

SEVERE WEATHER EVENT SCENARIO

Oil Inc. is a wholly owned subsidiary of GASGO, an independent oil & gas company focused on offshore exploration and production in Louisiana, Texas and the Gulf of Mexico. Oil Inc. operates 50 offshore oil platforms both within state waters as well as federal waters in the Gulf of Mexico.

In February of 2016, Oil Inc's platform, XX-100 was visited by BSEE and inspected regarding their records of monthly testing for overboard water to ensure it was below the 29 mg/L monthly average maximum. While on site at the platform, BSEE inspectors learned that the contractors who manned the platforms, who were supplied by ABC Outfitters, had followed an industry-wide practice of collecting the water samples in a milk jug and allowing the hydrocarbons to float to the top of the jug and then collecting the sample for testing from the bottom of the jug. However, as BSEE was attempting to conduct further interviews of the platform operators, a severe weather warning was issued related to a storm that had just unexpectedly dramatically increased in severity. The BSEE agents elected to fly back from the platforms to avoid the worsening weather conditions, and indicated they would finish their investigation later. Meanwhile, the platform operators attempted to secure all materials on the platform as the winds increased to 80 mph (*i.e.*, Category 1 hurricane force winds).

On Platform XX-100, a near-empty 55-gallon barrel of rust inhibitor was blown into the sump tank, rupturing the sump's valve. The barrel then proceeded to fall 40 feet into the ocean, causing the ocean around the platform to turn milky white. The BSEE agents who had been on XX-100 circled the helicopter back around when this occurred, and the platform operators saw them taking pictures. As a result of the ruptured valve, the hydrocarbons contained in the sump tank started draining out of the sump and, after the helicopter left, ultimately overflowed the containment and spilled through the open grating into the ocean.

Due to the high winds and the lack of any available helicopters, the platform crew on XX-100 remained on the platform. Due to the high winds, rain and heavy seas, the hydrocarbons that were spilled into the ocean dissipated very quickly and the platform crew could not detect a noticeable sheen. Because the helicopter had left the area before the oil overflowed the containment, the platform crew did not believe that the BSEE inspectors had noticed the oil spill. The PIC, an employee of Oil Inc., called into the corporate headquarters and informed his supervisor of the damage to the sump and the oil spill. Because the company was in the process of seeking additional investors and did not want additional issues that might slow down or stop the investors, the supervisor informed the PIC to fix the valve, clean the containment and instruct the operators that this qualified for the "Vegas Rule" of "What happens on XX-100 stays on XX-100".

Because of the approaching severe storm, the PIC also directed the platform operators to suspend all production operations and shut in all producing wells. The PIC notified the responsible persons at Oil Inc.'s headquarters that he had given the shut in order. ProCo also shut down its pipelines. ProCo, an entity owned by GASCO, operates pipelines that deliver Oil Inc.'s oil and gas, among others, to larger, long-haul pipelines, which in turn deliver Oil Inc.'s oil and gas to Oil Inc.'s various processing facility customers. Neither Oil Inc. nor ProCo notified their customers that deliveries would be suspended.

During the six month period leading up to the February 2016 storm, ProCo had several incidents where their pipelines had ruptured due to corrosion. A study had been commissioned by ProCo's CEO to study ways of replacing the pipeline. The study was overseen by the Production Supervisor at ProCo and involved hiring an outside engineering company to perform the study. The study indicated that 80% of the pipeline had corrosion and that 15% of the pipeline was in imminent risk of catastrophic failure. The production supervisor had raised the results of this study with both the CEO and the board, but the current board was still in the process of seeking ways to minimize the costs associated with addressing the problem. Thus, to date, nothing had been done.

After five weeks, Oil Inc. and ProCo determined that they could safely restart production and pipeline operations. Upon restart of ProCo's pipeline system after the storm, a critical gateway onshore pipeline previously found to be distressed from corrosion failed, causing a leak of tens of thousands of barrels of oil before the pipeline could be shut down to stem the flow of oil. It took more than a month to contain the leak, inspect and repair the pipeline, and resume deliveries of oil to the various processing facilities. As a result of

the pipeline failure, Oil Inc. continued to be unable to supply customers with oil. The leaked oil affected area groundwater supplies, which are used to supply drinking water to area communities with hundreds of thousands of residents, and also contaminated a nearby river, severely impacting aquatic life in the river. The mid-to long-term local and downstream effects to the river and its tributaries are not yet known.