

121 FERC ¶ 61,022
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.

Chestnut Ridge Storage LLC

Docket No. CP07-439-000

ORDER GRANTING EXEMPTION
FOR TEMPORARY ACTS AND OPERATIONS

(Issued October 5, 2007)

1. On August 24, 2007, Chestnut Ridge Storage LLC (Chestnut Ridge) filed a petition, as supplemented on September 17, 2007,¹ pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure² and section 7(c)(1)(B) of the Natural Gas Act (NGA)³ for exemption from certificate requirements to drill two stratigraphic test wells and perform other activities to determine the feasibility of developing a natural gas storage project in the West Summit Gas Field in Fayette County, Pennsylvania, and Preston and Monongalia Counties, West Virginia. The purpose of the test wells is to provide Chestnut Ridge with data to optimize the design of its proposed Junction Natural Gas Storage Facility.
2. We find that it is in the public interest to grant Chestnut Ridge's requested exemption for the proposed activities, subject to the conditions herein, to facilitate the feasibility of the Junction Natural Gas Storage Facility.

¹ In its August 24, 2007 filing, Chestnut Ridge proposed to drill up to six test wells. The September 17, 2007 supplemental filing reduced the number to two. Chestnut Ridge states that depending on its initial test results, it may file for an exemption to drill additional test wells.

² 18 C.F.R. § 385.207 (2007).

³ 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."

Proposed Activities

3. Chestnut Ridge seeks an exemption from NGA section 7(c)(1)(B) certificate requirements to drill two test wells and explore, assess and confirm the technical and economic feasibility of developing a proposed natural gas storage project in the West Summit Gas Field, which is still producing but is nearly depleted. Chestnut Ridge states that the proposed operations are a necessary preliminary phase in the development of the storage facility. Chestnut Ridge is not a “natural gas company” within the meaning of section 2(6) of the NGA and holds no section 7 certificates. Chestnut Ridge is a limited liability company organized and existing under the laws of the State of Delaware and is owned by three members: eCORP, LLC, Tenaska West Summit, LLC and TPF West Summit, LLC, all Delaware limited liability companies.

4. Chestnut Ridge plans to drill two test wells, collect and analyze core samples, conduct well bore examinations, and perform pressure tests in the West Summit Gas Field. It states that each test well will almost certainly involve the drilling of both a vertical section and a lateral that deviates from the vertical well bore. It proposes to drill the two test wells at the locations of two existing natural gas producing wells known as the Carbon Fuels #1 Well and the Martin Marietta #2 Well. Each test well location will occupy a radius of about 200 feet. Also, Chestnut Ridge proposes to drill the test wells from a previously disturbed area at a location adjacent to the existing wells. Chestnut Ridge hopes that the proposed test wells will produce data useful in determining the extent and orientation of any fault systems and in planning the locations of subsequent wells within its existing leasehold interests. It plans to use the information gained from these test wells to determine the optimal locations for drilling up to four additional test wells.

5. Chestnut Ridge states that the new wells are necessary because there is limited data relating to the West Summit Gas Field (production history and some 2-D seismic data, with little contemporaneous pressure data or other production data) and that the available information does not definitively identify the productive intervals or provide any indications as to the likely orientation of fracture networks. Nor do the available data provide a basis for precisely defining the northern and southern boundaries of the field.

6. Chestnut Ridge states that it has filed applications requesting authorization to drill Test Wells 1 and 2 with the Pennsylvania Department of Environmental Protection (Pennsylvania DEP) and the West Virginia Department of Environmental Protection (West Virginia DEP), respectively. Furthermore, Chestnut Ridge states that it has acquired the majority of the property rights needed to develop a natural gas storage facility in the West Summit Field. Chestnut Ridge has purchased leasehold interests in the property upon which it will drill its proposed stratigraphic test wells and is now the operator of the field. Chestnut Ridge notes that its existing leasehold interests and storage rights give it the right to conduct the test well drilling and related activities.

7. Chestnut Ridge states that it will drill and operate the wells in compliance with the applicable requirements of the Pennsylvania DEP, the West Virginia DEP, and all other applicable state requirements. Chestnut Ridge also states that it will comply with the applicable provisions of section 157.206(b) of the Commission's regulations. Chestnut Ridge 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 the outcome of the test well drilling suggests that either of the proposed locations is not desirable, Chestnut Ridge will plug and abandon the related wells in accordance with the rules and regulations of the Pennsylvania DEP, the West Virginia DEP, and all other applicable state requirements, and restore the areas disturbed by drilling activities to their preexisting condition. If Chestnut Ridge seeks to make use of the test wells as components of the planned Junction Storage facility, it 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.

9. Chestnut Ridge emphasizes that the proposed test wells will be used to verify the West Summit Gas Field's reservoir characteristics (including the reservoir boundaries), to map the reservoirs accurately for optimum placement of the storage wells, and to provide data to model accurately the storage potential of the field's reservoirs. Chestnut Ridge affirms that no gas storage or transportation service will be rendered in connection with this temporary activity, and that it will bear the full costs of the activities described above. Chestnut Ridge submits that this temporary activity will have no effect on the public in general.

Notice and Intervention

10. Notice of Chestnut Ridge's application was issued on August 28, 2007 and published in the *Federal Register* on September 6, 2007.⁴ No motions to intervene, protests or comments were filed.

Discussion

11. Chestnut Ridge'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 West Summit Gas Field 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 requirement that would otherwise apply, if we find that such an exemption is

⁴ 72 Fed. Reg. 51220.

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.⁵

12. Chestnut Ridge 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 West Summit Gas 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.

13. Under the circumstances described in Chestnut Ridge'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 in order for Chestnut Ridge to make an informed business and engineering decision regarding the feasibility of developing a storage facility, which would allow Chestnut Ridge to better serve the growing gas demand needs in the region.

14. In view of the above, we will exempt Chestnut Ridge from the certificate requirements of NGA section 7 as to the activities specified herein, subject to the conditions set forth below.⁶ The certificate exemption granted herein is without prejudice to any decision the Commission may make regarding any application Chestnut Ridge may file for authorization for a storage project at the site or related pipeline construction.

15. As proposed by Chestnut Ridge in its petition and consistent with Commission practice,⁷ 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.⁸ Chestnut Ridge's proposed testing activities are similar to

⁵ See, e.g., *Leaf River Energy Center LLC*, 120 FERC ¶ 61,168 (2007); *Southeast Storage Development Co., L.L.C.*, 117 FERC ¶ 61,012 (2006); *Desert Crossing Gas Storage and Transportation System LLC*, 98 FERC ¶ 61,277 (2002); and *Copper Eagle Gas Storage L.L.C.*, 97 FERC ¶ 62,193 (2001).

⁶ The requested pre-granted abandonment authority is not necessary since no jurisdictional facility or service will be constructed or provided pursuant to this order.

⁷ See, e.g., *Leaf River Energy Center LLC*, 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).

⁸ 18 C.F.R. § 157.206(b) (2007).

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 Chestnut Ridge 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), Chestnut Ridge 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 Chestnut Ridge'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) Chestnut Ridge shall notify the Commission within 10 days after commencing activities under the exemption granted in Ordering Paragraph (A). Chestnut Ridge shall allow inspection by Commission staff at any time.

(C) Chestnut Ridge 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)

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary.