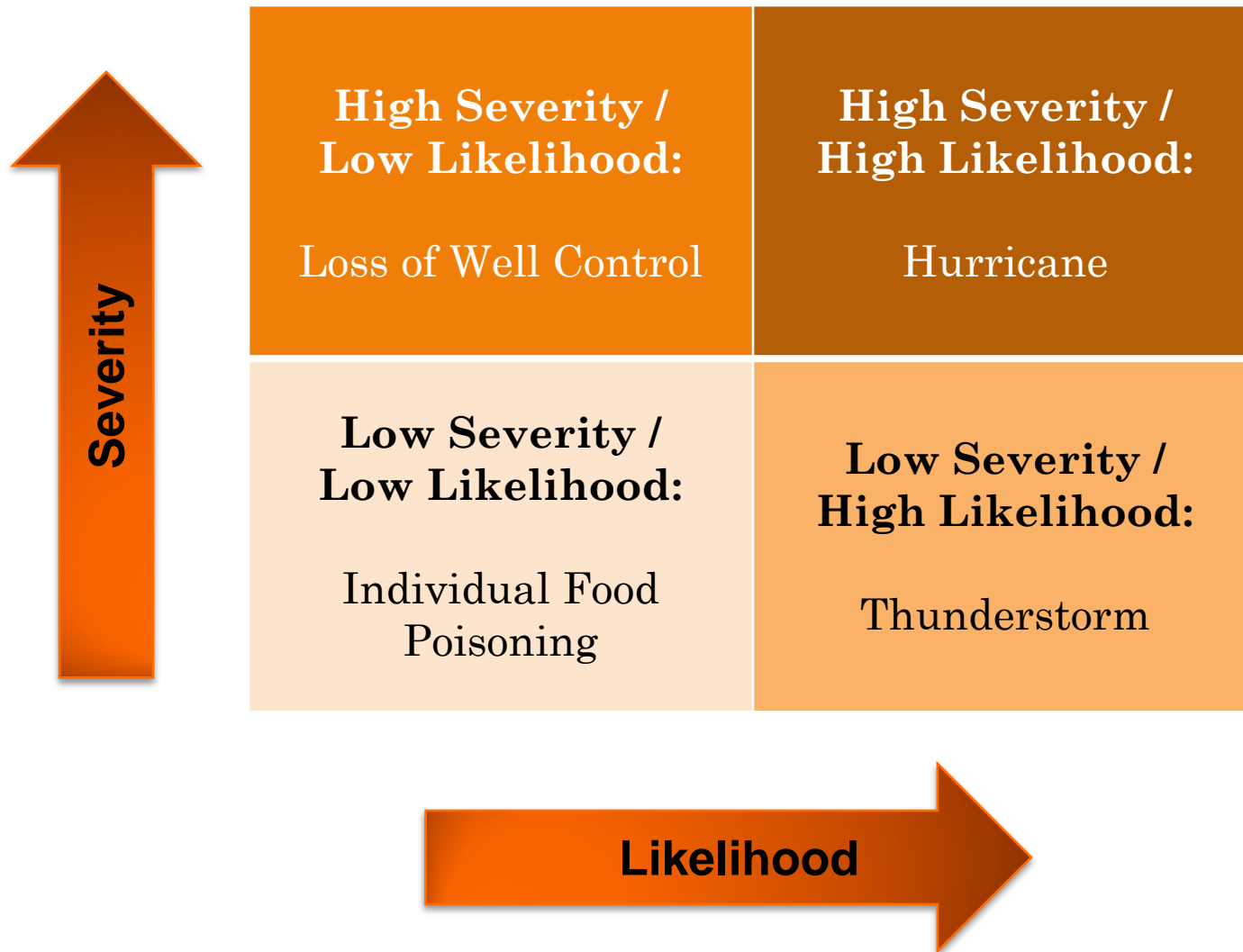
THREE - LEVEL INCIDENT RESPONSE ORGANIZATION

CRISIS MANAGEMENT TEAM (CMT)
Crisis Management Center
Manage Crisis Management Operations

EMERGENCY MANAGEMENT TEAM (EMT)
EMT Command Center
Manage Emergency Response Operations

