U.S. Department
of Transportation

**Pipeline and
Hazardous Materials
Safety Administration**

840 Bear Tavern Road, Suite 300
West Trenton, NJ 08628
609.771.7800

WARNING LETTER

VIA ELECTRONIC MAIL TO: KRAEMERR@NATFUEL.COM

May 30, 2025

Mr. Ronald Kraemer
President and Chief Executive Officer
National Fuel Gas Supply Corporation
6363 Main Street
Williamsville, New York 14221

CPF 1-2025-014-WL

Dear Mr. Kraemer:

On June 3, 4 and 6, 2024, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected National Fuel Gas Supply Corporation's (NFG) Colden underground natural gas storage facility in Erie, New York.

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

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.

NFG failed to meet the provisions of American Petroleum Institute Recommended Practice 1171 (API RP 1171), Section 11. Specifically, NFG failed to demonstrate adequate site security was provided at each well location in accordance with API RP 1171, Section 11.9.1 (Section 11.9.1).

Section 11.9.1 states in part that "The operator shall develop programs incorporating safeguards to the environment, site security, and safety and health into storage design, construction, and operations."

During the field inspection, well 1362i was observed to be located within an active commercial business zone with significant vehicle traffic. NFG's risk assessment of this well showed the WC01 consequence score (defined as safety hazard to company personnel and the public) was 100, indicating there are homes/businesses/places of gathering/campsites/marked trails within this well's safety zone. The gas pipeline, connected to the well, had bollards installed around it but there were no barriers to protect the well. Additionally, during the field inspection PHMSA inspectors observed that six other wells (855I, 891I, 945I, 967I, 1043I, 1053I) with WC01 consequence scores of 100 did not have enclosures around them for site security.

Following the inspection, NFG submitted documentation demonstrating that bollards had been installed around well 1362i.

Therefore, NFG failed to demonstrate adequate site security was provided at each well location in accordance as required by Section 11.9.1, pursuant to section 192.12(b)(2).

2. § 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.

NFG failed to meet the provisions of API RP 1171, Section 9. Specifically, NFG failed to perform annual valve isolation test of the master valve and wellhead pipeline isolation valve in accordance with API RP 1171, Section 9.3.2 (Section 9.3.2).

Section 9.3.2 states in part, "The operator shall test the operation of the master valve and wellhead pipeline isolation valve at least annually for proper function and ability to isolate the well."

NFG's Valve Isolation Testing procedure within its Storage Integrity Management Plan, Version 2022.3, required that valve isolation tests be conducted every year, consistent with Section 9.3.2.

During the inspection, PHMSA reviewed NFG's records of wellhead valve isolation testing data. For 2023, records indicated master valve isolation tests were not performed for multiple wells, including wells: 824i, 1067i, 1601i, 941i, 967i, 1117i, 1603i and 864i. Additionally, wellhead pipeline isolation valve test was not done for wells 864i and 1553i in 2023. Subsequent to the inspection, NFG indicated plans to revise their procedures to ensure all wells connected to pipeline are valve isolation tested.

Therefore, NFG failed to perform annual valve isolation test of the master valve and wellhead pipeline isolation valve as required by Section 9.3.2, pursuant to section 192.12(b)(2).

3. § 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.

NFG failed to meet the provisions of API RP 1171, Section 9. Specifically, NFG failed to maintain, repair, or replace leaking isolation valves in accordance with their maintenance program, as specified under API RP 1171, Section 9.3.2.

Section 9.3.2 states in part, "The operator shall test the operation of the master valve and wellhead pipeline isolation valve at least annually for proper function and ability to isolate the well. The valves shall be maintained, repaired, or replaced in accordance with the operator's valve maintenance program for isolation valves."

NFG's Valve Maintenance program within its *Supply and Empire Operation and Maintenance Procedure* required valve deficiencies to be reported via a work order form.

During the inspection, PHMSA reviewed records of well valve isolation testing data from 2023 and 2024. The documents reviewed indicated that multiple wells had significant leaks from their master valve, with some wells showing as high as a 100% pressure change (including wells 867i, 1048i and 1047i). NFG could not provide records of work order forms for these leaking isolation valves. Subsequent to the inspection, NFG indicated they are working on a new process, along with having provided refresher training on its current procedures to ensure data accuracy from well valve isolation testing.

Therefore, NFG failed maintain, repair, or replace leaking isolation valves in accordance with their maintenance program as required by Section 9.3.2, pursuant to section 192.12(b)(2).

4. § 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.

NFG failed to meet the provisions of API RP 1171, Section 9. Specifically, NFG failed to demonstrate that its risk assessments were used in determining integrity demonstration and verification tasks of well subsurface conditions in accordance with API RP 1171, Section 9.2.2 (Section 9.2.2).

Section 9.2.2 states in part that "Risk assessments shall be used as a basis for developing the integrity demonstration, verification, and monitoring tasks and evaluating their frequency requirements."

During the inspection, it was noted through NFG's risk assessments that 17 wells had production casings with no surface casing and with homes / businesses / places of gathering / campsites / marked trails within their safety zone. Surface casing is generally used to protect groundwater from communication with gas and fluids from other sources. From these 17 wells, there were 5 wells with no records stating that the production casing was cemented to surface. Cement bond logs can be used to determine cement location and whether adequate formation and production casing bonding had been achieved to prevent migration of gas and fluids between zones such as groundwater. NFG did not have cement bond log records of these wells as part of the integrity demonstration and verification.

Therefore, NFG failed to demonstrate that risk assessments were used in determining integrity demonstration and verification tasks of well subsurface conditions as required by Section 9.2.2, pursuant to section 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 $272,926 per violation per day the violation persists, up to a maximum of $2,729,245 for a related series of violations. For violation occurring on or after December 28, 2023 and before December 30, 2024, the maximum penalty may not exceed $266,015 per violation per day the violation persists, up to a maximum of $2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not exceed $257,664 per violation per day the violation persists, up to a maximum of $2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed $239,142 per violation per day the violation persists, up to a maximum of $2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not 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.

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 items identified in this letter. Failure to do so will result in National Fuel Gas Supply Corp 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 1-2025-014-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 THOMAS BURROUGH

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Date: 2025.05.30 13:10:20 -04'00'

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