

Cited as "1 FE Para. 70,228"

Texas International Gas & Oil Company (FE Docket No. 89-18-NG), June 19, 1989.

DOE/FE Opinion and Order No. 319

Order Granting Blanket Authorization to Export Natural Gas to Mexico and Granting Intervention

I. Background

On March 8, 1989, Texas International Gas & Oil Company (TI), filed an application pursuant to Section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127 for blanket authorization to export from the United States to Mexico up to 30,000 Mcf of natural gas per day and 11 Bcf per year, or a total of 22 Bcf for short-term and spot market sales over a two-year period beginning on the date of first delivery. TI, a Texas corporation with its principal place of business in El Paso, Texas, does business as Service-Gas.

TI proposes to purchase and export gas produced in the U.S. Southwest to Mexico for sale to purchasers on an interruptible or short-term, firm sales basis. All of the intended customers are not known to TI at this time, however, one perspective purchaser would be Petroleos Mexicanos, the Mexican national energy company. TI states that each export and sale would be negotiated on an individual basis at competitive prices. TI intends to use existing pipeline facilities for the transportation of the volumes to be exported, and proposes to file quarterly reports detailing each transaction.

In support of the application, TI asserts that there is no present national need for the gas. TI contends that the proposed exports will relieve the existing gas surplus in the U.S. and benefit gas transportation companies by increasing pipeline throughput.

A notice of the application was issued on April 21, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by May 22, 1989.¹ 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 TI 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." 2/ 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.

TI's uncontested export proposal, 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 gas surplus, coupled with the short-term, market-responsive nature of the contracts into which TI proposes to enter, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of the authorization. In addition, TI's proposal, like other blanket export proposals that have been approved,^{3/} 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. Thus, TI's export arrangement will enhance cross-border competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting TI blanket authority to export a total of 22 Bcf of natural gas from the U.S. to Mexico during a period of two years, under contracts with terms of up to two years, is not inconsistent with the public interest. Consistent with our treatment of similar blanket applications, there will be no restriction on the daily or annual volume that may be exported. This maximizes the flexibility of spot market exporters and importers to provide gas supplies to meet customer demand.

ORDER

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

A. Texas International Gas & Oil Company (TI) is authorized to export a total of up to 22 Bcf of natural gas from the United States to Mexico during a two-year period beginning on the date of the first delivery.

B. TI is authorized to export natural gas at any point on the international border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, TI shall provide written notification to the Office of Fuels Programs, Fossil Energy, of the date that the first delivery of natural gas authorized in Ordering Paragraph A above occurs.

D. With respect to the exports authorized by this Order, TI shall file within 30 days following each calendar quarter, quarterly reports indicating whether sales of exported natural gas have been made, and if so, giving by

month, the total volume of the exports in Mcf and the average price for exports per MMBtu at the international border. The reports shall also provide the details of each export transaction, including the names of the seller(s), and the purchaser(s), estimated or actual duration of the agreements, transporter(s), points of exit, market(s) served, 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 Co. 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 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 June 19, 1989.

--Footnotes--

1/ 54 FR 16160, April 21, 1989.

2/ 15 U.S.C. Sec. 717b.

3/ See e.g., Coastal Gas Marketing Company, 1 FE Para. 70,207 (March 29, 1989); Cornerstone Natural Gas Company, 1 FE Para. 70,216 (April 12, 1989); TransAmerican Natural Gas Corporation, 1 FE Para. 70,220 (April 28, 1989); and Gas Masters, Inc., 1 FE Para. 70,222 (April 28, 1989).