ONSITE RESPONSE TEAMS (ORTs)
ORT Command Post
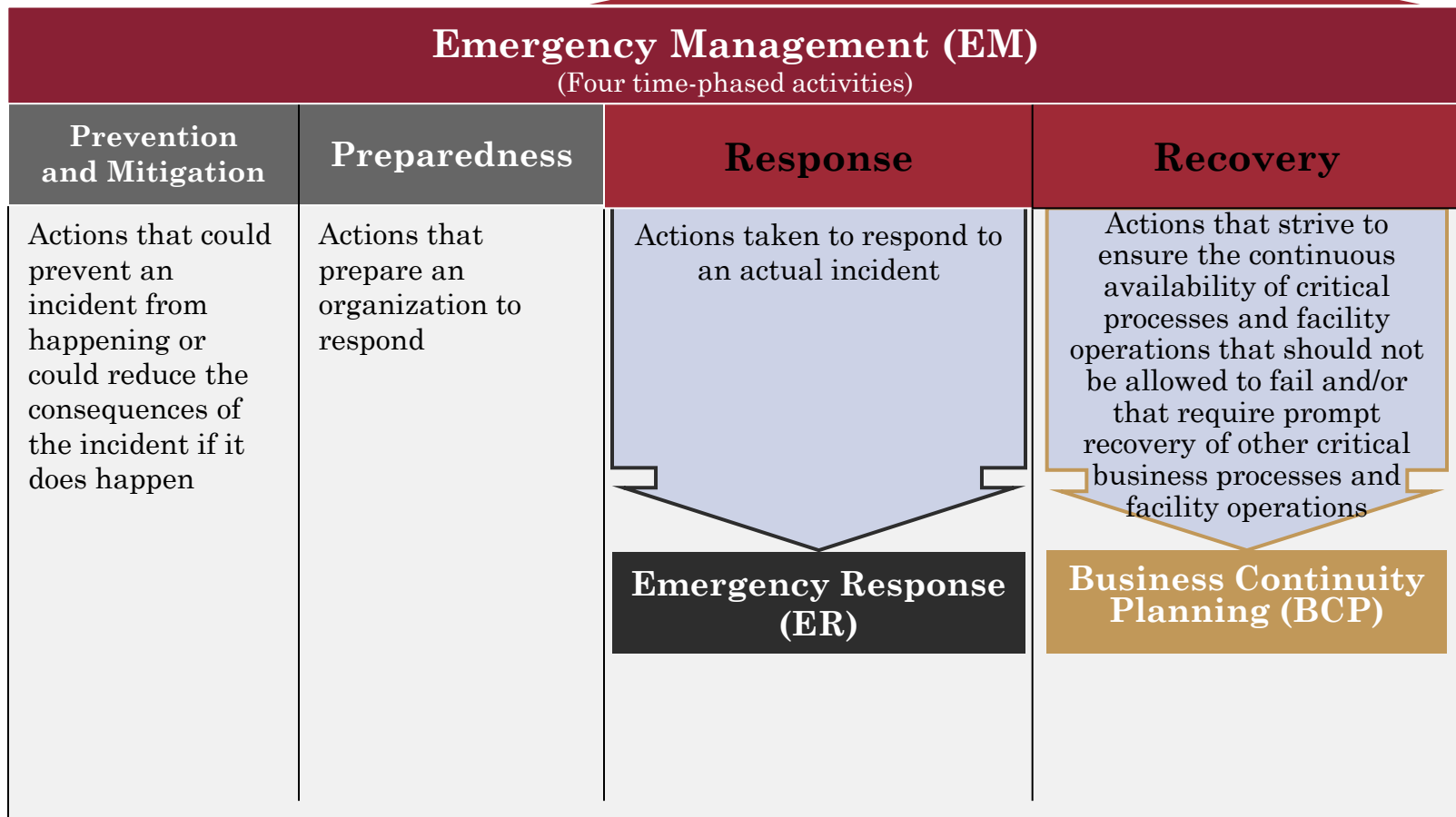*Carry Out Emergency Response Operations*

EMERGENCY RESPONSE VERSUS CRISIS MANAGEMENT OPERATIONS

EMERGENCY RESPONSE	Actions taken by personnel at or near the site of an incident to respond to incident and its consequences, and actions taken by management personnel away from site of an incident to provide strategic direction to at-the-scene response operations, address concerns of external parties, facilitate planning, obtain resources and provide support services, and institute appropriate financial controls
CRISIS MANAGEMENT	Actions taken by management personnel to support those engaged in emergency response operations, and to address implications of an incident and emergency response operations on the company's employees and their families, reputation, relationship with government agencies and other strategically important stakeholders, operational and financial stability, etc.

PHASES OF EMERGENCY MANAGEMENT

Crisis Management

Emergency Management (EM)			
(Four time-phased activities)			
Prevention and Mitigation	**Preparedness**	**Response**	**Recovery**
Actions that could prevent an incident from happening or could reduce the consequences of the incident if it does happen	Actions that prepare an organization to respond	Actions taken to respond to an actual incident	Actions that strive to ensure the continuous availability of critical processes and facility operations that should not be allowed to fail and/or that require prompt recovery of other critical business processes and facility operations
		Emergency Response (ER)	**Business Continuity Planning (BCP)**

Roles and Structure of Emergency Management Team

Emergency Management Plans

EMERGENCY MANAGEMENT PLANS

- ***Crisis Management Plan (CMP)*** is designed to provide the members of the Crisis Management Team (CMT) with the information needed to respond to incidents or events that have the potential to create a crisis situation for the company.

- ***Emergency Response Plan (ERP)*** is designed to provide the members of your company and Emergency Response Organization (ERO) with the information needed to respond to incidents in a safe, rapid, effective, and efficient manner.

