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May 17, 2011

Mr. Eric Chiang  
California Public Utilities Commission  
505 Van Ness Ave, 4<sup>th</sup> Floor  
San Francisco, CA 94610

Subject: Central Valley Natural Gas Storage Project – Request for Issuance of a Notice to Proceed (NTP #5A) to Drill up to 10 Injection/Withdrawal Wells at the Remote Well Pad Site

Dear Eric:

Central Valley Gas Storage, LLC (CVGS) is requesting the CPUC's issuance of a notice to proceed (NTP #5A) to drill up to 10 injection/withdrawal wells at the remote well pad site. Currently, the drilling activities associated with these injection/withdrawal wells are scheduled to start week of May 23, 2011.

As described in Chapter 2 of the PEA, drilling activities typically involve the use of the rig's rotary table to turn the drilling bit and attached drill pipe. As the bit advances deeper into the subsurface, additional pipe is added in the pipe segments. Drilling mud is used to lubricate the bit, bring drill cuttings back to the surface, and control down hole formation pressure. All fluids used in or for the drilling operation would be contained in temporary mobile tanks or drums stored within a containment area (as described in the drilling contract provided to the CPUC as part of MMCRP #1 submittal and emailed again on May 16, 2011). Fluid and mud circulation systems are based on closed-loop designs, which result in no discharge. After the well has been drilled, the open hole is lined with three concentric strings of steel casing and cemented in place to isolate the well from structurally higher geologic strata and freshwater aquifers. Once the well has been completed, surface valving, piping, and monitoring equipment are installed and tested.

Gas well injection is not part of this NTP request. A separate NTP #5B will be submitted to the CPUC and a groundwater monitoring plan, as defined in Mitigation Measure HYDRO-1, will be provided at that time.

CVGS has provided all the applicable permits, plans, and supporting documentation as part of the Mitigation Monitoring Compliance and Reporting Plan submittals and NTP #1 (which included construction of the remote well pad site) to the CPUC and additional items to support this NTP #5A request.

Please let me know if you have any questions.

Regards,

A handwritten signature in black ink that reads "Jim Kiefer". The signature is written in a cursive, flowing style.

Jim Kiefer  
Director Project Development  
Central Valley Gas Storage

CC:

David Hochart/Scott Eckardt, Dudek  
Homer Savage, Fluor  
Sue Bushnell Bergfalk, ICF International