

WARNING LETTER

OVERNIGHT EXPRESS DELIVERY

August 24, 2021

Mr. Mark Stauss
President
Gill Ranch Storage LLC
10000 Memorial Drive, Suite 330
Houston, TX 77024

CPF 1-2021-056-WL

Dear Mr. Stauss:

From August 18 to August 20, 2020, California Geologic Energy Management Division (CalGEM) acting as an agent for the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Gill Ranch Gas Storage LLC's (Gill Ranch) Underground Natural Gas Storage (UNGS) operations located near Mendota, California.

As a result of the inspection, it is alleged that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The item inspected and the probable violation is:

1. § 192.12 Underground natural gas storage facilities.

(a) ...

(b) *Depleted hydrocarbon and aquifer reservoir UNGSFs.*

(1) ...

(2) Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see § 192.7), sections 8, 9, 10, and 11, and paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.

Gill Ranch failed to meet the provisions of API RP 1171, Section 8. Specifically, Gill Ranch failed to include risk related to the storage operation using available information from its bi-annual land surface elevation monitoring program in accordance with API RP 1171, Section 8.3.2 Data Sources (Section 8.3.2).

Section 8.3.2 states:

The operator shall use available information such as performance data collected through the field history, operations and maintenance (O&M) activities, geotechnical data such as well logs, engineering data, and completion reports to determine susceptibility to threat and hazard-related events and to assess threat and hazard interaction.

During the inspection, CalGEM inspectors reviewed Gill Ranch's *Risk Management Plan* (RMP), dated July 27, 2020. The inspectors noted that Gill Ranch's biannual land surface elevation monitoring program and its basic storage well design indicated understanding of threats posed by seasonal vertical fluctuation and longer-term subsidence of the ground surface to well and reservoir integrity. However, Gill Ranch maintained that the program was mandatory, yet, did not include it as a mandatory component of their RMP.

Therefore, Gill Ranch failed to meet the provisions of API RP 1171, Section 8 as required by § 192.12(b)(2).

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item identified in this letter. Failure to do so will result in Gill Ranch Gas Storage LLC being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2021-056-WL**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions

you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,

Robert Burrough
Director, Eastern Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration