



FACILITY UPDATE

PETER ARGUMENT, OPERATIONS MANAGER FOR SHELL'S WATERTON COMPLEX

IT'S BEEN ALMOST 18 MONTHS SINCE I STEPPED INTO THE ROLE OF OPERATIONS MANAGER AT WATERTON, TAKING OVER FOR JIM LITTLE. WHAT A WONDERFUL AND CHALLENGING 18 MONTHS IT'S BEEN.

First, to be able to live in the grandeur that is southern Alberta is a gift for me and my family. I've been with Shell for over 15 years – before my assignment in Pincher Creek I worked on the front-end of several sour gas projects at Shell's joint venture in Oman, was Maintenance Superintendent at Shell's Jumping Pound facility and was Operations Engineer at the Scotford Refinery. While international experiences are amazing, Canada is home for the family so it's nice to be back in Canada in the spectacular setting at Waterton.

The Waterton plant is doing well, thanks to the 90+ hard working people at the Complex. We, as well as the rest of the oil and gas industry, have been challenged over the last few years with a tough and continuing low-price environment and we have made many adjustments to remain competitive. Many of these adjustments are hard to see, but they are critical to our success. We've focused on analyzing internal processes and procedures, finding ways to be more efficient, use our resources wisely, and stick to our budget, without taking short cuts or sacrificing safety.

And we've done it while maintaining our gas production and reducing our unplanned deferment. Through these innovative efforts, we have improved our competitiveness and saved many hundreds of thousands of dollars through improved efficiency and reduced waste.

We continue to look for ways to be better at what we do in this continuingly challenging environment – it's simply called continuous process improvement. Our improvement efforts have been recognized by our parent company Royal Dutch Shell as well: the Foothills asset, of which Waterton is a part – recently was a runner up in a Shell global competition which ranked Upstream assets on safety, production, reduced upsets and process improvement.

When you read the other articles in this newsletter you can see we've been busy in other ways as well – reclaiming old sites, planning for new development, working with the community and hosting international visitors. It's a fast pace and one which we enjoy.

Thank you for all your support of the Waterton Complex. Our employees are as committed to



doing the right thing here at the Complex as they are in the community. We are proud to be a part of this community.

As always, if you have any questions or concerns, please call our front desk at 403-627-7150. To report an emergency, please call our 24-hour emergency line at 403-627-4200.

Always stay safe.

Peter Argument

Waterton Operations Manager

UPDATE ON WATERTON DEVELOPMENT PLANS

OVER THE LAST 5 YEARS, SHELL HAS SAFELY AND SUCCESSFULLY DRILLED THE WATERTON 68, 67 AND 77 WELLS, AS WELL AS BUILT PIPELINES TYING IN THE WELLS TO THE WATERTON GAS PLANT. IN FACT, THE WATERTON 77 WELL WAS COMPLETED LAST YEAR SAFELY, UNDER-BUDGET AND FASTER THAN EXPECTED.

Our drilling, completions and operations teams worked very well together and found efficiencies and opportunities to meet and exceed timelines – and expectations. As the Waterton 77 well was drilled from the existing Waterton 67 site, no new land was required and existing roads were used to access the 77 site.

Shell plans to continue its long-term development of the Waterton field by drilling another well in 2016. We expect to finalize the location of the well early this fall and will start the consultation process soon after. We have to continually look for new sources of gas to offset the natural decline of the field – either securing third party gas for processing or drilling new wells.

We work hard to talk with our stakeholders about our plans and seek to minimize the impacts that may arise as a consequence to our activity.

Shell has been operating in the Waterton area for over 50 years and since 1956 has drilled 77 wells (14 wells since 2000 – approximately one a year). Shell currently produces gas from 60 wells (as of mid-June 2015).

We'll be able to share the details of the new well at the upcoming WAG meeting on October 28 and at the Community Open House scheduled for November in Twin Butte.



If you'd like to receive bi-monthly e-mail updates on the Waterton facilities activities, please send an email to Rod.Sinclair@shell.com with your request.



INTRODUCING NEW FACES AT WATERTON...



ROD WICKENHEISER
New Production Superintendent

Roger Stebner, after over 30 years with Shell, is stepping down as Production Superintendent and looking forward to a well-deserved retirement next year. Roger is passing the torch to Rod Wickenheiser, working closely with Rod to facilitate a transition that supports the projects, people and future of the Waterton Shell plant and field operations.

Rod is not new to the area; while he grew up in Medicine Hat, he spent summers in the mountains of our area, backpacking, hiking and fishing high mountain lakes and always wanted to return to the area. The entire Wickenheiser brood learned to fish and camp here too. As an avid outdoorsman, Rod is a natural fit in our community.

