



REGULATORY AND STRATEGIC CONSULTING
Project Case Studies





Pipeline DOT Records Program for Expense, Maintenance Capital and Capital Projects

Client

Major Interstate Pipeline

Location

Houston, Texas

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Background

- Client's Senior Management identified that its US DOT Pipeline Records Programs could present significant risks toward: 1) full compliance with US DOT requirements, 2) possible corrective actions reducing MAOP, and 3) 3rd party liability exposure from major-loss accidents. These risks stemmed from:
 - Outdated and inconsistent record quality, routing, timing, and retention standards and processes; and
 - Inadequately defined governance / management system (roles and responsibilities / tracking).

Scope

- Define pipeline records required by US DOT for projects from inception to abandonment / sale of asset.
- Conduct gap analysis of client's current records against US DOT requirements.
- Evaluate existing governance, management systems, policies, processes and procedures and identify strengths, weaknesses and opportunities for improvement.
- Perform risk assessment of existing program.
- Enhance governance and management system.
- Develop consistent standards for project records.

Results

- Evergreen matrix identifying all US DOT requirements for pipeline projects.
- Defined and specified improvements to existing records and new records to ensure compliance with US DOT requirements. Communicated shortfalls and risks to senior management.
- Enhanced governance and management system for US DOT Pipeline Records that consisted of clear policies, roles and responsibilities, management of change, performance monitoring, risks assessments, training and management review.
- Consistent and updated standards for pipeline records.
- Significant reduction of risks initially assessed.



FERC Compliance Management System for Blanket Certificate and Section 2.55 Projects

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Background

- Client's Senior Management identified authorization determination and reporting processes that could present significant risk toward full Federal Energy Regulatory Commission (FERC) compliance, including:
 - Potential inconsistent understanding of regulatory requirements by the stakeholders;
 - Inadequately defined roles and responsibilities; and
 - Ad-hoc approach to compiling FERC reports.

Scope

- Assure uniform understanding of the regulatory requirements.
- Develop policies and procedures necessary to minimize risk of noncompliance with FERC requirements and improve operational efficiency
- Gain stakeholder buy-in by assigning clear roles and responsibilities and testing and improving G2-developed processes with users.
- Develop compliance assurance program with defined:
 - Management of change and compliance;
 - Monitoring review procedures; and
 - Continuous improvement strategy.

Results

- Defined policies, procedures, and processes to assure activities undertaken by engineering, transmission, and other stakeholders comply with current FERC rules, regulations, and reporting requirements.
- Provided the stakeholders with clear, streamlined, and repeatable processes and procedures for making accurate FERC authorization determinations, thereby increasing client's compliance performance and operational efficiency.
- Developed a framework that contemplates and reacts to changes in rules and regulations, construction and abandonment plans, and scope modifications during all phases of project execution.
- Established compliance monitoring program consisting of self-assessments, risk assessments, monitoring metrics, and procedures to assure periodic management review and continuous improvement.



Remediation and Long-Term Residual Care of Disposal Facilities

Client

Major Industrial and Chemical Manufacturer

Location

Louisiana and West Virginia

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Background

- A major industrial and chemical manufacturer was faced with significant corporate risk as a result of environmental liabilities associated with legacy environmental conditions at three hazardous waste sites: two in Louisiana and one in West Virginia.
- Environmental liability and responses to one of the sites was complicated because of substantial ongoing third-party manufacturing operations.
- The client's available funds to address remediation obligations and third party claims were limited.

Scope

- Develop an exit strategy for remediation, existing claims, and regulatory obligations that satisfied state environmental regulators and the US EPA.
- Allow client to move forward with reorganization plans without hindrance of legacy environmental liability.
- Facilitate unencumbered third-party manufacturing operations on a legacy site.

Results

G2 Partners Principals' work allowed all parties to divest themselves of environmental liability under a structure that offered several benefits.

