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FERC MEETING

Docket No. CP08-8

Leaf River Energy Center LLC's Storage Project

Public Hearing

Tuesday, 7:00 p.m. CDT

January 29, 2008

Heidelberg Multi Purpose Building

114 West Park Street

Heidelberg, Mississippi

REPORTED BY:

Harvey J. Rayborn, CSR #1274

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APPEARANCES:

Bob Kopka
FERC - Project Manger
Brad Oliver
Geof Storey
Leaf River
Rachel Pappworth
Alison Doyle
Sound Environmental Solutions, Inc.
Jim Lawn
Jill Kinnard
ABL Land Services Inc.
Rick Walker
Hatch Mott MacDonald
The Public

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ATTACHMENTS

(No Attachments Admitted.)

1 P-R-O-C-E-E-D-I-N-G-S

2 MR. KOPKA: Good evening and welcome to
3 the public scoping meeting for Leaf River Energy
4 Center LLC's Storage Project, filed under Docket
5 Number CP08-8.

6 My name is Bob Kopka, and I am an
7 Environmental Project Manager with the Federal
8 Energy Regulatory Commission, or FERC.

9 Let the record show that the public
10 scoping meeting be at 7:12 p.m. on January 29, 2008,
11 in Heidelberg, Mississippi.

12 As it says in the Notice of Intent for
13 this project, the Commission is preparing an
14 Environmental Assessment, or EA, for the proposed
15 Storage project. We are here tonight to learn from
16 you. The purpose of this meeting is to give you an
17 opportunity to comment on the environmental issues
18 that you think we should consider in the EA. The
19 more specific your comments are, the more helpful
20 they well be in our environmental analysis.

21 As you can see, the meeting is being
22 recorded by a court reporter so that we can have an
23 accurate record of tonight's comments. A transcript
24 of this meeting will be placed in FERC's public
25 record. If you are interested in receiving a copy
26

1 of the transcript directly, for a fee, please see
2 the court reporter after the meeting to make
3 arrangements.

4 To help the court reporter produce an
5 accurate record of this meeting, I ask that you
6 please follow some ground rules. I will ask you
7 to -- well, we don't have a podium so please stand
8 up and speak loudly, introduce yourself and, if
9 appropriate, the agency or group you are
10 representing. Please spell your name, define any
11 acronyms you may use and speak one at a time.

12 Following the formal segment of tonight's
13 meeting, there will be an informal opportunity to
14 ask questions either of myself or the
15 representatives from Leaf River who are here
16 tonight.

17 Could those people from Leaf River, could
18 they please either stand up or raise their hand.

19 (Leaf River representatives respond.)

20 MR. KOPKA: Okay. I'll start out tonight
21 by briefly explaining the FERC application process.
22 Then Geof Storey from Leaf River will present an
23 overview of its project. Following Leaf River's
24 presentation, we will hear from those of you who
25 have signed up to speak and would like to make

26

1 formal comments on the project. If you do not want
2 to speak tonight, you can also send a letter to the
3 Commission addressing your specific concerns.

4 The Notice of Intent on page four, which
5 most of you should have received in the mail,
6 explain how you can mail comments or provide
7 comments through the FERC website. And if you have
8 not received one and are interested in a copy of the
9 Notice of Intent, I have a few copies with me so see
10 me after the meeting. There is also a form on the
11 back table where you can write your comments and
12 give them to me tonight or mail them in by following
13 the instructions on the sheet. The official comment
14 period in the notice is over. So if you are going
15 to mail in comments, please do so quickly, or
16 provide them through the website.

17 Now I will explain the FERC approval
18 process. The FERC is an independent federal agency
19 that, among other things, regulates the interstate
20 transmission of natural gas. In doing so, FERC
21 reviews proposals and authorizes construction of
22 interstate natural gas pipelines, storage
23 facilities, and liquefied natural gas terminals.
24 One of the Commission's purposes is to protect
25 energy customers and the public ensuring that

26

1 regulated energy companies are acting within the
2 law.

3 The FERC is located in Washington, DC.
4 It has five commissioners who are appointed by the
5 President and confirmed by the Senate.
6 Commissioners serve five-year terms, and each have
7 an equal vote on regulatory matters. One member of
8 the Commission is designated by the President to
9 serve as Chair and FERC's administrative head, who
10 currently is Joseph Kelliher. Commission staff,
11 which includes myself, prepares technical
12 information to assist the Commissioners in making
13 their decision.

14 When a company wants to build a storage or
15 pipeline facility to transport and sell natural gas
16 in interstate commerce, the company files an
17 application with the Commission. A formal
18 application from Leaf River was filed with FERC back
19 in October 2007.

20 Under the National Environmental Policy
21 Act, or NEPA, the Commission is required to perform
22 an environmental analysis of the plant project's
23 potential effects on the environment. The FERC is
24 the lead federal agency responsible for NEPA review
25 of the Storage Facility Project, and the lead
26

1 federal agency in preparation of the EA.

2 We are here tonight to get your input on
3 issues that you feel need to be analyzed in the
4 environmental assessment. Your comments, along with
5 those of interested groups and agencies, will help
6 focus our analysis on significant impact. The
7 Commission will make its decision about whether to
8 approve the storage project after considering the
9 project's environmental and economic impacts.

