

121 FERC ¶ 61,234
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.

Caledonia Energy Partners, L.L.C.

Docket No. CP05-15-007

ORDER AMENDING CERTIFICATE

(Issued December 6, 2007)

1. On September 12, 2007, Caledonia Energy Partners, L.L.C. (Caledonia) filed an application pursuant to section 7(c) of the Natural Gas Act¹ (NGA) and Part 157 of the Commission's regulations² to amend its certificates of public convenience and necessity issued on April 19, 2005,³ as amended on April 12, 2006,⁴ and April 5, 2007.⁵ Caledonia seeks authorization to convert a former production well (Well CEP 11) to an injection/withdrawal well and install approximately 2,050 feet of 10-inch diameter wellhead pipeline.
2. As discussed below, we find that authorizing this proposal is in the public interest because it will enable Caledonia to achieve the certificated levels of service and

¹ 15 U.S.C. § 717 (2000).

² 18 C.F.R. Part 157 (2007).

³ *Caledonia Energy Partners, L.L.C.*, 111 FERC ¶ 61,095 (2005) (2005 Certificate Order).

⁴ *Caledonia Energy Partners, L.L.C.*, 115 FERC ¶ 62,060 (2006) (2006 Amendment).

⁵ *Caledonia Energy Partners, L.L.C.*, 119 FERC ¶ 62,012 (2007) (2007 Amendment).

operation. Further, we find that the proposed facility changes do not affect our previous finding that Caledonia may charge market-based rates for its services.

Background and Proposal

3. The 2005 Certificate Order granted Caledonia certificate authority to convert the Caledonia Field, a depleted natural gas reservoir, located in Lowndes and Monroe Counties, Mississippi, into a storage reservoir capable of storing 12 billion cubic feet (Bcf) of working gas, with a maximum withdrawal capability of 330 million cubic feet per day (MMcf/d) and a maximum injection capability of 260 MMcf/d. The approved project consists of the Well Facilities, which include the Caledonia Field and eight injection/withdrawal wells, the Compression Facilities, which include three 3,550 hp compressors, heaters, separators, dehydrators, meters and associated piping, and the Pipeline Facilities which include approximately 1.98 miles of pipeline to connect to Tennessee Gas Pipeline Company's Zone-1 500 leg mainline. Caledonia was also authorized to charge market-based rates for its proposed services.

4. On April 12, 2006, Caledonia received authorization to amend its 2005 Certificate Order to reduce the diameter of the injection/withdrawal wells from 8 ½ inches to 6 ½ inches; drill one additional injection/withdrawal well, for a total of nine injection/withdrawal wells; enlarge the North Well Pad to accommodate the additional well; and modify various surface pipe fittings and valves. Caledonia requested these modifications to improve operations and reduce costs.

5. On April 5, 2007, Caledonia's authorization was further amended to allow Caledonia to eliminate Well CEP 8 and replace it by re-working an existing, abandoned production well located in the northern part of the reservoir (Well CEP 10), and install approximately 0.66 miles of 10-inch diameter well pipe to connect Well CEP 8 to the North Well Pad and convert 0.3 Bcf of cushion gas to working gas capacity.

6. In this application, Caledonia seeks authorization to convert former production Well CEP 11 to an injection/withdrawal well and substitute this well for the previously authorized Well CEP 10. Also, in order to connect Well CEP 11 to Caledonia's other storage facilities, Caledonia proposes to install approximately 2,050 feet of 10-inch diameter wellhead pipeline.

7. Caledonia states that its proposed amendment is necessary because it determined during drilling operations that Well CEP 10 would not be functional due to unforeseen geological issues. Specifically, Caledonia unexpectedly encountered a "saddle formation" in the storage zone during the horizontal drilling phase. Caledonia claims that in order to avoid the formation, it would have needed to implement an uneconomical and

infeasible uphill drilling maneuver. Caledonia consequently never completed construction of Well CEP 10, never commenced service utilizing the well, and never commenced construction of the related wellhead field pipeline.

