

Cited as "1 FE Para. 70,270"

Norbac International Corporation (FE Docket No. 89-40-NG) December 6, 1989.

DOE/FE Opinion and Order No. 355

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

I. Background

On July 7, 1989, Norbac International Corporation (Norbac) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), pursuant to section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-11 and 0204-127, for blanket authorization to export from the United States to Mexico up to 47.45 Bcf of domestic natural gas under short-term and spot market arrangements for two years beginning on the date of the first delivery.

Norbac intends to export natural gas to Mexico for spot market sales, primarily to Petroleos Mexicanos. Norbac anticipates purchasing all of the gas required to serve this authorization at arms length from natural gas producers in the States of Texas and New Mexico. Norbac states that each sales transaction would be negotiated at arms length with Pemex and would be consistent with the public interest. Norbac intends to use existing facilities within the United States and at the U.S.-Mexico border for the transportation of the exported gas. Norbac will advise the DOE of the date of first delivery and submit quarterly reports detailing each transaction.

Norbac, a Delaware corporation, with its principal place of business in El Paso, Texas, was organized to engage in the business of international marketing of natural gas, light hydrocarbons, and gaseous petroleum chemicals for resale or to specified end-users.

A notice of the application was issued on August 11, 1989, inviting protests, motions to intervene, notices of interventions, and comments to be filed by September 18, 1989.¹ Motions to intervene without comment or request for additional procedures were filed by Clajon Gas Co., L.P., and El Paso Natural Gas Company. This order grants intervention to these movants.

II. Decision

The application filed by Norbac 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, 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.

Norbac'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 supply, coupled with the short-term, market-responsive nature of the contracts into which Norbac proposes to enter, indicate that it is unlikely the proposed export volumes will be needed during the term of the authorization. Further, Norbac's proposal 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 enhances cross-border competition in the marketplace.

After taking into consideration all the information in the record of this proceeding, I find that granting Norbac blanket authority to export up to 47.45 Bcf of natural gas from the U.S. to Mexico during a period of two years, under contracts with terms of two years or less, 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. Norbac International Corporation (Norbac) is authorized to export up to 47.45 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, Norbac shall notify the Office of Fuels Programs, Fossil Energy, Department of Energy, Room 3F-056, FE-50, 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, Norbac 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 December 6, 1989.

--Footnotes--

1/ 54 FR 34217, August 18, 1989.

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