10 I would like to emphasize that the EA is
11 not a decision document; it is being prepared to
12 advise the Commission and to disclose to the public
13 the environmental impact of constructing and
14 operating a proposed project. When it is completed,
15 the Commission will consider the environmental
16 information from the EA along with non-environmental
17 issues such as engineering, marketing and rates, in
18 making its decision to approve or deny a certificate
19 of public convenience and necessity, which would be
20 FERC's authorization for the project.

21 There is no review of FERC decisions by
22 the President or Congress which maintain FERC's
23 independence agency as regulatory agency and
24 provides for fair and unbiased decisions. If the
25 Commission votes to approve the project, and a

26

1 Certificate of Public Convenience and Necessity is
2 issued, Leaf River would be required to meet any
3 conditions attached to the FERC certificate.

4 FERC's environmental staff would monitor
5 the project through construction and restoration
6 performing on site inspections to ensure
7 environmental compliance with conditions of the
8 FERC certificate.

9 If you have any additional questions about
10 FERC, I'd encourage you to talk with me after the
11 meeting or visit the Commission's web page at
12 www.ferc.gov.

13 The notice for this meeting was mailed to
14 affected landowners, federal, state and local
15 agencies, elected officials and other public
16 interest groups. To remain on the mailing list for
17 the project, you will either need to return the
18 information request in Appendix 3 of the Notice,
19 sign the mailing list sheet in the back of the room,
20 or provide written comments.

21 At this point, does anyone have any
22 questions about our EA process or tonight's program.

23 (No responses.)

24 MR. KOPKA: No. Okay. Now I would like
25 it introduce Geof Storey with Leaf River to briefly

26

1 describe the project.

2 MR. STOREY: My name is Geof Storey.
3 I'm the Executive Vice President of Leaf River
4 Energy Center. Leaf River Energy Center is a
5 wholly-owned company of NGS. Sometimes you'll hear
6 the name Leaf River. Sometimes you might hear NGS.
7 NGS is our parent company, like the name stands for
8 the Natural Gas Storage.

9 NGS is in the business of developing and
10 operating natural gas storage facilities. We
11 actually have a project in Texas that is under
12 construction right now. We have another project in
13 Colorado, and we have this project in Mississippi,
14 Leaf River.

15 What are the elements or what is this
16 project about? Natural gas is typically stored
17 underground. It's usually stored either in old oil
18 or gas fields or reservoirs that have become
19 depleted and are no longer producing oil and gas, or
20 it can also be stored in what's called salt domes.
21 That's what Leaf River is. It's a salt dome storage
22 project which basically means, if you picture like
23 the lava lamp, salt comes from under the earth and
24 creates these very large domes, a mile, two miles
25 wide. What we are proposing to do is actually drill
26

1 into the salt down about a mile underground and we
2 inject water into the salt and dissolve the salt.
3 That salt water is then pulled out of the ground,
4 piped away and disposed back under the ground
5 somewhere away from the salt. What's left then is a
6 hole in the salt about a mile underground, and
7 that's essentially what we'll be storing natural gas
8 in.

9 Some of the other elements of the protect
10 is, we have to build what many landowners call a
11 pumping station or a compressor station to actually
12 push the gas down into the ground. That compressor
13 station is very close to the salt dome closer to
14 Stringer, Mississippi, in Smith County.

15 And then the final element of the project
16 is, we build a pipeline system, which is probably
17 why most people are here, we build a pipeline system
18 to connect the storage facility to other pipelines
19 in the area. So our pipeline system is two 24-inch
20 pipelines that run north from Stringer just south
21 Bay Springs. And at that point at Bay Springs, our
22 pipeline runs east and west.

23 What we propose to do is to put that
24 pipeline next to an existing pipeline that's
25 actually under construction right now, which many of
26

1 you may be very familiar with the Gulf South
2 pipeline. So what we're proposing is to construct
3 our pipeline immediately adjacent to the Gulf South
4 pipeline. Our easements would essentially probably,
5 in most cases, be where Gulf South has temporary
6 easements for their construction. So our easement
7 would be immediately adjacent to the Gulf South
8 easement in most cases, not in all cases.

9 So that pipeline is -- that whole pipeline
10 systems is a 44-mile pipeline system, and then we
11 interconnect with other pipeline systems. We
12 interconnect with the Southern Natural Pipeline
13 system, the Gulf South system, the Tennessee system,
14 the Transco system, and the Destin system. In a
15 nutshell, that's essentially what we're proposing.

16 MR. KOPKA: Thank you, Geof. If you are
17 unsure if or how the proposed project may affect
18 your property, I'd encourage you to look at the maps
19 and other materials that Leaf River has brought with
20 them tonight after the meeting.

21 Now we begin the hear from those of you
22 who have signed up to present formal comments. For
23 the court reporter's benefit again, please introduce
24 yourself, spell your name and, if appropriate, the
25 agency or group you are representing.

26

1 If you have concerns that are specific to
2 your property, I urge you to either tell us about it
3 on the record tonight or send in written comments to
4 the Commission.