- ***Business Continuity Plan (BCP)*** is designed to provide your company with the framework needed to respond to incidents or events that have disrupted critical business operations, business functions or supplies.
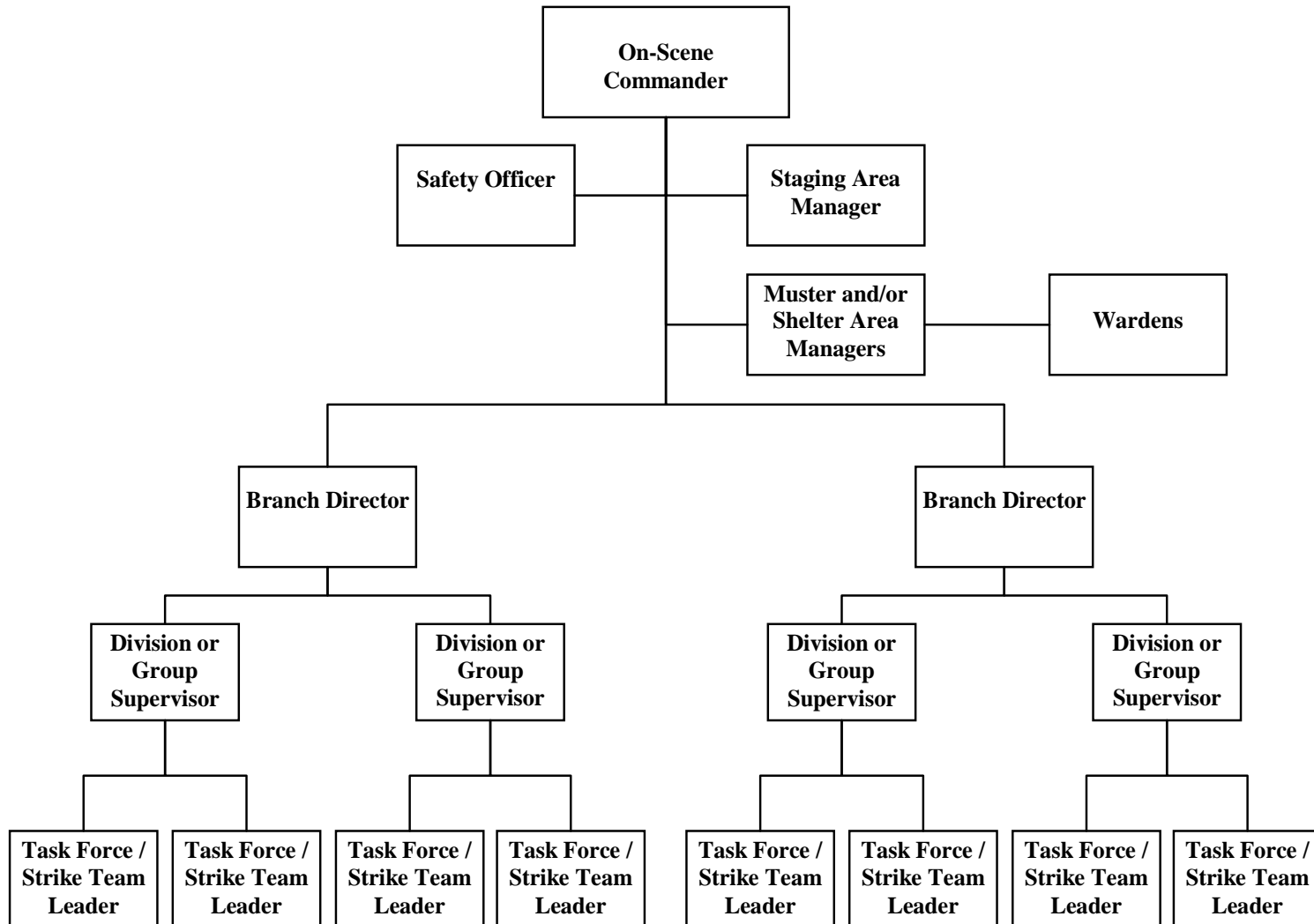
Emergency Response Plan

EMERGENCY RESPONSE PLAN

- Describes the Business Unit Emergency Response Organization

- Defines the roles and responsibilities of field office and Business Unit Emergency Management Team (EMT) members

- Details EMT notification and activation procedures

- Describes the Incident Management System used to organize and manage emergency response operations

- Provides Emergency Response Organization members with rapid access to the tools needed to carry out emergency response operations

EMERGENCY RESPONSE TEAM

EMERGENCY RESPONSE ORGANIZATION

- ***Onsite Response Teams (ORTs)*** are in charge of minor incidents. They are the first team activated to respond to an incident.

- ***Emergency Response Teams (EMTs)*** at the field or field office level are in charge of minor/moderate short duration incidents. When the incident escalates to the point that additional resources are needed, the EMT at the Field or Field Office level is activated.

- ***Business Unit EMT*** is in charge of managing moderate/major short-term and long-term incidents or providing supplemental support to the field or field office EMT.   Further escalation or additional need for resources can result in the activation of the Business Unit EMT to support the field EMT(s).

Incident Identification and Classification

To aid in the phased commitment of response resources, incidents are classified by severity into three levels.

o **Level 1 Incident: Minor or Simple**

A Level 1 incident is small in size and short in duration, and has limited impacts to personnel safety, the environment, and the affected facility or operation. A minor incident can be handled exclusively by resources that are immediately available to the affected field location.

