

BEFORE THE STATE OIL AND GAS BOARD OF MISSISSIPPI

RE: PETITION OF SG RESOURCES MISSISSIPPI, L.L.C. FOR AUTHORITY TO ENLARGE THE SOUTHERN PINES GAS STORAGE FIELD, GREENE COUNTY, MISSISSIPPI FOR THE INJECTION, STORAGE, AND WITHDRAWAL OF NATURAL GAS, AND FOR THE AMENDMENT OF THE SPECIAL FIELD RULES FOR THE SOUTHERN PINES GAS STORAGE FIELD TO PROVIDE FOR THE OPERATION OF THE FIELD, GREENE COUNTY, MISSISSIPPI

FILED FOR RECORD

AUG 02 2011

STATE OIL AND GAS BOARD
LISA IVSHIN, SUPERVISOR

DOCKET NO. 186-2011-D

ORDER NO. 322-2011

ORDER

THIS CAUSE came to be heard on the Petition of SG Resources Mississippi, L.L.C. ("Petitioner") requesting authority to enlarge the Southern Pines Gas Storage Field on the Byrd Salt Dome in Greene County, Mississippi for the injection, storage and withdrawal of natural gas, and for the adoption of Amended Special Field Rules for said Field, to provide for the operation of such gas storage facility in Greene 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 July 20, 2011, 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 salt domes 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.

In Docket No. 50-2002-876, the Board created the Southern Pines Gas Storage Field ("the Field") , Greene County, Mississippi. The Field is located in the Byrd Salt Dome in Green County, Mississippi.

3.

Petitioner drilled and completed the Gas Storage Cavern No. 1, the Gas Storage Cavern No. 2, the Gas Storage Cavern No. 3, and is currently completing the Gas Storage Cavern No. 4A. Similar applications were approved by the Federal Energy Regulatory Commission. Petitioner has drilled numerous saltwater disposal wells associated with this facility.

4.

Petitioner plans to drill additional salt dome caverns in the Field and seeks to enlarge the Field designated to include the following described property, to-wit:

TOWNSHIP 3 NORTH, RANGE 7 WEST
GREENE COUNTY, MISSISSIPPI

Section 16: The SW¹/₄ of the NW¹/₄ and the NW¹/₄ of the SW¹/₄; and

A parcel of land situated in the SE¹/₄ of NE¹/₄ and NE¹/₄ of SE¹/₄ Section 17, Township 3 North, Range 7 West, Greene County, Mississippi particularly described as follows:

Beginning at a found metal T post at the SE corner of the NE¼ of the SE¼ of Section 17, thence run West 50.00 feet; thence run North 00 degrees 28 minutes 00 seconds West 2412.87 feet to the South Right of Way of Tung Oil Road; thence run along said right of way curving to the left having a radius of 6040.00, an arc length of 51.15 feet, central angle of 00 degrees 29 minutes 07 seconds chord South 78 degrees 16 minutes 45 seconds East 51.15 feet; thence run South 00 degrees 28 minutes 00 seconds East 2402.47 back to the Beginning.

Petitioner owns the surface interest in the property and a majority interest in the underground stratum or formation have consented to such use in writing.

5.

The Byrd Salt Dome is a natural salt dome in Greene County, Mississippi. The storage caverns are manmade, specifically engineered for natural gas storage at a depth of approximately 3,900 feet to 7,110 feet below the surface. The caverns have been created by carefully dissolving underground salt so that an underground caverns are formed. The remaining salt acts as an impermeable barrier that holds the gas in place until it is needed. The brine water created during the solution mining process is brought to the surface before being reinjected in saltwater disposal wells which have been individually permitted.

6.

The storage interval is salt and contains no native gas and is not an oil reservoir capable of production. The salt stratum which is the storage interval 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, and is not an oil reservoir capable of commercial production. 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 storage does not endanger lives or property.

7.

The adoption of such Special Field Rules prevents waste, protects the co-equal and correlative rights of all owners in the area and affords Petitioner the opportunity to utilize the Byrd Salt Dome for the benefit of the gas consuming public, thereby serving the public interest. The procedures authorized by said Special Field Rules protects 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 Petitioner is hereby granted authority to enlarge the Southern Pines Gas Storage Field on the Byrd Salt Dome in Greene County, Mississippi for the injection, storage and withdrawal of natural gas, and the Special Field Rules for said Field shall be and hereby are amended as follows:

**AMENDED SPECIAL FIELD RULES
SOUTHERN PINES GAS STORAGE FIELD
GREENE COUNTY, MISSISSIPPI**

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

TOWNSHIP 3 NORTH, RANGE 7 WEST
GREENE COUNTY, MISSISSIPPI

Section 16: The SW $\frac{1}{4}$ of the NW $\frac{1}{4}$ and the NW $\frac{1}{4}$ of the SW $\frac{1}{4}$; and

A parcel of land situated in the SE $\frac{1}{4}$ of NE $\frac{1}{4}$ and NE $\frac{1}{4}$ of SE $\frac{1}{4}$ Section 17, Township 3 North, Range 7 West, Greene County, Mississippi particularly described as follows:

Beginning at a found metal T post at the SE corner of the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 17, thence run West 50.00 feet; thence run North 00 degrees 28 minutes 00 seconds West 2412.87 feet to the South Right of Way of Tung Oil Road; thence run along said right of way curving to the left having a radius of 6040.00, an arc length of 51.15 feet, central angle of 00 degrees 29 minutes 07 seconds chord South 78 degrees 16 minutes 45 seconds East 51.15 feet; thence run South 00 degrees 28 minutes 00 seconds East 2402.47 back to the Beginning.

being underlain by the hereinafter described Salt Dome.

B. The Storage Interval, as used herein, shall be construed to mean that portion of the Byrd Salt Dome in Sections 16 and 17, Township 3 North, Range 7 West, Greene County, Mississippi in which caverns are capable of being constructed to store natural gas.

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

D. SG Resources Mississippi, L.L.C. is hereby designated the Operator of the

Southern Pines Gas Storage Field, Greene County, Mississippi.

Rule No. 1:

Caverns may be created and utilized in the operation of the Southern Pines Gas Storage Field upon permit being issued for such well pursuant to Rule 4(b) and Rule 64 of the Statewide Rules and Regulations.

Rule No. 2:

No well shall be drilled into the Byrd Salt Dome except upon notice and hearing before the Mississippi State Oil and Gas Board, as provided in Statewide Rule 64.

Rule No. 3:

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

Rule No. 4:

The development, operation and maintenance of the Southern Pines 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 64.

End of Special Field Rules

IT IS FURTHER ORDERED AND ADJUDGED that this Order shall be in force and effect from and after July 20, 2011.

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 2nd day of August, 2011.

**STATE OIL AND GAS BOARD OF
MISSISSIPPI**



CHAIRMAN

Prepared By:

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