



MANAGING COMPLIANCE AND SAFETY REFORM IN AN EVER-CHANGING REGULATORY ENVIRONMENT

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IN A SWEEPING RESPONSE to BP's Deepwater Horizon massive oil spill in the Gulf of Mexico, the US House of Representatives passed a bill in July toughening offshore drilling safety standards. Known as the Consolidated Land, Energy, and Aquatic Resources (CLEAR) Act, the House version removed the \$75 million economic liability cap from oil spills, imposed new safety standards, increased the number of independent inspections and equipment certifications required, and increased penalties for safety violations.

The oil spill response bill narrowly cleared the House and then promptly stalled in the Senate in early August when Democrats rejected taking up the bill due to disagreements over who would foot the costs of future spill cleanups. Compounding the problem, Senate Republicans created their own version of the bill. Currently the 400-page bill is tabled, but it or another version may be taken up by the new Congressional session that began in January.

Partisan politics aside, it is anticipated that some form of offshore drilling safety regulations bill will pass the Senate due to mounting

pressure from both the President and the public. However, until then much of the offshore drilling industry remains entrenched in legislative limbo.

While many oil and gas operators are taking a "wait and see" attitude towards increased governmental oversight in the Gulf of Mexico and elsewhere, the oil spill reform debate clearly illustrates one thing – in an ever-changing regulatory environment, it is imperative to have transparency and visibility built into your contract management process. When laws change, a company must be able to quickly

access all its contracts and have a process in place for consistently updating contract language to ensure compliance.

There are tremendous regulatory and compliance demands placing pressure on the contracting process in the oil and gas industry. The multitude of players in both upstream and downstream operations require energy companies to have full visibility into the governing terms and conditions that manage the entire operational value chain and the associated rights and obligations afforded to each participant in the process.

To bring this into focus, consider one of the provisions in the pending oil spill reform bill (SEC 626) - the Certificate of Inspection Requirements. Under this provision, floating rigs would be required to adhere to much more stringent safety requirements. Specifically, all rigs must be able to prove that they regulate the safety of blowout preventers – a direct response to the blowout preventer problems with BP's Deepwater Horizon.

At a minimum, proving blowout safety compliance would necessitate inserting specific language into a variety of agreements including:

- a) Construction contracts,
- b) Sub-contractor contracts,
- c) Vendor contracts,
- d) Contract trade agreements, and
- e) Equipment purchase and/or lease contracts.

If your contract management process is template driven, then changes like these are a considerable burden. Effective and efficient contract lifecycle management processes accommodate dynamic document creation based upon approved legal clauses that ensure regulatory compliance.

It used to be that the IT departments drove the contract management processes within organizations. Today, that responsibility is shifting to legal, compliance, procurement and even sales organizations. The contract process is so critical and cuts across so many organizational areas, companies are focused on finding tools that have the brainpower, flexibility, and capacity to help them be proactive in all areas.

Specifically:

- Legal wants functionality such as legal libraries, notification alerts, and workflow approvals;

- Compliance wants standardization, governance, and reporting against regulations — both internal and external;
- Procurement wants visibility into vendor obligations and reminder notifications for expiring agreements;
- Sales wants insight, historical information, timely approvals, more time with their clients than the legal department, more efficiencies in the proposal-to-quote-to-contract process; and
- Executives want business intelligence, safeguards, and peace of mind.
- Every stakeholder wants visibility and to have their part of the workflow identified and accounted for throughout the life of the contract.

Contract lifecycle management systems are attractive investments for energy companies because they offer a single, searchable, enterprise-wide tool that serves all functional needs. The field of contract lifecycle management vendors is wide and their offerings are diverse, making it challenging to determine which solution is the best fit for your needs.



AT A MINIMUM, A CONTENT LIFECYCLE MANAGEMENT SOLUTION SHOULD:

- Be a fully-scalable enterprise class solution that provides complete lifecycle capabilities including rules-based contract initiation and authoring, front and back-end system integration, repository and full document management capabilities.
- Standardize contract creation using a library of contract clauses that include most favorable terms as defined by the company.
- Offer rule-based document creation and be fully configurable to specific process and document types without code (wizard driven).



- Provide policy-based approval workflow.
- Easily integrate with legacy enterprise software to avoid duplication of functionality.
- Offer tools such as contract compliance tracking and automated reminders and alerts.
- Enhance collaboration through online negotiation and exchange of documents.
- Offer global contracts visibility to support best practice information and instruction from legal, operations and finance.
- Have a robust search feature and real-time user defined reporting capabilities for obligation traceability.
- Provide a rules-based contract initiation and authoring procedure to guarantee that all contracts issued contain the most current language so that there are no gaps or loopholes to cause legal liability.
- Be easy to use to ensure a high level of adoption and quick time-to-value.

No one knows what the final outcome will be in Washington, but having a defined and automated process for initiating, creating, negotiating, executing, and monitoring all types of contracts is key to a lot less red tape and a lot more profit. ■



ABOUT THE AUTHOR

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ABOUT CLM MATRIX

CLM Matrix is the market leader in Contract Lifecycle Management (CLM) software solutions on Microsoft Office and SharePoint technology platforms. Our solution extends the functionality of traditional contract management software by adding features such as:

- Rule-based document creation
- Clause libraries
- Policy-based approval workflow

- Automated reminders and alerts
- Real time user defined reporting
- Integration with legacy enterprise software
- Contract compliance tracking
- Multi-language capabilities
- Support for global environments
- Fully configurable to specific process and document types without code (wizard driven)



To learn more about CLM Matrix and our award winning software solutions, please visit clmmatrix.com or contact us directly at 1.800.961.6534.