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June 14, 2017

Matthew Lepore, Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

RE: RWSU – January 26, 2017 Rule 502.b Variance Extension Letter for Rule 1101.e

Dear Director Lepore,

On November 6, 2015, Chevron North America Exploration and Production Company (a Chevron U.S.A. Inc. division) (CUSA) (Operator No. 16700) applied for a variance from the annual pressure testing requirements of Rule 1101.e. for the Rangely Weber Sand Unit (RWSU). That variance was approved on January 29, 2016 for one year, with conditions of approval. On January 26, 2017, CUSA submitted its request for an extension of that variance. On May 4, 2017, CUSA met with COGCC personnel and was requested to propose a modification to the variance to address the Flowline Notice to Operators (NTO) that was published on May 2, 2017.

CUSA provides the following proposal to ensure and document the integrity of all Flowlines located within 1,000 feet of a Building Unit. Mark Schlagenhauf, COGCC Engineering Integrity Supervisor, and COGCC staff have participated in discussions to assist in identifying modifications to the original variance, and Chevron requests that they remain involved in this review process to approve the extension of the flowline variance.

Chevron plans to complete 2017 hydrotesting of Production Flow Lines within 1,000 feet of a Building Unit by June 30.

Original Variance:

Method of Assurance	Gas Gathering 40# System	Fluid Gathering Trunk Lines	Production Flow Lines	Water Injection Trunk Lines	Water Injection Lateral and Flow Lines	CO2 Trunk Line	CO2 Injection Lateral and Flow Lines
Cathodic Protection	X	X	X	X	X	X	X
Corrosion Monitoring						X	
Continuous Monitoring Program (SCADA)	X	X	X	X	X	X	X
Chemical Injection		X	X	X	X		
Pressure testing at Max operating pressure ^^					X		
Hydrotesting above Max operating pressure ^^	X**	X**	X**, X	X**	X**		
UT / X-Ray / Guided Wave testing^						X*, X	X*, X
Physical Inspection	X	X	X	X	X	X	X
Line Replacement Program	X	X	X	X	X		X
Root Cause Analysis (RCA), Risk-Based Inspection (RBI) and Best Practices for Material Selection.	X	X	X	X	X	X	X

- Notes: X* CO2 lines are 100% X-ray when installed
 ^ Frequencies to be established based upon risk and operating conditions
 ^^ 5-year frequency / 20% per year
 X** Lines are Hydrotested above Max operating pressure when installed.

Original Variance Conditions:

- 1.) Chevron must supply GIS map information in ESRI shapefile format 180 days after approval of this variance showing the location flowlines, types of pipe used in each segment, monitor points, valve locations, and booster pump locations (if any). If type of pipe used in each segment is not available in ESRI shapefile format it shall be submitted in a spread sheet.
- 2.) At the end of each calendar year following approval of the variance, report describing the system improvements to the system (if any) shall be provided along with the updated GIS map in ESRI shapefile format. 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, Chevron shall summarize in tabular form any spills 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 or release was not prevented by the monitoring system. The submission of the annual report will not relieve Chevron of its ongoing reporting/notification obligations pursuant to the COGCC Rules, including without limitation COGCC Rule 906.

- 4.) This Variance is non-transferable and will not transfer to a new operator.
- 5.) This variance is valid for one (1) year from the approval date, and may be extended on an annual basis for up to four (4) additional years in the Director's discretion.
- 6.) Nothing contained herein shall be construed as creating any substantive or procedural right enforceable by or in favor of any person or entity, except by Chevron and limited to Chevron's obligations under Rule 1101.e. (1). The COGCC expressly reserves the right to pursue the enforcement related to Chevron's operations of its flowlines, where a violation of another COGCC Rule is identified or where Chevron fails to comply with the conditions of approval listed above.

Additional Variance Condition from meeting held on May 4th, 2017.

- 7.) Chevron must supply GIS map information in ESRI shapefile format to identify sections of the flowline system tested in the current year, and the sections anticipated to be tested in the next year--perhaps via a color-coded flowline map

Proposed change for lines within a 1000 ft. of a building

- Increase frequency of the approved testing program to a three-year cycle for lines located within 1000 ft of a Building Unit.

Please reference the enclosed layered-PDF map depicting the 2016, 2017 and 2018 flowline hydrotest programs. ESRI shapefiles are being prepared of this data, and will be forwarded under separate cover prior to month-end.



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