

September 7, 2015

Dear friends,

I trust this note finds you healthy and happy. My apologies for taking some time away from these reports to our membership, but like every one of you, I have had a lot on my plate.

-I am writing this note on Labor Day. Fitting since this American holiday was created to honor those who work so hard to keep our country strong. Our focus is US Onshore Oil and Gas Exploration and Production. We are one team, working together for one common goal, to help the workers in our industry segment get home safely and healthy to their families.

Low commodity prices are creating a huge challenge for our industry segment, but this will eventually pass. No one can predict what the future holds or how long before prices turn around. What we can predict is that our response and actions during these difficult times will affect worker safety and health positively or negatively when activity increases. Now is the best time to focus on a strategy for training new workers, comprehensive equipment inspections, developing a better understanding of compliance with regulations, and building or improving effective company policies, standards and procedures for the types of work we perform. Those efforts do not cost anything but will help us to be more organized and efficient when the time comes, and will help protect our workers and companies well into the future. We have made excellent progress in our quest for improving health and safety in the US Onshore Upstream industry, but we must continue to press forward to make the improvements sustainable for the long term.

The May 29 CDC Weekly Morbidity and Mortality Report indicates a 36% decrease for the years 2003 – 2013 in the fatality rate for US Oil and Gas extraction, and the most impressive improvements came during high activity before the prices dropped. This proves that we are on the right track and that our collective efforts are paying off. What has led to this improvement? In my opinion, many factors have made a difference. OSHA has increased enforcement actions in our industry segment, but the agency is also investing time and resources in cooperative programs and initiatives. In December, National STEPS signed a two-year Alliance with OSHA and NIOSH which complements our many regional STEPS Network alliances. This brought much of the cooperative work together under one umbrella.

One initiative that has made a significant and quantifiable difference is SafeLandUSA (SLUSA). Since January of 2010 when the first operating company, Anadarko Petroleum, began requiring their contractors to participate, well over 860,000 students have earned their SLUSA photo ID cards. In my opinion, SLUSA represents a fundamental leap forward in our industry and deserves a large share of credit for improvement. Many said this would never work, but now we know that it has.

- -Formed in 2007, the NIOSH NORA Council for Oil and Gas Extraction is a team comprised of NIOSH researchers, industry experts, OSHA and educators. The NORA Council has helped to identify emerging issues and bring existing issues to the forefront. Potential Respirable crystalline silica exposures during Hydraulic Fracturing, transportation hazards and the recent work in tank gauging have helped <u>or our</u> industry to develop effective mitigation tools and strategies. The development of the Fatalities in Oil and Gas (FOG) Database has helped to identify important trends which are improving training.
- -AESC, through their Alliance with Region 6 is developing new training programs at the grass roots level. SLUSA, OSHA 5810 and the Leadership Course for Oil and Gas, developed by and for our industry and growing in popularity provides a standardized, holistic approach for worker orientation and training. In addition, regional and national stand-downs, the bi-annual OSHA Safety and Health Conferences, the RCS and Emerging Issues focus groups, and last but not least, the fine work you are doing in the regional STEPS Networks, which is too much to detail here, is playing a part in getting our workers home to their families after each days' work or tour of duty. That is why we are here.

Prices will get better and those companies who have pulled back and prepared for a comeback will do well, however in past upturns in the industry many were ill-prepared, rushing to get back to work without proper plans and preparation. Operators must vet contractors and service companies, and those companies must in turn use the same care in bringing on their subs. The importance of having a mentoring program for short service employees is extremely important and that investment has been proven over and over to save money and increase efficiency in the long term.

May we make time to take a close look in the mirror now and as decisions are made. When we started STEPS 12 years ago this month, we asked ourselves a couple of simple questions. Would we be comfortable with the safety and health of our sons or daughters, nieces or nephews or Grandkids if they decided to work in this industry, and what would we expect from the company they worked for? Because of the incredible teamwork and leadership of all of you reading this note today, that question is much easier to answer. We have come a long way, we now we have a lot of work ahead of us, but we are certainly heading in the right direction, because we are working toward the same goal together.

Volunteering our time to this or any effort in addition to our already busy schedules is tough, and sometimes we wonder why we go on, especially seeing our friends and colleagues lose their jobs. We are all human. I know it is really easy to get discouraged, but when the flag is a worthy one to bear as ours is, we pick ourselves up, hold it high, keep marching on and we feel better for it. I want to encourage each of you to stay strong, stay diligent and explore new ways to help our industry improve.

We are currently working on the "2016 Step- Up for safety" that will be rolled out at the end of the year. Our idea is to put together information and training material that will be distributed to each STEPS Network then passed down to their membership at a STEPS meeting. Each meeting attendee will then be able to use the materials provided for a "step up for safety" with their employees at a time that is most convenient for them. More details will be coming soon but please leave some time in your December STEPS meeting to discuss the step up and the materials.

Please send Marianne McGee and me me your recent success stories and initiatives. Our Executive committee will highlight them in our October note. As always, never hesitate to call or write with your concerns, ideas or suggestions.

I would like to reiterate what Rick stated so well. There is one thing we can all be sure of, this market will turn around and our industry will be strong and healthy once more. What we do during this slow time will determine who we are as in industry when we get busy again. In the past, we assumed that when we called people back to work, they would be in the same place safety wise that they were when they left. As we all found out, this is not the case. We scrambled to put process in place to reduce the influx of injuries. Sustainable systems will insure our incident rates remain low no matter what the market is. As Rick stated, now is the time to ensure these systems are in place. It is much easier to roll out, tweak or perfect new items with a smaller work force compared to doing the same when we are all running at full speed. We need to evaluate our management systems, HSE polices, processes and training requirements and make necessary adjustments, additions or revisions as needed. We should review our safe systems of work such as permit (permission) to work, hazard assessment, management of change, etc. to ensure theyat are effective. The work and effort spent in preparation in a slow market, will ensure a safe work place now and in the future.

## Jerry Jacobs

On behalf of the National STEPS Network Executive Committee,

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