

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA)
NATURAL RESOURCES, INC. TO)
DETERMINE WHETHER NATURAL)
GAS PRODUCED FROM SPECIFIED) CASE NO. 2003-00047
WELLS QUALIFIES FOR AN INCOME)
TAX CREDIT UNDER SECTION 29 OF)
THE FEDERAL INCOME TAX CODE)

INITIAL DETERMINATION

On January 9, 2003, Columbia Natural Resources, Inc. submitted 30 verified well category applications to determine whether natural gas from each well qualified as high cost gas as defined in Section 107 of the Natural Gas Policy Act (NGPA) (gas produced from coal seams, Devonian shale, or tight formation areas). The purpose for categorizing each well is to determine whether the applicant is eligible for an income tax credit under Section 29 of the Internal Revenue Code. While this Commission has authority to make the initial well category determination, the final determination of each application must be made by the Federal Energy Regulatory Commission (FERC). Therefore, in support of each application, the applicant has submitted data and other information required by FERC under 18 CFR Part 270, as well as data and information required by this Commission under 807 KAR 5:031. The applicant has further stated in each application that the natural gas for which each determination is being sought is being produced from either [1] a well the surface drilling of which began after December 31, 1979, but before January 1, 1993; or [2] a re-completion commenced

after January 1, 1993, in a well the surface drilling of which began after December 31, 1979 but before January 1, 1993; or [3] a re-completion that was commenced after December 31, 1979 but before January 1, 1993 where such gas could not have been produced from any completion location in existence in the well bore before January 1, 1980.

The applications and their supporting data were submitted for analysis to the Kentucky Geological Survey, a department of the University of Kentucky. After analyzing the information, the Kentucky Geological Survey, acting on behalf of this Commission, has concluded that the natural gas produced from the following wells qualifies as high cost gas as defined in Section 107 of the NGPA:

Floyd County: 16-071-81128; 16-071-83147.

Harlan County: 16-095-81239; 16-095-81628;
16-095-81629.

Martin County: 16-159-74983; 16-159-76734;
16-159-76735; 16-159-78863; 16-159-78879; 16-159-79003;
16-159-79518; 16-159-79523; 16-159-79632; 16-159-79633;
16-159-79634; 16-159-79650.

Pike County: 16-195-40380; 16-195-39200; 16-195-79580;
16-195-80784; 16-195-80785; 16-195-80786; 16-195-80798;
16-195-81331; 16-195-81405; 16-195-81435; 16-195-81604;
16-195-81835; 16-195-80799.

Upon examination of the applications and the reports filed in these proceedings, the Commission adopts the findings of the Kentucky Geological Survey and incorporates them by reference as its Initial Determination in accordance with 807 KAR 5:031, Section 4. Notice of this determination, a copy of which is appended hereto, shall be published in a newspaper of statewide circulation, and any person may request a hearing on any application or on this determination within 10 working days from the

date of publication. Any such request must be submitted in writing and must state the grounds upon which the requestor relies. On the basis of evidence presented at the hearing, or on the basis of the record if no hearing is requested as prescribed, the Commission shall issue a final Order affirming or reversing the initial determination. However, the Commission may at any time prior to issuing a final Order re-evaluate any application or initial determination if additional information beyond the scope of the original application is discovered.

Done at Frankfort, Kentucky, this 14th day of April, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX TO INITIAL DETERMINATION
OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 2003-00047 DATED

NOTICE OF INITIAL DETERMINATION

The Public Service Commission, an agency of the Commonwealth of Kentucky, in accordance with 807 KAR 5:031, has caused the review of the applications for each of the following wells, identified by their permit numbers, to determine whether they qualify for one or more of the classifications set forth in Section 107 of the Natural Gas Policy Act. Based upon the review, the Commission has made an initial determination that the natural gas produced from the following wells owned or operated by Columbia Natural Resources, Inc. qualifies for one or more of the classifications:

Floyd County: 16-071-81128; 16-071-83147.

Harlan County: 16-095-81239; 16-095-81628; 16-095-81629.

Martin County: 16-159-74983; 16-159-76734; 16-159-76735;
16-159-78863; 16-159-78879; 16-159-79003; 16-159-79518;
16-159-79523; 16-159-79632; 16-159-79633; 16-159-79634;
16-159-79650.

Pike County: 16-195-40380; 16-195-39200; 16-195-79580;
16-195-80784; 16-195-80785; 16-195-80786; 16-195-80798;
16-195-81331; 16-195-81405; 16-195-81435; 16-195-81604;
16-195-81835; 16-195-80799.

Within 10 working days of this notice, any interested person may request a hearing on the initial determination for any application. The hearing shall be requested by written notification specifically stating the grounds for the request and shall be delivered to the undersigned at the address below. Upon receipt of a request, the Commission shall schedule a public hearing pursuant to 807 KAR 5:001, Section 4.

After the time for requesting a hearing has expired, the Commission shall issue a final Order affirming or reversing the initial determination. If a hearing is requested, the final Order shall be made on the basis of evidence presented at the hearing. Within 15 days from the final Order, the Order, together with the entire record upon which it was made, shall be sent to the Federal Energy Regulatory Commission.

Notwithstanding the foregoing, the Commission may, at any time prior to issuing the final Order, re-evaluate any application or initial determination if the Commission discovers additional pertinent information beyond the scope of the original application.

Thomas M. Dorman, Executive Director
Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602