5 Let me go get the speaker list and I'll
6 call the first speaker.

7 Okay. Our first speaker will be Henry
8 Thompson.

9 HENRY THOMPSON: Henry E. Thompson.
10 I live at 2314 North Fifth Avenue, Laurel,
11 Mississippi. I have land in Section 18, Township 1,
12 Range 12 East of Jasper County.

13 I have several comments I'd like to make
14 briefly. I won't try to go through them fast, and
15 some of them will be addressed to the fellow
16 officials and the others will be addressed to the
17 officials of Pine Belt -- the other group.

18 What I'd like to know first is: How many
19 gas lines you can put in an area 120 feet wide in
20 the state of Mississippi?

21 I don't know whether you have that
22 available to you now, but that question needs to be
23 answered. As the present right now stands, there's
24 one other pipeline already in on the north side of
25 this -- the lines that Gulf South is building now,
26

1 that is across -- there's a 12-inch line going down.
2 They have 33 feet of permanent right of way.

3 I will -- I will drop that phase now, but
4 I want to bring out some different questions, some
5 different ones. In the past three years there have
6 been over three gas lines blow up and several people
7 have died in the year of 2007 in our area. So
8 that's why I'm concerned about these different --
9 that amount of gas pipelines. How many can you have
10 in a specific area?

11 Some of the landowners have complained in
12 regard to a Corp of Engineer item that states to the
13 pipeline people that within 24 hours after they go
14 through a -- moving water, a creek or a main branch
15 that stays continuously flowing, that that branch or
16 creek is opened back up. Now, I also understand
17 that that really is when they start to put the
18 pipeline in, physical pipe. But right now they've
19 got water backed up several places in the area that
20 they are working right now.

21 Also in our area there, as you come out of
22 the bottom from Tallahala Creek, there's a real
23 steep bank that slopes back to the east. My
24 question is: Environmentally, what do you plan Leaf
25 River to do on your portion of that land to stop
26

1 that erosion once you put that pipeline down in the
2 ground?

3 Now, granted Gulf South has taken about a
4 year-and-a-half to do what they have done. That is
5 from the time they had the town meeting here in '06
6 till they started clearing land and right now
7 they've just about got the land clear. They have
8 not started any digging yet, and it may be even the
9 middle of the summer before they do that
10 I understand.

11 Now word is out to some of the different
12 property owners is this: That Leaf River said it
13 will follow the corridor that will be occupied by
14 Gulf South Pipeline Company. Southeast Expansion
15 Project then will be parallel that the prospect --
16 prospects 42-inch pipeline.

17 My question to you, sir, is: Do you plan
18 to put your pipeline on their 120 feet or do you
19 plan to get easements and buy land from the property
20 owner? That's a question I think needs to be
21 answered by you tonight, and I think each one of us
22 here wants answers just what is going on? Because
23 Gulf South knew when they had that meeting in '06
24 that these people were going to form too, and all of
25 this has been in the works for a good many years.

26

1 They did not mention one word to any property owner
2 here that night about another line put on their
3 land. Right in their deed it specifically states
4 that they alone are the ones that can put another
5 line on their right of way, not some other assignee.

6 They got the word there "assignee", but
7 they emphasize that they alone are the only company
8 can put it on their 120-foot of permanent right of a
9 way. They started out wanting 50-foot right of way.
10 Then they changed it to a hundred and they wound up
11 with 120 feet.

12 So I say to you and for the record tonight
13 I believe Gulf South deceived the property owners in
14 their meeting that was held here in '06 when they
15 also had to sign the papers giving them property,
16 the ownership of the property. They deceived us on
17 what was going on, and I think something needs to be
18 done about it. Thank you.

19 MR. KOPKA: Thank you. Our next speaker
20 is Gordan Pennington.

21 GORDAN PENNINGTON: What I'll do to make
22 this easy is give you a card. That way I don't have
23 to spell my name for you, if that's okay. Can
24 I just leave that with you?

25 Hi. I'm Gordan Pennington, and
26

1 I apologize to all of you who came here tonight with
2 interest in the pipeline right of way because I'm
3 not going to talk about the pipe line right of way
4 at all.

5 I am here representing Bean Industries.
6 Bean Industries is a long-time oil and gas operator
7 here in the state of Mississippi. And what I want
8 to talk about is the part of the project that is
9 really the only reason this project is occurring in
10 the first place, and that is the salt dome that's
11 called the New Home Salt Dome in Smith County,
12 Mississippi.

13 Bean Industries has a lease hold position
14 at the New Home Salt Dome of 339 acres. That lease
15 hold position was acquired for the purpose of
16 developing salt caverns which could be used for
17 natural storage. Bean is experienced in this
18 business, has developed projects in the past here in
19 Mississippi. They just got through developing a
20 project in Simpson County, Mississippi, which is
21 under construction.

22 We have intervened formally in this
23 proceeding. And as far as I know, there's no
24 opposition from Leaf River to our intervention in
25 the proceeding.