8. Finally, Caledonia proposes no change to the total certificated capacity of the field, its maximum deliverability, maximum shut-in reservoir pressure, or the total number of authorized injection/withdrawal wells.

Notice and Intervention

9. The application was noticed by publication in the *Federal Register* on September 20, 2007, (72 Fed. Reg. 54,439), with protests or interventions due by October 9, 2007. No motions to intervene were filed. Wilma Henderson filed comments in opposition to this filing. Caledonia filed an answer to Ms. Henderson's comments.

10. Ms. Henderson's comment references certain Mississippi state permits obtained by Pacesetter Energy, Inc. (Pacesetter) for the County Line Field located in Lowndes County, Mississippi, which she notes is located north of the Caledonia Field. Ms. Henderson takes issue with the fact that the Mississippi State Oil & Gas Board (Mississippi Board) issued permits designating the County Line Field as a gas storage field despite protests of some landowners.

11. In its answer, Caledonia contends that Ms. Henderson's concerns are not in any way related to the issues in this docket. Caledonia asserts that County Line Field is not a part of Caledonia's existing storage operations and not related to Caledonia's request to amend its existing certificates.

12. We agree with Caledonia and find that Ms. Henderson's concerns are not related to this amendment or to the Caledonia Field in general. The County Line Field is separate and apart from the Caledonia Field and the issues raised by Ms. Henderson are not relevant to either the operation of the Caledonia Field or the amendment under consideration in this proceeding. Ms. Henderson's concerns are more appropriately raised before the Mississippi Board.

Discussion

Certificate Policy Statement

13. Since Caledonia's proposed amendment involves facilities that provide natural gas storage service in interstate commerce, the construction and operation of the facilities are subject to the requirements of subsections (c) and (e) of section 7 of the NGA.

14. The Commission's Certificate Policy Statement, issued on September 15, 1999, provides guidance as to how it will evaluate proposals for certifying new construction.⁶ The Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explains that in deciding whether to authorize the construction of major new pipeline facilities, the Commission balances the public benefits against the potential adverse consequences. Our goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, and the avoidance of the unnecessary exercise of eminent domain or other disruptions of the environment.

15. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, we will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will we proceed to complete the environmental analysis where other interests are considered.

16. The Commission, in the previous orders in these proceedings, has found that Caledonia's project is consistent with the Commission's Policy Statement and is in the public convenience and necessity. We find that nothing in the current proposal changes our previous findings. The proposed changes in well configuration will have no impact on the previous certificated capacity and deliverability of the Caledonia Field. Further, because Well CEP 11 and its associated piping are located within the previously certificated footprint, there will be no additional impacts on landowners. The amendment application will not impact existing rates for transportation service and will not create financial subsidies since Caledonia charges market-based rates. Moreover, the amendment application will not effect Caledonia's peak and annual delivery obligations

⁶*Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999); *order clarifying policy*, 90 FERC ¶ 61,128 (2000); *order clarifying policy*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

and will not degrade or otherwise limit Caledonia's service to any customer. On the contrary, the proposed modification and abandonment will allow Caledonia to achieve the certificated levels of service and operation. Finally, as discussed below, the modification and abandonment will not significantly impact either human or natural environment.

17. Therefore, in consideration of the facts in the record, we affirm our previous finding that Caledonia's proposal is in the public convenience and necessity and authorize Caledonia to convert Well CEP 11 to an injection/withdrawal well and abandon Well CEP 10. Also, because there are no changes to the certificated capacity and deliverability of the Caledonia Field, we affirm our previous finding that Caledonia may charge market-based rates for its services.

