INERGY MIDSTREAM, L.L.C.

January 7, 2010

Linda Collart Regional Minerals Manager New York State DEC Division of Mineral Resources, Region 8 6274 East Avon-Lima Road Avon, NY 14414

RE: Well 58 Conversion from Stratagraphic well to Brine Production well API # 31-097-21467-00-01

Dear Ms. Collart,

Enclosed is the application to convert well 58 from a stratagraphic well to a brine production well.

Well 58 was plugged by US Salt on October 14, 2003 due to advice from consultant Larry Sevenker. During the last logging of well 58 prior to plugging, the indication was that the roof of the cavern had collapsed and filled the whole cavern with rubble. Mr. Sevenker further reported that a small magnitude earthquake could have damaged the cavity. This was reported to the Department in a letter dated May 24, 2001 to Kathleen Sanford from Alan Perry, Plant manager of US Salt.

After further review by Inergy Midstream LLC, Inergy concluded that well 58 could not have been filled with rubble completely. This conclusion was based on conversations with Larry Sevenker consulting engineer for US Salt and Jeff Childress from Micro systems Sonar survey company which was the contractor conducting the sonar on well 58. Larry Sevenker told me that they pulled the 4 ½" tubing up to sonar in open hole, but were unable to get out the bottom. The 4 ½" tubing was set at 2632' inside of 7" tubing set at 2,613'. They tried to sonar through the 4 ½" and 7" tubing on the way out, with results showing no open hole. This was the basis of their conclusion to plug the well. Larry Sevenker looked into seismic activity at the time prior to the logging and determined there was a small magnitude earthquake which could have caused the collapse. I spoke with Jeff Childress about his sonar tool and found out that he could not shoot accurately through one string of pipe and definitely not through two strings. Inergy concluded that this was the evidence proving it was not possible for the cavern to be full of rubble and the sonar was not accurate in finding the cavern due to the two strings of tubing. Prior to plugging well 58 US Salt pulled out the 4 ½" and 7" tubing from the well. The 9 5/8" casing was plugged to surface.

> 7535 EAGLE VALLEY ROAD SAVONA, NEW YORK 14879 PHONE: 607-776-4201 FAX: 607-776-6610

A drilling application was issued by the department on October 6, 2009 to drill out the cement in the plugged casing. On October 14, 2009 plug was drilled out and encount 632.4 psig at surface on casing. Pressure was taken with a calibrated gauge from US Sa. by Dave Crea Plant Engineer. The pressure encountered is above the long term brine test pressure approved by the department. Pressure was bleed to zero by flowing brine to US Salt Brine Pond. Sonar was completed open hole by Sonarwire Inc on October 20, 2009. Copies of the Sonar were submitted to the department along with a cement bond log, directional survey and Microvertilog. Inergy has completed the well with a 5 ½" hanging tubing string to 2,420 ft with a 3000# well head. The cemented 9 5/8" casing is 33 ft deeper than the cavern roof. Results from the sonar show that the cap rock is intact with the top of salt at the cavern roof. Cavern capacity from the sonar shows

Inergy feels that the information we have discovered since drilling out the well shows a very nice shaped cavern and it is adequate for solution mining. Based on the fact of the results of our sonar study and the established mechanical integrity of the cavern Inergy will be turning ownership over to our US Salt company to do the solution mining to increase the capacity for possible LPG Storage. Prior to converting to LPG storage a well conversion application will be submitted to the department and a brine / nitrogen interface test will be conducted on the well/ well bore.

After you have had an opportunity to review the enclosed application material please contact me if you have any questions at 607-321-8084.

Sincerely,

Barry Moon

Manager Inergy Midstream LLC

NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION DIVISION OF MINERAL RESOURCES • BUREAU OF OIL AND GAS REGULATION



