

CENTER FOR SUSTAINABLE SHALE DEVELOPMENT, INC.

INITIAL CERTIFICATION  
AUDIT REPORT SUMMARY

SWEPI LP (Shell), Appalachia Asset

February 24, 2015



### OPERATOR INFORMATION

Company	SWEPI LP (Shell), Appalachia Asset
Address	2100 Georgetown Drive, Sewickley, PA 15143
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### OPERATOR CONTACT INFORMATION

	Name	Title	Phone	Email
Primary Contact	H. James Sewell	Environmental & Regulatory Team Lead	(724) 933-4979	<a href="mailto:Jim.sewell@shell.com">Jim.sewell@shell.com</a>
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### AUDITING FIRM INFORMATION

Lead Auditor	John A. Stangline, ARM, CHMM, CPEA	Abbreviation	JS
Auditor(s)	Dane Kennedy Spencer Pizzani, CIH	Abbreviation	DK SP

Water Performance Standards Audited:	Standard 1- 8.3	Start Date of Audit	11/3/2014	End Date of Audit	11/6/2014
Air Performance Standards Audited:	Standard 9 - 15.4	Start Date of Audit	11/3/2014	End Date of Audit	11/6/2014
Field/Office Auditor Days	12	Offsite Auditor Days	4	Total Auditor Days	16

**Scope of Certification:**

These standards apply to unconventional exploration, development, and gathering activities including site construction, drilling, hydraulic fracturing and production in the Appalachian Basin. These regional standards consider geology, topography, population density, infrastructure, surface water, ground water and other issues of particular concern in the Appalachian Basin.

Accordingly, until such time as the scope of these standards may be amended, these standards and the CSSD evaluation and certification process will be limited to Operators' unconventional activities in the Appalachian Basin.

## **SUMMARY**

Shell applied for certification to the Center for Sustainable Shale Development's Performance Standards on September 24, 2014. Pursuant to certification requirements and on behalf of the CSSD, Bureau Veritas Certification (BVC) conducted an audit of Shell operations within the Appalachian Basin. BVC's audit team was comprised of three auditors that met CSSD's auditor requirements including having the requisite oil & gas industry, environmental (air and water) and Appalachian Basin expertise.

The audit was conducted for conformance to the CSSD Performance Standards (version 1: August 19, 2013, revised Performance Standard 1: December 9, 2014) and in accordance with the requirements of the CSSD Verification Protocol (version 1: September 27, 2013) and Guidance for Auditors (August 19, 2013).

A scoping meeting was held on October 21, 2014 to review the geographical and operational scope of Shell's activities in the Appalachian Basin and to determine the appropriate set of certification audit sites.

The desktop portion (document review) of this audit was performed at Shell on November 3 and 4, 2014. The field verification portion of the audit was performed at locations in Pennsylvania, which is where all Shell unconventional exploration, development, and gathering activities are performed within the basin. The field portion of the audit was conducted at seventeen (17) Shell locations in Pennsylvania over the period November 5 and 6, 2014 with each site visited by at least two BVC auditors.

Table 1, titled "CSSD Certification – SWEPI LP (Shell), Appalachia Asset Audit Summary Scorecard" summarizes BVC's audit findings with respect to each performance standard. Table 2, titled "CSSD Certification – Field Verification Visits Shell" (see attachment 1), outlines the Shell locations and associated operations visited for observation and verification of conformance to the CSSD Performance Standards. The sites selected included a cross section of Shell operations and geographic locations throughout the asset. The key environmental performance standards listed in the table identify the most significant applicable areas of observation and verification addressed by the audit team at each site.

The verification process included audit observations, interviews with responsible management, planning and operating individuals, documentation review and site tours. Where necessary and appropriate, the auditors requested explanations of operating procedures and reviewed working documents to demonstrate conformance to the standards. Over the course of the audit, the auditors reviewed approximately 100 records and documents and interviewed 18 employees (11 office based, 7 field personnel) to determine conformance with the performance standards.

