

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

**RE: PETITION OF SOUTHEAST GAS STORAGE, LLC
TO ESTABLISH THE BUTTAHATCHIE RIVER GAS
STORAGE FIELD AND AMEND THE SPECIAL FIELD
RULES FOR BUTTAHATCHIE RIVER FIELD,
MONROE AND LOWNDES COUNTIES,
MISSISSIPPI, AND FOR RELATED RELIEF**

FILED FOR RECORD

MAR 30 2009

**STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR**

**DOCKET NO. 72-2009-437
ORDER NO. 140-2009
SUBSTITUTED**

**ORDER APPROVING SPECIAL FIELD RULES
IN PART AND CONTINUING DOCKET**

This day this matter came on for hearing before the State Oil and Gas Board at its regular March 18, 2009, hearing on the Petition of Southeast Gas Storage, LLC, a Delaware limited liability company, by and through its contract operator, Tennessee Gas Pipeline Company, a Delaware corporation, (collectively "Petitioner"), to establish the Buttahatchie River Gas Storage Field, to amend the Special Field Rules for Buttahatchie River Field and to grant related relief.

WHEREAS, the Board finds that due, proper and legal notice of the meeting of the Board for the purpose of considering and taking action with respect to such matter was given in the manner and way provided by law and the rules and regulations of this Board as to the lands to be included in the Storage Area pursuant to this Order; that due, legal and sufficient proofs of publication are on file with the Board; and that the Board has full jurisdiction of the parties and subject matter to hear and determine same as to the lands to be included in the Storage Area pursuant to this Order; and

WHEREAS, pursuant to said notice given, public hearing was held by the Board at the hearing room of the Board, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on March 18, 2009, at which hearing all persons present who desired to be heard on said matter were heard and all testimony and evidence were duly considered by those parties at said meeting; and

WHEREAS, this docket has been contested by Petro Pro, LLC ("Contestant"), which is represented herein by counsel, and Petitioner and Contestant have reached agreement by which this docket is approved in part and continued on certain issues raised by Contestant; and

WHEREAS, the Board has fully considered said matter and the recommendations made in said hearing and finds as follows:

1. Petitioner owns the prerequisite rights to store natural gas in and under lands located in Buttahatchie River Gas Storage Field, Monroe and Lowndes Counties, Mississippi. The Board should establish the "Buttahatchie River Gas Storage Field" as an "Underground Storage Facility" (Statewide Rule 67.1.F.). The "Storage Area" (Statewide Rule 67.1.K) should be established to be the following described lands, located in Monroe County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section 17: S1/2
Section 18: S1/2
Section 19: Entire
Section 20: Entire
Section 21: S3/4 of W1/2 lying West of Buttahatchie River
Section 28: All that part lying West of Buttahatchie River
Section 29: Entire
Section 30: Entire
Section 31: Entire
Section 32: Entire

TOWNSHIP 15 SOUTH, RANGE 18 WEST

Section 23: S3/4
Section 24: S3/4
Section 25: Entire
Section 26: Entire
Section 35: NE1/4
Section 36: Entire

And the following lands lying in Lowndes County, Mississippi:

TOWNSHIP 15 SOUTH - RANGE 17 WEST

Section 21: S3/4 of W1/2 lying East of Buttahatchie River
Section 28: All that part of West 1/2 lying East of Buttahatchie River

2. The "Reservoir" (Statewide Rule 67.1.B.) that is to be used for the injection, storage, and withdrawal of natural gas or compressed air is an underground reservoir, stratum or formation that should be described as follows:

those certain geological stratum or formations 100 feet above the top of the Millerella Limestone to 100 feet below the base of the Lewis Formation that includes the Carter and Lewis Sands and is more specifically as the interval between a measured depth of 4,118 feet to a measured depth of 5,144 feet as seen on the Electric Log of the Pruet Production- Dobbs 29-5 No.1 Well located 1,647 feet from North line and 1,000 feet from West line of Section 29, T15S, R17W, Monroe County, Mississippi, and the stratigraphic equivalent thereof.