INCIDENT IDENTIFICATION AND CLASSIFICATION

- **Level 2 Incident: Moderate or Complex**

  A Level 2 incident has broader impacts and requires the temporary shutdown of all or a portion of the affected facility or operation, may result in mustering, shelter-in-place or evacuation operations, and requires the acquisition of resources not immediately available to the affected field location. Level 2 incidents are of short duration, usually a single operating period, do not require development of an Incident Action Plan (IAP), and do not involve extensive integration with agencies, media, or the public.

INCIDENT IDENTIFICATION AND CLASSIFICATION

- **Level 3 Incident: Major, Complex, or Compound**

    A Level 3 incident has broad impacts on the Business Unit's facilities or operations. It could involve a major fire, a large spill of crude oil or hazardous materials, a gas release, natural disaster, or multiple injuries and fatalities resulting from accidents, equipment failures, or response operations.

INCIDENT RESPONSE

Onsite Response Teams (ORTs): Activated for any Level 1 or Minor Incident

- Level 1 field tactical response operations are carried out by ORTs composed of personnel from the affected Field's organization and/or contract personnel under the direction of an On-scene Commander (OC).

- The ORT will be the first line of response for the majority of the incidents that occur, and in most cases will be the only team activated.

INCIDENT RESPONSE ESCALATION

- The field or field office Emergency Management Team (EMT) is activated when the incident expands beyond the ability of the ORT to manage the situation.

- Based on incident specifics, multiple Field or Field Office EMTs may be activated simultaneously, depending on the inherent organizational structure. The field or field office EMT is responsible for reporting the incident to and interacting with the Business Unit Management and shutting down the affected installation or operation to isolate the source of the incident.
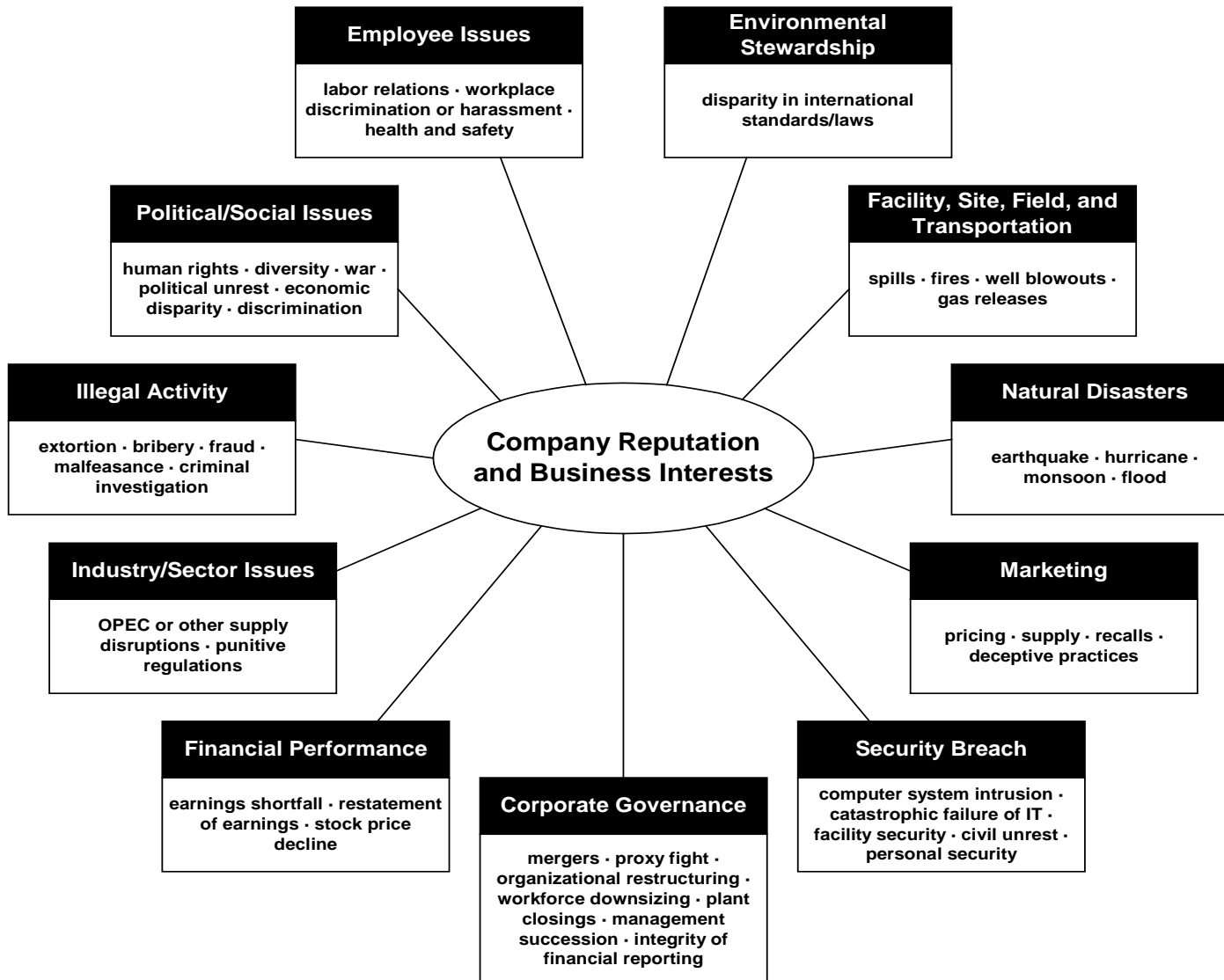
Crisis Management Plan

CRISIS MANAGEMENT PLAN

- The ***Crisis Management Plan (CMP)*** focuses on incidents and events that threaten the company's business interests in a certain region.

