

122 FERC ¶ 61,152  
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.

Arlington Storage Company, LLC

Docket No. CP08-60-000

ORDER GRANTING EXEMPTION FOR  
TEMPORARY ACTS AND OPERATIONS

(Issued February 21, 2008)

1. On January 23, 2008, Arlington Storage Company, LLC (Arlington) filed a petition under section 7(c)(1)(B) of the Natural Gas Act (NGA)<sup>1</sup> for an exemption from the Commission's certificate requirements in order to drill up to two test wells to assess the optimal manner in which to develop an underground natural gas storage facility in the Thomas Corners Field in Steuben County, New York.

2. Subject to the conditions discussed below, we find that it is in the public interest to grant Arlington's requested exemption to determine the feasibility of the Thomas Corners Field for providing interstate storage service.

**I. Proposed Activities**

3. Arlington is a limited liability company organized and existing under the laws of the State of Delaware and is a wholly-owned subsidiary of Inergy, LP. Arlington is not a "natural gas company" within the meaning of section 2(6) of the NGA and holds no section 7 certificates.

4. Arlington seeks an exemption from the NGA section 7(c)(1)(A) certificate requirements to drill up to two test wells and conduct related testing activity to confirm the technical and economic feasibility of developing a proposed natural gas storage project in the Thomas Corners Field. Arlington states that the proposed operations are critical to its decision to develop the storage facility.

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<sup>1</sup> 15 U.S.C. § 717(c)(1)(B). Section 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."

5. Specifically, Arlington plans to drill up to two test wells, collect and analyze core samples, and conduct several well logs including dual induction, compensated neutron density, sonic velocity survey, gamma ray spectrum, and spontaneous potential. Arlington states that these tests will verify the suitability of the cap rock, define reservoir rock characteristics, aid in determining the bottom-hole locations of future injection/withdrawal wells, and define the boundaries of the Thomas Corners Field reservoirs. Arlington proposes to drill the two test wells from the existing Mullins #1 well site or a point nearby. The two test wells will be drilled to a depth of approximately 3,500 feet using an S-curve configuration, such that the bottom-hole location of the wells will be extended laterally nearly 1,500 feet away from the surface location.

6. Arlington states that it will file an application requesting authorization to drill the test wells with the New York State Department of Environmental Conservation (NYSDEC). Further, Arlington states that it holds the mineral leasehold interests in the Thomas Corners Field property, as well as 75 percent of the gas storage rights, and is the operator of the field. Arlington notes that its existing leasehold and storage rights give it the right to conduct the test well drilling and related activities.

7. Arlington asserts that it will drill and operate the wells in compliance with the applicable requirements of the NYSDEC. Arlington also states that it will comply with the applicable provisions of section 157.206(b) of the Commission's regulations. Arlington indicates that it will file copies of each environmental clearance and well drilling permit with the Commission as soon as practicable following receipt.

8. If necessary, Arlington states that it will plug and abandon the test wells in accordance with the rules and regulations of the NYSDEC. Also, if it seeks to make use of the test wells as components of the planned storage facility, Arlington states that it will first obtain any required state permits and approvals, as well as any certificate or exemption required under section 7 of the NGA.

## **II. Notice and Intervention**

9. Notice of Arlington's application was published in the *Federal Register* on January 31, 2008 (73 Fed. Reg. 5,830). No motions to intervene, protests, or notices of intervention were filed.

## **III. Discussion**

10. Arlington'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, the Thomas Corners Field may be developed for the storage of natural gas in interstate commerce. Thus, we 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 section 7(c)(1)(A) of the NGA. However, under 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 a natural gas company, or on the public as a whole.<sup>2</sup>

11. Arlington's proposed exploratory activities are temporary and will be conducted to determine the feasibility of developing a natural gas storage facility in the Thomas Corners Field. 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.

12. Under the circumstances described above and in Arlington's petition, we find that the proposed activities constitute temporary acts or operations within the meaning of section 7(c)(1)(B). We also find that it is in the public interest to exempt the proposed activities from the certificate and abandonment requirements of section 7. Further, the proposed activities are necessary in order for Arlington to make an informed business and engineering decision regarding the feasibility of developing a storage facility, which would allow Arlington to better serve the growing gas demand needs in the region.

13. For these reasons, we will exempt Arlington from the certificate and abandonment requirements of section 7 as to the activities specified herein, subject to the conditions set forth below. The certificate exemption granted here is without prejudice to any decision we may make regarding any application Arlington may file for authorization for a storage project at the site or related pipeline construction.

14. As proposed in its petition and consistent with Commission practice,<sup>3</sup> we will condition Arlington's authorization 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>4</sup> Arlington's proposed testing activities are similar to activities permitted under a Part 157 blanket certificate and section 157.206(b) sets forth standard conditions

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<sup>2</sup> See, e.g., *Chestnut Ridge Storage, LLC*, 121 FERC ¶ 61,022 (2007); *Leaf River Energy Center LLC (Leaf River)*, 120 FERC ¶ 61,168 (2007); and *Southeast Storage Development Co., L.L.C.*, 117 FERC ¶ 61,012 (2006).

<sup>3</sup> See, e.g., *Leaf River*, 120 FERC ¶ 61,168, at P 13 (2007) and *Central New York Oil and Gas Co., LLC*, 89 FERC ¶ 61,006, at 61,030 (1999).

<sup>4</sup> 18 C.F.R. § 157.206(b) (2007).

to protect the environment when activities are undertaken under a Part 157 blanket certificate. Requiring Arlington 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), Arlington 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 Arlington'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) Arlington shall notify the Commission within 10 days after commencing activities under the exemption granted in Ordering Paragraph (A). Arlington shall allow inspection by Commission staff at any time.

(C) Arlington 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 Arlington's 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.