

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA NATURAL	)	
RESOURCES, INC. TO DETERMINE WHETHER	)	CASE NO.
NATURAL GAS PRODUCED FROM SPECIFIED	)	2001-180
WELLS QUALIFIES FOR AN INCOME TAX CREDIT	)	
UNDER SECTION 29 OF THE FEDERAL INCOME	)	
TAX CODE	)	

INITIAL DETERMINATION

On June 8, 2001, Columbia Natural Resources, Inc. submitted 84 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 recompletion 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 recompletion 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:** 16-071-80844, 16-071-81211, 16-071-81046, 16-071-80702, 16-071-81754, 16-071-80726, 16-071-80671, 16-071-83391, 16-071-81332, 16-071-81494, 16-071-80651, 16-071-81330.

**Martin County:** 16-159-78883, 16-159-80293, 16-159-79001, 16-159-79636, 16-159-79002, 16-159-78880, 16-159-78939, 16-159-75008, 16-159-80530, 16-159-80404, 16-159-81074, 16-159-81026, 16-159-79990, 16-159-79004, 16-159-78881, 16-159-79637, 16-159-78904, 16-159-78581, 16-159-79579, 16-159-74985<sup>1</sup>, 16-159-74982, 16-159-79630, 16-159-74981, 16-159-74984, 16-159-79779, 16-159-79611, 16-159-78505, 16-159-78543, 16-159-80445, 16-159-78504, 16-159-78586, 16-159-78585, 16-159-79520, 16-159-79519, 16-159-79107, 16-159-78502, 16-159-78583, 16-159-78870, 16-159-79522, 16-159-78642, 16-159-79631, 16-159-79200, 16-159-79199, 16-159-79197, 16-159-78507, 16-159-79652, 16-159-79651.

**Pike County:** 16-195-79752, 16-195-80798, 16-195-79546, 16-195-79580, 16-195-81835, 16-195-81604, 16-195-76865, 16-195-76864, 16-195-81435, 16-195-81331, 16-195-80786, 16-195-80785, 16-195-80784, 16-195-78587, 16-195-78506, 16-195-81405, 16-195-81534, 16-195-78542.

The Kentucky Geological Survey was unable to make any determination on the following applications because they contained insufficient information:

**Martin County:** 16-159-79632 16-159-79633 16-159-79634, 16-159-76735, 16-159-76734, 16-159-78863, 16-159-79518.

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<sup>1</sup> Erroneously shown on application as Permit No. 16-159-74595.

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 reevaluate any application or initial determination if additional information beyond the scope of the original application is discovered.

Done at Frankfort, Kentucky, this 5<sup>th</sup> day of September, 2001.

By the Commission

ATTEST:

  
Executive Director