26

1 We have filed comments expressing some
2 very serious concerns that we have about the
3 possibility of the project interfering with the
4 development of our lease hold interest at the New
5 Home Dome. The reasons for that are that, first of
6 all, we haven't really been able to find any county
7 land records in Smith County, any leases or other
8 documents that would indicate the positions that
9 Leaf River is planning to develop with the caverns
10 at the New Home Dome. We're concerned about that.
11 We spoke briefly with the representatives here
12 tonight from Leaf River and they indicated to us
13 that there was an intention to file something.
14 We're waiting to see that. We would like to see
15 exactly what is filed in the courthouse so that we
16 can know exactly where their interests are and how
17 they impact the lease hold that we currently hold.
18 So that's one concern we're still waiting on, more
19 information.

20 We have a second concern and that is in
21 order to develop these salt caverns. It's necessary
22 to file with the Mississippi Oil and Gas Board for
23 permits to drill the cavern wells and to create a
24 gas storage field. These are applications which are
25 required by Mississippi law and the Mississippi Oil
26

1 and Gas Board would use a very detailed filing which
2 has to be made in order for you to drill these
3 caverns and create these storage fields.

4 The filing that was made by Leaf River on
5 the first two caverns that they wanted to drill
6 included in it a request to unities production and
7 development of the entire New Home Dome, including
8 our lease hold position which would have prevented
9 us from developing that lease hold. Once we
10 realized that that had occurred, we immediately went
11 to the Mississippi Oil and Gas Board and filed an
12 objection. We also at that point, because we had
13 never really been notified about the project up
14 until that time, we went to FERC. That's when we
15 intervened in a FERC proceeding and we're delighted
16 that FERC is here holding this meeting so that we
17 can express our views again for FERC in terms of our
18 concern about the project.

19 Once we protested the filing at the oil
20 and gas board and filed our concerns with FERC about
21 the development of the caverns, the -- what -- what
22 occurred after that is that Leaf River filed another
23 paper at FERC, indicated that their petition to the
24 oil and gas board was in error and that they were
25 going to withdraw it. And so our understanding is

26

1 that that original request unities the development
2 of the new home dome has been withdrawn and that an
3 amended application will be or has been already
4 filed. It's possible that it was filed last week,
5 but we have not seen that yet.

6 We will be looking very closely at the
7 amended application at the oil and gas board to see
8 exactly what they are planning on doing because we
9 continue to remain concerned about how this project
10 is going to impact our land rights at new home dome
11 and our ability to develop salt caverns there as
12 well, which is what our intention is. So we're
13 still waiting for all of that information.

14 Our position to FERC, and it remains the
15 same tonight, is that we do not believe that FERC
16 should expedite the approval of this project in any
17 way until these issues are clarified and we can
18 finally determine exactly where Leaf River has
19 property rights to develop the caverns that it wants
20 to develop, those are properly recorded. We can see
21 exactly what the legal descriptions are for those
22 property rights, and we can actually get a plat that
23 has been surveyed properly and will show exactly
24 where the cavern development is going to occur and
25 how exactly that will impact us. And

26

1 I think it's important that we have all of that on
2 the public record. We would urge FERC to not speed
3 up any kind of review until we have all of that on
4 the public record and we can see exactly what's
5 going on at the new home dome.

6 We also would recommend to FERC that they
7 not expedite the approval of this project until such
8 time as the Mississippi Oil and Gas Board has
9 properly reviewed the applications that -- at that
10 agency that would allow the development of caverns
11 in the first place. Because, frankly, the project
12 won't happen if the caverns can't be developed. So
13 our view is that until the Mississippi Oil and Gas
14 Board has a chance to look at those applications can
15 see exactly what's being planned can determine
16 whether the caverns should be developed in the first
17 place, then there's really no reason to go forward
18 with all the other review of the project. So we
19 would urge FERC to wait and not expedite approval
20 until all of this is fully clarified.

21 We have asked for and we still would like
22 to see all of this detailed information about
23 exactly where the land positions are that Leaf River
24 is proposing to develop, and to see all of that
25 properly recorded in the courthouse, and have maps
26

1 that have been properly surveyed so we can see
2 exactly what they're planning on doing and how
3 that's going to impact our lease hold interest. So
4 I would urge FERC to make sure that that information
5 is provided and made available to us. I would urge
6 Leaf River to make it available to us as well.

7 Finally, I would just make one additional
8 comment. We're here because we want to talk about
9 environmental issues. We want to make sure that
10 this project is -- goes forward in a way that is
11 environmentally sound, and natural resources are
12 something that we have to protect. They're very
13 important. They're very important to all of us,
14 particularly those of you who live here in the local
15 area, and so we want to make sure that what is done
16 conserves and protects the environment. So what we
17 would suggest to FERC is that if, in fact, all of
18 these other issues are clarified and everything is
19 proper and above board in terms of what is going to
20 happen here on this cavern development, we would
21 suggest to FERC that because we, in fact, also are
22 interested in cavern development and we'll put
23 ourselves through all of the same procedures that
24 the oil and gas board in terms of getting permits,
25 to develop our own caverns. We've already started

26

1 that process.

2 We have one existing permit for a
3 stratigraphic well on the lease hold interest that
4 we control, and we would go forward with additional
5 applications to the oil and gas board to develop
6 cavern sites on our property. And what we would
7 suggest to FERC is that we should work out something
8 where we can jointly use the above ground facilities
9 and rights of way that would be developed in this
10 project so that we don't have to impose any kind of
11 undue burden on landowners or the local community so
12 that necessary above ground facilities, pipelines
13 and other facilities that we would need for our own
14 cavern development could, in fact, be shared in some
15 fashion, and we believe that would be the most
16 environmentally friendly way to fully develop the
17 resource at the new home dome without imposing an
18 unreasonable burden upon the local community.