3. The Reservoir is a porous stratum of the earth or porous zone of a general structure which is completely separated from any other porous zone and is capable of

being used for underground storage of natural gas and/or air. The Reservoir has been producing for three decades and while still capable of production in paying quantities, the Reservoir is substantially depleted of "Native Gas" and has a greater value or utility as a natural gas or compressed air storage reservoir for the purpose of insuring an adequate supply of natural gas or compressed air for consumers, or for the conservation of natural gas or compressed air, than for the production of the Native Gas which remains therein.

4. The Reservoir is suitable and feasible for such use and in the public interest, and is not an oil reservoir capable of commercial production. Petitioner has obtained the consent in writing to such use by a majority of all interests in both the surface and in the underground stratum or formation. The use of the underground stratum as a reservoir for the storage of natural gas or compressed air will not contaminate other formations containing fresh water, oil, gas or other commercial mineral deposits. The proposed storage will not endanger lives or property.

5. The proposed Underground Storage Facility will satisfy the requirements of Miss. Code Ann. Sections 53-3-151 *et seq.* and the Board's Statewide Rule 67. Among other factors, an engineer and/or a geologist experienced in the development and/or operation of an underground storage facility has performed an investigation to determine the feasibility of the proposed facility at the proposed site and in the Reservoir.

6. Petitioner would show that the proposed Underground Storage Facility is in the public interest and welfare of this state and is for a public purpose. The proposed Underground Storage Facility will promote the conservation of natural gas or compressed air, will permit the building of large quantities of natural gas or compressed air in reserve for orderly withdrawal in periods of peak demand, thereby making natural gas or compressed air more readily available to the consumer, and can provide more uniform withdrawal from various gas or oil fields.

7. The Buttahatchie River Field will continue production of natural gas during the period which Petitioner is undertaking the required planning and obtaining the required state and federal regulatory authority for the Underground Storage Facility. After the required state and federal authorizations have been obtained and the Petitioner is otherwise ready to commence the conversion of the field from gas production to gas storage, then the existing Special Field Rules for Buttahatchie River Field should be

dissolved and the Special Field Rules for Buttahatchie River Gas Storage Field, as provided in Exhibit "A" attached hereto, should be substituted therefor. The proposed Special Field Rules for Buttahatchie River Gas Storage Field will prevent waste, protect the coequal and correlative rights of all owners in the field and area, and will afford Petitioner the opportunity to utilize the Reservoir for the purposes allowed by the applicable statutes and rules, thereby serving the public interest.

8. Petitioner proposes that when Buttahatchie River Field is ready to be converted from natural gas production to natural gas storage, operators of all wells in the field and the Petitioner shall notify the Board by letter and by execution of appropriate change of operator forms for such wells to Petitioner (upon Petitioner's satisfaction of all other requirements to become operator of said wells). The Petitioner further proposes that the Board should appoint and designate Petitioner to be the operator of the Buttahatchie River Gas Storage Field, subject to its future conversion to gas storage.

9. Petitioner already holds the required Certificate from the Federal Energy Regulatory Commission to develop and operate the Buttahatchie River Gas Storage Field as an Underground Storage Facility.

10. Among other basis for contesting the Petition, Contestant has alleged that the East 1/2 of Section 28, Township 15 South – Range 17 West, Lowndes County, Mississippi, is a separate and distinct accumulation of hydrocarbons and is not in communication with the Reservoir and should not be included in the Storage Area. The parties have agreed to continue the hearing on issues raised by the Contestant to the regular June 17th hearing of this Board. Subject to further Orders and/or findings of this Board, none of the findings set forth in this Order shall have application to the East 1/2 of said Section 28, the Reservoir shall not include said lands and the Underground Storage Facility and Storage Area shall not include the E 1/2 of said Section 28. At the hearing on the issue of whether the E 1/2 of said Section 28 shall be included as a part of the Storage Area, Contestant shall have the right to present all of its defenses and positions the same as if this Order had not been entered. Affidavits which may have been used by Petitioner in support of its Petition and other evidence and exhibits used by Petitioner in support of its position for the entry of this Order shall not be considered as evidence in a

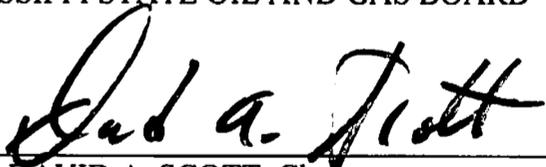
contested hearing unless otherwise introduced and accepted as evidence in the contested hearing.

