

John S. Decker jdecker@velaw.com
Tel 202.639.6599 Fax 202.639.6604

RECEIVED
FEDERAL ENERGY REGULATORY COMMISSION
2005 JAN -6 A 10:41
OFFICE OF ENERGY DELIVERY & ENERGY RELIABILITY
U.S. DEPARTMENT OF ENERGY
ORIGINAL
06-02-LNG

January 5, 2006

Mr. Robert Corbin
Office of Oil & Gas Global Security and Supply
Fossil Energy
U.S. Department of Energy
Docket Room 3E-042
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: **BG LNG Services, LLC**
FE Docket No. 06-02-LNG; FE Docket No. 04-40-LNG

Dear Mr. Corbin:

Pursuant to Part 590 of the regulations of the Department of Energy ("DOE"), 10 C.F.R. Pt. 590 (2005), please find enclosed the application of BG LNG Services, LLC ("BGLS") for long-term authorization to import liquefied natural gas from various international sources pursuant to Section 3 of the Natural Gas Act, as amended, and a motion to vacate a prior import authorization granted by the Department of Energy. Also please find enclosed a check for \$50 made payable to the Treasury of the United States as required by 10 C.F.R. § 590.207.

Please file stamp the enclosed extra copies of this application and return them to our messenger. Thank you for your attention to this matter.

Respectfully submitted,



John S. Decker
Attorney for BG LNG Services, LLC

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

RECEIVED
FEB 2 2006
2005 JAN -6 A 10:43

OFFICE OF FOSSIL ENERGY
U.S. DEPARTMENT OF ENERGY

BG LNG Services, LLC

)
)
)

FE Docket Nos. 06-02-LNG
04-40-LNG

APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS
FROM **VARIOUS INTERNATIONAL SOURCES** AND
MOTION TO VACATE EXISTING IMPORT AUTHORIZATION OF
BG LNG SERVICES, LLC

Jason Klein
Commercial Attorney
BG LNG Services, LLC
5444 Westheimer, Suite 1200
Houston, Texas 77056
(713) 599-3709

John S. Decker
William E. Wolf
Vinson & Elkins L.L.P.
1455 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-1008
(202) 639-6599

January 5, 2006

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

BG LNG Services, LLC)))	FE Docket Nos. 06-__-LNG 04-40-LNG
----------------------	-------------	---------------------------------------

**APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS
FROM VARIOUS INTERNATIONAL SOURCES AND
MOTION TO VACATE EXISTING IMPORT AUTHORIZATION OF
BG LNG SERVICES, LLC**

Pursuant to Section 3 of the Natural Gas Act (“NGA”), as amended,¹ Department of Energy (“DOE”) Delegation Order Nos. 0204-111 and 0204-127,² and Part 590 of the Regulations of the DOE, Office of Fossil Energy (“OFE”),³ BG LNG Services, LLC (“BGLS”) hereby submits this application for long-term authorization to import liquefied natural gas (“LNG”) from various international sources pursuant to an executed Master LNG Sale and Purchase Agreement (the “Master Agreement”) and a Memorandum to the Master Agreement (the “Confirmation Memorandum”) between BGLS and BG LNG Trading, LLC (“BGLT”), as well as a motion to vacate a prior import authorization granted by the DOE.

In support of this application, BGLS respectfully shows as follows:

¹ 15 U.S.C. § 717b (2000).

² DOE Delegation Order No. 0204-111, Administrator of the Economic Regulatory Administration (Feb. 22, 1984); DOE Delegation Order No. 0204-127, Assistant Secretary for Fossil Energy (Feb. 7, 1989).

³ 10 C.F.R. Pt. 590 (2005).

I.

CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications regarding this application should be addressed to the following:

Jason Klein
BG LNG Services, LLC
5444 Westheimer, Suite 1200
Houston, Texas 77056
tel: (713) 599-3709
fax: (713) 599-4250
email: jason.klein@bg-northamerica.com

John S. Decker
Vinson & Elkins L.L.P.
1455 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-1008
tel: (202) 639-6599
fax: (202) 639-6604
email: jdecker@velaw.com

II.

