

Cited as "1 FE Para. 70,302"

Carson Water Company (FE Docket No. 89-79-NG), February 7, 1990.

DOE/FE Opinion and Order No. 384

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

I. Background

On November 6, 1989, Carson Water Company (Carson) 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. 0204-111 and 0204-127, for blanket authorization to export from the United States to Mexico up to 4,000,000 Mcf of domestic natural gas under short-term and spot market arrangements for two years beginning on the date of the first delivery.

Carson intends to export natural gas to Mexico for spot market sales, primarily to Petroleos Mexicanos (Pemex). Carson 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. Carson states that each sales transaction would be negotiated at arms length with Pemex and would be consistent with the public interest. Carson intends to use existing facilities within the United States and at the U.S.-Mexico border for the transportation of the exported gas. Carson will advise the DOE of the date of first delivery and submit quarterly reports detailing each transaction.

Carson, a Nevada corporation and subsidiary of Southwest Gas Corporation (Southwest Gas), with its principal place of business in Las Vegas, Nevada, is a natural gas development company that resells gas through its marketing division, Santa Fe Gas Marketing (Santa Fe).

A notice of the application was issued on November 28, 1989, inviting protests, motions to intervene, notices of interventions, and comments to be filed by January 4, 1990.¹ A motion to intervene without comment or request for additional procedures was filed by Clajon Gas Co., L.P. (Clajon Gas). This order grants intervention to Clajon Gas.

II. Decision

The application filed by Carson 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.

Carson'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 Carson proposes to enter, indicate that it is unlikely the proposed export volumes will be needed during the term of the authorization. Further, as Carson notes, the export will provide increased tax and related revenues to the individual producer sellers, and benefit gas transporters by increasing pipeline throughput. Finally, Carson'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 Carson blanket authority to export up to 4,000,000 Mcf 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. Carson Water Company (Carson) is authorized to export up to 4,000,000 Mcf 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, Carson shall notify the Office of Fuels Programs, Fossil Energy, Department recognition that it might be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C. on February 7, 1990.

--Footnotes--

1/ 54 FR 50274, December 5, 1989.

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