

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.

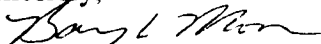
After further review by Inergy Midstream LLC, Inergy concluded that well 58 could not have been filled with rubble completely. This conclusion was based on conversations with Larry Sevenker consulting engineer for US Salt and Jeff Childress from Micro systems Sonar survey company which was the contractor 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.

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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 encountered 632.4 psig at surface on casing. Pressure was taken with a calibrated gauge from US Salt by Dave Crea Plant Engineer. The pressure encountered is above the long term brine test pressure approved by the department. Pressure was bled 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 1/2" 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 [REDACTED] [REDACTED] 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

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WELL NAME Well 58	WELL NUMBER 58	NAME OF OWNER Inergy Midstream LLC
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COMMENTS:
Inergy Midstream request to convert well 58 from a stratagraphic well to a brine production well.

AFFIRMATION AND ACKNOWLEDGMENT

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.
- (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 Individual

Signature of Individual

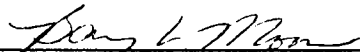
Date

B. For use by organizations other than an individual:

By the act of signing this application:

- (1) I affirm under penalty of perjury that I am Manager (title) of Inergy Midstream LLC (organization); that I am authorized by that organization to make this application; that this application was prepared by me or under my supervision and direction; and that the aforementioned 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.
- (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.

Barry L. Moon
Printed or Typed Name of Authorized Representative


Signature of Authorized Representative

Date

1-7-2010