

Cited as "1 FE Para. 70,232"

Gulf Energy Marketing Company (FE Docket No. 89-32-NG), August 2, 1989.

DOE/FE Opinion and Order No. 323

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

I. Background

On May 30, 1989, Gulf Energy Marketing Company (Gulf Energy) 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 up to 105 Bcf of natural gas from the United States to Mexico for short-term and spot market sales over a two-year period beginning on the date of first delivery. Gulf Energy intends to use existing pipelines facilities in Texas for transportation of volumes to be exported and to file quarterly reports detailing each transaction.

Gulf Energy is a Delaware corporation with its principal place of business in Houston, Texas. Gulf Energy proposes to export domestically produced natural gas to Mexico for resale to purchasers in Mexico on an interruptible or firm basis for a term of two years. Authority would be used primarily to make sales to Petroleos Mexicanos (Pemex) for the local distribution by Pemex to residential and industrial users.

Gulf Energy states that it plans to negotiate a sales contract with Pemex for up to 140 MMcf per day at a price that would be adjusted each month based on changes in the price of natural gas in the market. Because the applicant contemplates other sales, authorization is requested for 105 Bcf during the two-year period. Sales transactions, 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. Gulf Energy proposes using in connection with the Pemex transaction an interconnection between the pipeline facilities of Texas Eastern Transmission Corporation and Pemex near Reynosa, Tamailipas, Mexico. An alternate delivery point would be at the point of interconnection of Valero Gas Transmission and Pemex near Piedros Negros, Mexico. Other existing interconnections may also be used for various transactions.

In support of the application, Gulf Energy asserts that there is no present national need for the gas. Gulf Energy 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 June 19, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by July 26, 1989.^{1/} A motion to intervene without comment or request for additional procedures was filed by Valero Transmission, L.P. This order grants intervention to this movant.

II. Decision

The application filed by Gulf Energy 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.

Gulf Energy'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 Gulf Energy proposes to enter, indicate that it is unlikely that the proposed export volumes will be needed domestically during the term of the authorization. In addition, Gulf Energy's proposal, like other blanket export proposals that have been approved by the DOE,^{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, Gulf Energy'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 Gulf Energy blanket authority to export a total of up to 105 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. Gulf Energy Marketing Company (Gulf Energy) is authorized to export a total of 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. Gulf Energy 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, Gulf Energy shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, 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, Gulf Energy 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 Valero Transmission, 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 admission of this 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 August 2, 1989.

--Footnotes--

1/ 54 FR 26830, June 26, 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).