

STATEMENT OF BASIS

**Class III Area Permit
UIC Permit No. UTU-27-AP-718D759
Magnum Gas Storage Project, Millard County, Utah**

Magnum Solution Mining, LLC
3165 East Millrock Drive, Suite 330
Holladay, Utah 84121

September 2014

Magnum Solution Mining, LLC has requested that the creation of several underground natural gas (NG) storage caverns be covered by a separate Underground Injection Control (UIC) Class III solution mining area permit. The NG caverns had previously been covered by another UIC Class III solution mining area permit that includes the creation of caverns for natural gas liquid (NGL) storage.

The caverns will be created in a salt deposit that has been tectonically thickened located approximately 9 miles north of Delta, Utah in Millard County. Each cavern will have an open volume of approximately 10.5 million barrels corresponding to a gas storage capacity of 9.8 million barrels.

The basis for issuing the UIC Class III Solution Mining area permit is to ensure compliance with the Utah UIC administrative rules for Class III injection well activities, R317-7, and with natural gas industry standards for the construction of natural gas storage wells and caverns as detailed in the following documents, where applicable:

- *Common Practices – Gas Cavern Site Characterization, Design, Construction, Maintenance, and Operation, SMRI Research Report RR2012-03*
- *Recommended Practice for the Design of Solution-Mined Underground Storage Facilities – API Recommended Practice 1114, API, July 2007*
- *Recommended Practice on the Operation of Solution-Mined Underground Storage Facilities – API Recommended Practice 1115 (R2012), API, October 2012*
- *Canadian Standard Association, CWA Z341 Series 14 – Storage of hydrocarbons in underground formations, April 2014*

Once the wells and caverns have been completed and passed mechanical integrity testing, regulatory authority for the operation and maintenance of the wells and caverns for natural gas storage will be transferred to the Utah Division of Oil, Gas, and Mining under a special board order.