



Jim Navratil

Kaybob Duvernay, Asset Manager, Asset Development

May 16, 2018

Via E-mail

Attention: Mayor and Councillors
Town of Fox Creek
102 Kaybob Drive, Box 149
Fox Creek, Alberta T0H 1P0

**Re: Town of Fox Creek Statement of Concern review for Chevron Canada Limited
2-21-62-19 W5 Well Pad (AER application 1908517)**

I would like to thank you for your time in meeting with Chevron representatives on May 1, 2018 to allow us to review the town's statement of concern for the 2-21-62-19 W5 well pad (AER application 1908517). We appreciate the comments and input provided to us throughout the planning stages of this project. As discussed, Chevron has carefully considered that input and has continued to reshape our plans in an effort to mitigate concerns. We are grateful for your support and recognition of these efforts:
Summary of mitigations made for 2-21-62-19 W5 well pad:

- Location of 2-21-62-19 W5 (1.63 km south of the town), formerly 6-21-62-19 W5, was relocated as far as possible from town while still securing Chevron's mineral rights.
- Chevron sought a land tenure extension with the Alberta Department of Energy to defer drilling and completions. In January 2018 Chevron was informed the request was denied.
- We reduced the initial number of wells drilled from the pad from six to two wells (the additional four wells will be drilled 2019-2020: we will notify you when we confirm the timing).
- Both well drill paths will be entirely outside the town limits.
- Chevron will conduct continuous seismic monitoring during hydraulic fracturing operations by installing a Dense Induced Seismicity Monitoring Array in the area. This array will allow us to detect much weaker seismicity events, as well as provide a more precise location to help guide hydraulic fracturing operations.

Jim Navratil
Kaybob Duvernay Asset Manager
Chevron Canada Resources
500 Fifth Avenue SW, Calgary, AB T2P 0L7
Tel 403 234 5543 Mobile 403 815 1479 Fax 234 5947
jnavratil@chevron.com

- Chevron will implement a significantly more conservative modified traffic light protocol system that will result in implementation of mitigations at IS levels well below the limits set out by the Alberta Energy Regulator.

Attached please find a list of the concerns expressed by the town and Chevron's response to each one. We value and respect your comments on the steps Chevron has made to demonstrate responsible energy development.

As we move forward with our application we remain committed to communicating with the town at all major project milestones.

Project Timing

Our proposed schedule is as follows:

Lease Construction: Q2 2018 (Post-breakup)

Drilling: Q3 2018

Completions: Q4 2018

Should you have any concerns or questions feel free to contact Amy Wood by email amy.wood@chevron.ca or phone 403-234-5719 or CBUCommunity@chevron.com. We look forward to continuing to build a mutually-beneficial relationship in the community as we move forward with operations in the area.

Regards,
Jim Navratil
Kaybob Duvernay Asset Manager.

Sincerely,



Jim Navratil

Cc: Jennifer Rotta - Directive 56 Application and Schedules, Alberta Energy Regulator (AER)

Concerns and Mitigations

Point of Concern	Chevron Response
<p>Induced Seismicity - The possibility of Seismic activity and the risk to Fox Creek residents' personal safety. The traffic light system, in the Town's opinion, is not working to ensure the safety and wellbeing of the Town and its Residents.</p>	<p>Chevron does not foresee any IS activity that would cause damage to town infrastructure. This area is assessed as a lower risk IS region and any IS events would be feeble to slight in nature. The location of the well pad south of Fox Creek was chosen, in part, because of its distance from known fault lines.</p> <p>A 3D seismic survey did not identify fault lines near the planned well locations.</p> <p>There have been extensive hydraulic fracturing operations near the town with no significant events.</p> <p>Chevron will increase its subsurface monitoring, to be 10x more conservative, near the well pad to enhance real-time detection of low-magnitude seismic events during hydraulic fracturing operations. This early detection and notification system will enable Chevron to initiate mitigation efforts at lower magnitudes under a modified Traffic Light Protocol.</p>
<p>Proximity to town – Drill path takes a line very close to the Town of Fox Creek boundaries with future plans to drill directly underneath it. The town requested that Chevron delay drilling until greater assurance can be given to the Town of Fox Creek that there will be no seismic events during completion stages.</p>	<p>Chevron sought a land tenure extension with the Alberta Department of Energy to defer drilling and completions. The requested extension was to provide additional time for Chevron to meet with area residents and provide information on plans to enhance seismic monitoring and mitigation plans and demonstrate that Chevron would be able to operate in a safe and responsible manner. In January 2018 the regulator informed Chevron that we were not successful in our request for an extension.</p> <p>Chevron has subsequently relocated the proposed pad from the original surface location of 6-21-62-19-W5 to a new surface location of 2-21-62-19-W5. The new proposed location places the wells at the farthest distance possible from Fox Creek (1.63 KM) while still allowing Chevron to retain mineral rights on the six sections of land in proximity to the pad location.</p> <p>Chevron is taking a staged approach to demonstrate that it can drill and complete the wells safely and responsibly and with no adverse impacts to the community. Future wells from this location will be subject to licensing and approvals at the time.</p>
<p>Liability – The town requests Chevron confirm that it will be liable to repair/replace any and all damages to the Town, its Residents, and the town's infrastructure to a safe and operable condition</p>	<p>While Chevron does not foresee any IS activity that would cause damage, any instance of alleged damage would be reviewed on a case-by-case basis. Liability for such damage would be allocated in accordance with the laws of Alberta.</p>