Engineering

18. Caledonia, while drilling the horizontal section of Well CEP 10, unexpectedly encountered a "saddle formation" within the storage formation, wherein the formation began to trend upwards toward the surface. In order to stay within the storage formation, Caledonia would have to drill uphill, which is not practical, as it complicates the drilling and completion process, as well as decreases the deliverability of the well due to the potential for fluid buildup within the well bore at the low point of the horizontal section. Caledonia ran additional studies, including falloff and injectivity tests, and determined that converting a former production well, Well CEP 11, to an injection/withdrawal well and substituting it for Well CEP 10 will allow Caledonia to achieve its previously certificated deliverability and capacity parameters. Well CEP 11 should achieve similar operational results as those originally anticipated for Well CEP 10. The conversion of Well CEP 11 and abandonment of Well CEP 10 will not change the maximum authorized inventory of 16.9 Bcf, the maximum reservoir pressure of 2,110 psia, the maximum deliverability of 330 MMcf/d, or the total number of injection/withdrawal wells that the Commission has previously certificated.

Environment

19. An environmental assessment (EA) was prepared for Caledonia's proposal. The EA addresses geology, soils, water resources, wetlands, vegetation, wildlife, endangered and threatened species, land use, cultural resources, air quality and noise, cumulative impacts and alternatives.

20. Based on the discussion in the EA, if constructed and operated in accordance with Caledonia's application and supplements filed on October 3, 2007, and our

recommendations, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

21. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. The Commission encourages cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or local laws, may prohibit or unreasonably delay the construction and replacement of facilities approved by the Commission.⁷ Caledonia shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Caledonia. Caledonia shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

22. The Commission, on its own motion, received and made a part of the record all evidence, including the application, as supplemented, and exhibit thereto, submitted in this proceeding and upon consideration of the record,

The Commission orders:

(A) Caledonia's certificate is amended as more fully described in the order and application. In all other respects the authorizations issued in Docket Nos. CP05-15-000, CP05-16-000 and CP05-17-000 and as amended in Docket Nos. CP05-15-001, CP05-16-001 and CP05-17-001 shall remain unchanged.

(B) The maximum inventory of natural gas stored in the Caledonia field shall not exceed the certificated levels of 16,900 MMcf at 14.73 psia and 60 degrees Fahrenheit, and the maximum bottom hole storage pressure shall not exceed 2,110 psia, without prior authorization of the Commission.

(C) The Caledonia field shall be operated in such manner as to prevent/minimize gas loss or migration.

(D) Caledonia shall continue to comply with the engineering conditions set forth in the original certificate and amendments.

⁷ See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *Nat'l Fuel Gas Supply v. Pub. Service Comm'n*, 894 F.2d 571 (2d Cir. 1990); *Iroquois Gas Transmission Sys.*, 52 FERC ¶ 61,091 (1990), *aff'd in part*, 59 FERC ¶ 61,094 (1992).

(E) Caledonia shall comply with all other conditions of its original certificate and amendments.

(F) The authorization granted herein is subject to Caledonia's compliance with the specific environmental conditions in the appendix to this order. Further, Caledonia shall notify the Commission's environmental staff by telephone and/or facsimile of any environmental noncompliance identified by other Federal, state, or local agencies on the same day that such agency notifies Caledonia. Caledonia shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Environmental Conditions

1. Caledonia shall continue to comply with all applicable environmental conditions set forth in the Appendix to the April 19, 2005 Order.
2. Caledonia shall defer implementation of any treatment plans/measures (including archaeological data recovery), construction of facilities, and use of staging, storage, and temporary work areas, and new or to be improved access roads until:
 - a. Caledonia files with the Secretary cultural resource survey and evaluation reports, any necessary treatment plans, and the Mississippi State Historic Preservation Office comments; and
 - b. the Director of OEP reviews and approves all cultural resources survey reports and plans and notifies Caledonia in writing that treatment plans/measures may be implemented or construction may proceed.

All material filed with the Commission containing location, character, and ownership information about cultural resources must have the cover and any relevant pages therein clearly labeled in bold lettering: **“CONTAINS PRIVILEGED INFORMATION--DO NOT RELEASE”**.