IT IS, THEREFORE, ORDERED AND ADJUDGED that (1) except for the East 1/2 of Section 28, Township 15 South, Range 17 West, Lowndes County, Mississippi, the Buttahatchie River Gas Storage Facility is approved as an Underground Storage Facility; (2) Petitioner is granted authority to use the Reservoir for the injection, storage and withdrawal of natural gas or compressed air; (3) Petitioner is allowed to utilize, drill, equip and operate wells to use the Reservoir for those purposes; (4) the Special Field Rules for Buttahatchie River Gas Storage Field are approved as set forth in Exhibit "A" attached hereto; (5) upon the conversion of Buttahatchie River Field from the production of natural gas to the storage of natural gas, the existing Special Field Rules of Buttahatchie River Field shall be dissolved and the Special Field Rules for Buttahatchie River Gas Storage Field shall be implemented; (6) Petitioner is appointed and designated the operator of the Buttahatchie River Gas Storage Field and the Underground Storage Facility, upon the conversion of Buttahatchie River Field from the production of natural gas to the storage of natural gas; and (7) this docket is continued to the June 17, 2009, regular meeting of this Board insofar as this docket affects the East ½ of Section 28, Township 15 South, Range 17 West, Lowndes County, Mississippi.

IT IS FURTHER ORDERED AND ADJUDGED that Petitioner shall acquire all other permits, if any, from any other permitting authority.

SO ORDERED AND ADJUDGED this the 30th day of March, 2009, and effective March 18, 2009.

MISSISSIPPI STATE OIL AND GAS BOARD

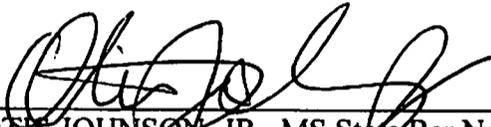
By: 
DAVID A. SCOTT, Chairman

APPROVED AS TO FORM:



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ATTORNEY FOR CONTESTANT

EXHIBIT "A"

**SPECIAL FIELD RULES FOR
BUTTAHATCHIE RIVER GAS STORAGE FIELD
MONROE AND LOWNDES COUNTIES, MISSISSIPPI**

A. FIELD AREA:

The Buttahatchie River Gas Storage Field, as used herein, shall be that geographical area consisting of the following described lands in Monroe County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section 17: S1/2
Section 18: S1/2
Section 19: Entire
Section 20: Entire
Section 21: S3/4 of W1/2 lying West of Buttahatchie River
Section 28: All that part lying West of Buttahatchie River
Section 29: Entire
Section 30: Entire
Section 31: Entire
Section 32: Entire

TOWNSHIP 15 SOUTH, RANGE 18 WEST

Section 23: S3/4
Section 24: S3/4
Section 25: Entire
Section 26: Entire
Section 35: NE1/4
Section 36: Entire

And the following lands lying in Lowndes County, Mississippi:

TOWNSHIP 15 SOUTH, RANGE 17 WEST

Section 21: S3/4 of W1/2 lying East of Buttahatchie River
Section 28: All that part of W1/2 lying East of Buttahatchie River

B. BUTTAHATCHIE RIVER GAS STORAGE FACILITY

1. **Definitions.** The "Definitions" set forth in Statewide Rule 67.1. are hereby incorporated by reference as fully as if set forth herein.

2. **Geographical Area.** The Buttahatchie River Gas Storage Facility (herein "Facility") is established for the development and operations of an Underground Storage Facility. The Storage Area for the Facility is the same as the Field Area described above.