**Table 1: CSSD Certification – SWEPI LP (Shell), Appalachia Asset  
Audit Summary Scorecard**

<b>WATER</b>	<b>WATER PERFORMANCE STANDARDS SUMMARY</b>	<b>Finding (C,N,NA)*</b>
<b>1.0</b>	<b>Std 1: Wastewater discharge</b>	
1.1	Operators shall maintain zero direct or indirect intentional discharges of shale wastewater (including drilling, flowback and produced waters) to surface waters except as provided by this Standard.	C
1.2**	In order to facilitate comprehensive wastewater management programs that consider environmental, safety, health, and economic factors, Operators may send shale wastewater to a Centralized Waste Treatment facility (CWT) for treatment and discharge if the Operator demonstrates certain conditions are satisfied at the CWT.	C
1.3 **	Prior to using a CWT that may discharge, the operator must conduct an evaluation of the CWT’s performance and permit compliance status.	C
1.4 **	Operator must conduct CWT effluent monitoring.	NA <sup>1</sup>
1.5**	Operators may not initiate, and will immediately cease, deliveries to a CWT if the CSSD determines the CWT discharges increase the risk of harm to human health or the environment or is in substantial non-compliance with its NPDES permit.	NA <sup>2</sup>
1.6 **	Operator shall provide CWT evaluation data to the CSSD and in the event of identifying potential non-compliance findings, shall notify the CWT, the permitting agency, and CSSD.	C
<b>2.0</b>	<b>Std 2: Recycle water</b>	
2.1	Maintain a plan to recycle flowback and produced water, for usage in drilling or fracturing a well, to the maximum extent possible.	C
2.2	Recycle a minimum of 90% of the flowback and produced water, by volume, from wells in all core operating areas in which an Operator is a net water user.	C
<b>3.0</b>	<b>Std 3: Closed loop drilling / pits</b>	
3.1	Any new pits designed shall be double-lined and equipped with leak detection.	NA <sup>3</sup>
3.2	Contain drilling fluid, when using oil-containing drilling fluids to drill a well, in a closed loop system at the well pad (e.g. no ground pits).	C
3.3	Contain all drilling fluid and flowback water in a closed loop system at the well pad, eliminating the use of pits for all wells.	C
<b>4.0</b>	<b>Std 4: Centralized wastewater impoundments</b>	

<sup>1</sup> The six-month monitoring period had not occurred at the time of the audit.

<sup>2</sup> The CSSD has not made this determination.

<sup>3</sup> Shell does not use pits or centralized impoundments in the Appalachia Basin.

4.1	Ensure that free hydrocarbons are removed from the water prior to storage; new impoundments must be double-lined with an impermeable material, equipped with leak detection; and take measures to reasonably prevent hazards to wildlife.	NA <sup>3</sup>
<b>5.0</b>	<b>Std 5: Geologic risk assessment</b>	
5.1	Establish an Area of Review, prior to drilling a well, which encompasses both the vertical and horizontal legs of the planned well; conduct a comprehensive characterization of subsurface geology, including a risk analysis; and conduct a thorough investigation of any active or abandoned wellbores within such area of review or other geologic vulnerabilities (e.g., faults) that penetrate the confining layer and adequately address identified risks.	C
<b>6.0</b>	<b>Std 6: Groundwater monitoring</b>	
6.1	Develop and implement a plan for monitoring existing water sources and demonstrate that water quality and chemistry measured during a pre-drilling assessment are not impacted by operations.	C
6.2	Conduct periodic monitoring for at least one year following completion of the well and monitoring must be extended if results indicate potentially adverse impacts on water quality or chemistry by operations.	C
6.3	Develop and implement an investigative and corrective action plan if monitoring establishes a possible link between an Operator's activities and of contamination of a water source	C
6.4	Conduct additional monitoring in the event a well is re-stimulated.	NA <sup>4</sup>
<b>7.0</b>	<b>Std 7: Well integrity; fluid design &amp; disclosure</b>	
7.1	Design and install casing and cement to completely isolate the well and all drilling and produced fluids from surface waters and aquifers and prevent vertical movement of fluids in the annulus.	C
7.2	Do not use diesel fuel in the hydraulic fracturing fluids.	C
7.3	Publically disclose the chemical constituents intentionally used in well stimulation fluids.	C
7.5a	Work toward use of more environmentally neutral additives for hydraulic fracturing fluid.	C
7.5b	Perform mechanical integrity tests when refracturing an existing well.	NA <sup>5</sup>
<b>8.0</b>	<b>Std 8: Spill containment &amp; emergency response</b>	
8.1	Design each well pad to minimize the risk that drilling related fluids and wastes come in contact with surface waters and fresh groundwater.	C
8.2	Develop and implement an emergency response plan and ensure local responders have appropriate training and equipment to respond to an emergency at the well.	C
8.3	In the event of spill or release, beyond the well pad, immediately provide notification to the local governing body and any affected landowner.	C
<b>AIR</b>	<b>AIR PERFORMANCE STANDARDS</b>	

<sup>4</sup> Shell has not re-stimulated a well in the Appalachia Basin, plans include testing in the event of re-stimulation

