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**PROJECT MEMORANDUM
LODI GAS KIRBY HILLS NATURAL GAS STORAGE FACILITY PROJECT**

To: Junaid Rahman, CPUC
From: Vida Strong, Aspen Project Manager
Date: September 19, 2007
Subject: Report: August 10, 2007 – September 14, 2007

CPUC ENVIRONMENTAL MONITOR (EM): Jody Fessler

CPUC EM Jody Fessler was on site August 10th, August 30th and September 14th.

WELL SITE S-5:

Summary of Activity:

On August 10th, the CPUC EM conducted a site visit of Kirby Hills well site S-5 and the spoil storage area for spoils that were removed from well site S-5. Dump trucks had made a new access road adjacent to the approved access road. A Project Memorandum was written for the incident (see Environmental Compliance below). No work was being conducted at the time of the site visit.

At the time of the August 30th site visit, Lodi Gas Storage (LGS) crews were fabricating pipe at well site S-2 (see Figures 1 & 2). The work-over rig was at well site S-2A and was then planned to move to well site S-5. The next step was to frac the well. A water truck was onsite during all activities.

At the time of the September 14th site visit, crews were welding pipe at well site S-5 and installing pipe between well site S-2 and S-5 at the top of the hill (see Figures 3 & 4). A water truck was onsite during all activities.

NOTICES TO PROCEED (NTP):

Table 1 presents the NTPs issued by the CPUC for the Lodi Gas Kirby Hills Project to date. No additional NTPs are anticipated for Kirby Hills Phase I.

**TABLE 1
NOTICES TO PROCEED**
(Updated 09-19-07)

NTP #	Date Issued	Description
#1	5-19-06	Pipeline Portion
#2	5-31-06	Civil (grading) and piping construction of the well sites, and civil (grading) construction of the compressor station
#3	7-05-06	Compressor station and well site construction. Drilling of three new storage wells.
#4	6-20-06	Civil portion only of the natural gas receiving/metering station
#5	9-06-06	Metering station foundation, structural, piping, electrical, and instrumentation construction. County permit pending.
#6	7-30-07	Civil/structural construction of Well S-5



VARIANCE REQUESTS:

Table 2 presents the Variance Requests reviewed and approved by the CPUC for the Lodi Gas Kirby Hills Project to date. No Variance Requests were submitted during the subject week.

TABLE 2
VARIANCE REQUESTS
(Updated 9-19-07)

Variance #	Date Requested	Date Issued	Description
#1	6-01-06	6-05-06	Request to trench through ephemeral wetland area approximately 70 ft. west of Olson Road.
#2	5-31-06	6-08-06	Lodi gas would like permission to trench through an area with a CNPS listed plant (pappose spikeweed). CPUC approval contingent upon CDFG concurrence. 6/21 – CDFG feedback provided and forwarded to J&S.
#3	6-16-06	6-16-06	Request to trench through two ephemeral wetland areas west of Shiloh Road.
#4	6-27-06	6-28-06	Request for additional workspace on the west side of Shiloh Road for the Shiloh bore.
#5	6-28-06	6-29-06	Request for removal of two small eucalyptus trees and trenching through the root system of two larger trees.
#6	7-07-06	7-07-06	Request to use additional workspace at the corner of Shiloh Road and the Kirby Hills access road to support large vehicles and equipment being transported to the Kirby Hills site.
#7	7-07-06	7-18-06	Request to relocate a PG&E distribution line around the S-2 well site. CPUC has requested historical resource information on the drilling “dog house” that is near the site. Jones & Stokes submitted information on 7/17/06.
#8	7-07-06	7-07-06	Request to move the 4-inch temporary gas line.
#9	2-21-07	3-23-07	Request for a temporary well pad for purposes of drilling an exploratory well/stratigraphic test well for collecting geologic data and core samples.
#10	8-01-07	8-02-07	Request to cut into the hill on the north side of the Well S-5 site to expand the existing well pad.

ENVIRONMENTAL COMPLIANCE:

Two Project Memorandums have been issued by the CPUC EM for the project to date.

On June 27th, the CPUC EM observed dump trucks dumping spoils from the Kirby Hills site on a levee road in an adjacent wetland area. This activity was not described in the project description. The CPUC EM requested to review permits for this activity. The landowner provided Lodi Gas with the 2006 Annual Application for the USACE Wetlands Maintenance, a copy of a letter from the USACE to the Suisun Resource Conservation District dated May 31, 2006, and a letter from the Suisun Resource Conservation District to the landowner dated June 5, 2006. The CPUC EM reviewed these documents and has concluded that the work activities are in compliance with the USACE approval. The Project Memorandum serves as a reminder that all permits for construction activities related to the Kirby Hills Natural Gas Storage Facility project be submitted and approved by the CPUC. Also, if changes to project activities as described in the MND occur, a Variance Request shall be submitted.

On August 10th, the CPUC issued a Project Memorandum for activities that occurred on August 4th and 5th. LGS' subcontractor began removing and hauling excess soil from Well Site S-5 to the approved stockpile area. On Monday, August 6th, before work started for the day, LGS supervisors noted that the dump trucks had made an additional access road in the field adjacent to the approved access road. LGS held a meeting with their subcontractor and reminded them that they can only use the approved access roads. LGS also contacted Jones & Stokes (their environmental consultants) and reported the incident. Jones & Stokes sent a representative to the site for inspection of resource damage. The Project Memorandum serves as a reminder that the CPUC EM should be contacted immediately when an incident as described above occurs. Notification of incidents to the CPUC EM can come from LGS and/or Jones & Stokes. Lines of communication protocol should be reevaluated.

No Non-Compliance Reports (NCR) have been issued by the CPUC EM for the project to date.

The CPUC EM observed that all other work activities were in compliance with the approved Mitigated Negative Declaration and other permit requirements. The CPUC EM observed that the roads were being watered regularly to prevent dust.

PHOTOGRAPHS



Figure 1 – Crews fabricating pipe at Well Site S-2. August 30, 2007.



Figure 2 – Right-of-way and trench from Well Site S-2 to S-5. August 30, 2007.



Figure 3 – Crews welding pipe at Well Site S-5. September 14, 2007.



Figure 4 – Crews installing pipe in trench at top of hill near Well Site S-5. September 14, 2007.