During high school Rod raced motorcycles and worked as a mechanic in the local motorcycle shop to support his passion for riding. One of his favorite memories was travelling with the team to Tulsa, Oklahoma to race the ISDE, the International Six Days Race. It's one of his all-time favorite man and machine adventures.

Rod wanted more than motorcycles and memories - he wanted someone to share them with, a family. At a young age he built a career closer to home and was quickly taken on as a junior at the local fertilizer plant. By the age of 25 he was already a supervisor, a role that came from his tireless work ethic and limitless dedication to teamwork and team success in all areas of the plant. Rod remained at the plant for 18 years after which he moved to the Olds (sour) Gas Plant - a move that ultimately brought him to Shell in 2007.

Since coming to Shell Rod has been part of a number of critical transitions, including supporting the Burnt Timber (BT) Gas Plant wind down and closure in 2014. After the BT closure, Rod moved to the main office in Calgary as Process Improvement Lead for Foothills and to Waterton in the fall of 2014. As of April 15, 2015 he officially became the new Production Superintendent. He is thrilled to be at Waterton and also hopes to one day retire in the nearby mountains, surrounded by grandchildren, camp

fires, fishing, hiking, quadding, mountain biking and motorcycle rides.

When it comes to the Waterton Shell Plant, Rod is focused on inspiring people to do better. He is keenly aware of the outstanding abilities of people, the value of each individual and the achievements possible through combining our unique resources. He wants to make sure the plant is successful and safe for many years - he knows that goal requires the positive, enthusiastic, open minded resources and talents of everyone. The team's input and support are invaluable, and ultimately the keys to Waterton's long-term success. The energy market is continually changing, tight budgets are a fact of life and the team continually needs to adapt to change.

A final note of appreciation from Rod to all Shell Waterton employees and their families: "We have responsibilities around operating in the area, earning the right to be here and doing the right thing within our community. Thank you for upholding these values and supporting the various Shell engagements within the Waterton/ Pincher Creek community."

Rod and Jenn are empty nesters with four grown children and dreams of grandchildren as soon as possible. Until then, the kids visit and agree: their parents live and work in the most beautiful place in Alberta.



STEPHEN DECOCK
New Environmental Coordinator

For Stephen DeCock, Environmental Coordinator at the Shell Waterton Complex, his new job felt like coming home. Literally. Born and raised in Pincher Creek, Stephen went to the University of Lethbridge, studying Environmental Science. He worked in the environmental consulting field for several years before joining Shell in February 2015 -and returning to Pincher Creek. Stephen stepped into the Environmental Coordinator position when his predecessor, Craig Hallden took another position with Shell in Calgary.

"I grew up in the area and love to do all kinds of outdoor activities like hiking, mountain biking, and fishing," said Stephen. "Working on the family farm and raising cattle I have an appreciation for protecting the environment and being outside which is a large part of why I chose the environmental field as a career."

Stephen is keenly aware of the unique environment in which the Waterton plant has operated for over 50 years and understands his role in helping to develop natural gas and, at the same time reclaiming and restoring the area once production is completed.

Much of his work at Waterton gets him outdoors and into the field, talking with people, visiting sites and focusing on environmental related projects and restoration work. The job also includes a great deal of compliance work as well, such as collecting air monitoring data, conducting water and soil tests and being the liaison between the Alberta Energy Regulator (AER) and the plant.

Stephen finds his job very interesting – "there is always something going on."

PROPOSED ENHANCED PROTECTION OF CASTLE WILDERNESS AREA

Many people are wondering what the recent announcement by the government to enhance the protection of Castle Wilderness Area may mean to industry and specifically to Shell and its long-time operations in the area.

Shell recognizes the environmental value of the Waterton - Castle Area and we do not oppose the enhanced protection of the Castle Wilderness Area. We will continue to work with the province and stakeholders in the area as the project moves forward, ensuring any interface with the new park is managed well.

As part of Shell's General Business Principles, we operate in an environmentally responsible manner in the Castle region as well as projects across the globe. We believe there is the potential to allow for continued development of subsurface resources in the area without sacrificing the environmental values of the surface.



RECLAMATION IN WATERTON – A LASTING COMMITMENT

WHEN SHELL CANADA’S DECOMMISSIONING, ABANDONMENT AND RECLAMATION SUPERINTENDENT RICHARD ETTENHOFER GATHERS THE NEEDED MATERIALS, EQUIPMENT AND SPECIFIC SEED MIXES FOR THE SITES SCHEDULED FOR RECLAMATION IN THE WATERTON AREA, HE IS READY TO START HIS WORK WITH A BLANK CANVAS – OR IN THIS CASE, A BARE PIECE OF GROUND.

