

122 FERC ¶ 61,100
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Atmos Pipeline and Storage, LLC

Docket No. CP08-34-000

ORDER GRANTING EXEMPTION FOR TEMPORARY ACTS AND
OPERATIONS

(Issued February 5, 2008)

1. On December 13, 2007, Atmos Pipeline and Storage, LLC (Atmos) filed, pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure¹ and section 7(c)(1)(B) of the Natural Gas Act (NGA),² a petition for exemption from the certificate requirements of NGA section 7(c) to drill a stratigraphic test well, re-enter an existing well, and perform other activities to determine the feasibility of developing an underground natural gas storage facility near Fort Necessity, in Franklin Parish, Louisiana.
2. We find it is in the public interest to grant Atmos' requested exemption for the proposed activities, subject to the conditions herein, to facilitate the development of storage facilities.

Background

3. Atmos, a Delaware limited liability company, is wholly owned by Atmos Energy Holdings, Inc., a Delaware corporation, which, in turn, is wholly owned by Atmos Energy Corporation, a Texas and Virginia corporation. Atmos was formed

¹ 18 C.F.R. § 385.207(a)(5) (2007).

² 15 U.S.C. § 717f(c)(1)(B) (2006). Section 7(c)(1)(B) permits the Commission to exempt "temporary acts or operations for which the issuance of a certificate will not be required in the public interest."

for the purpose of owning and operating underground storage fields in the states of Kentucky and Louisiana and the potential development of a jurisdictional natural gas storage facility in a salt dome formation in Fort Necessity, Louisiana. Atmos is not a “natural gas company” within the meaning of section 2(6) of the NGA³ and currently holds no section 7 certificates. It also does not wish to become one solely for the purpose of determining if the Fort Necessity salt dome formation can be efficiently developed as a storage facility. It has been granted the right to purchase and/or lease the surface and subsurface mineral rights associated with the salt formation.

Proposed Activities

4. Atmos seeks an exemption from NGA section 7(c) certificate requirements to explore and assess the technical and economic feasibility of developing an underground salt dome formation as a natural gas storage field in the vicinity of Fort Necessity, in Franklin Parish, Louisiana. Atmos declares that the purpose of the activities is to gather information necessary to make this determination. If the final determination is that the project is feasible, the constructed storage facility could provide as much as 15 Bcf of working gas capacity in close proximity to two interstate natural gas pipelines.

5. Atmos plans to engage in one or both of the following activities. Depending on the results of an analysis of existing surface seismic data, it intends to re-enter existing Turkey Creek Farms 17 Well No. 2 (Well No. 2) because the current depth of the well does not reach the Fort Necessity salt dome. Well No. 2 was previously drilled by Goldston Oil Company and plugged in 2007. Atmos proposes to unplug the well and conduct additional drilling to a depth of approximately 6,000 feet to determine the existence and depth of the caprock over the Fort Necessity salt dome, as well as the characteristics and depth of the salt formation. Atmos may also use the well to conduct vertical seismic profile testing to further delineate the dimensions and depth of the salt dome. The vertical seismic profile, if conducted, will involve the use of surface-generated seismic waves measured by geophones placed at various depths in the well. Upon completion of these activities, Atmos will plug the well and the drill site will be restored to its original state.

6. If warranted by the existing surface seismic analysis and/or the proposed activities at Well No. 2, Atmos’ proposes to drill a stratigraphic test well in the Fort Necessity salt dome at a currently unfixed location in relative proximity to Well No. 2. Atmos will drill its test well to a depth of approximately 5,600 feet to

³ *Id.* § 717a(6).

extract 60-foot by 4-inch core samples at various depths to determine the physical characteristics and suitability of the salt dome for natural gas storage through laboratory testing and analysis. The core samples cannot be extracted from re-entering Well No. 2 because the existing diameter of Well No. 2 is not sufficient to allow the operation of the coring equipment.

7. Atmos will construct the stratigraphic test well in one of two configurations. In the first configuration the well will be a test well only and will not be convertible to a gas storage well. In the second configuration, Atmos will construct the test well so that it can be converted into a natural gas storage well once it receives appropriate authorization from the Commission. If the project does not go forward, Atmos will plug the test well and restore the drill site to its original state.

8. Atmos states that its activities will require an area of approximately 200 by 200 feet at both drill sites. Atmos also states that it will bear the full costs of drilling the test wells and that no gas storage or transportation service will be rendered in connection with its temporary activities.