- CMP focuses on the potential of an incident or event being managed at the Business Unit level to create a crisis situation for (an) other Business Unit(s) within the company.

- The Plan describes in detail the roles and responsibilities of all the members of the Crisis Management Team (CMT).

- The CMT should verify that the applicable emergency plans have also been activated and are properly protecting people, the environment and company assets.

CRISIS MANAGEMENT

Employee Issues

labor relations · workplace discrimination or harassment · health and safety

Environmental Stewardship

disparity in international standards/laws

Political/Social Issues

human rights · diversity · war · political unrest · economic disparity · discrimination

Facility, Site, Field, and Transportation

spills · fires · well blowouts · gas releases

Illegal Activity

extortion · bribery · fraud · malfeasance · criminal investigation

Company Reputation and Business Interests

Natural Disasters

earthquake · hurricane · monsoon · flood

Industry/Sector Issues

OPEC or other supply disruptions · punitive regulations

Marketing

pricing · supply · recalls · deceptive practices

Financial Performance

earnings shortfall · restatement of earnings · stock price decline

Corporate Governance

mergers · proxy fight · organizational restructuring · workforce downsizing · plant closings · management succession · integrity of financial reporting

Security Breach

computer system intrusion · catastrophic failure of IT · facility security · civil unrest · personal security

CRISIS MANAGEMENT TEAM ORGANIZATION
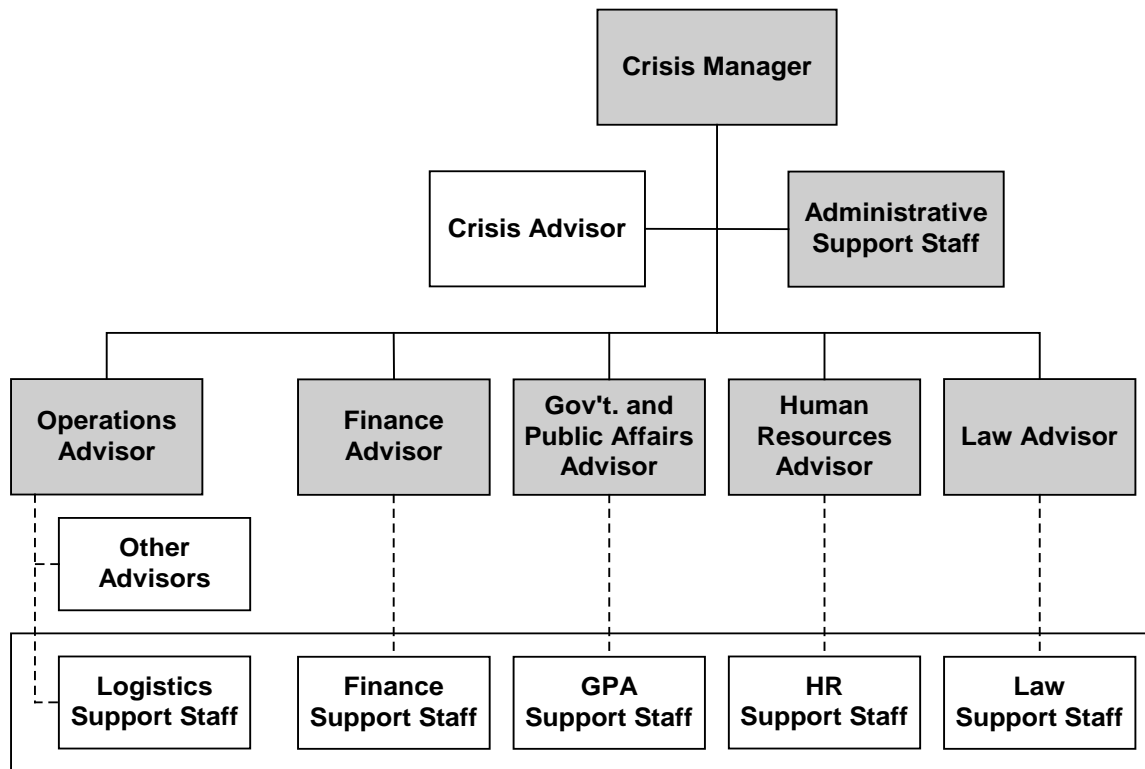
ROLE OF THE CRISIS MANAGEMENT TEAM

➢ Support emergency response operations

➢ Avoid crisis situations

➢ Manage & mitigate crisis situations that cannot be avoided

➢ Interface with Emergency Management Team

➢ Interface with strategically important Stakeholders

Communication & Documentation

CRISIS NETWORK

EMT INCIDENT COMMANDER
[or designee(s)]