19 So with that said, we very much appreciate
20 FERC coming down here. These meetings are
21 important, and we especially appreciate the
22 opportunity to come here and express our views and
23 look forward to the remainder. Thank you.

24 MR. KOPKA: Thank you. Our next speaker
25 is Phil Balaski.

26

1 PHIL BALASKI: My first comment is, I
2 would like to congratulate Mr. Thompson coming
3 around 180-degrees from a year-and-a-half ago on his
4 stance regarding the pipeline issue.

5 One of the things that everybody -- every
6 landowner here has learned from this, and if you
7 haven't you've either had your head buried in the
8 sand or you've been gone to Alaska or somewhere, is
9 what is called in this industry the corridor effect
10 of these pipelines, where one line goes through and
11 gets approved by FERC environmentally, et cetera,
12 et cetera, et cetera. That is a wide open flag for
13 every other pipeline company that this is a good
14 place to go through, it's going to meet FERC
15 requirements, et cetera, et cetera, et cetera; let's
16 jump on the bandwagon and let's put us one through
17 there, okay.

18 And I learned about this the hard way.
19 I am -- my name is Phil Balaski, P-H-I-L
20 B-A-L-A-S-K-I, and I live outside of Heidelberg, and
21 I'm a landowner.

22 I too entered into negotiations with
23 Gulf South, and was not aware of this effect and
24 thought that I was protecting myself by negotiating
25 into the contract this limitation of one line.

26

1 Well, obviously, I was duped and deceived, and I was
2 made aware of that pretty well by brother who warned
3 me over a year ago that this very thing would
4 happen. Now we have this entity coming through.

5 The question is: How many other entities
6 are out there who share the same interests and are
7 going to keep laying pipelines side by side through
8 "corridor" so they can all get to Alabama where they
9 can get a little more money and ship their gas to
10 Florida and the northeast.

11 The best protection of the environment is
12 to leave it alone, and that can be done. There is
13 no necessity for this line in "reality" to go to
14 this Alabama location. If you have a map of this
15 thing, you can see that the Gulf South line, as well
16 as the Transco or Williams line, from the compressor
17 station, really, as the crow flies, is a very short
18 distance. It's not 44 miles. It's probably six to
19 eight in one direction and maybe four in the other;
20 and, yet, we're going to be disturbed. We're going
21 to give up more of our land. I don't have cattle.
22 I'm in the timber business, okay, and timber just
23 don't eat grass, and I can't do anything to my land
24 but drive across it and put a deer stand up on it,
25 okay.

26

1 With these three entities, Crosstex's,
2 this group and Gulf South, they're going to end up
3 taking permanently approximately 20 acres of my land
4 out of production of timber, and who knows who else
5 is out there.

6 The point being is somebody really needs
7 to look at, very carefully before they go disrupting
8 the environment, the difference between need,
9 convenience and greed. I'll just put it like that.
10 We'll just get right down to it. This is a
11 convenience line for a business interest and it
12 really, I can go through, I have 10 things that I
13 could tell you off of this list, of why this really
14 is not a matter of public necessity. If it's
15 necessary, that means it's necessary, that people
16 are doing without something that they really need.
17 Nobody in Florida and nobody in the northeast is
18 going without gas, okay. The lines that are
19 presently here, and particularly now with Gulf South
20 joining in this thing, they have adequate capacity
21 to pump the gas that's needed for these areas. The
22 reserves are proved to be in the Gulf of Mexico and
23 in the wells of the south Louisiana, Texas, and
24 Mississippi in the Gulf, their reserves are fast
25 dwindling. They're not growing. They're
26

1 dwindling. And there's not some unlimited supply of
2 gas out there that all of a sudden has to be pumped
3 to somewhere. There's only so much. And we need
4 to, I think, ask FERC to help us. This is the only
5 avenue that we as private landowners, most of us are
6 relatively small landowners, just individuals, have
7 to really voice an opinion and have any hope of
8 being heard and getting some help and get out from
9 under this eminent domain gun that sticks at our
10 head every time a pipeline wants -- gets a desire to
11 go across our land, you know.

12 Is it absolutely necessary? Is there
13 another way to do it where less land is disturbed?
14 Do we have to have these corridors going in?

15 I don't know -- I guess everybody, most of
16 you in here probably already have Gulf South already
17 done a right of way clearing on your land. And if
18 you're like me, you just want to sit up at the top
19 of the hill and cry. That's all I can tell you.
20 The land may not mean a lot to some people, but to
21 me, it means a lot. I've invested in it, many of
22 you have. We've developed our land. The deed says
23 it belongs to us and yet we're here at the mercy of
24 an eminent domain thing that's being used as a guise
25 for convenience and not necessity. Leave the
26

1 environment alone. Let it be. Let it stay. If it
2 has to be disrupted, disrupt it in the shortest
3 amount of distance possible. That is my plea to
4 FERC.

