

Cited as "1 FE Para. 70,234"

Western Energy, Inc. (FE Docket No. 89-28-NG), August 14, 1989.

DOE/FE Opinion and Order No. 325

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

I. Background

On April 28, 1989, Western Energy, Inc. (WEI), filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under 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 54.75 Bcf of domestic natural gas under short-term and spot market arrangements for two years beginning on the date of the first delivery.^{1/}

According to WEI, a Colorado corporation with its principal place of business in El Paso, Texas, the export authority would be used primarily, and perhaps exclusively, to make sales to Petroleos Mexicanos (Pemex), Mexico's national energy company, for distribution by Pemex to industrial and residential customers in the city of Juarez, Mexico. WEI states that it is currently negotiating a contract with Pemex for up to 60,000 Mcf per day at prices based on supplies of gas in the spot market. To the extent there are purchasers other than Pemex, the specific terms of each export arrangement will be negotiated in response to market conditions. According to WEI, all of the gas exported would be purchased from natural gas producers in the States of Texas and New Mexico.

WEI intends to export this gas by means of the existing transmission facilities of Western Gas Interstate Company connecting with the facilities of Pemex near El Paso, Texas. A notice of the application was issued on April 12, 1989, inviting protests, motions to intervene, notices of intervention, and comments to be filed by May 22, 1989.^{2/} No comments were received.

II. Decision

The application filed by WEI 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 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.

WEI'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 natural gas surplus, coupled with the short-term, market-responsive nature of the contracts into which WEI proposes to enter, indicate that it is unlikely the proposed export volumes will be needed during the term of the authorization. Further, WEI's proposal, like other blanket export proposals that have been approved,^{4/} will advance 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.

After taking into consideration all the information in the record of this proceeding, I find that granting WEI blanket authority to export up to 54.75 Bcf of natural gas from the U.S. to Mexico during a period of two years, under contracts with terms up to 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. Western Energy, Inc. (WEI), is authorized to export at El Paso, Texas, up to 54.75 Bcf of natural gas from the United States to Mexico during a two-year period beginning on the date of the first delivery.

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

C. With respect to the exports authorized by this Order, WEI 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), point 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.

Issued in Washington, D.C., on August 14, 1989.

--Footnotes--

1/ In a letter dated May 2, 1989, WEI amended its original application, changing the term of the proposed export from two and one-half to two years.

2/ 54 FR 26833, June 26, 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).