↕ Telephone, Fax, E-mail,
Conference Telephone,
Video Conference

CMT OPERATIONS ADVISOR
[or designee(s)]

↕ Telephone, Fax, E-mail,
Conference Telephone,
Video Conference

CMT CRISIS MANAGER
[or designee(s)]

↕ Telephone, Fax, E-mail,
Conference Telephone,
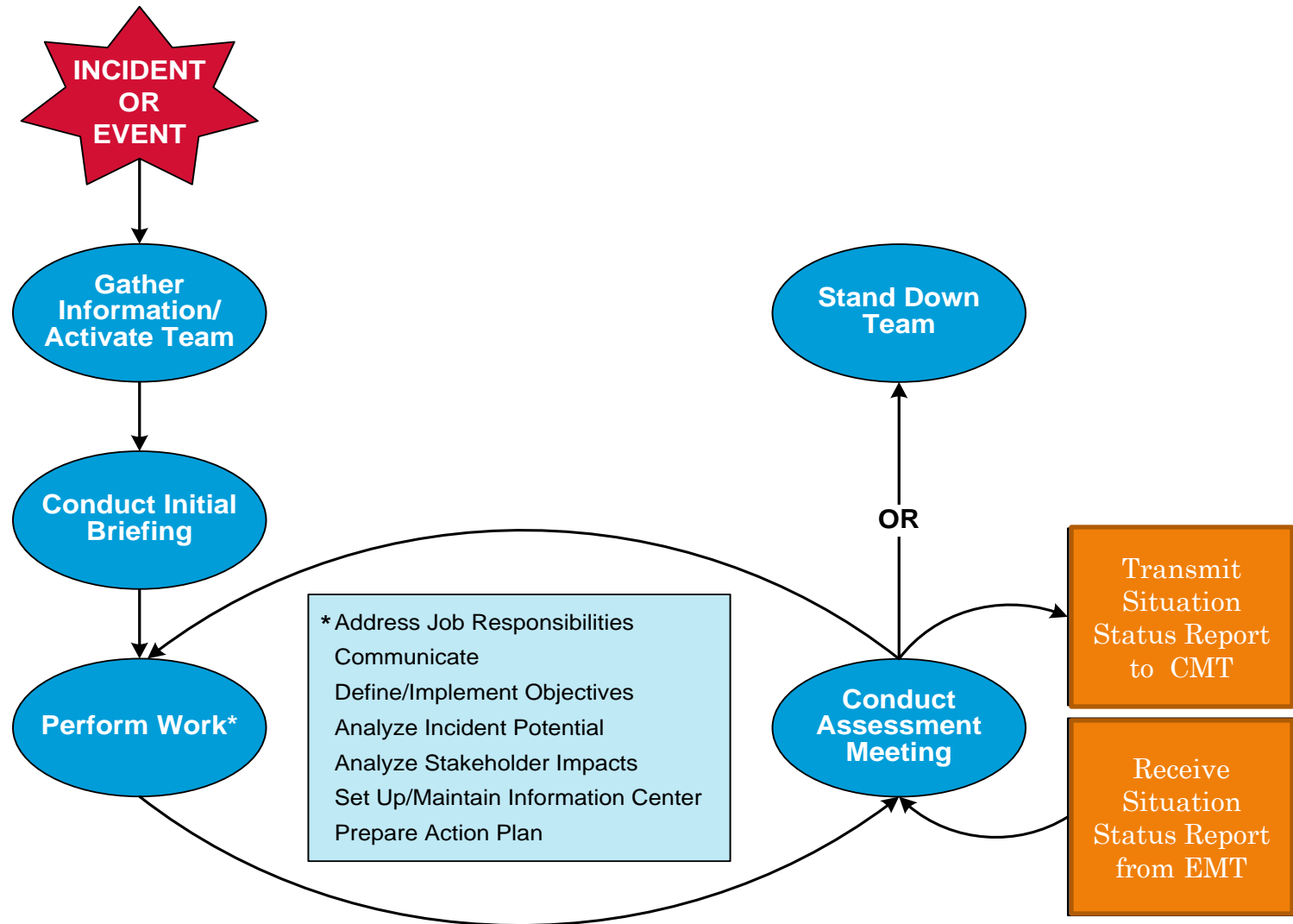Video Conference

CMT CRISIS MANAGER
[or designee(s)]

DWEP CRISIS MANAGEMENT TEAM (CMT)
Crisis Management Center (CMC)
Manage Crisis Management Operations

- Information is generated in the CMC on an incident or event and response operations, it is captured and displayed in the CMC Information Center
- The Information Center is established and maintained by the Administrative Support Staff
- Have designated primary and secondary CMC and should be equipped with IT support equipment staff, and large enough to accommodate all needs
- Maintain basic CMT organization structure with core team members and with extended team members if needed
- It may contain information generated by the area EMT depending on type of the event as well as status boards that pertain specifically to the work of the CMT.