5 MR. KOPKA: Thank you. Our next speaker
6 is Tim Balaski.

7 MR. TIM BALASKI: My name is Tim Balaski.
8 I'm a brother to Bill. I live in Fresno, Texas.
9 I've been in the natural gas and oil business for 28
10 years. The good portion of that time period I've
11 worked for and been a part of and managed quite a
12 few pipelines. My brother and I got intimately
13 acquainted again in what's going on in my world as
14 we had a pipeline cross his with Gulf South. And
15 I sat down after several conversations he had on his
16 own with that pipeline and helped him negotiate the
17 best transaction we had based upon the
18 circumstances.

19 Mr. Long is here today. He will know and
20 has stated and can state that we adamantly did not
21 want that pipeline to come across the property. It
22 wasn't a matter of money. It was preserving and
23 reserving that property as it stood, as the property
24 that he purchased back in 1984, and it was the type
25 of property that he wanted to see for his children
26

1 to have going on. And we understood that there was
2 a -- one power line coming across, and then we had
3 Crosstex's lines, which was owned by a previous
4 owner at that time.

5 Throughout all of this process, we've
6 looked at and he's stated earlier, I would state
7 that he did a very good job in adequately stating
8 what I do not need to repeat. But, obviously, from
9 where this pipeline is going, what I will say
10 tonight is that this is a pipeline project from the
11 salt dome location that is not of need or necessity.

12 There is duplications of effort that is
13 occurring based upon what is being laid out here.
14 And the way that they structured it, it is truly in
15 a price arbitrage scenario where the particular
16 entity is looking to achieve his value. It is not a
17 requirement of any northeast customer or any
18 southern customer that would predicate the need of
19 this. Storage facilities are there for the
20 operational flexibility of the pipelines to meet a
21 critical component or issue that is occurring on
22 that pipeline.

23 This particular asset is not trying to
24 identify directly with one entity and provide that
25 service. They're trying to provide multiple. I

26

1 have not seen the information but would like to see
2 who has currently signed the proceeding agreements
3 with them. How many of those entities are truly
4 physical customers and how many of them are just
5 price arbitrators who are out there looking to
6 arbitrage the value in between the differences and
7 bases that is associated in this industry from
8 location X to location Y.

9 Ultimately, they need to make money. But
10 in doing so they need to apply that trade in the
11 open fair market and go fully at risk. With the
12 landowners here today, those people need to be able
13 to sit down and negotiate fairly with them, straight
14 up without some type of consequence coming in to
15 where they will be forced into a situation of
16 eminent domain.

17 Underneath this guise what I would like to
18 see them do is try to look at this project from a
19 convenience standpoint, one that I think probably
20 can be achieved. Gulf South is already coming
21 through with their pipeline. We know that that is
22 there. When Gulf South started their process and
23 project probably two-and-a-half years ago, they were
24 looking for entities to sign up for capacity on
25 their line. They need to have a certain qualifying
26

1 amount to be able to meet the qualifiers to be able
2 to go before FERC. They had to achieve that at high
3 cost working with those guys in negotiating. This
4 particular company could do the same today still and
5 have Gulf South still utilize that same pipeline
6 that they are bringing through if they're trying to
7 find the value associated. The difference is it
8 will be the marketing and traders or the actual
9 customers that will be negotiating for the pipeline
10 capacity, not them, looking to arbitrage.

11 The question I would ask here: Is Leaf
12 River looking to hold and maintain upstream capacity
13 to be able to try to go and connect and bring
14 resource value within the state of Mississippi, into
15 this locale producers and provide them services, or
16 are they looking to strictly just have other
17 entities bring that production to their location,
18 not that these individuals would never take title
19 unless they have to purchase their own base gas to
20 hold into the storage, but then transfer that across
21 and just be a fee service? If so, then they can
22 accomplish that by using the infrastructure that
23 will exist at the time that they're prepared to move
24 forward with their project.

25 If they're looking to hold capacity on the
26

1 downstream pipeline and carry that risk just as the
2 marketing trading entities do, then that would be of
3 a separate issue. But still in that same regard
4 they themselves can go out and acquire that capacity
5 without having to duplicate existing capacity.
6 There's not a need or a necessity associated with
7 it.

8 Gulf South would gladly have another
9 entity come to them to buy long-term capacity inside
10 of the market place today when you start looking at
11 where the gas that these individuals most likely
12 will receive, it is not coming up from the Gulf of
13 Mexico or south Louisiana.

14 As my brother alluded to, the proven
15 reserves that the EIA has already stated, and
16 there's a study that's out, complete in 2005 for
17 1995 through 2004, which will show the -- excuse me,
18 my mouth is getting dry -- would show the depletion
19 of the reserve base, proven reserves in its
20 corridor. It looks terrible. The number's out
21 there, and this is the EIA's numbers, and I'll just
22 read these real quick because it is staggering to
23 hear this:

24 In Alabama, from 1994 to 2004, there was a
25 771 bcf decline or a 19 percent change negatively in
26

1 the reserve base, proven reserves;

2 South Louisiana, and these are the last
3 four entities on that whole list in that report,
4 south Louisiana had a 3,700 bcf or a minus
5 75 percent change in the proven reserve. That's not
6 moving up. That's going negatively.

