

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Kaiser Francis Oil Company

Docket No. CP06-396-000

ORDER GRANTING EXEMPTION FOR TEMPORARY ACTS AND OPERATIONS

(Issued July 26, 2006)

1. On June 20, 2006, Kaiser Francis Oil Company (KFOC) filed a petition pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure.¹ KFOC requests an exemption, as provided in section 7(c)(1)(B) of the Natural Gas Act (NGA),² from the certificate requirements of NGA section 7(c) to drill a test well and perform other activities to determine the feasibility of developing an underground natural gas storage facility in Cameron Parish, Louisiana.³

2. We find it is in the public interest to grant KFOC's requested exemption for the proposed activities, subject to the conditions herein, to facilitate the development of storage facilities.

Proposed Activities

3. KFOC seeks an exemption from NGA section 7(c) certificate requirements to explore and assess the technical and economic feasibility of developing an underground natural gas storage facility in Cameron Parish, Louisiana.⁴ KFOC notes that it is not a

¹18 C.F.R. § 385.207 (2005).

²15 U.S.C. § 717(c)(1)(b).

³Section 7(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."

⁴KFOC also requests pre-granted abandonment authority if such authority is necessary. Pre-granted abandonment authority is not necessary since no jurisdictional facility or service requiring abandonment will be constructed or provided by KFOC pursuant to this order.

natural gas company within the meaning of section 2(6) of the NGA and holds no section 7 certificates. KFOC states that it is a privately held oil and gas exploration and production company and operates oil and gas producing properties in the vicinity of the proposed test well. It states that it is contractually entitled to drill the well under its operating agreement with the owners of the property. KFOC declares that the purpose of the test well is to determine if the salt formation underlying the well is feasible for development as a natural gas storage facility located in Cameron Parish, Louisiana. KFOC seeks to drill from one stratigraphic test well to gather site-specific geologic, stratigraphic, and hydrologic data concerning the site.

4. KFOC requests an exemption from NGA section 7(c) certificate requirements in order to drill a stratigraphic test well to a depth of approximately 4,600 feet to extract salt core samples and conduct laboratory testing and analysis on those core samples. KFOC anticipates that the test well will be required to confirm: a) the physical integrity of the salt formation; and b) whether it is technologically feasible to locate a high pressure natural gas storage facility in the salt formation underlying the well. KFOC is in the process of obtaining a drilling permit from the Louisiana Office of Conservation and a Coastal Use Permit from Louisiana's Department of Natural Resources. KFOC also notes that drilling will not occur until the permits are issued.

5. KFOC notes that the well will be drilled, operated and then plugged and abandoned in accordance with the rules and regulations of Louisiana's Office of Conservation and Department of Natural Resources, as well as those contained in section 157.206(b) of the Commission's regulations, 18 C.F.R. § 157.206(b).

6. KFOC affirms that no gas storage or transportation service will be rendered in connection with this temporary activity. Further, KFOC submits that this temporary activity will have no effect on the public in general.

Notice and Intervention

7. Notice of KFOC application was published in the *Federal Register* on June 30, 2006 (71 *Fed. Reg.* 37559). No protests, comments, or petitions to intervene in opposition were filed.

Discussion

8. KFOC's proposed activities are a necessary preliminary phase in the development and construction of a natural gas storage facility. Depending on the outcome of tests, salt caverns for the storage of natural gas may or may not be developed. We therefore consider the proposed activities as a necessary phase in the construction of a

jurisdictional storage facility, and as such, the proposed activities are subject to the certificate requirements of NGA section 7(c).

9. Pursuant to NGA section 7(c)(1)(B), if we find it in the public interest, we may exempt certain temporary acts or operations from the certificate requirement that would otherwise apply. Previously, we have granted exemptions to allow operations of a temporary nature that have no effects on the ratepayer, on the quality of service provided by a pipeline, or on the public as a whole.⁵

10. KFOC emphasizes that its proposed exploratory activities are temporary and will be conducted in order to determine the feasibility of developing a salt cavern storage complex. No jurisdictional service will be rendered from the well without Commission authorization. The certificate authorization exemption will be used solely for discrete exploratory activities to obtain geological and engineering data.

11. As proposed by KFOC in its application, its authorization will be conditioned on its performing all activities in compliance with the same environmental conditions that apply to natural gas companies' activities under their Part 157 blanket certificates, as set forth in section 157.206(b) of the Commission's regulations.

12. Under the circumstances described in KFOC'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). We find that without performing the proposed activities, KFOC cannot make an informed business and engineering decision regarding the feasibility of developing a new storage complex, which would allow KFOC to better serve the growing gas demand needs in the region.

13. In view of the above, we will exempt KFOC 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 KFOC may file for authorization for a storage project at the site or related pipeline construction.

⁵ See, e.g., *Desert Crossing Gas Storage and Transportation System LLC*, 98 FERC ¶ 61,277 (2002); *Copper Eagle Gas Storage L.L.C.*, 97 FERC ¶ 62,193 (2001); and *Central New York Oil and Gas Co. LLC*, 89 FERC ¶ 61,006 (1999).

The Commission orders:

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

(C) KFOC 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)

Magalie R. Salas,
Secretary