

123 FERC ¶ 61,304  
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.

Coastal Bend Gas Storage, LLC

Docket No. CP08-389-000

ORDER GRANTING EXEMPTION FOR  
TEMPORARY ACTS AND OPERATIONS

(Issued June 25, 2008)

1. On May 7, 2008, Coastal Bend Gas Storage, LLC (Coastal Bend) filed a petition pursuant to section 7(c)(1)(B) of the Natural Gas Act (NGA)<sup>1</sup> and Rule 207(a)(5)<sup>2</sup> of the Commission's regulations for an exemption from the NGA certificate requirements to re-enter a plugged and abandoned well, drill, complete and test a new well, and conduct a 3-D seismic program to determine the feasibility of developing an underground natural gas storage facility in San Patricio and Refugio Counties, Texas. Coastal Bend further requests that the Commission pre-grant abandonment authorization under section 7(b) of the NGA in case such abandonment authorization is necessary. Coastal Bend states that it will plug and abandon the test wells in accordance with the applicable regulations of the State of Texas.

2. Subject to the conditions discussed below, we find that it is in the public interest to grant Coastal Bend's requested exemption to determine the feasibility of developing an underground natural gas storage facility.

**I. Background and Proposal**

3. Coastal Bend is a newly formed Delaware corporation with its principle place of business located at 607 8<sup>th</sup> Avenue, S.W., Calgary, Alberta, Canada. Coastal Bend is not

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<sup>1</sup> 15 U.S.C. § 717f(c)(1)(B) (2000) (permitting the Commission to exempt "temporary acts or operations for which the issuance of a certificate will not be required in the public interest.").

<sup>2</sup> 18 C.F.R. § 385.207(a)(5) (2008).

a “natural gas company” within the meaning of section 2(6) of the NGA<sup>3</sup> and holds no section 7 certificates.

4. Coastal Bend seeks an exemption from the NGA section 7(c)(1)(A) certificate requirements<sup>4</sup> to engage in certain exploration and testing activities designed to determine the feasibility of converting depleted natural gas and oil fields in San Patricio and Refugio Counties, Texas into a new underground natural gas storage facility. Coastal Bend states that it plans to conduct its testing and exploration program in two phases, with the data obtained in Phase 1 influencing the exact location and scope of the Phase 2 testing activities within the natural gas and oil fields. Coastal Bend states that, in this proceeding, it seeks an exemption only for Phase 1. If its Phase 1 testing activities show that it must re-enter or drill additional test wells and/or pursue other precertification testing activities in Phase 2, Coastal Bend states, it will file a petition with the Commission seeking any necessary exemptions for those Phase 2 activities.

5. With regards to the first phase specifically, Coastal Bend proposes to re-enter a plugged and abandoned (P&A) well, and drill and complete a new well to a maximum depth of approximately 7,500 feet. Data collected by means of this drilling activity will help Coastal Bend determine the reservoir’s suitability for storage activity, including, but not limited to measuring: (1) reservoir permeability; (2) porosity; (3) thickness; (4) degree of reservoir heterogeneity; (5) fluid saturation profiles; (6) fluid compositions; (7) pressure; (8) minimum horizontal formation stresses; (9) caprock information to determine competency of the seal; (10) density and velocity information to assist in the design and interpretation of a 3-D seismic program; and (11) the extent of compliance with applicable P&A regulations to determine the integrity of the produced well abandonments for gas storage operations.

6. Furthermore, depending on the results of the drilling and re-entry of wells and lease access, Coastal Bend also proposes to conduct a 3-D seismic program to define the reservoir rock structure, the boundaries of the reservoirs, and location of faults and potential compartments within the reservoir. Coastal Bend intends to use this data to: (1) improve the definition of the reservoir limits; (2) determine the surface project area needed for the storage facility; (3) determine the placement of wells to properly access the entire reservoir; and (4) determine how major and minor faults may affect storage development and storage operations.

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<sup>3</sup> 15 U.S.C. § 717a(6) (2000).

<sup>4</sup> *Id.* § 717f(c)(1)(A).

7. In addition, to the extent that pre-granted abandonment authority is needed to terminate the activities related to the temporary acts and operations, Coastal Bend requests that the Commission pre-grant abandonment authorization under section 7(b) of the NGA.<sup>5</sup>

8. Coastal Bend states that it will not proceed with any of the testing activities until it has received any and all necessary permits and approvals from the Texas Railroad Commission or other requisite agencies, and will comply with the environmental requirements set forth in 18 C.F.R. § 157.206(b) as well as the applicable regulations of the State of Texas.

## **II. Notice and Intervention**

9. Notice of Coastal Bend's application was published in the *Federal Register* on May 20, 2008 (73 Fed. Reg. 29,129). No motions to intervene, protests, or comments were filed.

## **III. Discussion**

10. Coastal Bend'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, Coastal Bend may develop an underground natural gas storage facility in San Patricio and Refugio Counties, Texas. 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>6</sup>

11. Coastal Bend's proposed exploratory activities are temporary and will be conducted to determine the feasibility of developing a natural gas storage facility. No jurisdictional service will be rendered from the wells without Commission authorization. Since Coastal Bend provides no jurisdictional services, there will be no effects on

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<sup>5</sup> The requested pre-granted abandonment authority is not necessary since no jurisdictional facility or service will be constructed or provided pursuant to this order.

<sup>6</sup> See, e.g., *Tenn. Gas Pipeline Co.*, 123 FERC ¶ 61,076 (2008); *Arlington Storage Co., LLC*, 122 FERC ¶ 61,152 (2008); *Leaf River Energy Ctr. LLC*, 120 FERC ¶ 61,168 (2007).

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

13. For these reasons, we will exempt Coastal Bend from the certificate requirements of NGA section 7(c) 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 Coastal Bend 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>7</sup> we will condition Coastal Bend'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>8</sup> Coastal Bend's proposed testing activities are similar to activities permitted under a Part 157 blanket certificate and section 157.206(b) sets forth standard conditions to protect the environment when activities are undertaken under a Part 157 blanket certificate. Requiring Coastal Bend to comply with the provisions of section 157.206(b) will ensure the same level of protection in this case.

15. The Commission on its own motion, received and made a part of the record all evidence, including the application (s), as supplemented, and exhibits thereto, submitted in this proceeding and upon consideration of the record,

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to NGA section 7(c)(1)(B), Coastal Bend is granted an exemption from the certificate requirements of

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<sup>7</sup> See, e.g., *Tenn. Gas Pipeline Co.*, 123 FERC ¶ 61,076 at P 11; *Leaf River Energy Ctr.*, 120 FERC ¶ 61,168 at P 13; *Cent. N.Y. Oil and Gas Co., LLC*, 89 FERC ¶ 61,006, at 61,030 (1999).

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

section 7 of the NGA to undertake the activities specified in this order and in Coastal Bend'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) Coastal Bend shall notify the Commission within 10 days after commencing activities under the exemption granted in Ordering Paragraph (A). Coastal Bend shall allow inspection by Commission staff at any time.

(C) Coastal Bend 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 Coastal Bend'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.