

125 FERC ¶ 61,148  
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. CP08-34-001

ORDER AMENDING EXEMPTION FOR TEMPORARY ACTS  
AND OPERATIONS

(Issued November 6, 2008)

1. On September 10, 2008, Atmos Pipeline and Storage, LLC (Atmos) filed, pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure<sup>1</sup> and section 7(c)(1)(B) of the Natural Gas Act (NGA),<sup>2</sup> a petition to amend the exemption from the certificate requirements of NGA section 7(c) issued by the Commission on February 5, 2008 in Docket No. CP08-34-000.<sup>3</sup> In addition to the activities exempted in the February 5th Order, Atmos proposes to conduct a three-dimensional seismic survey and to drill two brine disposal test wells to further determine the feasibility of developing an underground natural gas storage facility near Fort Necessity, Franklin Parish, Louisiana.

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

**Proposed Activities**

3. Atmos seeks to amend its exemption from NGA section 7(c) certificate requirements to further explore and assess the technical and economic feasibility of

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<sup>1</sup> 18 C.F.R. § 385.207(a)(5) (2008).

<sup>2</sup> 15 U.S.C. § 717(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."

<sup>3</sup> *Atmos Pipeline and Storage, LLC*, 122 FERC ¶ 61,100 (2008) (February 5<sup>th</sup> Order).

developing an underground salt dome formation as a natural gas storage facility near Fort Necessity, Franklin Parish, Louisiana.<sup>4</sup> Atmos is a wholly-owned subsidiary of Atmos Energy Holdings, Inc., a Delaware corporation, which is wholly owned by Atmos Energy Corporation, a Texas and Virginia corporation. Atmos is not a “natural gas company” within the meaning of section 2(6) of the NGA<sup>5</sup> 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.

4. In the February 5th Order, the Commission granted Atmos an exemption for temporary acts and operations to drill and evaluate a single stratigraphic test well in the Fort Necessity salt dome formation and to re-enter and deepen a plugged and abandoned gas well near the first test well, as well as to conduct a vertical seismic profile (VSP) of the salt dome formation. The drilling of the stratigraphic test well is continuing but the work at the plugged gas well (known as Turkey Creek Farms 17 Well No. 2) and VSP have been suspended because the VSP could not recover important geological facts necessary to determine the viability of the salt dome formation as a natural gas storage facility.

5. Specifically, Atmos’ test data indicate that the Fort Necessity salt dome may actually have a substantially smaller, narrower pinnacle shape with steep sides and with steeper variations in the upper elevations of the salt, rather than being a broad, rounded-top formation with gradually sloping sides as anticipated from the initial review of the two-dimensional data. In addition, Atmos’ data are insufficient to define the boundaries on the southwest and significant portions of the eastern margins of the salt formation. The data also show the existence of a possible protrusion in the southwest part of the formation beyond the boundaries of the underlying salt in the salt dome.

6. Atmos states that the ambiguities about the size and shape of the salt formation have the potential to materially affect the commercial viability of the formation for development as a natural gas storage facility. Atmos further states that the commercial viability of the salt dome formation cannot be determined without knowing how many salt caverns can be safely developed and at what locations. Consequently, Atmos desires to conduct a 21-square-mile, three-dimensional seismic survey of the salt dome formation to further define the formation’s size, shape, and limits. Atmos proposes to conduct the

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<sup>4</sup> If constructed, the proposed facility ultimately could provide as much as 15 Bcf of working gas capacity in close proximity to two interstate natural gas pipelines.

<sup>5</sup> 15 U.S.C. § 717a(6) (2006).

survey using either a truck-mounted accelerated weight-drop seismic source or, if needed, traditional shot-hole methods utilizing small explosive charges at depths of 40 to 60 feet.

7. Atmos also needs to test the permeability and porosity of the Sparta and Wilcox sand formations on the Fort Necessity property on the northeast and southwest side of the salt dome formation in order to determine their ability to absorb the brine associated with cavern leaching. Without proper brine disposal, the development of the salt dome formation as a natural gas storage facility may not be commercially viable. Atmos initially believed these formations would adequately absorb and dispose of the brine at a disposal rate of 800 gallons per minute per well, but after study and investigation of the formations, it became concerned and believed drilling two test wells to a depth of approximately 4,300 feet on the property were necessary in order to test the brine disposal capabilities of the sand formations.

8. Atmos states that it will bear the full costs of these temporary activities and that no gas storage or transportation service will be rendered in connection with these temporary activities without further specific authorization from the Commission.

9. Atmos states that all its proposed activities will be conducted in conformance with all applicable requirements of the state of Louisiana, as well as the Commission's applicable regulations and after obtaining all the necessary permits or permissions from the Louisiana Department of Natural Resources, Louisiana Department of Environmental Quality, and the Louisiana Department of Wildlife and Fisheries.

### **Notice and Intervention**

10. Notice of Atmos' application was issued on September 17, 2008, and published in the *Federal Register* on September 24, 2008 (73 Fed. Reg. 55,060). No motions to intervene, protests, or comments were filed.

### **Discussion**

11. Atmos' proposed activities are a necessary preliminary phase in the development and construction of a 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 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 requirements 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 the natural gas company, or on the public as a whole.<sup>6</sup>

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 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 in order for Atmos to make an informed business and engineering decision regarding the feasibility of developing a storage facility.

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,<sup>7</sup> 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.<sup>8</sup> 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.

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<sup>6</sup> 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).

<sup>7</sup> See, e.g., *Chestnut Ridge Storage LLC*, 121 FERC ¶ 61,022 (2007); *Leaf River Energy Ctr. LLC*, 120 FERC ¶ 61,168 (2007); *Central New York Oil and Gas Co.*, 89 FERC ¶ 61,006 (1999).

<sup>8</sup> 18 C.F.R. § 157.206(b) (2008).

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to NGA section 7(c)(1)(B), Atmos' exemption from the certificate requirements of section 7 of the NGA is amended, allowing it to undertake the activities specified in this order and in Atmos' petition. This exemption is effective upon issuance of this order. The authorized 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 amended 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 )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.