

129 FERC ¶ 61,030
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

BCR Holdings, Inc.

Docket No. CP09-454-000

ORDER GRANTING EXEMPTION
FOR TEMPORARY ACTS AND OPERATIONS

(Issued October 15, 2009)

1. On August 13, 2009, BCR Holdings, Inc. (BCR) filed a petition pursuant to section 7(c)(1)(B) of the Natural Gas Act (NGA)¹ and Rule 207(a)(5) of the Commission's Rules of Practice and Procedure² for an exemption from the Commission's certificate requirements to drill two test wells to determine the feasibility of developing the Bully Camp salt dome as an underground natural gas storage facility in Lafourche Parish, Louisiana. Subject to the conditions discussed below, we find that it is in the public interest to grant the requested exemption.

Background and Proposal

2. BCR is a limited liability company organized and existing under the laws of the State of Delaware. It is not a "natural gas company" within the meaning of section 2(6) of the NGA³ and holds no section 7 certificates. BCR contemplates developing a storage facility at the Bully Camp salt dome site in Lafourche Parish, Louisiana, which would be subject to the Commission's jurisdiction under the NGA.

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

²18 C.F.R. § 385.207(a)(5) (2009).

³15 U.S.C. § 717(a)(6) (2006).

3. BCR seeks an exemption from NGA section 7(c) certificate requirements in order to drill and conduct related testing analysis from one test water well near the Bully Camp salt dome. BCR states that the currently available data regarding formation characteristics and water quality at the proposed test water well location is not conclusive enough to determine the optimal formation or formations from which to withdraw water for use for leaching the salt caverns at the potential Bully Camp storage facility. BCR plans to drill a test water well to an approximate depth of 1,000 feet at that location, which BCR is contractually entitled to do under its lease with the property owner, in order to obtain water quality and quantity information from each formation. BCR states that the data will help to determine the optimal formation or formations from which to obtain the water supplies needed for the storage project.

4. BCR also seeks an exemption to drill a test well (the re-entry well) adjacent to an existing, previously plugged well on the Bully Camp salt dome, which BCR owns in fee. BCR asserts that it will drill the test well to gather data needed to confirm the suitability of the salt in the dome for storage service and to determine the aerial extent of a cavern previously created for sulfur mining purposes.⁴ BCR states that it needs the information to insure that the locations chosen for the natural gas storage caverns will not interfere with, or come close to, the existing cavern. BCR states that it intends to re-enter the existing cavern and conduct sonar tests to determine the cavern's aerial extent. BCR plans to drill below the existing cavern to a depth of approximately 5,400 feet to obtain salt core samples for testing and analysis for determining the physical integrity of the salt formation.

5. BCR states that the re-entry well will be drilled, tested, plugged, and abandoned in accordance with the rules and regulations of the Louisiana Office of Conservation (LOC) and the Louisiana Department of Natural Resources (LDNR). BCR contends that the test water well will also be drilled and tested in accordance with LOC and LDNR rules and regulations. If the water well is found to be of no use for developing a storage facility, BCR asserts that the well will be plugged and abandoned pursuant to the applicable LOC and LDNR rules. If the well is found to be potentially useful and economical as a water supply well in the future construction and operation of a storage facility, BCR states that the well will be properly maintained in accordance with LOC and LDNR rules and regulations. In addition, BCR asserts that it will comply with all the environmental conditions set forth in 18 C.F.R. § 157.206(b) of the Commission's regulations. BCR states that it will not perform any transportation or storage services using the planned test wells and will bear the full costs of the proposed activities. Further, BCR asserts that the drilling and testing of the wells will be temporary in nature. BCR maintains that its

⁴ BCR states that the plugged well was originally drilled into the Bully Camp salt dome so that brine could be produced for use in solution mining sulfur from the caprock above the dome. The brining operation created the existing cavern.

proposed activities are necessary to determine the economic, engineering, and environmental feasibility of developing an underground natural gas storage facility on land it owns in Louisiana.

6. BCR requests expedited consideration herein so that it can commence drilling the wells as soon as it obtains the necessary state permits and a drilling rig becomes available.

Notice and Interventions

7. Notice of BCR's petition was published in the *Federal Register* on August 25, 2009 (74 Fed Reg. 42,885). No motions to intervene, notices of intervention, protests, or comments were filed.

Discussion

8. We find that BCR's proposed activities are a necessary preliminary phase in the development and construction of a jurisdictional natural gas storage facility. Thus, the proposed activities are subject to the certificate requirements of section 7(c) of the NGA. However, pursuant to NGA section 7(c)(1)(B), we may exempt certain temporary acts or operations from the certificate requirement that would otherwise apply, if 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 ratepayers, on the quality of service provided by a natural gas company, or on the public as a whole.⁵ As stated above, BCR's proposed activities will be conducted to gather additional data through test drilling to confirm the feasibility of development of the Bully Camp salt dome for use as a natural gas storage facility. No jurisdictional service will be rendered from the wells without Commission authorization. Since BCR provides no jurisdictional services, there will be no effects on ratepayers, the quality of service, or the public.⁶

9. Under the circumstances described above and in BCR's petition, we find that the proposed activities constitute temporary acts or operations within the meaning of NGA section 7(c)(1)(B), and we find it in the public interest to exempt the proposed activities from the certificate requirements of NGA section 7(c), subject to the conditions set forth

⁵ See, e.g., *Cadeville Gas Storage LLC*, 128 FERC ¶ 61,141 (2009) (*Cadeville*); *Arlington Storage Co., LLC*, 122 FERC ¶ 61,152 (2008) (*Arlington*); *Leaf River Energy Center LLC*, 120 FERC ¶ 61,168 (2007) (*Leaf River*).

⁶ The pre-granted abandonment authority requested by BCR is not necessary since no jurisdictional facility or service requiring abandonment will be constructed or provided pursuant to this order.

below. Further, the proposed activities are necessary for BCR to make an informed business and engineering decision regarding the feasibility of developing a storage facility which would allow it to better serve the growing gas demand needs in the region. The certificate exemption granted here is without prejudice to any decision the Commission may make regarding an application BCR may file for authorization for a storage project at the site or related pipeline construction.

10. As proposed by BCR in its petition and consistent with Commission practice,⁷ our authorization will be conditioned upon BCR's performing all activities in compliance with the same environmental conditions that apply to the activities of natural gas companies under their Part 157 blanket certificates, as set forth in the Commission's regulations.⁸ BCR's 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 BCR to comply with the provisions of section 157.206(b) will ensure the same level of protection in this case.

11. At a hearing held on October 15, 2009, the Commission on its own motion, received and made a part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to NGA section 7(c)(1)(B), BCR is granted an exemption from the certificate and abandonment requirements of section 7 of the NGA to undertake the activities specified in this order and in BCR's 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) BCR shall notify the Commission within 10 days after commencing activities under the exemption granted in Ordering Paragraph (A). BCR shall allow inspection by Commission staff at any time.

⁷ See, e.g., *Cadeville*, 128 FERC ¶ 61,141 at Ordering Paragraph (C); *Arlington*, 122 FERC ¶ 61,152 at Ordering Paragraph (C); *Leaf River*, 120 FERC ¶ 61,168 at Ordering Paragraph (C).

⁸ 18 C.F.R. § 157.206(b) (2009).

(C) BCR 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 BCR's 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)

Nathaniel J. Davis, Sr.,
Deputy Secretary.