7 Kansas was the last lagger or next to the
8 last lagger. It lost 4,000 bcf or 81 percent. But
9 if you look at, which we've always heard that the
10 Gulf of Mexico is this next beacon of light for more
11 production to come on shore, the Federal Offshore
12 lost 8,941 bcf, or a negative 50 percent change in
13 it's proven reserves in 1995 to 2004.

14 So if you're looking for production and
15 you're looking for value associated, and you look at
16 how many projects are already being put in from a
17 storage standpoint in the state of Mississippi,
18 which there are six that are out there and then two
19 others that are pending, eight projects that are out
20 there on the line, this does not say that gas is
21 coming from there.

22 The majority of the gas that they're
23 looking for and potentially trying to work with
24 those customers, this gas is coming out of the Aroma
25 Basin (sic) into the mid continent area that'll be

26

1 coming across pipeline quarters out of the Fairville
2 Hub coming toward this area who is looking to get to
3 a price value on the Transco and Southern lines
4 being able to displace gas that would be pushed off
5 the Destin pipeline and be able to feed the Florida
6 market, which is a high value market.

7 Unfortunately, what is very hard for some
8 to see, and especially in this type of environment,
9 is that the pricing mechanics that are associated
10 with this type of project, they are changing
11 dramatically. As we're seeing the Rocky Mountain
12 gas now move across on a X pipeline, we're starting
13 to see price compactness starting to occur all
14 across the United States. As that occurs price
15 volatility will start to come into a slither and
16 will tighten up and the base value and the
17 differential that shiffers (sic) and which is the
18 marketing and trading entities are looking to
19 extract, will start to tighten down.

20 When I went out and looked and brought out
21 to this meeting and looked at the basis numbers,
22 I won't bore you too much with this, but when you
23 see Transco's on the three, on the fours, and this
24 is going out to when their project was actually
25 coming on, 709, the market out there said if we took
26

1 the nine max and we put five-and-a-half to six cents
2 on top of it that was the value that the market saw
3 for that gas.

4 If you looked at Florida's zone,
5 three-five gas, that was 21 to 22 cents of value on
6 top of that. So if you look at that, Delta, there's
7 15, 16 cents of value. That's all that's out there
8 someone would be looking to abstract.

9 Tennessee, on the 500 leg, which is a very
10 poor pipe system, I've worked on that system in my
11 earlier days, that's a negative five cents. So if
12 you take that underneath that quarter, that's a
13 26-cent differential. And this all starting from
14 709 and going forward.

15 Southern Natural was a plus two to a plus
16 four with nothing really inside of that. But you
17 could see the Delta inside of their about 18 to 17
18 cents.

19 Transco's on four, which is just to the
20 north over here in Alabama, kind of a magic zone for
21 people because there's a price differential that
22 entities will have based upon their firm
23 transportation and capacity, that was at a plus 18.
24 That's fairly equivalent to the four. But the
25 difference is that they have to have operational
26

1 expense value associated with their project.

2 The entities who are looking to go to
3 these next quarters won't see that full value. You
4 won't see a change to the actual market participant
5 because they have to make a return and inside of
6 their filing they look to go in and get market base
7 rate, which gives them the right to extract whatever
8 the market will bear. They will need to extract as
9 much as they can because it'll be extremely hard for
10 anyone to go out and leverage an asset like this for
11 anything much further out than what they can
12 financially go hedge, and these instruments are very
13 hard. They can find market makers, but that kind of
14 brings everything all coming in. So from an
15 operational standpoint, they have to be able to make
16 their money.

17 CPCN's standpoint, when you're looking at
18 that, how does this actually benefit the customers
19 on either end of these aspects up in the northeast,
20 down in the southeast, here in Mississippi, when
21 they have not actually receiving any value, no price
22 reduction. It's all getting absorbed by the
23 entities in the middle who are looking to make their
24 value, their market.

25 I am not against anyone making value.

26

1 That's what I do for a living is to try to make that
2 income and then adjust it any way they can. But you
3 should not have the capability to use FERC to
4 basically implement that to force individuals like
5 yourself to stand up and have to negotiate with
6 them.

7 What I would prefer to see is an open
8 marketplace occur. Let them sit down each and any
9 individual, with you, if they want to negotiate and
10 do it in a fair and impartial manner, give you a
11 right to put out what you feel that your property is
12 labeled for and they have a right to adjust that.
13 Treat you just like another commercial entity which,
14 in theory, you are. It is your value. It is your
15 property. You have a -- a product that they want.
16 It's your property.

17 Secondly, if you take all of that
18 together, we need to know who stands behind this
19 company. We need to know that they're solvent and
20 will be solvent for many years going forward,
21 because they are going to be using -- excuse me --
22 your property for quite a while. Most projects are
23 built on 20 to 30-year life cycles. There needs to
24 be something to be able to stand and say here who
25 these entities are and what type of money is behind
26

1 them. What type of insurance companies are they
2 using? How good is the rating of that insurance
3 company?

4 The lessons that we learned in 2001 and
5 2002, that everyone is vulnerable. Even the great
6 Enron came down. During that time period I worked
7 for a company Dynegy, and I worked with the -- the
8 entity company before that, which is Natural Gas
9 Company, and we built up a great conglomerate and
10 Enron took us down.