INCIDENT MANAGEMENT SYSTEM PROCEDURE

INCIDENT OR EVENT

Gather Information/ Activate Team

Conduct Initial Briefing

Perform Work*

* Address Job Responsibilities
  Communicate
  Define/Implement Objectives
  Analyze Incident Potential
  Analyze Stakeholder Impacts
  Set Up/Maintain Information Center
  Prepare Action Plan

Stand Down Team

OR

Conduct Assessment Meeting

Transmit Situation Status Report to CMT

Receive Situation Status Report from EMT

Business Continuity Plan

PURPOSE OF BUSINESS CONTINUITY PROCESS

Ensure that all company operations are covered by appropriate business continuity plans that protect the company's workforce, assets, and reputation.
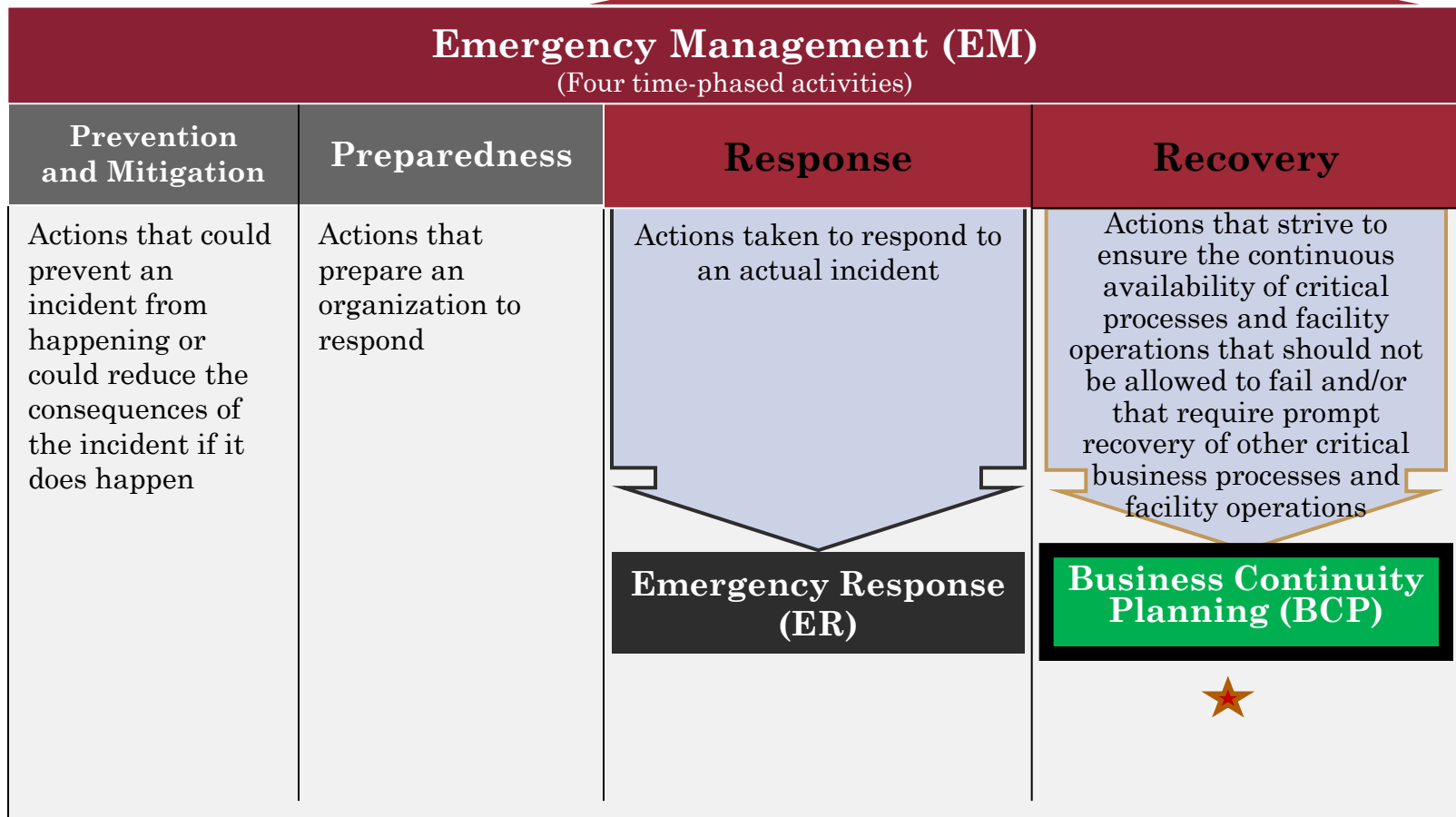
BUSINESS CONTINUITY PROCESS

BUSINESS CONTINUITY PLAN

o The ***Business Continuity Plan (BCP)*** focuses on the short term and long term activities necessary to continue business operations during a disruption of normal business operations.

o The BCP does not address emergency response procedures.

o There should be a written BCP for the **Business Unit** and **each functional group** within the Business Unit (e.g. Land, etc….)

HOW BCP FITS INTO THE EMERGENCY MANAGEMENT PROCESS

Crisis Management

Emergency Management (EM)
(Four time-phased activities)

Prevention and Mitigation	Preparedness	Response	Recovery
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		Emergency Response (ER)	**Business Continuity Planning (BCP)** ★

Practical Application for Offshore Landmen

DEEP OPERATING AGREEMENT

What should offshore Landmen think about under the proposed 2014 Model Deepwater Gulf of Mexico Operating Agreement and other relevant agreements in the event your company is involved in an offshore emergency?

FIRST THINGS FIRST

- Be aware of the potential legal issues arising out of the creation and retention of documents, electronic or otherwise in connection with the response (including emails, text messages and voicemail).

- Coordinate with legal in advance to assure legal privilege is considered.

What are the relevant agreements?

- What operations were occurring at the time of the incident?

- Is the OA the only relevant document or is there a Participation Agreement, Farmout Agreement or Lease Exchange Agreement?

- If a Participation Agreement, Farmout Agreement, or Lease Exchange Agreement is relevant, were the assignments upfront? Has "earning" occurred? Is the promote or carry still in effect?

WHAT LAW WILL APPLY?

- OCSLA vs. *Article 26.4.1 – Applicable Law*.

- Location of the incident? OCSLA dictates choice of law for many activities in the GOM based on the law of the adjacent state.

- What is the choice of law under the OA and other relevant agreements?

- Is the choice of law in the OA the same as the law that will be dictated by the OCSLA?

- What does the Dispute Resolution provision provide – arbitration? If choice of law in contract is different than what OCSLA dictates, will an arbitrator honor the OCSLA or the contractual choice of law? Would a refusal by arbitrator to follow the case law on the OCSLA choice of law be appealable?

IS THIS A FORCE MAJEURE EVENT OR IS IT AN EMERGENCY OR IS IT BOTH?

- "Emergency" not defined in 2014 form.

- *Article 2.37 - Force Majeure*

- *Article 25 – Force Majeure*

- *Article 6.2 – AFEs*

- *Article 6.2.3 (Further Operations During a Force Majeure or Emergency)*

ARE THERE ANY NOTIFICATION REQUIREMENTS?

- *Article 5.6(b) - Submissions to Government Agencies*

- *Article 5.11 - Emergency Response* (significant change from 2007)

WHAT LIMITS DO THE OA OR OTHER AGREEMENTS PLACE ON ISSUING NEWS RELEASES RELATING TO A CRISIS OR EMERGENCY?

- *Article 2.44 – News Releases defined*

- *Article 9.2 – Emergency News Releases*

- *Article 9.3 – Mandatory News Releases*

- *Article 7.1.2.2(f)* - (permitted disclosures of Confidential Data if required by a Lease, law, order, regulation or directive from a government authority).

- Participation Agreements/Farmout Agreements/Lease Exchange Agreements may also have restrictions on News Releases, etc.

HOW ARE RESPONSE-RELATED COSTS BEING DOCUMENTED AND TRACKED?

- What are the COPAS implications for the ability to charge response-related costs and other costs related to the incident?

- If your company is the Operator, it will be critical to assure that management understands the importance of systematically documenting and tracking response-related costs and other costs related to the incident.

# WHAT IS THE RISK ALLOCATION MODEL IN THE OA AND OTHER RELEVANT AGREEMENTS?

- How do the risk allocation models in the various agreements work together?

- How are conflicts between Exhibit C – COPAS and the OA resolved?

- Article 22 is relevant to how risks are allocated under the OA. There have been several substantive changes made in the 2014 draft to more clearly reflect the intent of requiring all parties to pay their participating interest share of costs related to a crisis or incident until such time as an arbitration decision of gross negligence/willful misconduct is rendered.

EMERGENCY MANAGEMENT SUMMARY

Effective Emergency Management

- Continue to communicate effectively
- Maintain effective communication
- Recognize the incident potential and respond accordingly.
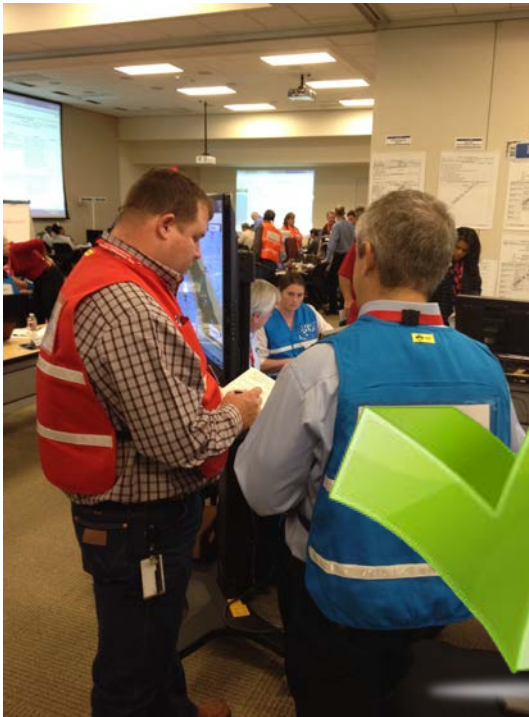
Ineffective Emergency Management

- Failure to implement plans
- Inadequate or ineffective communication
- Only responding to current events without identifying incident potential

QUESTIONS