

124 FERC ¶ 61,221
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.

Perryville Gas Storage LLC

Docket No. CP08-446-000

ORDER GRANTING EXEMPTION
FOR TEMPORARY ACTS AND OPERATIONS

(Issued September 3, 2008)

1. On July 24, 2008, Perryville Gas Storage LLC (Perryville) filed a petition pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure¹ and section 7(c)(1)(B) of the Natural Gas Act (NGA)² for an exemption from certificate requirements to drill two stratigraphic test wells in the Wilcox Formation and the Crowville Salt Dome and one fresh water supply test well in the Mississippi River Valley Alluvial Aquifer. All of these test wells will be located in Franklin Parish, Louisiana. The test wells will allow Perryville to confirm the feasibility of rock mechanics for storage development, and the feasibility of brine disposal.

2. Subject to the conditions discussed below, we find it is in the public interest to grant Perryville's requested exemption.

I. Proposed Activity

3. Perryville is a limited liability company organized under the laws of the State of Delaware and its principal place of business is in Houston, Texas. Perryville also is authorized to conduct business in the State of Louisiana. Perryville is not a natural gas company within the meaning of the NGA and holds no NGA section 7 certificates.

4. Perryville seeks an exemption from the NGA section 7(c) certificate requirements to drill two stratigraphic test wells to confirm the feasibility of rock mechanics for storage

¹ 18 C.F.R. § 385.207(a)(5) (2008).

² 15 U.S.C. § 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."

development and the feasibility of brine disposal. It states that a fresh water supply test well will also be necessary to determine the availability of water supplies necessary to develop the project. Perryville asserts that the well will be drilled in the Crowville Salt Dome in Franklin Parish, Louisiana. It states that the formation to be investigated for the disposal well is the Wilcox formation from a depth of 3,000 feet to 3,500 feet. It also asserts that the formation to be tested for the water supply is the Mississippi River Valley Alluvial Aquifer at a depth of approximately 200 feet. Perryville states that the stratigraphic test well will be drilled to approximately 5,400 feet, the brine disposal well will be drilled to approximately 3,700 feet, and the fresh water test well will be drilled to approximately 300 feet.

5. Perryville states that the test well drilling is necessary to determine the technical, environmental, and economic feasibility of developing an underground natural gas storage facility on the land which it controls in Franklin Parish, Louisiana. Perryville states that it will not perform any service using the planned test wells and will bear the full costs of the proposed activities. It asserts that it will have operational control over both the surface and the subsurface mineral rights for the properties on which the planned test wells will be drilled. Perryville states that its will comply with all applicable federal, state, and local permitting and environmental requirements, and the proposed activity will not adversely impact the public. Perryville states that, if the outcome of the test well drilling shows that the proposed locations are not desirable for further development, it will conform to all applicable Louisiana requirements, and will plug and abandon all wells and restore the areas disturbed by well drilling activities to the pre-existing condition. Further, Perryville asserts that, if the outcome of the test well drilling shows that the proposed locations are suitable for developing a natural gas storage facility, it will seek a certificate from the Commission to do so.

II. Notice and Interventions

6. Notice of Perryville's petition was published in the *Federal Register* on August 1, 2008 (73 Fed. Reg. 44,980). No motions to intervene, protests, or comments, were filed.

III. Discussion

7. Perryville'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 Crowville Salt Dome may be further 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 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.³

8. Perryville emphasizes that its proposed exploratory activities into the Wilcox formation and the Crowville Salt Dome are temporary and will be conducted to determine the feasibility of rock mechanics for storage development and brine disposal. 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 geophysical data.

9. Under the circumstances described in Perryville'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 for Perryville to make an informed business and engineering decision regarding the feasibility of expanding a storage facility which would allow Perryville to better serve the growing gas demand in the region.

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

Environmental Analysis

11. The determination of whether to grant Perryville's request for exemption from the requirements of section 7(c) of the NGA is an administrative decision. Perryville states that it would drill and operate the wells in compliance with the environmental requirements of section 157.206(b) of the Commission's regulations, as well as all applicable state and local permits. Perryville also commits to filing copies of the applicable environmental clearances with the Commission once they are received.

³ See, e.g., *Tennessee Gas Pipeline Co.*, 123 FERC ¶ 61,076 (2008) (*Tennessee*); *Arlington Storage Co., LLC*, 122 FERC ¶ 61,152 (2008); *Chestnut Ridge Storage LLC*, 121 FERC ¶ 61,022 (2007); *Leaf River Energy Center LLC*, 120 FERC ¶ 61,168 (2007) (*Leaf River*).

12. As proposed by Perryville in its petition and consistent with Commission practice,⁴ this authorization will be conditioned on Perryville performing all activities in compliance with the same environmental conditions that apply to natural gas companies' activities under Part 157 blanket certificates, as set forth in the Commission's regulations.⁵ Perryville's proposed testing activities are similar to 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 Perryville to comply with the provisions of section 157.206(b) will ensure the same level of protection in this case.

13. The Commission on its own motion, received and made 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), Perryville 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 Perryville'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) Perryville shall notify the Commission within 10 days of commencing activities under the exemption granted in Ordering Paragraph (A). Perryville shall allow inspection by Commission staff at any time.

(C) Perryville 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 laws and

⁴ See, e.g., *Tennessee*, 123 FERC ¶ 61,076, at P 11 (2008) and *Leaf River*, 120 FERC ¶ 61,168, at P 13 (2007).

⁵ 18 C.F.R. § 157.206(b) (2008).

regulations. The Commission may halt work authorized under this exemption until any required consistency determination is completed.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.