11 The market can move and can shift.
12 But, ultimately, what will happen is you will have
13 these hard assets left on your property. There
14 needs to be somebody to say who will step up and
15 handle and manage these if they go away. These
16 assets are there. You do not want them to just be
17 left abandoned and straddled onto your property.
18 There are application processes that are structured
19 up through the DOT and others that will carry and
20 maintain as long as they are being used. The state
21 of Louisiana has rules that if a pipeline goes
22 static for more than two years that reverts back to
23 the property owner. Part of that law in some
24 regards is very bad, but in some ways it has its
25 upside.

26

1 It basically forces entities to be an
2 operating entity going forward or they will lose
3 their right along with what they put in the ground.
4 Those same type of conditions and premises should be
5 a part of what is applicable today.

6 My brother's property is being focused on
7 as a quarter. Other entities will follow. Because
8 they do see that it meets the criteria that FERC has
9 for approving these types of projects. Please take
10 the time to consider what is at stake and what could
11 happen down the road for you and other generations
12 to follow.

13 This, in my opinion, is not a necessity.
14 It's more of a convenience for a certain group of
15 entities to ride a market arbitrage for them. In
16 doing so let's recognize that, put that onto the
17 table and let's move it out and have it as an
18 impartial negotiation so that each can come and meet
19 it on the terms that are necessary. Thank you for
20 your time.

21 MR. KOPKA: Thank you. Our last speaker
22 who's signed up is Curtis Gray. Curtis.

23 CURTIS GRAY: I thought I was signing the
24 sheet.

25 MR. KOPKA: Oh, okay.

26

1 CURTIS GRAY: I'm just here.

2 MR. KOPKA: Since we don't have any other
3 speakers signed up, does anyone --

4 MARK THOMPSON: Yes.

5 MR. KOPKA: -- else like to speak.

6 Sir, please state your name and spell you name for
7 the court reporter.

8 MARK THOMPSON: My name is Mark Thompson.
9 That's T-H-O-M-P-S-O-N. Along with my father, I'm a
10 property owner up here. One thing I haven't heard
11 from anybody, I heard something kind of close to it,
12 initially when Leaf River's representative spelled
13 out the idea of how they're going to go in and pur
14 the salt caverns, most of us know they do that,
15 they go in and basically dissolve the stuff out.
16 On their proposal it says, well, we're going to
17 drill four fresh water wells, we're going to have
18 four separate dome sites, and then it says there
19 will be a sump. Okay. Where's the sump going to
20 be? There's no location.

21 Mississippi's number one basic
22 agricultural product is poultry, in the four corners
23 area Smith, Jasper, Covington, Jones County. Number
24 one industry is poultry.

25 Okay. You're going to pump how many
26

1 billions of gallons of this sludge out of there? It
2 has to be pumped away somewhere. Where?

3 We've had a drought for the past five
4 years. All these poultry operations, they don't use
5 the county water. You got a deep well water supply,
6 okay. Deep well water supply. You're using your
7 own water. This stuff, when you look at the water
8 table, my biggest question is, you know, what is
9 going to be the effect on the poultry operations in
10 water table area, because water, it runs downhill.
11 No, it doesn't. It gets in the soil. It goes up,
12 sideways, it goes somewhere and it stays there.

13 And the second question is: What's going
14 to be liable level of contaminants in the watershed
15 for the poultry industry? I know it's going to be a
16 lot different than it is for regular drinking, like
17 county water supply, you know, or whatever the
18 community water supply, but nobody's really
19 mentioned this and that's the big thing. Hey,
20 you're raising cattle, you're growing timber, or
21 growing chickens. And that's a question I hadn't
22 heard anything about. What's going to happen with
23 this contamination?

24 MR. KOPKA: Thank you. Is there anyone
25 else who would like to speak?

26

1 (No responses.)

2 MR. KOPKA: Without anymore speakers, the
3 formal part of this meeting will conclude.

4 Again, I would encourage you to stay and
5 look more closely at the maps and information that
6 Leaf River has brought with them. The
7 representatives will be able to assist you with
8 these maps and answer anymore specific questions you
9 may have. I'm also here to answer questions as
10 well.

11 On behalf of the Federal Energy Regulatory
12 Commission, I would like to thank all of you for
13 coming tonight.

14 Let the record show that the meeting
15 concluded at 8:06 p.m.

16 (Time Noted 8:06 p.m.)

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1 CERTIFICATE OF COURT REPORTER

2 I, Harvey J. Rayborn, Court Reporter and Notary
3 Public in and for the County of Hinds, State of
4 Mississippi, hereby certify that the foregoing 42
5 pages, and including this page, contain a true and
6 correct transcript of the above stated cassette
7 tapes, as taken by me in the aforementioned matter
8 at the time and place heretofore stated, as taken by
9 stenotype and later reduced to typewritten form
10 under my supervision by means of computer-aided
11 transcription.

12 I further certify that I am not in the employ
13 of or related to any counsel or party in this matter
14 and have no interest monetary or otherwise, in the
15 final outcome of this proceeding.

16 Witness, my signature and seal this 9th day of
17 February, 2008.

18

19

20 _____
Harvey J. Rayborn, CSR #1274

21

22 My commission expires: 10/25/2008

23

24