

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: AMENDED PETITION OF COLDWATER STORAGE, LLC FOR AUTHORITY TO CREATE THE COLDWATER GAS STORAGE FIELD, QUITMAN COUNTY, MISSISSIPPI FOR THE INJECTION, STORAGE, AND WITHDRAWAL OF NATURAL GAS, AND FOR THE ADOPTION OF SPECIAL FIELD RULES FOR THE COLDWATER GAS STORAGE FIELD TO PROVIDE FOR THE OPERATION OF THE FIELD, QUITMAN COUNTY, MISSISSIPPI

FILED FOR RECORD

JUN 03 2010

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 80-2010-957

ORDER NO. 258-2010

ORDER

THIS CAUSE came to be heard on the Petition of Coldwater Storage, LLC (“Petitioner”) requesting authority to create the Coldwater Gas Storage Field (“the Field”) for injection, storage and withdrawal of natural gas and for the adoption of Special Field Rules for the Field in Quitman County, Mississippi; and

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 required by the rules and regulations of the Board; that due, legal, and sufficient proofs of publication and service are on file with the Board; and that the Board has full jurisdiction of the subject matter to hear and determine same; and

WHEREAS, pursuant to said Notice, a public hearing was held by said Board in the Hearing Room, Suite E, 500 Greymont Avenue, Jackson, Mississippi, commencing on May 19, 2010, at 10:00 o’clock a.m. at which hearing all persons present who desired to be heard on said matter were heard and all testimony and the evidence were duly considered by those present at said meeting; and

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

1.

Petitioner is qualified to do business in the State of Mississippi and was created for the purpose of owning, developing, operating and using underground reservoirs, stratum, and/or formations for the storage of natural gas or compressed gas, as an appliance or appurtenance in connection with the conveying, transmission, or distribution of natural gas

or compressed gas as well as building or constructing pipelines and appliances for the conveying and distribution of gas and other gaseous substances as provided for, and pursuant to, Miss. Code Ann. § 53-3-151 et seq. and Miss. Code Ann. § 11-27-47 et seq.

2.

Petitioner plans to create a karst cavern natural gas storage facility lying within and underlying the following described lands:

TOWNSHIP 7 SOUTH, RANGE 10 WEST

Quitman County, Mississippi

- Section 5: The S $\frac{1}{2}$ of the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$**
- Section 6: The S $\frac{1}{2}$ of the SE $\frac{1}{4}$ of the SE $\frac{1}{4}$**
- Section 7: The E $\frac{1}{2}$ of the E $\frac{1}{2}$**
- Section 8: All**
- Section 9: The SW $\frac{1}{4}$; the S $\frac{1}{2}$ of the S $\frac{1}{2}$ of the NW $\frac{1}{4}$**
- Section 16: The N $\frac{1}{2}$ of the NW $\frac{1}{4}$**
- Section 17: The N $\frac{1}{2}$ of the NE $\frac{1}{4}$**

(“the Storage Area”). 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.

3.

The underground reservoir that will be utilized for natural gas storage is a natural karst cavern in Quitman County, Mississippi at a depth of 7,000 feet to 8,000 feet as identified on the dual induction log for NESOM No. 1 Well located 1,200 feet from the West line and 1,500 feet from the South line of Section 8, Township 7 South, Range 10 West, Quitman County, Mississippi (“the Reservoir”) and all correlative zones in communication therewith. The Reservoir was created by water leaching a stratum of limestone bedrock over millions of years. The remaining limestone is an impermeable barrier that will vertically hold the gas in place until it is needed.

4.

The Reservoir is a stratum of limestone bedrock that has been leached by water over millions of years to form a cavern, contains no native gas, and is not an oil reservoir capable of commercial production. The Reservoir 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 the conservation of natural gas, than for the production of oil and/or native gas since oil and native gas are not found within the areas of the karst cavern to be used.

5.

The leached limestone stratum which is the storage interval sought to be used as a reservoir for the injection, storage, and withdrawal of natural gas is suitable and feasible for such use and in the public interest . Petitioner submits that the Reservoir is a porous stratum of the earth or porous zone structure which is completely separated from any other porous zone and is capable of being used to store natural gas and/or air underground. Use of the underground stratum as a storage reservoir for the storage of natural gas or compressed air will not contaminate other formations containing freshwater, oil, gas or other commercial mining deposits. The proposed storage facility will not endanger lives or property.

