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**PROJECT MEMORANDUM
KIRBY HILLS NATURAL GAS STORAGE FACILITY PROJECT, PHASE 2**

To: Junaid Rahman, CPUC
From: Vida Strong, Aspen Project Manager
Date: August 13, 2008
Subject: Report #12: July 27, 2008 – August 9, 2008

CPUC ENVIRONMENTAL MONITOR (EM): Jody Fessler

CPUC EM Jody Fessler was on site Friday, August 8th.

WELL SITES:

Summary of Activity:

Well Site 21 (WS-21)

During the week of July 27th through August 2nd, Ensign Drilling continued drilling of WS-21-5 at WS-21. Down-hole problems were encountered with this drill and so the work took longer. They are drilling 24 hours a day, 7 days a week.

During the week of August 3rd through August 9th, Ensign Drilling continued drilling of WS-21-5 at WS-21 (see Figure 1). Crews were still having down-hole problems. They are drilling 24 hours a day, 7 days a week.

Well Site 22 (WS-22)

On Tuesday, July 29th, the workover rig arrived at WS-22 and continued work there throughout the week. On Friday, August 1st, Halliburton FRAC crews and equipment arrived and setup at WS-22.

During the week of August 3rd through August 9th, two workover rigs were working on wells at WS-22 (see Figure 2). Halliburton was also at the site performing FRAC work. On Wednesday, Halliburton completed FRACs on WS-22-8. On Thursday, Halliburton had problems while FRACing WS-22-7 and WS-22-9. They are scheduled to return August 15th.

Well Site 23 (WS-23)

On Monday, July 28th, crews installed straw wattles at WS-23 for added erosion control (see Figure 3).

No work activities occurred at WS-23 during the week of August 3rd through August 9th.

Observation Well Lambie 6 (Well L6)

No work activities occurred at Well L6 during the subject weeks.

Observation Well Lambie 7 (Well L7)

No work activities occurred at Well L7 during the subject weeks.

PIPELINE:

Summary of Activity:

On Friday, August 1st, some welding of the pipeline was conducted.

Monday, August 4th, through Thursday, August 7th, crews conducted welding of the pipeline pipe between the compressor station and WS-21 (see Figure 4). On Monday, crews also received and strung a truckload of X-65 coated pipe for the pipeline.



ACCESS ROADS:

Summary of Activity:

No construction activity was conducted on the access roads during the subject weeks. The access roads are being used to access the work sites.

STAGING AREAS:

Summary of Activity:

Crews are utilizing the temporary work area/staging yard on the north site of the compressor station for materials storage, equipment storage, and welding operations.

COMPRESSOR STATION SITE:

Summary of Activity:

During the week of July 28th through August 1st, Rockford crews worked Monday through Friday and conducted excavation for pipe trenches and foundation preparation, continued welding procedures and welder qualification activities, welded vent piping for re-route in the compressor foundation area, successfully conducted hydrostatic testing of 8-inch vent line piping, completed the tie-in of the new 8-inch vent line, removed four existing light poles to prepare for relocation, and conducted welding on the pipeline.

During the week of August 3rd through August 9th, Rockford crews worked Monday through Friday and conducted grading work, excavation and compaction for compressor foundations, successfully coated and wrapped the 8-inch vent line, backfilled and compacted soil over the 8-inch vent line, and conducted material handling and inventory.

Environmental Compliance:

The CPUC EM observed that all work activities were in compliance with the approved Mitigated Negative Declaration and other permit requirements. The CPUC EM reviewed LGS' Environmental Inspect (EI) daily reports and survey reports. Environmental training of crew personnel by LGS's EI was on-going as new crew personnel came onto the site. Sensitive environmental areas were staked, flagged, and/or fenced. The wetland area near WS-23 was fenced off and had silt fencing installed on the upslope side so potential erosion from WS-23 would not enter the wetland area. The CPUC EM observed water trucks continuously watering the work areas. The refueling tank and other small cans at the compressor station were surrounded with secondary containment (see Figure 5).

NOTICES TO PROCEED (NTP):

To date, six Notice to Proceed (NTPs) have been issued for the Kirby Hills Natural Gas Storage Facility Phase II Project (see Table 1). Additional NTPs are anticipated for the project.

TABLE 1
Notice to Proceed Requests
(Updated 8-13-08)

NTP #	Date Requested	Date Issued	Description
#1	4-11-08	4-21-08	Request authorization from the CPUC to commence with construction activities associated with three new wells (Well Sites 21, 22, and 23), a 2,700-foot-long pipeline (flow line), and access roads and staging areas for Phase II of the Kirby Hills Natural Gas Storage Facility Project.
#2	4-11-08	4-20-08	Request authorization from the CPUC to commence with reentry and conversion of Wells Lambie 6 and Lambie 7 to observation wells for Phase II of the Kirby Hills Natural Gas Storage Facility Project.
#3	5-2-08	5-6-08	Request a NTP from the CPUC for PG&E's hot tapping work at the Kirby Hills Natural Gas Storage Facility meter station, located west of Birds Landing Road in Solano County.
#4	4-29-08	5-7-08	Request authorization from the CPUC to commence with the civil, mechanical, electrical, and instrumentation work at the compressor station facility of the Kirby Hills for Phase II of the Kirby Hills Natural Gas Storage Facility Project.
#5	5-23-08	N/A	Request authorization from the CPUC for extra work space at the corner of Shiloh Road and the access road to Kirby Hills. This work space was already approved under NTP #1 and therefore NTP #5 is not necessary. Wetland areas within the work space will be totally avoided.
#6	6-9-08	6-13-08	Request to install compressor units on foundations at Compressor Station.

VARIANCE REQUESTS:

No Variance Requests have been submitted to the CPUC to date.

PHOTOGRAPHS



Figure 1 – Drilling rig drilling at WS-21-5 at well pad WS-21, August 8, 2008.



Figure 2 – Workover drill rigs at well pad WS-22, August 8, 2008.



Figure 3 – Jute matting and other erosion controls installed at WS-23, August 8, 2008.



Figure 4 – Pipeline pipe welded and set beside trench between the Compressor Station and WS-21, August 8, 2008.



Figure 5 – Refueling area at Compressor Station with secondary containment, August 8, 2008.