PRINT OR TYPE IN BLACK INK

APPLICATION FOR PERMIT TO DRILL, DEEPEN, PLUG BACK OR CONVERT A WELL SUBJECT TO THE OIL, GAS AND SOLUTION MINING LAW

THIS APPLICATION IS A LEGAL DOCUMENT. READ THE APPLICABLE AFFIRMATION AND ACKNOWLEDGMENT CAREFULLY BEFORE SIGNING. or contact your local Regional office. For instructions on completing this form, visit the Division's website at AAAA PLANNED OPERATION: (Check one) Drill Deepen Plug Back Convert TYPE OF WELL: (Check one) Existing API Well Identification Number 0 | 9 | 7 | - | 2 | 1 | 4 | 6 | 7 | - | 0 | 0 | - | 0 | 1 | New New Existing TYPE OF WELL BORE: (Check one) Directional Horizontal Vertical NAME OF OWNER (Full Name of Organization or Individual as registered with the Division) TELEPHONE NUMBER (include area code) Inergy Midstream LLC 607 | 776-4201 ADDRESS (P.O. Box or Street Address, City, State, Zip Code) 7535 Eagle Valley Road, Savona, NY 14879 NAME AND TITLE OF LOCAL REPRESENTATIVE WHO CAN BE CONTACTED WHILE OPERATIONS ARE IN PROGRESS Barry Moon Manager ADDRESS-Business (P.O. Box or Street Address, City, State, Zip Code) TELEPHONE NUMBER (include area code) 7535 Eagle Valley Road, Savona, NY 14879 607 | 776-4201 ADDRESS-Night, Weekend and Holiday (P.O. Box or Street Address, City, State, Zip Code) TELEPHONE NUMBER (include area code) 6387 Robie Road Savona, Nv 14879 607 | 321-8084 WELL LOCATION DATA (attach plat) TOWN FIELD/POOL NAME (or "Wildcat") Schuyler Reading **US Salt** WELL NAME WELL NUMBER NUMBER OF ACRES IN UNIT Well 58 58 389 71/2 MINUTE QUAD NAME QUAD SECTION PROPOSED TARGET FORMATION Reading Center Salt LOCATION DESCRIPTION Decimal Latitude (NAD83) Decimal Longitude (NAD83) 8 9 9 6 0 Top of Target Interval **Bottom of Target Interval** 2.642 2,642 **Bottom Hole** PROPOSED WELL DATA WELL TYPE (check one) PLANNED TOTAL DEPTH PLANNED DATE OF COMMENCEMENT OF 2,642 ft. Oil Production Gas Production Brine OPERATIONS TVD 2,642 ft Brine Disposal Geothermal Stratigraphic Injection TMD Other Kickoff SURFACE ELEVATION (check how obtained PLANNED DRILLING FLUID TYPE TOOLS 814 ft. Surveyed Topo Map Other Cable Rotary Air Water Mud NAME OF PLANNED DRILLING CONTRACTOR (as registered with the Division) TELEPHONE NUMBER (include area code) ON ATTACHED SHEET GIVE DETAILS FOR EACH PROPOSED CASING STRING AND CEMENT JOB INCLUDING BUT NOT LIMITED TO: BIT size, casing size, casing weight and grade, TVD and TMD of casing set, scratchers, centralizers, cement baskets, sacks of cement, class of cement, cement additives with percentages or pounds per sack, estimated TVD and TMD of the top of cement, estimated amount of excess cement and waiting-on-cement time. FOR DIRECTIONAL OR SIDETRACK WELLS ALSO INCLUDE A WELL BORE DIAGRAM SHOWING THE LOCATION OF THE ITEMS INCLUDED IN THE ABOVE REFERENCED DETAILS. DEPARTMENT USE ONLY BOND NUMBER API WELL IDENTIFICATION NUMBER RECEIPT NUMBER DATE ISSUED

WELL NAME		WELL NUMBER	NAME OF OWNER
Well 58 COMMENTS:		58	Inergy Midstream LLC
		58 from a strata	graphic well to a brine production well.
11161	gy Midstream request to convert wen	JO HOIT & Strate	grapine wente a brine production wen.
	AFFIRMATI	ON AND ACKNOW	/LEDGMENT
A.	For use by individual:		
	By the act of signing this application:		
	(1) I affirm under penalty that the information provided in this application is true to the best of my knowledge and belief; and that		
	I possess the right to access property, and drill and/or extract oil, gas, or salt, by deed or lease, from the lands and site described in the well location data section of this application. I am aware that any false statement made in this		
	application is punishable as a Class A Misdemeanor under Section 210.45 of the Penal Law.		
	FI		
	(2) I acknowledge that If the permit requested to be issued in consideration of the information and affirmations contained in this		
	application is issued, as a condition to the issuance of that permit, I accept full legal responsibility for all damage, direct or indirect, of whatever nature and by whomever suffered, arising out of the activity conducted under authority of that permit; and		
	agree to indemnify and hold harmless the State, its representatives, employees, agents, and assigns for all claims, suits,		
	actions, damages, and costs of every name and description, arising out of or resulting from the permittee's undertaking of activities		
	or operation and maintenance of the facility or facilities authorized by the permit in compliance or non-compliance with the terms		
	and conditions of the permit.		
	Printed or Typed Name of Indi	vidual	
	<u></u>		
	Signature of Individual		Date
В.	For use by organizations other than ar	individual:	
	By the act of signing this application:		
		nager	(title)
	of Inergy Midstream LLC	is application was the	(organization); that I am authorized by that pared by me or under my supervision and direction;
	and that the aforenamed organization possesses the right to access property, and drill and/or extract oil, gas, or salt by deed or		
	lease, from the lands and site described in the well location data section of this application. I am aware that any false statement made in this application is punishable as a Class A Misdemeanor under Section 210.45 of the Penal Law.		
	statement made in this application is punishable	as a Class A Misdemea	anor under Section 210.45 or the Penal Law.
	(2) Inergy Midstream LLC.		(organization);
	acknowledges that if the permit requested to be issued in consideration of the information and affirmations contained in this application is issued, as a condition to the issuance of that permit, it accepts full legal responsibility for all damage, direct or		
	indirect, of whatever nature and by whomever suffered, arising out of the activity conducted under authority of that permit; and		
	agrees to indemnify and hold harmless the State, its representatives, employees, agents, and assigns for all claims, from suits,		
	actions, damages, and costs of every name and description, arising out of or resulting from the permittee's undertaking of activities or operation and maintenance of the facility or facilities authorized by the permit in compliance or non-compliance with the terms		
	and conditions of the permit.		o portant in compliance of flow compliance with the terms
	Barry L. Moon		
	Printed or Typed Name of Authorized F	Representative	
			4.7.0040
	Signature of Authorized Repres	o-totivo	1-7-2010
	Signature of Authorized Repres	entative	Date