



COLORADO

**Oil & Gas Conservation
Commission**

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

February 13, 2015

RE: XTO Request for Variance to Rule 1101(e) in Piceance Basin Flowlines

On June 24, 2014 and revised December 23, 2014,, a Rule 502.b. Variance Request by XTO Energy (XTO) to the Rule 1101(e) Pressure testing of flowlines for their Piceance Basin was received. The Rule requires pressure testing at installation and on an annual basis to maximum anticipated operating pressure. XTO is requesting a variance to the annual testing. XTO has submitted continuous pressure monitoring along with a set of best practices as an alternative to the once a year pressure test. The rule reads:

Rule 1101(e) Pressure testing of flowlines

- (1) Before operating a segment of flowline it shall be tested to maximum anticipated operating pressure. In conducting tests, each operator shall ensure that reasonable precautions are taken to protect its employees and the general public. The testing may be conducted using well head pressure sources and well bore fluids, including natural gas. Such pressure tests shall be repeated once each calendar year to maximum anticipated operating pressure (underlined for emphasis), and operators shall maintain records of such testing for Commission inspection for at least three (3) years.
- (2) Flowline segments operating at less than fifteen (15) psig are exempted from pressure testing requirements.

The variance requested by XTO is to replace the annual test with continuous pressure monitoring of their Piceance Basin flowlines augmented with a set of best practices. XTO uses a continuous pressure monitoring system of their facility with satellite data uploaded in near-real time of pressure buildup or pressure release. The pipelines' operating pressures will operate below pipeline material specifications. Pipeline integrity is enhanced by continuous monitoring and offers an approach to timely identification and minimizing spills over what could be achieved through annual testing. XTO will provide COGCC with an annually updated GIS map of their pipeline system. Annual reports on the effectiveness of the system will be submitted to COGCC staff with tabular reports on root cause analysis of pipeline related spills.

The XTO variance request details are presented in their letter and Sundry submittal. The following COAs have been placed on the Sundry.

1. The operator must supply a GIS map information in suitable format 120 days after the Commission approval of this variance showing the location of flowlines, type of pipe used in each segment, monitor points, valve locations, booster pump locations (if any).

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Commissioners: Thomas L. Compton - Chairman, Richard Alward, John H. Benton, DeAnn Craig,
James W. Hawkins, Tommy Holton, Andrew L. Spielman, Mike King, Dr. Larry Wolk

John W. Hickenlooper, Governor | Mike King, Executive Director, DNR | Matthew J. Lepore, Director



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2. At the end of each calendar year following approval of the variance, a report describing the system and improvements to the system (if any) shall be provided along with an update to the GIS map. This report shall include a description of the mechanics of the system and any changes or improvements implemented during that year.
3. As part of the annual report, the operator shall, summarize in tabular form any spill or release associated with pipelines, valve sets, or system operations, on or off well pads and provide a root cause analysis as well as why each spill was not prevented by the monitoring system.
4. This variance shall be valid for a period of five (5) years from the approval date. A review of this variance, annual reports, and root cause analyses shall be conducted by the operator presented to the Director for continued variance at that time and every five (5) years thereafter.

Staff recommends approval of XTO requested variance to the part of Rule 1101.e.(1), requiring annual pipeline testing of their Piceance Basin Flowlines.