BACKGROUND

BGLS is a limited liability company organized under the laws of the State of Delaware, having its principal place of business at 5444 Westheimer, Suite 1775, Houston, Texas 77056. BGLS is a wholly-owned subsidiary of BG Group plc, which has its principal place of business at 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT, England. Pursuant to the authorization previously granted to BGLS, BGLS engages in the business of importing LNG purchased from Mitsubishi International Corporation (“Mitsubishi”) pursuant to a Sale and Purchase Agreement with Mitsubishi dated July 20, 2003 (the “LNG Sales Agreement”).⁴

On March 26, 2004, BGLS filed an application with the OFE for authorization to import up to 25.6 trillion British Thermal Units (“TBtu”) per year of LNG over a five year term pursuant to the terms of the LNG Sales Agreement. On April 16, 2004, in DOE/FE Order No. 1975, the OFE approved BGLS’s application and granted it long-term authorization to import up

⁴ BGLS also imports LNG pursuant to the following authorizations: DOE/FE Order No. 1977 (April 19, 2004), DOE/FE Order No. 1947 (February 18, 2004), DOE/FE Order No. 1932 (December 30, 2003), and DOE/FE Order No. 1926 (December 8, 2003).

to the equivalent of 25.6 TBtu of LNG per year primarily to the LNG terminal and related facilities at Lake Charles, Louisiana.

III. LONG-TERM AUTHORIZATION REQUESTED

BGLS is seeking to vacate and replace its current import authorization by terminating the LNG Sales Agreement upon which it currently imports LNG and replacing it with the Master Agreement and Confirmation Memorandum. As part of a general corporate restructuring, BG Group plc desired to replace the many agreements between BGLS and its affiliates with a single Master Agreement between BGLS and BGLT that contained general terms and conditions applicable to all contracts for the importation of LNG into the United States. BGLS filed the Master Agreement with the OFE on December 9, 2005 in DOE/FE Docket No. 05-114-LNG and the Master Agreement is hereby incorporated by reference. The Confirmation Memorandum filed herewith contains the terms specific to the particular transaction, including: identification of the agreement under which the LNG is being obtained; the source of the supply; the name of the supplier; and the term and quantity of the contract.

Pursuant to the terms of the Master Agreement and Confirmation Memorandum, BGLS will purchase LNG from BGLT for importation into the United States. Upon importation, BGLS will sell the LNG and the natural gas resulting from vaporization of the LNG to various third parties in the regular course of business. Subject to the terms of the Confirmation Memorandum, BGLT will acquire the LNG from Mitsubishi. The LNG will come from various international sources. The point of entry for the importation of LNG into the United States will primarily be the LNG terminalling, storage and vaporization facilities located at the Lake Charles Terminal in Lake Charles, Louisiana (the "LNG Terminal").

The Confirmation Memorandum is effective from the date of execution, August 2, 2005, to November 1, 2008. BGLS will purchase LNG from BGLT in an amount up to the annual contract quantity of 25.6 TBtu per year of LNG or LNG equivalent pursuant to the Confirmation Memorandum.

BGLT will acquire the LNG subject to the terms of a Master LNG Sale and Purchase Agreement (EX SHIP) with Mitsubishi. The Master Agreement requires BGLS to take any LNG provided by BGLT under the Confirmation Memorandum or pay damages incurred by BGLT for a failure to accept delivery.

The price BGLS will pay BGLT for the LNG it purchases under the Master Agreement⁵ is a formula based on sales proceeds received by BGLS and published price indices for natural gas. BGLS will pay a price for LNG delivered pursuant to either (i) the final settlement price for the New York Mercantile Exchange's Henry Hub natural gas futures contract for delivery during such month; or (ii) the average price for "Daily Price Survey ... Louisiana-Onshore-South ... Henry Hub ... Midpoint" as published in *Platts Gas Daily*. Because the contract price for LNG under the Agreement is linked to published natural gas price indices, the price of LNG supplied during the term of the Confirmation Notice will remain competitive.

IV. MOTION TO VACATE EXISTING IMPORT AUTHORIZATION

As noted above, in the course of a general corporate restructuring BG Group plc has made a business decision to replace BGGM as the entity making sales to BGLS. Subject to the acceptance of the instant application, BGLS will be receiving LNG through the Master Agreement executed with BGLT and will, therefore, no longer have a need for the long-term

⁵ The pricing formula is included in the general terms of the Master Agreement and not in the Confirmation Memorandum.

import authorization granted by the OFE in DOE/FE Order No. 1975 to import LNG acquired from Mitsubishi.⁶ BGLS, therefore, moves for an order vacating the long-term authorization granted to it in DOE/FE Order No. 1975, and further requests such an order be made contingent upon any OFE order approving the long-term import authorization requested in the instant application, and be made effective as of the effective date of such order.

