

STATEMENT OF BASIS

**Major Modification
of
Class III Area Permit
UIC Permit No. UTU-27-AP-9232389
Magnum Gas Storage Project, Millard County, Utah**

Magnum NGLs Solution Mining, LLC
3165 East Millrock Drive, Suite 330
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The Utah Division of Water Quality (DWQ) has initiated the major modification of the Underground Injection Control (UIC) Class III Solution Mining Area Permit issued to Magnum Solution Mining, LLC to restructure Parts II and III of the permit; include additional requirements to address changes in the Construction and Cavern Development Plan; remove the creation of the natural gas (NG) caverns from coverage under the permit; and to transfer the permit from Magnum Solution Mining, LLC to Magnum NGLs Solution Mining, LLC.

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 2.1 million barrels corresponding to a natural gas liquid (NGL) storage capacity of 2 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 NGL storage industry standards for the construction of NGL 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 NGL storage will be transferred to the Utah Division of Oil, Gas, and Mining.