



National Fuel®
Supply Corporation

April 17, 2023

(Via Email and U.S. Mail)

Mr. Robert Burrough
Director, Eastern Region,
Office of Pipeline Safety
PHMSA
840 Bear Tavern Road, Suite 300
West Trenton, NJ 08628
Robert.burrough@dot.gov

RE: CPF No. 1-2023-020-WL

Dear Mr. Burrough:

National Fuel Gas Supply Corporation (“National Fuel”) is in receipt of and has reviewed the Warning Letter dated March 16, 2023, CPF No. 1-2023-020-WL (the “Warning Letter”). From July 27 through July 29 and August 2 through August 3, 2022, a PHMSA representative inspected National Fuel’s East Independence, West Independence, and Beech Hill storage fields located in Allegany, New York. The resulting Warning Letter alleges that National Fuel committed probable violations of Pipeline Safety Regulations, Title 49, Code of Federal Regulations. Below please find National Fuel’s response to the alleged probable violations and its ongoing commitment to safety.

PHMSA Finding

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.**

PHMSA alleges that National Fuel failed to meet the provisions of API RP 1171, Section 8.3.2 Data Sources. Specifically, there was wellhead equipment that had operating pressure ratings insufficient to accommodate the maximum allowable operating pressure (“MAOP”) of the pipeline that feeds it and this threat was not included in National Fuel’s risk model.

Operator Response

As a result of the audit findings, National Fuel has adjusted its storage well risk scores to adequately evaluate the risk related to storage operation using wellhead equipment rated below the MAOP of the pipeline system in accordance with API RP 1171, Section 8.3.2 Data Sources. As previously communicated, after reviewing the last five years of operating pressures for the storage fields reviewed in this audit, maximum observed operating pressures have not exceeded the pressure rating of the master gate(s) and/or side gate(s) valves of the storage wells. In addition, National Fuel is reviewing the storage pipeline MAOPs and will reduce the MAOPs, if appropriate.

2. § 192.12 Underground natural gas storage facilities.

(c) ...

(d) Depleted hydrocarbon and aquifer reservoir UNGSFs.

(3) ...

(4) 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.

PHMSA alleges that National Fuel failed to meet the provisions of API RP 1171, Section 9. Specifically, National Fuel did not perform annual master valve function tests of Beech Hill wells EC523 and EC525 in years 2020 and 2021 in accordance with Section 9.3.2.

Operator Response

National Fuel notes that Beech Hill wells EC523 and EC525 are plugged back (since 1939 and 1941, respectively), are shallow production wells located outside of the storage reservoir and buffer zone and, as of the most recent annual report filed in March 2023, are no longer reported to PHMSA as storage wells in National Fuel's Underground Natural Gas Storage Annual Report Form F 7100.4-1.

3. § 192.12 Underground natural gas storage facilities.

(e) ...

(f) Depleted hydrocarbon and aquifer reservoir UNGSFs.

(5) ...

(6) 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.

PHMSA alleges that National Fuel failed to meet the provisions of API RP 1171, Section 11.2.1, which requires the operator to “develop and follow procedures for the construction, operation, and maintenance of natural gas storage wells and reservoirs to establish and maintain functional integrity.” Specifically, at the time of installation of a new production casing, National Fuel did not include in its manuals a procedure for location and quality of the cement bond between the production casing and formation, as required by API RP 1171, Section 6.4.6.

Operator Response

As noted during the audit, during the 2018-2019 calendar year, National Fuel installed and cemented in place new 4-1/2” production casing in storage well EC433, which was originally constructed October 19, 1940. The Interim Final Rule (“IFR”) revising 49 CFR Parts 191 and 192 was in effect at the time National Fuel performed the work, and § 192.12(d) of the IFR required that operators of an Underground Natural Gas Storage Facility (“UNGSF”) constructed not later than July 18, 2017 meet the requirements of API RP 1171 sections 8, 9, 10, and 11. Meanwhile, the IFR required that UNGSFs constructed after July 18, 2017 meet all requirements and recommendations of Section 6.4.6. There are no similar requirements in sections 8, 9, 10, or 11 that specify a cement bond log must be run on an existing storage well.

National Fuel requires cement bond logs to be used to evaluate the cement placement and bond quality of newly constructed underground natural gas storage facility (“UNGSF”) work as prescribed and in effect when the Final Rule was published on February 12, 2020. When this well casing was cemented in 2018 – 2019, existing storage wells were not included in the IFR’s definition of an UNGSF and alternate methods were appropriately used by the Company to effectively evaluate cement quality.

National Fuel thanks PHMSA for the opportunity to respond to this Warning Letter and highlight its ongoing commitment to pipeline safety.

Please direct any questions regarding this submission to me at 716-857-6884.

Respectfully,

A handwritten signature in blue ink, appearing to read "Ramon P. Harris, Jr.", with a stylized flourish at the end.

Ramon P. Harris, Jr., Vice President

cc: (Via email only)
Ms. Megan E. McParlane, Attorney, National Fuel Gas Supply Corp.