V. ENVIRONMENTAL IMPACT

BGLS intends to continue to use existing facilities for importing LNG as requested herein. This application therefore neither contemplates nor requires the construction of new facilities. Consequently, granting this application will not involve a federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act.⁷ Accordingly, neither an environmental impact statement, nor an environmental assessment, is required.

VI. THE PUBLIC INTEREST

Section 3 of the NGA provides that an import or export of natural gas must be authorized unless there is a finding that it “will not be consistent with the public interest.”⁸ Under Section 3(c), the importation of LNG “is deemed to be consistent with the public interest and must be granted without modification or delay.”⁹ The amendment to its import authorization sought by BGLS herein meets the Section 3(c) criterion and, therefore, is consistent with the public interest.

⁶ DOE/FE Order No. 1975 was issued on April 16, 2004.

⁷ 42 U.S.C. § 431, *et seq.* (2000).

⁸ 15 U.S.C. § 717b(a) (2000).

⁹ *Sonat Energy Services Co.*, Order Granting Long-Term Authorization to Import Liquefied Natural Gas From Trinidad and Tobago, DOE/FE Order No. 1549, FE Docket No. 99-93-LNG (Dec. 8, 1999).

VII.
REQUEST FOR WAIVER OF 10 C.F.R. § 590.201(b)

BGLS requests waiver of the requirement that applications for import authorization be filed at least 90 days in advance of the proposed import. Pursuant to section 590.201(b) of DOE's regulations, 10 C.F.R. §590.201(b) (2005), good cause exists to permit the proposed importation to commence promptly upon the issuance of the authorization requested herein. As noted above, BGLS has already received long-term authorization to import into the United States up to 25.6 TBtu equivalent of LNG per year in DOE/FE Order No. 1975 from Mitsubishi. This application does not alter the quantity to be imported, it merely substitutes and simplifies the document which controls the terms of the importation between BGLS and BGLT. BGLS requests that the amendment to its long-term import authorization requested herein become effective upon the issuance of an order by DOE, or in any event, no later than February 5, 2006.

VIII.
REPORTING REQUIREMENTS

BGLS, in its original application, proposed the following reporting requirements, all of which are still followed by BGLS and will not be affected by the proposed amendment to the original application:

- A. Within two weeks after deliveries begin, BGLS must provide written notification to OFE of the date on which the first import of LNG occurred pursuant to the authorization requested herein.
- B. With respect to the LNG imports authorized in this docket, BGLS will file within 30 days following each calendar quarter, reports indicating, by month: (1) the country of origin; (2) total monthly volumes of LNG imported; (3) the monthly volumes taken by each of BGLS's customers; (4) the name of the seller(s), (5) the

point(s) of entry; (6) the name(s) of the LNG tankers used; (7) the estimated or actual duration of agreements; (8) the geographic market(s) served; (9) the average landed cost per MMBtu at the point of import; and (10) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.

- C. The first quarterly report required by paragraph B will be due within 30 days following the first complete calendar quarter that follows the commencement of deliveries under this authorization.

**IX.
CORPORATE POWER OF COMPANY**

The opinion of counsel, required by 10 C.F.R. § 590.202(c) (2005), showing that the proposed importation of LNG is within the corporate powers of BGLS, is attached as Exhibit A.

**X.
RELATED REGULATORY PROCEEDINGS**

BGLS's request for long-term import authorization is not being considered by any other part of DOE, including the Federal Energy Regulatory Commission, or any other federal agency or department. BGLS currently has two other pending import applications on file with the DOE in DOE/FE Docket Nos. 05-114-LNG and 05-115-LNG.

**XI.
CONCLUSION**

WHEREFORE, for the foregoing reasons, BGLS respectfully requests that OFE grant the instant application to for a long-term import authorization and concurrently accept the motion to cancel the existing authorization granted to BGLS by the OFE in DOE/FE Order No. 1975. BGLS submits that a grant of such authorization would be consistent with the public interest.

Respectfully submitted,



John S. Decker
William E. Wolf
VINSON & ELKINS L.L.P.

Attorneys for BG LNG Services, LLC

Dated: January 5, 2006

EXHIBIT A
CORPORATE POWER OF ATTORNEY



October 6, 2005

Mr. Robert Corbin
Office of Oil & Gas Global Security and Supply
Office of Fossil Energy (FE-34)
U.S. Department of Energy
Room 3E-033
1000 Independence, Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Corbin:

This opinion is furnished in accordance with the requirements of 10 C.F.R. § 590.202(c) (2005), in conjunction with the application of BG LNG Services, LLC for an order requesting a long-term authorization to import liquefied natural gas into the United States pursuant to Section 3 of the Natural Gas Act, as amended.