“Surface reclamation is the last phase in a well site’s lifecycle.” says Richard.

Throughout its productive life of 20-30 years, a well produces much-needed natural gas that heats millions of homes and supplies energy to many ranchers, farmers, businesses and industries.

The reclamation process is methodical, steeped in science, and conducted according to strict Alberta Energy Regulator (AER) regulations. Annually Shell reports its reclamation progress to the AER; in turn the AER conducts yearly site visits. The AER will issue a reclamation certificate for the reclaimed area based upon the progress of the seeding/planting.

When a site is first prepared for production, the topsoil is scraped and stored in mounds on the perimeter of the pad. A well pad, for the most part, is contoured to be flat for operational efficiency and safety. During reclamation the site may be re-contoured to blend into the surrounding topography or to address rain or snowmelt drainage issues,

and the original topsoil spread back over the area. A seed mix is chosen specifically for that area and approved by the landowner or AER.

Reclamation can often take five years from when the subsurface well is capped and the surface is re-contoured and re-seeded. Ideally, areas are re-seeded in late summer/early fall to take advantage of the winter snowfall and spring snowmelt which assists the germination process. The snow also reduces surface disturbance caused by cattle, deer or elk.

Early phases of the habitat restoration process can provide needed habitat for many species; for example deer and elk benefit from open fields for browse and relief from heavy forest snows.

As part of our ongoing operations and commitment to the area, Shell continues to reclaim well sites, right of ways or building sites that are no longer useful. Since 2004 we have remediated and reclaimed multiple well sites and facilities and continue to reduce our footprint in the Waterton area. This past



Photo provided by Sinclair Imagery Inc.

summer our reclamation team focused on various reclamation projects throughout the Waterton field including surface reclamation work on the Carbondale 6-3 well site, the Castle Falls road (near Castle Falls campground) and the Wat-18 well site on the front of Pincher Canyon.

The Waterton area is one of great natural beauty, hosting a diversity of plants and animals. We are committed to working responsibly in the area and reclaim the sites once we are done.

TRAFFIC MANAGEMENT – AND CALF WRESTLING – A SUCCESS

On a quiet fall morning, in a graveled pullout just off the road sits a small, white trailer with a red truck parked outside. Inside, Janet Wittig and Jan Robertson watch several computer screens and monitors.

“I count all the trucks and cars that pass by,” explained Jan. “Most importantly, we make sure the drivers know about the current road conditions, what other project traffic or community event are scheduled for the day, and remind them all to adhere to the speed limit. Our focus is safety.”

Janet Wittig was the Traffic Manager for the Waterton Complex in 2014 and kept constant communication between the community and truck drivers during the busy road activity last summer and fall.

“Early in our 2014 project planning process, we looked at the major projects that were scheduled for the year and realized we needed to develop a traffic management plan that stressed safety, communication and community for both local residents and our contractors,” said Rod Sinclair, Waterton Community Relations Representative.

“We talked with residents and together came up with an effective traffic management program that resulted in no traffic incidents or accidents for the entire ten month timeframe. We’re pretty proud of the program’s success thanks largely to our traffic management team.”

Shell also implemented a similar traffic management program last summer on Seven Gates Road leading to the Waterton 67 and 68 sites.

The increased activity during the summer of 2014 was unique to the plant - there were several major projects that occurred simultaneously. In addition to routine plant and field traffic (including condensate and propane trucking), additional projects included: drilling the Waterton 77 well, reclamation activities, removing and trucking non-commercial sulphur materials from the facility, a project with Enersul, soil reclamation and remediation activities on private land, and a Trans-Canada Pipeline shutdown and maintenance project.

Between mid-May 2014 and mid-February 2015 Janet and her team counted over 48,000

Shell-related vehicles which traveled the road between the highway and the plant. Ranchers moving cattle to and from summer grazing range use the road – these events were also factored in. Janet coordinated the timing of cattle drives and the plant’s truck traffic to avoid the two occupying the road at the same time.

On occasion Janet went above and beyond her traffic duties.

“A couple of mornings last summer I received calls of calves who had gotten under the fence and were wandering onto the road. I’m a rancher myself – when a calf gets out of a field, you put them back in. So I did, and notified the landowner that the fence needed repair where the calves were escaping,” said Janet matter-of-factly. “Now I can add calf-wrestler to my official traffic management duties.”

