

Cited as "1 FE Para. 70,207"

Coastal Gas Marketing, Co. (ERA Docket No. 88-75-NG), March 29, 1989.

## DOE/FE Opinion and Order No. 304

Order Granting Blanket Authorization to Export Natural Gas from the United States to Mexico and Granting Intervention

### I. Background

On December 30, 1988, Coastal Gas Marketing (Coastal Gas), filed an application with the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to Section 3 of the Natural Gas Act (NGA) and DOE Delegation Order No. 0204-111,1/ for blanket authorization to export from the United States to Mexico up to 105 Bcf of domestic natural gas under short-term and spot market arrangements for two years beginning on the date of the first delivery. According to Coastal Gas, a marketer of natural gas with its principal place of business in Houston, Texas, the export authority would be used primarily to make sales to Petroleos Mexicanos (Pemex), Mexico's national oil company, for distribution to residential and industrial customers.

Coastal Gas intends to sell about 64 Bcf of gas to Pemex. At the time this application was filed, Coastal Gas was negotiating a sales contract with Pemex for up to 140,000 Mcf per day at an initial price of \$2.53 (U.S.) per MMBtu, adjusted monthly based on the average price charged for gas supplies by five interstate pipelines. Coastal Gas contemplates selling the remaining 41 Bcf of proposed export volumes to various other purchasers. Under the proposed export, all sales, including the final arrangement with Pemex, will be the product of arms-length negotiations, and the terms of each arrangement will reflect prevailing market conditions.

Coastal Gas intends to use only existing pipeline facilities for the transportation of the volumes to be exported and with respect to the Pemex transaction the gas will exit the U.S. through an interconnection between the facilities of Texas Eastern Transmission Corporation and Pemex near Reynosa, Tamaulipas, Mexico. Coastal Gas also intends to comply with the quarterly reporting requirements.

A notice of the application was issued on January 25, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by March 2, 1989.<sup>2/</sup> A motion to intervene without comment or request for additional procedures was filed by Clajon Gas Co., L.P. This order grants intervention to this movant.

### II. Decision

The application filed by Coastal Gas has been evaluated to determine if the proposed export arrangement meets the public interest requirements of Section 3 of the NGA. Under Section 3, an export must be authorized unless there is a finding that it "will not be consistent with the public interest."

3/ In reviewing natural gas export applications, domestic need for the gas to be exported is considered, and any other issues determined to be appropriate in a particular case, including whether the arrangement is consistent with the DOE policy of promoting competition in the natural gas marketplace by allowing commercial parties to freely negotiate their own trade arrangements.

Coastal Gas' export arrangement, as set forth in the application, is consistent with Section 3 of the NGA and the DOE's international gas trade policy. We believe that the current domestic natural gas surplus and the short-term, market-responsive nature of the contracts into which Coastal Gas proposes to enter support a finding that there is no domestic need for the gas at this time and that need is unlikely to become an issue during the term of the authorization. Further, Coastal Gas' proposal, like other blanket export proposals that have been approved,<sup>4/</sup> will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and Mexico, and thereby enhance cross-border competition in the marketplace.

After taking into consideration all the information in the record of this proceeding, I find that granting Coastal Gas blanket authority to export up to 105 Bcf of natural gas from the U.S. to Mexico over a term of two years is not inconsistent with the public interest.

#### ORDER

For the reasons set forth above, pursuant to Section 3 of the Natural Gas Act, it is ordered that:

A. Coastal Gas Marketing Company (Coastal Gas) is authorized to export up to 105 Bcf of natural gas from the United States to Mexico during a two-year period beginning on the date of the first delivery.

B. The natural gas exports authorized in Paragraph A above may be exported at any point on the international border where existing pipeline facilities are located.

C. Coastal Gas shall notify the Office of Fuels Programs, Fossil Energy, FE-50, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585, in writing of the date of first delivery of natural gas authorized in Ordering Paragraph A above within two weeks after deliveries begin.

D. With respect to the exports authorized by this Order, Coastal Gas shall file with the Office of Fuels Programs within 30 days following each calendar quarter, quarterly reports indicating whether exports of natural gas have been made, and if so, giving, by month, the total volume of the exports in MMcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each export transaction, including the names of the purchaser(s), estimated or actual duration of the agreement(s), transporter(s), points of exit, and, if applicable, the per unit (MMBtu) demand/commodity charge breakdown of the price, any special contract price adjustment clauses, and any take-or-pay or make-up provisions.

E. The motion to intervene filed by Clajon Gas Company, L.P., is hereby granted, provided that its participation is limited to matters specifically set forth in its motion to intervene and not herein specifically denied, and that the admission of such intervenor shall not be construed as recognition that it may be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., on March 29, 1989.

--Footnotes--

1/ On January 6, 1989, the authority to regulate natural gas imports and exports was transferred from the ERA to the Assistant Secretary for Fossil Energy. DOE Delegation Order No. 0204-127 specifies the transferred functions (54 F.R. 11436, March 20, 1989).

2/ 54 FR 4891, January 31, 1989.

3/ 15 U.S.C. Sec. 717b.

4/ See e.g., American Central Gas Marketing, 1 ERA Para. 70,834 (January 9, 1989); Seagull Marketing Services, Inc., 1 ERA Para. 70,833 (December 30, 1988); Metro Gaz Marketing, Inc., 1 ERA Para. 70,828 (December 23, 1988); and Union Gas Limited, 1 ERA Para. 70,825 (November 22, 1988).