

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

SG Resources Mississippi, L.L.C.

Docket No. CP02-405-001

ORDER ON PETITION FOR REAFFIRMATION OF ORDER GRANTING
EXEMPTION OF TEMPORARY ACTS OR OPERATIONS

(Issued May 27, 2005)

1. On April 6, 2005, SG Resources Mississippi, L.L.C. (SGRM) filed a petition pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure¹ requesting that the Commission reaffirm an expired one-year exemption granted pursuant to section 7(c)(1)(B) of the Natural Gas Act (NGA) in the August 22, 2002 Order in this proceeding.² That order authorized SGRM to construct and operate a water supply test-observation well at its proposed Southern Pines Energy Center underground gas storage project in Greene County, Mississippi. Since the exemption granted in 2002 has expired, we will grant a new exemption rather than reaffirm the expired one. It is in the public interest to grant the exemption, subject to conditions herein, since the drilling and testing of the well will facilitate the development of natural gas storage facilities.

Background and Proposal

2. SGRM's Southern Pines Energy Center,³ to be constructed in Greene County, Mississippi, consists of two salt dome caverns which will be solution-mined, a process that uses water to dissolve salt to form a cavern of the desired dimensions. Since SGRM will require significant quantities of water from underground sources to leach salt from

¹18 CFR § 385.207 (2001).

²SG Resources Mississippi, L.L.C., 100 FERC ¶ 61,203 (2002).

³The Commission authorized SGRM's Southern Pines project in an order issued on October 10, 2002 (101 FERC ¶ 61,029).

the caverns, it must obtain a permit from the Mississippi Department of Environmental Quality (MDEQ) to drill the necessary water supply wells and to withdraw water from them. Before granting permits for these water supply wells, MDEQ is requiring SGRM to drill and complete a water supply test-observation well up to 1,350 feet into the source aquifer so that it can obtain and submit real-time data from the well during drilling operations and monitor the aquifer during leaching activities. The August 22, 2002 Order granted SGRM a one-year exemption under NGA section 7(c)(1)(B) to construct and operate the required test-observation well.

3. SGRM states that because of unavoidable delays in the commencement of construction of the Southern Pines Energy Center due to market uncertainties, it did not construct the test-observation well within the authorized time period. However, SGRM states, the market has improved and it is in the final stages of negotiating one or more precedent agreements for firm storage capacity at the proposed Southern Pines storage facility. Consequently, SGRM expects to begin construction of the project in the near future and therefore requests that the Commission reaffirm its approval of the previous exemption authorizing construction of the test-observation well and establish August 31, 2005 as the new date by which SGRM must complete the well's construction.

4. SGRM states that drilling and testing the test-observation well will take approximately two weeks and will have minimal environmental impact. SGRM asserts that it will comply with all of the environmental requirements of section 157.206(b) of the Commission's regulations.

Interventions

5. Notice of SGRM's petition was published in the *Federal Register* on April 19, 2005 (70 *Fed. Reg.* 20,366). No motions to intervene or protests were filed.

Discussion

6. SGRM's proposed construction of a water supply test-observation well is a jurisdictional activity subject to the certificate requirements of NGA section 7(c) because the well is a necessary preliminary phase in the construction of an interstate gas storage facility. Section 7(c)(1)(B) of the NGA provides, however, that the Commission may exempt from the requirements of section 7(c) temporary acts or operations for which the issuance of a certificate will not be required in the public interest. The test-observation well drilling and monitoring activities proposed by SGRM are temporary in nature and will not result in or affect any service. Without performing the proposed activities, SGRM will not receive the state permits it needs to drill water supply wells for salt dome leaching activities.

7. Therefore, under the circumstances described above and in SGRM's petition, the Commission finds that the proposed test-related activities constitute a temporary act or operation within the meaning of section 7(c)(1)(B) that may be exempted from the certificate requirements of section 7 of the NGA. Since the exemption granted in 2002 has lapsed, we will not reaffirm the continued effectiveness of the previous exemption, but instead, grant SGRM a new exemption from the certificate requirements of section 7(c) of the NGA to engage in the described activities, valid through August 31, 2005. The exemption shall be used solely for the construction and drilling of a single water supply test-observation well as described herein and in SGRM's July 11, 2002 and April 6, 2005 petitions.

8. The environmental consequences from SGRM's proposed activity will be minimal. As proposed by SGRM in its petition, SGRM must perform 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.

9. At a hearing held on May 26, 2005, the Commission, on its own motion, received and made a part of the record all evidence, including the petition submitted in support of the authorization sought herein, and upon consideration of the record,

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to section 7(c)(1)(B) of the NGA, SGRM is granted an exemption from the certificate requirements to undertake acts and operations to drill a single water supply test-observation well as discussed in this order and in SGRM's petitions.

(B) The exemption granted in Ordering Paragraph (A) is effective upon issuance of this order.

(C) SGRM shall notify the Commission within 10 days after commencing activities within the exemption granted in Ordering Paragraph (A).

(D) SGRM shall comply with the environmental requirements of section 157.206(b) of the Commission's regulations in implementing the drilling and testing activities.

(E) The authorized drilling and testing activities shall be completed no later than August 31, 2005.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.