

125 FERC ¶ 61,147  
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.

Magnum Gas Storage, LLC

Docket No. CP08-478-000

ORDER GRANTING EXEMPTION  
FOR TEMPORARY ACTS AND OPERATIONS

(November 6, 2008)

1. On September 24, 2008, Magnum Gas Storage, LLC (Magnum) filed a petition pursuant to section 7(c)(1)(B) of the Natural Gas Act (NGA)<sup>1</sup> and Rule 207(a)(5) of the Commission's Rules of Practice and Procedure<sup>2</sup> for an exemption from the Commission's certificate requirements to drill up to two stratigraphic wells to determine the feasibility of developing an underground natural gas storage facility (Western Energy Hub), in the Magnum Salt Structure, located in Millard County, Utah. Magnum states that the purpose of drilling the proposed test wells is to confirm the geographic extent and uniformity of the salt structure and to confirm its suitability for the development of multiple salt caverns over an extended area that could be used for the storage of natural gas and other refined petroleum products. Subject to the conditions discussed below, we find that it is in the public interest to grant the requested exemption.

**Background and Proposal**

2. Magnum 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 NGA.<sup>3</sup>

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<sup>1</sup> 15 U.S.C. § 717f(c)(1)(b) (2000). This section authorizes the Commission to exempt by regulation the requirements of NGA section 7(c) for "temporary acts or operations for which the issuance of a certificate will not be required in the public interest."

<sup>2</sup> 18 C.F.R. § 385.207(a)(5) (2008).

<sup>3</sup> 15 U.S.C. § 717(a)(6) 2000).

3. Magnum seeks an exemption from the NGA section 7(c) certificate requirements in order to drill up to two stratigraphic test wells to a depth of approximately 4,600 feet to confirm the areal extent and uniformity of the Magnum Salt Structure underlying the Western Energy Hub. It plans to use the geophysical logging data and extracted salt core samples to confirm the suitability of the structure for development of multiple salt caverns. The test wells will also provide information regarding the water quality and productive capacity of the known shallow and medium depth aquifers as well as deeper aquifers overlying the Magnum Salt Structure. Also, the test wells will provide information regarding the suitability of long-term brine disposal. Magnum will drill the two test wells in accordance with the rules and regulations of the Utah Division of Oil, Gas and Mining and the Utah Department of Water Resources. If plugging and abandonment of the test wells is necessary, Magnum will comply with the applicable State of Utah requirements. In addition, Magnum will comply with all the environmental conditions set forth in 18 C.F.R. § 157.206(b) of the Commission's regulations.

4. Magnum states that it will not perform any service using the planned test wells and will bear the full costs of the proposed activities. Magnum's proposed activities are necessary to enable the company to confirm that the proposed locations of its planned water supply, cavern development and brine disposal wells are optimal and that the available supply of water, salt quality and, potentially, brine disposal capacity are adequate. It has acquired rights of property covering a substantial area in Millard County, Utah, and is in the process of acquiring rights-of-way and other rights needed to develop a natural gas storage facility of up to six salt caverns in the Magnum Salt Structure at the Western Energy Hub Project site. Magnum anticipates minimal environmental impact from drilling and completion of the proposed test wells. Magnum avers that it will comply with all applicable federal, state and local permitting and environmental requirements. Magnum asserts that if the outcome of the test wells suggests that the proposed locations are desirable, they will proceed with the proposed gas storage project. It also asserts that if the outcome of the test wells suggests that the proposed location is not desirable, they will plug and abandon the test wells and restore the areas disturbed by well drilling activities in compliance with all applicable state permits and regulations.

### **Notice and Interventions**

5. Notice of Magnum's petition was published in the *Federal Register* on October 6, 2008.<sup>4</sup> No motions to intervene, protests, or comments were filed.

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<sup>4</sup> 73 Fed. Reg. 58,216-58,217.

## Discussion

6. Magnum'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, it may develop a natural gas storage facility in the Magnum Salt Structure. 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 of NGA section 7(c). 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 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, on the quality of service provided by a natural gas company, or on the public as a whole.<sup>5</sup>

7. Magnum's proposed exploratory activities will be conducted to determine the optimum locations for future cavern production wells and to design the proposed gas storage facility. No jurisdictional service will be rendered from the wells without Commission authorization. Since Magnum provides no jurisdictional services, there will be no effects on ratepayers, quality of service, or the public. The certificate authorization exemption will be used solely for discrete exploratory activities to obtain geological and geophysical data.

8. Under the circumstances described in Magnum'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). Further, the proposed activities are necessary for Magnum 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.

9. For these reasons, we will exempt Magnum from the certificate requirements of NGA section 7 as to the activities specified in this order, subject to the conditions set forth below. The certificate exemption granted here is without prejudice to any decision the Commission may make regarding an application Magnum may file for authorization for a storage project at the site or related pipeline construction.

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<sup>5</sup> See, e.g., *Arlington Storage Company, LLC*, 122 FERC ¶ 61,152 (2008) (*Arlington*); *Chestnut Ridge Storage LLC*, 121 FERC ¶ 61,022 (2007); *Leaf River Energy Center LLC*, 120 FERC ¶ 61,168 (2007) (*Leaf River*).

10. As proposed by Magnum in its petition and consistent with Commission practice,<sup>6</sup> this authorization will be conditioned on Magnum performing all activities in compliance with the same environmental conditions that apply to natural gas companies' activities under Part 157 blanket certificates, as set forth in the Commission's regulations.<sup>7</sup> Magnum'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 Magnum to comply with the provisions of section 157.206(b) will ensure the same level of protection in this case.

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to NGA section 7(c)(1)(B), Magnum 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 Magnum'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) Magnum shall notify the Commission within 10 days after commencing activities under the exemption granted in Ordering Paragraph (A). It shall allow inspection by Commission staff at any time.

(C) Magnum 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.

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<sup>6</sup> *E.g., Arlington*, 122 FERC ¶ 61,152 at Ordering Paragraph (C); *Leaf River*, 120 FERC ¶ 61,168 at Ordering Paragraph (C).

<sup>7</sup> 18 C.F.R. § 157.206(b) (2008).