

**State of California
Office of Administrative Law**

In re:
Department of Conservation

Regulatory Action:

Title 14, California Code of Regulations

Adopt sections:

Amend sections: 1724.9

Repeal sections:

**NOTICE OF APPROVAL OF EMERGENCY
REGULATORY ACTION**

**Government Code Sections 11346.1 and
11349.6**

OAL Matter Number: 2016-1021-01

OAL Matter Type: Emergency Readopt (EE)

This is the second readoption of emergency rulemaking action no. 2016-0126-03E by the Department of Conservation (DOC), which implements new protective standards for all underground storage projects in California. This amendment to section 1724.9 of title 14 of the California Code of Regulations (CCR) was initiated by DOC in response to the emergency proclamation issued by Governor Brown on January 6, 2016.

OAL approves this emergency regulatory action pursuant to sections 11346.1 and 11349.6 of the Government Code.

This emergency regulatory action is effective on 10/31/2016 and will expire on 1/31/2017. The Certificate of Compliance for this action is due no later than 1/30/2017.

Date: October 31, 2016



Eric Partington
Senior Attorney

For: Debra M. Cornez
Director

Original: David Bunn
Copy: Tim Shular

EMERGENCY

See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-2013)

OAL FILE NUMBERS	NOTICE FILE NUMBER Z-	REGULATORY ACTION NUMBER	EMERGENCY NUMBER 2016-1021-01EE
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For use by Office of Administrative Law (OAL) only

<p>NOTICE</p>	<p>REGULATIONS</p>
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ENDORSED - FILED
In the office of the Secretary of State
of the State of California

OCT 31 2016
3:41 P.M.

AGENCY WITH RULEMAKING AUTHORITY Department of Conservation	AGENCY FILE NUMBER (if any)
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A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
OAL USE ONLY	ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		NOTICE REGISTER NUMBER	PUBLICATION DATE

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Underground Gas Storage Facility	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S) 2016-0126-03E, 2016-0722-02EE
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2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)	SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)	ADOPT
		AMEND 1724.9
	TITLE(S) 14	REPEAL

3. TYPE OF FILING

<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.	<input checked="" type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	<input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)		<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input type="checkbox"/> Emergency (Gov. Code, §11346.1(b))	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input type="checkbox"/> Other (Specify)	

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)

<input type="checkbox"/> Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a))	<input checked="" type="checkbox"/> Effective on filing with Secretary of State	<input type="checkbox"/> §100 Changes Without Regulatory Effect	<input type="checkbox"/> Effective other (Specify)
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6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY

<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)	<input type="checkbox"/> Fair Political Practices Commission	<input type="checkbox"/> State Fire Marshal
<input type="checkbox"/> Other (Specify)		

7. CONTACT PERSON Tim Shular	TELEPHONE NUMBER 916-323-5432	FAX NUMBER (Optional)	E-MAIL ADDRESS (Optional) tim.shular@conservation.ca.gov
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8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE 	DATE 10/18/16
TYPED NAME AND TITLE OF SIGNATORY David Bunn, Director	

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED
OCT 31 2016
Office of Administrative Law

CHAPTER 4. DEVELOPMENT, REGULATION, AND CONSERVATION OF OIL AND GAS RESOURCES

Subchapter 1. Onshore Well Regulations

Article 3. Requirements

1724.9. Underground Gas Storage Projects

(a) For all underground gas storage projects, the operator shall provide the data required under Section 1724.7 and the operator shall comply with the requirements of Section 1724.10, unless the requirement is clearly not applicable to a gas storage project or the Division otherwise advises that the requirement is not applicable to a gas storage project. The operator shall ensure that required project data is complete and current, regardless of the date of approval of the gas storage project. If project data for an existing project is incomplete, then the operator shall submit the required data to the Division as soon as is practicable. In addition to the data required under Section 1724.7, the operator of an underground gas storage project shall provide the Division with the following:

(1) Characteristics, petrophysical properties, mechanical properties, and maps of the cap rock, including areal extent, isopach thickness, structure contour, formation fracture gradient, primary and secondary permeability, lithology and lithologic variation, threshold pressure, and locations and characteristics of faults and fractures.

(2) Oil and gas reserves of storage zones prior to start of injection, including calculations.

(3) List of proposed surface and subsurface safety devices, tests, and precautions to be taken to ensure safety of the project.

(4) Proposed waste water disposal method.

(b) The Project Approval Letter for an underground gas storage project shall state the maximum and minimum reservoir pressure and include data and calculations supporting the bases for the pressure limits. The pressure limits shall account for the following:

(1) The pressure required to inject intended gas volumes, particularly at total inventory, and the pressure limit shall not exceed the design pressure limits of the reservoir, wells, wellheads, piping or associated facilities.

(2) The minimum reservoir pressure shall not be designed less than historic minimum operated pressure unless reservoir geo-mechanical competency can be demonstrated to the Division's satisfaction. The impacts of intended minimum reservoir pressure shall be accounted for in the data required under subdivision (a)(1) as it relates to geo-mechanical stress, reservoir liquid influx, surface facility gas cleaning and liquid handling, and liquid disposal, all of which affect the maximum reservoir cycling capacity of the storage field and can impact mechanical integrity of the facilities.