<sup>5</sup> Shell has not re-fractured a well in the Appalachia Basin, plans include testing in the event of re-fracturing

<b>9.0</b>	<b>Std 9: gas to pipeline/ limited flaring</b>	
9.1	Direct all pipeline-quality gas during well completion of development wells, and re-completion or workover of any well into a pipeline for sales.	C
9.2	Any gas not captured and put in the sales pipeline may not be vented and must be flared (in accordance with Standard No. 10).	C
9.3	Acceptable reasons for sending gas to a flare and not directing gas into the sales line include: (a) Low content of flammable gas and (b) for safety reasons.	C
9.4	Circumstances unacceptable for sending gas to flare, instead of directing it into a sales line, are: (a) lack of a pipeline connection except for wells that are designated as either exploratory or extension wells; (b) inadequate water disposal capacity; and (c) undersized flow back equipment, lack of flow back equipment or lack of equipment operating personnel.	C
9.5	Document any upset or unexpected condition that leads to flaring of gas and maintain records of description of the condition, the location, date, and quantity of gas flared.	C
9.6	Exploratory well verification	C
<b>10.0</b>	<b>Std 10: Flare operation, if permitted</b>	
10.1a	Use raised/elevated flares or an engineered combustion device with a reliable continuous ignition source, which have at least a 98% destruction efficiency of methane. Pit flaring is not permitted.	C
10.1b	Flaring may not be used for more than 14-days on any development well and no more than 30-days on any exploratory or extension wells. If flaring continues beyond 30-days for an exploratory or extension well, document the extent of additional flaring and reasons requiring flaring beyond the 30-days.	C
10.1c	Flares shall be designed for and operated with no visible emissions, except for periods not to exceed a total of five minutes during any two consecutive hours.	C
<b>11.0</b>	<b>Std 11: Engine emissions - rig; frac pumps</b>	
11.1a-e	Dedicated horizontal drill rig (non-road) diesel - average emissions must be equivalent to Tier 2 non-road diesel engine standards or better. All horizontal drill rig diesel non-road equipment must use Ultra-Low Sulfur Diesel fuel (15 ppm of sulfur) at all times.	C
11.2a-b	Dedicated frac pump diesel engines - average emissions must be equivalent to Tier 2 non-road diesel engine standards or better. All frac pump diesel engines must use Ultra-Low Sulfur Diesel fuel (15 ppm of sulfur) at all times.	C
<b>12.0</b>	<b>Std 12: Engine emissions - compressors</b>	
12.1	Existing compressor engines greater than 100 horsepower may not emit more than 1.5 grams of NOx per horsepower-hour.	C
12.2	Any new, purchased, replacement, reconstructed, or relocated lean-burn engines greater than 100 horsepower may not emit more than 0.5 g/hp-hr for NOx; 2.0 g/hp-hr for CO; 0.7 g/hp-hr for VOCs.	NA <sup>6</sup>
12.3	Any new, purchased, replacement, reconstructed, or relocated rich-burn engines greater than 100 horsepower may not emit more than 0.3 g/hp-hr for	NA <sup>7</sup>

<sup>6</sup> Shell has not purchased or replaced any existing lean-burn engines in the Appalachia Basin.

<sup>7</sup> All lean-burn engines were installed prior to September 24, 2014, and are therefore considered existing.

	NOx; 2.0 g/hp-hr for CO; 0.7 g/hp-hr for VOCs.	
<b>13.0</b>	<b>Std 13: Tank VOC emissions</b>	
13.1	All individual storage vessels at the well pad with VOC emissions equal to or greater than 6 tpy must install controls to achieve at least a 95% reduction in VOC emissions.	C
<b>14.0</b>	<b>Std 14: Fugitive emissions - controllers, seals, inspection</b>	
14.1	Change rod packing at all reciprocating compressors (both existing and new), including those at the wellhead, either every 26,000 hours of operation or after 36 months.	C
14.2	All pneumatic controllers must be low – bleed, with a natural gas bleed rate limit of 6.0 scfh or less or zero bleed when electricity (3-phase electrical power) is on-site.	C
14.3	Replace worn out wet seals on existing centrifugal compressors with dry seals.	NA <sup>8</sup>
14.4	Implement a directed inspection and maintenance program (DIM) for equipment leaks from all existing and new valves, pump seals, flanges, compressor seals, pressure relief valves, open-ended lines, tanks and other process and operation components that result in fugitive emissions. Monitor weekly (OVA) and annually (FLIR). Once significant leaks are detected, they are required to be repaired in a timely manner.	C
14.5	Eliminate VOC emissions associated with the prevention of well-bore freeze-up.	C
14.6	Pressurize compressors when they are off-line for operational reasons to reduce blowdown emissions.	C
<b>15.0</b>	<b>Std 15: Engine emissions - water fleet, other</b>	
15.1	80% of all trucks used to transport fresh water or well flowback water must meet U.S. EPA’s Final Emission Standards for 2007 and Later Model Year Highway Heavy-Duty Vehicles and Engines for particulate matter (PM) emissions.	C
15.2	By September 24, 2015, 95% all trucks used to transport fresh water or well flowback water must meet U.S. EPA’s Final Emission Standards for 2007 and Later Model Year Highway Heavy-Duty Vehicles and Engines for particulate matter emissions.	NA <sup>9</sup>
15.3	All on-road vehicles and equipment must limit unnecessary idling to 5 minutes, or abide by applicable local or state laws if they are more stringent.	C
15.4	All on-road and non-road vehicles and equipment must use Ultra-Low Sulfur Diesel fuel (15 ppm of sulfur) at all times.	C