I am counsel for BG LNG Services, LLC, in the above-referenced matter, and as such, I am familiar with the Articles of Incorporation, By-laws and corporate records of BG LNG Services, LLC. I have examined these and other relevant documents and am of the opinion that the proposed importation of liquefied natural gas by BG LNG Services, LLC is within the corporate powers of BG LNG Services, LLC.

This opinion is submitted solely for the purpose of this matter, and may not be relied upon by the Office of Fossil Energy, or by any other governmental entity, or any person, for any other purpose.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Jason T. Klein'.

Jason T. Klein
Attorney for BG LNG Services, LLC

Dated: October 6, 2005

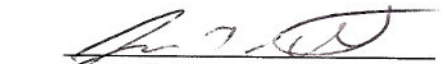
BG LNG SERVICES, LLC

5444 Westheimer
Suite 1700
Houston, Texas 77056
Tel (713) 599-3741
Fax (713) 599-3781

VERIFICATION

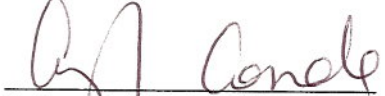
The State of Texas)
)
County of Harris)

Jason T. Klein, declares before me on this date, and says that he is counsel of BG LNG Services, LLC, the applicant in this document; that he is authorized to verify the foregoing document pursuant to 10 C.F.R. § 590.103 (2005); that he has examined the statements contained therein and that all such statements are true and correct to the best of his knowledge, information and belief; and that he is a duly authorized representative of BG LNG Services, LLC; and that to the best of his knowledge, neither this nor any related matter is being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any other federal agency or department.



Jason T. Klein

SUBSCRIBED and SWORN TO before me, a Notary Public, this day: October 6, 2005



Notary Public in and for the
State of Texas



My Commission Expires: June 20, 2009

EXHIBIT B

**MASTER LNG SALE AND PURCHASE AGREEMENT BETWEEN
BG LNG SERVICES, LLC AND
BG LNG TRADING, LLC**

Exhibit B has been filed with the OFE by BGLS on December 9, 2005 in FE Docket No. 05-114-LNG and is hereby incorporated by reference.

EXHIBIT C

**CONFIRMATION MEMORANDUMS TO THE
MASTER LNG SALE AND PURCHASE AGREEMENT BETWEEN
BG LNG SERVICES, LLC AND
BG LNG TRADING, LLC**

Memorandum to the Master LNG Sale and Purchase Agreement
Dated August 2, 2005
between BG LNG Trading, LLC, as Seller
and BG LNG Services, LLC, as Buyer

TERMS AND CONDITIONS

1. Supply Agreement

The Supply Agreement, from which the LNG to be sold under this Memorandum is that certain MASTER LNG SALE AND PURCHASE AGREEMENT (DELIVERED EX-SHIP) dated July 20, 2003, between BG LNG TRADING, LLC (as successor in interest to BG LNG Services, LLC), as buyer, and MITSUBISHI INTERNATIONAL CORPORATION, as seller, a copy of which has been provided to Buyer.

2. Source of Supply

The source of supply under the Supply Agreement will be identified in the Annual Program or Ninety-Day Schedule.

3. Supplier

The supplier under the Supply Agreement is MITSUBISHI INTERNATIONAL CORPORATION.

4. Contract Term

The term of the Supply Agreement commences on November 1, 2003, and shall remain in effect for a period of 5 years, as may be extended or earlier terminated pursuant to the terms of the Supply Agreement.

5. Annual Contract Quantity

The annual contract quantity under the Supply Agreement is up to 25.6 TBtu/year, subject to adjustment pursuant to the provisions of the Supply Agreement.

IN WITNESS HEREOF, each of the Parties has caused this Memorandum to be executed in more than one copy, each of which shall be deemed to be an original as of the 2nd day of August 2005.

BG LNG SERVICES, LLC

By: 

Name: STEVE SURRAU

Title: PRESIDENT

BG LNG TRADING, LLC

By: _____

Name: _____

Title: _____

IN WITNESS HEREOF, each of the Parties has caused this Memorandum to be executed in more than one copy, each of which shall be deemed to be an original as of the 2nd day of August 2005.

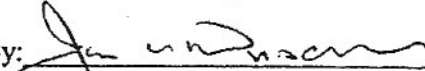
BG LNG SERVICES, LLC

By: _____

Name: _____

Title: _____

* BG LNG TRADING, LLC

By: 

Name: JOHN O'RISCOLL

Title: Director