

January 21, 2014

Mr. Jim Little, P.Eng.  
Operations Manager, Waterton Complex  
**Shell Canada Limited**  
P.O. Box 1088  
Pincher Creek, AB T0K 1W0

### **Extended Inspection Intervals for Carbondale and Castle River Pipelines**

Dear Mr. Little,

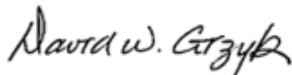
The Alberta Energy Regulator (AER) has reviewed your letter of December 24, 2013, and accompanying document "Proposal to Establish Individual Pipeline Inspection Frequencies for North Waterton Lined Pipelines" (the proposal), also dated December 24, 2013. The AER notes that some of the content of the document had been previously discussed with the AER at a meeting on October 2, 2013 and also presented to the Waterton Advisory Group on October 24, 2013, at a meeting in Pincher Creek attended by the AER as well as members of the community.

The AER acknowledges that Shell Canada Limited (Shell) has thoroughly studied the issues regarding corrosion beneath polymeric liners in the North Waterton field for several years. The AER agrees that the evidence gained in those studies supports the reduction of internal inspection frequency on the subject lined pipelines. Consequently, the AER agrees that Shell may reduce the frequency of internal inspection on certain pipelines as detailed in the proposal. The AER notes that Shell has committed to maintain the inspection frequency of direct corrosion measurements at established access locations, and agrees with this strategy.

The AER requests Shell to provide an annual update of the findings of the ongoing monitoring program, and suggests this be annually scheduled for the months of October or November. Shell is to contact the AER to arrange this meeting. Should any of its monitoring results suggest that deviation from the proposal is necessary, Shell is to provide an update to the AER immediately to discuss and consider what changes would be appropriate.

We trust this is satisfactory. If you have any questions or comments, please contact me at (403) 297 8432.

Regards,



David W. Grzyb, R.E.T., P.L.(Eng.)  
Technical Specialist, Pipeline

DG/sec

cc: AER Midnapore FC pipeline team