\*C = Conformance with the standard

NC = Non-conformance with the standard

NA = Not applicable

\*\* = Revised Performance Standard 1 (December 9, 2014)

<sup>8</sup> Shell does not own or operate any centrifugal compressors with wet seals in the Appalachian Basin.

<sup>9</sup> Initial certification audit preceded the effective date of the standard.

**Table 2: CSSD Certification - Field Verification Visits  
SWEPI LP (Shell), Appalachia Asset**

Site Name	Assessors	Date	General Location	Operation / Activity	Key CSSD Performance Standards Assessed
Shaw CS	DK, JAS, SP		KR – Central Tioga County	Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>
Shugart 490 WS		11/5/2014		Horizontal Drilling – 3 wells	<i>1 - Zero discharge, 3 – Pits/Impoundments, 8 –ERP and Containment, 11 – Engines, 15 - Truck idling</i>
Sherman 492 WS		11/5/2014		Flowback – 4 wells	<i>1 - Zero discharge, 8 – ERP, 14 – Controllers, Chemical Injectors, LDAR (Leak Detection and Repair)</i>
Edkins 499 / 603 WS		11/5/2014		Production Site – 4 wells	<i>1 - Zero discharge, 8 – ERP, 14 – Controllers, Chemical Injectors, LDAR (Leak Detection and Repair)</i>
Shaw 500 WS		11/5/2014		Production Site - 6 wells	<i>1 - Zero discharge, 8 – ERP, 14 – Controllers, Chemical Injectors, LDAR (Leak Detection and Repair)</i>
Watkins 820 WS		11/5/2014	NWT – Northwest Tioga County	Hydraulic Fracturing – 5 wells Utica, Marcellus and Burket Shale	<i>1 - Zero discharge, 3- Pits/Impoundments, 7 - Frac Fluids, 8 – Containment and ERP, 11 – Engines, 15 - Truck idling</i>
Matz CS		11/5/2014		Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>
Matz 824 WS		11/5/2014		Production Site – 6 wells	<i>1 - Zero discharge, 8 – ERP, 14 – Controllers, Chemical Injectors, LDAR (Leak Detection and Repair)</i>

Site Name	Assessors	Date	General Location	Operation / Activity	Key CSSD Performance Standards Assessed
<b>Taylor 718 WS</b>	DK, JAS, SP	11/6/2014	TXC - Southeast Tioga County	Production Site – Pre-Drill – 3 wells	<i>1 - Zero discharge, 8 – ERP, 14 – Controllers, Chemical Injectors, LDAR (Leak Detection and Repair)</i>
<b>Lovell CS</b>		11/6/2014		Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>
<b>McNett WS</b>		11/6/2014		Production Site	<i>1 - Zero discharge, 8 – ERP, 14 – Controllers, Chemical Injectors, LDAR (Leak Detection and Repair)</i>
<b>Stock 144 WS</b>		11/5/2014	WB – Wellsboro area	Production Site – 6 wells	<i>1 - Zero discharge, 8 – ERP, 14 – Controllers, Chemical Injectors, LDAR (Leak Detection and Repair)</i>
<b>Netterman CS</b>		11/6/2014		Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>
<b>Wellsboro CS</b>		11/5/2014		Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>
<b>Shelman CS</b>		11/5/2014		Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>
<b>Stock CS</b>				Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>
<b>Lawton CS</b>		11/5/2014		Compressor Station	<i>1 - Zero discharge, 8 – ERP, 12 - Engine Emissions, 14 – Rod Packing, Controllers, Blowdown for Operations</i>