(c) In addition to the mechanical integrity testing requirements under 1724.10(j), the operator shall monitor the tubing-casing annulus, if there is one, of each well that is part of an underground gas storage project. The operator shall monitor for presence of annular gas by measuring and recording annular pressure and annular gas flow. Such monitoring shall be done at least once a day when the well is not being used for withdrawal. The operator shall evaluate any anomalous annular gas occurrence and immediately report it to the Division. The operator shall begin complying with this requirement within one month of the effective date of this section.

(d) Where installed, the operator of an underground gas storage project shall function test all surface and subsurface safety valve systems within three months of the effective date of this section, and every six months after that. The tests shall be conducted in accordance with manufacturer's recommendations to confirm operational integrity and mitigate any integrity isolation findings. The appropriate district office shall be notified at least 48 hours before performing testing so that Division staff may witness the operations, and documentation of the testing shall be maintained and available for Division review. A closed storage well safety valve system shall be manually re-opened at the site of the valve after an inspection and not opened from a remote location.

Within 90 days of finding that a surface or subsurface safety valve is inoperable, the operator shall either repair or remove the safety valve or temporarily plug the well. A longer timeframe for addressing an inoperable surface or subsurface safety valve may be approved by the Division.

(e) Within 21 days of the effective date of this section, the operator of an underground gas storage project shall submit an inspection and leak detection protocol to the Division for review and approval. The protocol shall include inspection of the wellhead assembly and attached pipelines for each of the wells used in an underground gas storage project, and the surrounding area within a 100' radius of the wellhead of each of the wells used in an underground gas storage project, unless the operator can demonstrate that some part of that area is obstructed. The inspection protocol shall provide for inspection at least once a day, employing effective gas leak detection technology such as infrared imaging, and shall provide for immediately reporting detected leaks to the Division. The operator's selection and usage of gas leak detection technology shall take into consideration detection limits, remote detection of difficult to access locations, response time, reproducibility, accuracy, data transfer capabilities, distance from source, background lighting conditions, geography, and meteorology. The Division will consult with the California Air Resources Board when reviewing an inspection and leak detection protocol submitted under this subdivision.

(f) Within three months of the effective date of this section, and annually thereafter, the operator of an underground gas storage project shall test the operation of the master valve and wellhead pipeline isolation valve for proper function and verify ability to isolate the well. The operator shall submit documentation of the results of testing done under this subdivision within 10 days of completing the testing, but shall immediately notify the Division if testing indicates a lack of function.

(g) Within six months of the effective date of this section, the operator of an underground gas storage project shall submit a Risk Management Plan to the Division for review and approval. The Risk Management Plan shall identify potential threats and

hazards to well and reservoir integrity; assess risks based on potential severity and estimated likelihood of occurrence of each threat; identify the preventive and monitoring processes employed to mitigate the risk associated with each threat; and specify a process for periodic review and reassessment of the risk assessment and prevention protocols. Risk assessment and prevention protocols shall be consistent with and additional to any other existing requirement in statute or regulation. The Risk Management Plan shall specify a schedule for submission of risk assessment results to the Division. All Risk Management Plans shall include at least the following risk assessment and prevention protocols:

(1) Ongoing verification and demonstration of the mechanical integrity of each well used in the underground gas storage project and each well that intersects the reservoir used for gas storage. The protocols for verifying and demonstrating well integrity shall not be limited to compliance with the mechanical integrity testing requirements under Section 1724.10(j), and shall include consideration of the age, construction, and operation of each well.

(2) Corrosion monitoring and evaluation including consideration of the following:

(A) Evaluation of tubular integrity and identification of defects caused by corrosion or other chemical or mechanical damage;

(B) Corrosion potential of wellbore produced fluids and solids, including the impact of operating pressure on the corrosion potential of wellbore fluids and analysis of partial pressures;

(C) Corrosion potential of annular and packer fluid;

(D) Corrosion potential of current flows associated with cathodic protection systems;

(E) Corrosion potential of all formation fluids, including fluids in formations above the storage zone;

(F) Corrosion potential of uncemented casing annuli; and

(G) Corrosion potential of pipelines and other production facilities attendant to the underground gas storage project.

(3) Protocols for evaluation of wells and attendant production facilities that include monitoring of casing pressure changes at the wellhead, analysis of facility flow erosion, hydrate potential, individual facility component capacity and fluid disposal capability at intended gas and liquid rates and pressures, and analysis of the specific impacts that the intended operating pressure range could have on the corrosive potential of fluids in the system.

(4) Ongoing verification and demonstration of the integrity of the reservoir including demonstration that reservoir integrity will not be adversely impacted by operating conditions.

(5) Identification of potential threats and hazards associated with operation of the underground gas storage project including the following:

(A) Evaluation of likelihood of events and consequences related to the threats and hazards;

(B) Determination of risk ranking to develop preventive and mitigating measures to monitor or reduce risk;

(C) Documentation of risk evaluation and description of the basis for selection of preventive and mitigating measures;

(D) Provision for data feedback and validation; and

(E) Regular, periodic risk assessment reviews to update information and evaluate risk management effectiveness.

(6) Prioritization of risk mitigation efforts based on potential severity and estimated likelihood of occurrence of each threat.

(h) The requirements of this section shall not be construed to replace or restrict an operator's compliance with any specific requirements applicable to pipelines and associated facilities pursuant to Parts 190-199 of Title 49 of the United States Code of Federal Regulations.

AUTHORITY:

Note: Authority cited: Sections 3013 and 3106, Public Resources Code. Reference: Sections 3106, 3220 and 3403.5, Public Resources Code.