

WARNING LETTER

VIA ELECTRONIC MAIL TO: Mathieu.Fournier@rockpointgs.com

November 18, 2021

Mr. Mathieu Fournier
Manager, Reservoir Engineering
Engineering & Operations
Lodi Gas Storage, LLC
400 - 607 8th Ave SW
Calgary, AB T2P 0A7

CPF 1-2021-066-WL

Dear Mr. Fournier:

From September 15 through 18, 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 Lodi Gas Storage, LLC's (LGS) Lodi and Kirby Hill Underground Natural Gas Storage Facilities near Acampo, California and Birds Landing, California, respectively.

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.**

LGS failed to meet the provisions of API RP 1171, Section 9. Specifically, LGS failed to evaluate each annular gas occurrence that exceeded operator-defined threshold levels in accordance with API RP 1171, Section 9.3.2 (Section 9.3.2).

Section 9.3.2 states in part:

The operator shall evaluate each annular gas occurrence that exceeds operator- or regulatory-defined threshold levels determined from well integrity evaluation and from risk assessment.

During the inspection, LGS was not able to provide records of the evaluation of each annular gas occurrence that exceeded operator or regulatory-defined threshold levels.

Therefore, LGS failed to meet the provisions of Section 9.3.2.

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 Lodi 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 1-2021-066-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