- Facilitated the client's emergence from a complicated Chapter 11 bankruptcy.
- Ensured the support of environmental agencies.
- Allowed third parties to operate their businesses without environmental risk or interference.
- Engineered and procured a comprehensive integrated insurance program that protected against remediation cost overruns, legacy environmental conditions, and third-party claims.



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Tiered Due Diligence and Risk Management Support for Acquisition of Major Crude Oil Pipeline System 1/2

Client

Large Oil Company

Location

New Mexico, Texas and Oklahoma

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Background

- Client desired to establish competitive position to purchase 2,300-mile crude oil pipeline system with 36 pump stations / tank farms located in NM, TX, and OK.
- Client sought tiered evaluation of environmental, health, and safety (EHS) risks and supporting cost effective risk mitigation to both manage potential liabilities and maintain the desired competitive bid.
- Upon being selected and entering exclusive negotiations, Client required a more comprehensive analysis of EHS risks, related mitigation strategies, and a risk transfer approach to support the development of a final Purchase Sale Agreement (PSA).
- Upon purchasing assets, Client desired seamless integration of these assets into existing operations.

Scope

- Support Client's bids to purchase assets, identify key EHS risks and develop initial conclusions on valuation of risks.
- Support PSA development and transaction closing:
 - Conduct comprehensive review of EHS risks broken down into: remediation / cleanup; air, water, and waste compliance; rupture and releases; and safety compliance.
 - Develop mitigating strategies / plans to address risks and establish values to implement.
 - Identify permits needed for operations and necessary actions to transfer existing permits or establish new permits.
Assist in development of risk transfer / allocating provisions of PSA.
Evaluate existing EHS resources (internal and external) and develop integration plan.
Develop EHS compliance action plans for first year of operation.
 - Provide detailed cost estimates for all of the above items.





Tiered Due Diligence and Risk Management Support for Acquisition of Major Crude Oil Pipeline System

1/2

- Post-closing support:
 - Transfer permits to Client's operations.
 - Implement initial portions of compliance action plans; and
 - Integrate risk mitigation strategies into ongoing EHS operations.

Results

- Client successfully purchased assets;
- Risk transfer provisions of transaction provided appropriate coverage for client against EHS risks; and
- Effective risk management approaches were successfully integrated into existing operations in a seamless manner with minimal disruptions.



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Midstream Analysis: Eagle Ford, Permian, Niobrara and Anadarko Basins 1/2

Client

Major Private Equity Firm

Location

Eagle Ford, Permian, Niobrara and
Anadarko Basins

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Background

Accurate current and projected future market information is a fundamental component to a well vetted superior investment strategy. Investment Management firms must understand market opportunities, the competition and risks to evaluate alternative strategies and select an optimal investment program.

Scope

G2 Partners was retained with the primary objective of identifying major midstream operators and midstream service providers (engineering, field inspection / surveying and pipeline integrity / operational compliance) within several rapidly expanding oil and natural gas shale basins. Key factors for accomplishing this objective were:

- Determining the approximate market size of each basin utilizing production data, reserve estimates and overall capital expenditure of the major producers.
- Identifying the top midstream operators and their historical and projected capital spend (overall and by basin when available) related to each of the Basins. Identifying the top midstream technical service providers and the key selection criteria used by midstream operators for their selection of technical service providers.

Sources of key information to satisfy the project objectives included:

- Data from generally published documents;
- Information obtained from resource management and regulatory agencies, and;
- Most importantly, from confidential survey data obtained from many of G2's clients operating in one or more of the basins.



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Midstream Analysis: Eagle Ford, Permian, Niobrara and Anadarko Basins 2/2

Results

Through G2's in-depth research, the client now has an accurate view of potential acquisition targets within several rapidly growing oil and natural gas shale basins that will allow its Managers to determine and assess:

- The relative magnitude of activities in the various basins;
- Key Operators in each basin;
- Technical Service Providers for each area of interest to the Client;
- A qualitative evaluation of how each service provider is viewed by the Key Operators.



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