6.

The adoption of such Special Field Rules will prevent waste, protect the co-equal and correlative rights of all owners in the area and will afford Petitioner the opportunity to utilize the Reservoir for the benefit of the gas consuming public, thereby serving the public interest. The procedures authorized by said Special Field Rules will adequately protect all freshwater bearing zones and any and all other oil and/or gas bearing sands in the area, and will not endanger life and/or property.

IT IS, THEREFORE, ORDERED AND ADJUDGED by the State Oil and Gas Board of Mississippi that the Coldwater Gas Storage Field is hereby created and approved by this Board for the storage of Natural Gas under the terms stated above for the injection, storage and withdrawal of natural gas and for the Special Field Rules for the Field shall be and hereby are adopted as follows:

**SPECIAL FIELD RULES
COLDWATER GAS STORAGE FIELD
QUITMAN COUNTY, MISSISSIPPI**

A. The Coldwater Gas Storage Field, as used herein, is that area described as:

**TOWNSHIP 7 SOUTH, RANGE 10 WEST
Quitman County, Mississippi**

- Section 5: The S $\frac{1}{2}$ of the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$
- Section 6: The S $\frac{1}{2}$ of the SE $\frac{1}{4}$ of the SE $\frac{1}{4}$
- Section 7: The E $\frac{1}{2}$ of the E $\frac{1}{2}$
- Section 8: All
- Section 9: The SW $\frac{1}{4}$; the S $\frac{1}{2}$ of the S $\frac{1}{2}$ of the NW $\frac{1}{4}$
- Section 16: The N $\frac{1}{2}$ of the NW $\frac{1}{4}$

(“the Storage Area”). Said Storage Area is underlain by the hereinafter described karst cavern.

B. The Reservoir, as used herein, shall be construed to mean that portion of a karst cavern, from an approximate depth of 7000 feet to 8000 feet as shown on the dual induction log of the NESOM No. 1 Well, located 1,200 feet from the West line and 1,500 feet from the South line of Section 8, Township 7 South, Range 10 West, Quitman County, Mississippi, underlying the Storage Area, and all zones correlative therewith.

C. “Gas” as used herein, shall mean natural gas of sufficient purity to meet pipeline quality specifications.

D. Coldwater Storage, LLC is hereby designated the Operator of the Coldwater Gas Storage Field, Quitman County, Mississippi.

Rule No. 1:

Karst caverns within the Storage Area may be utilized in the operation of the Coldwater Gas Storage Field upon permit being issued for a well pursuant to Rule 4(b) and Rule 67 of the Statewide Rules and Regulations.

Rule No. 2:

No well shall be drilled into or through a karst cavern within the Storage Area or adjacent lands except upon notice and hearing before the Mississippi State Oil and Gas Board, as provided in Statewide Rule 67.

Rule No. 3:

Except by the Operator of the Coldwater Gas Storage Field, no well shall be drilled into or through a karst cavern within the Storage Area or on adjacent lands that allows escape of natural gas from the Reservoir.

Rule No. 4:

The Operator is authorized to use for injection and/or withdrawal purposes any wells drilled in the Coldwater Gas Storage Field.

Rule No. 5:

The development, operation and maintenance of the Coldwater Gas Storage Field shall be subject to the provisions of the Statewide Rules and Regulations, including, but not limited to Rules 4(b) and (c) and Rule 67.

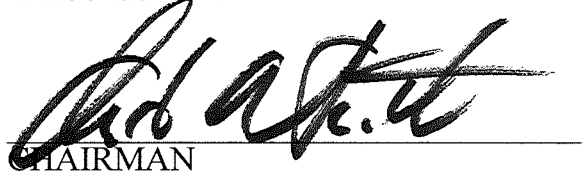
*****End of Special Field Rules*****

IT IS FURTHER ORDERED AND ADJUDGED that this Order shall be in force and effect from and after May 19, 2010.

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

ORDERED AND ADJUDGED this 3rd day of June, 2010.

**STATE OIL AND GAS BOARD OF
MISSISSIPPI**


CHAIRMAN

Prepared By:

William F. Blair
BLAIR & BONDURANT, P.A.
Post Office Box 321423
Jackson, MS 39232
(601) 992-4477 - Telephone
bill@bbfirm.com