During the 2016 drilling program, Shell will again implement a traffic management program to control traffic along the key routes. Hopefully Janet will be there, ready to count trucks and wrestle calves.

SUPPORTING OUR COMMUNITY

Every year, the Shell Waterton team strives to be a strong community member and support the area where we can.

In 2015 we funded a number of area organizations, including the Crowsnest Stewardship Society, the Pincher Creek Watershed Group, Group Group Youth and Willow Valley Youth Conservation.

Larger fund donations supported Pincher Creek 4H district scholarships (\$10,000) and Agricultural Society projects (\$15,000). We are in the third year of a multi-year funding project for the University

of Lethbridge’s West Castle Biological Field Station and this year donated \$20,000.

The health and wellbeing of our community is of utmost importance and in late 2014 we donated \$25,000 to the Windy Slopes Health Foundation for the renovation of the Pincher Creek Health Centre’s Emergency Department – We are very proud to support this critical resource for the entire community.

We are proud to call Pincher Creek and the surrounding communities our home.



In 2014 Shell donated \$20,000 to the Windy Slopes Health Foundation. (photo courtesy of the Pincher Creek Voice)



ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACT (EPEA) LICENSE RENEWAL

SHELL WATERTON IS APPLYING FOR THE RENEWAL OF ITS ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACT (EPEA) LICENSE, A 10-YEAR LICENSE WHICH WAS LAST ISSUED IN 2006.

A notice will be published in local newspapers, and details pertaining to the license renewal will be shared at the Fall Waterton Advisory Group (WAG)

and Community Open House. If you would like more information about the EPEA process, please visit the AER website at:

<https://www.aer.ca/applications-and-notice/application-process/epea> or contact Rod Sinclair at the Waterton facility.

AN INDUSTRY LEADER – SHARING BEST PRACTICES WITH INTERNATIONAL VISITORS

Throughout its long history the Waterton Complex has hosted various industry groups in an effort to share best practices developed over 50 years of operations. It is an opportunity for others to see excellence in action, ask questions, challenge, clarify capabilities and even discuss any gaps in operational effectiveness.

It is the Shell Waterton team’s intent that information sharing serves to strengthen the safety, operational excellence and commitment to the community of other sour gas facilities throughout the world. In the spirit of lifelong learning, these visits also challenge the Waterton team to ask questions of themselves and to continuously improve their own operations.

Many visitors want to observe an Emergency Response Plan (ERP) drill. An ERP is an opportunity for the facility team and often community first responders to practice how the team will react during an emergency. The team role plays as if the emergency was real - it is designed for team members to step into roles,

testing and practicing problem solving skills, communication skills, teamwork and decision making under pressure.

Key to an ERP’s success is well-defined roles and responsibilities, training, leadership, experience and teamwork.

RECENT VISITS

Over the last several years, Shell Waterton has hosted groups from China, Kuwait and a university contingent from Brazil. Visitors usually overnight in Pincher Creek before a site visit and learn about the area, have meals, stock up on supplies, etc.

Recently the Kuwaiti Oil Company (KOC), a company with whom Shell is a partner in a sour gas project, requested to visit the Waterton facility in mid- March 2015 to observe a long-scheduled Emergency Response Plan practice drill.

Not only did the guests observe the original ERP drill, they were also treated to a real emergency

response as a spring snow storm blanketed the area with over 6 inches of heavy, wet snow the day before the KOC visit, causing power outages at the facility and in the field.

The Waterton team responded to this unplanned emergency as practiced; they assessed the situation, diagnosed the problem, implemented a solution and brought the plant back online while the overseas guests postponed their trip to Pincher Creek by a day. The ERP exercise was conducted a day later and wrapped up with excellent discussion, lots of questions and a tour of the area.

The Kuwaiti contingent, however, remarked over and over how impressed they were with the staff and how they handled the “real” emergency the day before with precision, a resilient mindset and problem solving skills. To turn around and host them for the ERP exercise the following day as scheduled was top notch.



The Kuwaiti Oil Company (KOC), a Shell partner in a sour gas project, visited the Waterton facility in February 2015 to observe a long-scheduled Emergency Response Plan practice drill.

THE CHINOOK NEWSLETTER FEATURES SHELL STORIES HAPPENING IN THE WATERTON AREA

FOR MORE INFORMATION ON NEWS IN YOUR AREA, OR IF YOU HAVE ANY QUESTIONS OR CONCERNS ABOUT SHELL, PLEASE CONTACT:

ROD SINCLAIR
COMMUNITY AFFAIRS REPRESENTATIVE, SHELL
(403) 627-7282
ROD.SINCLAIR@SHELL.COM