3. **Underground Storage Reservoir.** The Reservoir that is authorized to be used as part of the Underground Storage Facility for the injection, storage and withdrawal of natural gas or compressed air is an underground reservoir, stratum or formation described as follows:

those certain geological strata or formations 100 feet above the top of the Millerella Limestone to 100 feet below the base of the Lewis Formation that includes the Carter and Lewis Sands and is more specifically as the interval between a measured depth of 4,118 feet to a measured depth of 5,144 feet as seen on the Electric Log of the Pruet Production- Dobbs 29-5 No. 1 Well located 1,647 feet from North line and 1,000 feet from West line of Section 29, T15S, R17W, Monroe County, Mississippi, and the stratigraphic equivalent thereof.

C. RULES:

RULE 1. – BUTTAHATCHIE RIVER GAS STORAGE FACILITY:

1.1 Within the Storage Area of the Facility the injection, storage and withdrawal of natural gas or compressed air from the Reservoir is hereby authorized.

1.2 Wells may be drilled, reworked, re-completed and/or otherwise utilized in the development, operation and maintenance of the Storage Area and Facility upon a permit being issued for each such well, as provided for herein.

1.3 Each well that is reentered, drilled, reworked or re-completed and/or otherwise utilized as a part of the Facility shall comply with the requirements of Statewide Rule 67.

1.4 The operator of the Facility is authorized to use for injection, storage and withdrawal of natural gas or compressed air all existing wells that are located in the Storage Field, which wells may be reentered, converted, reworked or re-completed for purposes of the development, operation or maintenance of the Underground Storage Facility and/or additional well(s) may be drilled within the Storage Field for such purposes. Each such well may be administratively permitted, utilizing Form 2, by the Supervisor of the Board, provided that the operator submits all data and information that are required by Statewide Rule 67, and any other rule, regulation or statute which may then be applicable; provided, however, each such well shall not be subject to the otherwise applicable location and spacing requirements of the Statewide Rules or the Special Field Rules for Buttahatchie River Field that pertain to wells that are drilled to produce oil or gas.

1.5 No permit shall be issued pursuant to Rule 1.4 until notice thereof has been published for at least twenty (20) days prior to issuance of such permit in a newspaper published daily in Jackson, Mississippi, of general circulation in the state, in a newspaper of general circulation in Monroe County, and in a newspaper of general circulation in Lowndes County, in substantially the following form:

STATE OIL AND GAS BOARD OF MISSISSIPPI
NOTICE

To all owners and persons interested in the following described lands:
(here describe well location by legal description in the Facility)

Take notice (insert name of operator) has applied with the State Oil and Gas Board of Mississippi requesting a permit to (here describe permit requested).

Supervisor State Oil and Gas Board

Publish on:

1.6 No well that is not a part of the Facility shall be drilled to or through or within one hundred feet (horizontal and vertical) of the Reservoir except as permitted by the Board, after notice and hearing before the Board and personal service upon the operator of the Facility. No well pursuant to this paragraph shall be permitted unless the petitioner affirmative shows that it can and will comply with all requirements of Statewide Rules 67.6.D and these Special Field Rules. The Board may require additional assurance of financial responsibility prior to granting any permit hereunder.

1.7 Unless changed by order of this Board after notice and hearing, the maximum operating bottom hole pressure of the Facility shall be 2,593 psia.

1.8 With respect to horizontal wells permitted in the Facility, required Mechanical Integrity Testing (MIT), will be conducted from the packer set depth above the top of the radius where the wells are still vertical, approximately 3,700 feet, to the surface.

1.9 The development, operation and maintenance of the Storage Area and the Facility shall be subject to all provisions of Statewide Rule 67 as revised by these Special Field Rules. All other Statewide Rules and Regulations, or parts thereof, except those that are specifically referred to in Statewide Rule 67 shall not be applicable to the development, operation and maintenance of the Storage Area and the Facility. In the event of any conflict or inconsistency between any prior orders or other rules and regulations, and any provision(s) of the foregoing Rules, these Special Field Rules shall control.

RULE 2 – APPLICABILITY OF STATEWIDE RULES:

2.1 All rules and regulations contained in Statewide Order 201-51, and any amendments thereto, not specifically covered in the foregoing Special Field Rules are hereby adopted and shall apply to this field.

2.2 The Board expressly reserves the right, after notice and hearing, to alter, amend or repeal any and all of the foregoing rules and regulations.

- End of Special Field Rules for the Buttahatchie River Gas Storage Field -