9. Atmos declares that it will conduct all the activities described above in full conformance with all necessary permits or permissions from the Louisiana Department of Natural Resources, Louisiana Department of Environmental Quality, and the Louisiana Department of Wildlife and Fisheries, as well as comply with section 157.206(b) of the Commission's regulations⁴ and any applicable environmental laws.

Notice and Intervention

10. Notice of Atmos' application was published in the *Federal Register* on December 21, 2007 (72 Fed. Reg. 72,690). No motions to intervene or protests were filed.

Discussion

11. Atmos' proposed activities are a necessary preliminary phase in the development and construction of an interstate natural gas storage facility. Depending on the outcome of tests, the Fort Necessity salt dome may be developed for the storage of natural gas. We therefore consider the proposed activities to be a necessary phase in the construction of a jurisdictional storage facility. As such, the proposed activities are subject to the certificate requirements

⁴ 18 C.F.R. § 157.206(b) (2007).

of section 7(c) of the NGA. However, pursuant to section 7(c)(1)(B) of the NGA, we may exempt certain temporary acts or operations from the certificate requirement that would otherwise apply if we find that such an exemption is in the public interest. Previously, we have granted such exemptions to allow operations of a temporary nature that have no effects on the ratepayer, quality of service provided by the natural gas company, or the public as a whole.⁵

12. Atmos emphasizes that its proposed exploratory activities are temporary and will be conducted to determine the feasibility of developing a natural gas storage facility in the Fort Necessity salt dome. No jurisdictional service will be rendered from the wells without Commission authorization. The certificate authorization exemption will be used solely for discrete exploratory activities to obtain geological and engineering data.

13. Under the circumstances described in Atmos' petition, we find that the proposed activities constitute temporary acts or operations within the meaning of section 7(c)(1)(B) of the NGA, and we find it in the public interest to exempt the proposed activities from the certificate requirements of section 7(c) of the NGA. The proposed activities are necessary in order for Atmos to make an informed business and engineering decision regarding the feasibility of developing a storage facility, which would allow Atmos to better meet the growing gas demands in the region.

14. In view of the above, we will exempt Atmos from the certificate requirements of NGA section 7 as to the activities specified herein, subject to the conditions set forth below. The certificate exemption granted herein is without prejudice to any decision the Commission may make regarding any application Atmos may file for authorization for a storage project at the site or related pipeline construction.

15. As proposed by Atmos in its petition and consistent with Commission practice,⁶ its authorization will be conditioned on its performing all activities in compliance with the same environmental conditions that apply to activities of natural gas companies under their Part 157 blanket certificates, as set forth in

⁵ See, e.g., *Chestnut Ridge Storage LLC*, 121 FERC ¶ 61,022 (2007); *Leaf River Energy Ctr. LLC*, 120 FERC ¶ 61,168 (2007); *SemGas Storage L.L.C.*, 119 FERC ¶ 61,014 (2007).

⁶ See, e.g., *Chestnut Ridge Storage LLC*, 121 FERC ¶ 61,022; *Leaf River Energy Ctr. LLC*, 120 FERC ¶ 61,168 (2007); *Central New York Oil and Gas Co.*, 89 FERC ¶ 61,006 (1999).

section 157.206(b) of the Commission's regulations.⁷ Atmos' proposed testing activities are similar to activities permitted under a Part 157 blanket certificate, and section 157.206(b) of the regulations sets forth standard conditions to protect the environment when activities are undertaken under a Part 157 blanket certificate. Requiring Atmos to comply with the provisions of section 157.206(b) will ensure the same level of protection in this case.

16. The Commission, own its motion, received and made a part of the record all evidence, including the application and exhibits thereto, submitted in this proceeding and upon consideration of the record,

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to section 7(c)(1)(B) of the NGA, Atmos is granted an exemption from the certificate requirements of section 7 of the NGA to undertake the activities specified in this order and in Atmos' petition. This exemption is effective upon issuance of this order. The authorized drilling and testing activities shall be completed within one year of the date of this order.

(B) Atmos shall notify the Commission within 10 days after commencing activities under the exemption granted in Ordering Paragraph (A). Atmos shall allow inspection by Commission staff at any time.

(C) Atmos shall comply with the environmental requirements of section 157.206(b) of the Commission's regulations in implementing the drilling and testing activities.

(D) The exemption granted in Ordering Paragraph (A) may be revoked if the actions are determined to be inconsistent with this order or with state or federal law and regulations. The Commission may halt work authorized under this exemption until any required consistency determination is completed.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

⁷ 18 C.F.R. § 157.206(b) (2007).