

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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PETRO SOURCE CORPORATION  
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FE DOCKET NO. 91-99-NG

ORDER GRANTING BLANKET AUTHORIZATION  
TO IMPORT AND EXPORT NATURAL GAS  
FROM AND TO CANADA AND MEXICO

DOE/FE OPINION AND ORDER NO. 580

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FEBRUARY 24, 1992  
  
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## I. BACKGROUND

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On November 18, 1991, Petro Source Corporation (Petro Source) filed an application with the Office of Fossil Energy 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, requesting blanket authorization to import from Canada and Mexico up to 100 Bcf of natural gas and to export from the United States to Canada and Mexico up to 100 Bcf of natural gas over a two-year period beginning on the date of first import or export delivery.

Petro Source, a Utah corporation with its principal place of business in Houston, Texas, is a natural gas marketer involved in the sale and transportation of domestic natural gas in the United States. Petro Source requests authorization to import gas in order to make direct sales to pipelines, local distribution companies, cogeneration facilities, industrial end-users, as well as other marketers. The identity of Petro Source's suppliers, purchasers, and the specifics of each sale are not known at this time, but the contractual arrangements, including the price paid for the gas, would be based on market conditions. Further, Petro Source asserts that export sales will be made only where there is no domestic need for the natural gas.

Notice of the application was issued on December 24, 1991, inviting protests, motions to intervene, notices of intervention and comments to be filed by January 29, 1992 1/. No comments or motions to intervene were received.

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1/ 56 FR, 67309, December 30, 1991.

## II. DECISION

The application filed by Petro Source has been evaluated to determine if the proposed import/export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an import or export must be authorized unless there is a finding that it "will not be consistent with the public interest." 2/ With regard to import authorizations, the determination is guided by DOE's natural gas import policy guidelines. 3/ Under these guidelines, the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test. 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.

Petro Source's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA, DOE's natural gas import policy guidelines and DOE's international gas trade policy. The import/export authorization sought, similar to other blanket arrangements approved by DOE, 4/ would provide Petro Source with blanket approval, within prescribed limits, to negotiate and transact individual, spot and

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

3/ 49 FR 6684, February 22, 1984.

4/ See, e.g., TXG Gas Marketing Company, 1 FE Para. 70,329  
(June 21, 1990); Vermont Gas Systems, Inc., 1 FE Para. 70,323

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(June 7, 1990); and Enjet Natural Gas Inc., 1 FE Para. 70,322

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(June 7, 1990).

short-term import and export arrangements without further regulatory action. Petro Source's market-based approach for negotiating short-term imports and exports will enhance competition in the North American gas market. Under Petro Source's proposed arrangements transactions would only occur to the extent that producers and sellers can provide spot or short-term volumes, customers need such import/export volumes, and the prices remain competitive. Thus, each transaction must reflect the true value of the commodity being traded, or no gas deliveries will be made. In addition, the current domestic natural gas supply, coupled with the short-term, market-responsive nature of the contracts into which Petro Source proposes to enter, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of this authorization. Finally, Petro Source's proposal will further the Secretary of Energy's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between U.S., Mexican, and Canadian gas purchasers and suppliers.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Petro Source to import from Canada and Mexico up to 100 Bcf of natural gas, and to export to Canada and Mexico up to 100 Bcf of natural gas, over a two-year term beginning on the date of first delivery

of either import or export is not inconsistent with the public interest 5/.

ORDER

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

A. Petro Source Corporation (Petro Source), is authorized to import from Canada and Mexico up to 100 Bcf of natural gas, and to export to Canada and Mexico up to 100 Bcf of natural gas, over a two-year term, beginning on the date of first delivery of either import or export.

B. This natural gas may be imported/exported at any point on the international border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, Petro Source 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 occurred.

D. With respect to the natural gas imports/exports authorized by this Order, the applicant shall file within 30 days

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5/ Because the proposed import/export of gas will use existing facilities, DOE has determined that granting this application is not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or an environmental

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assessment is not required. See 40 CFR Sec. 1508.4 and 54 FR  
12474 (March 27, 1989).



following each calendar quarter, quarterly reports indicating whether imports/exports of natural gas have been made, and if so, giving by month, the total volume of the imports/exports in Mcf and the average price per MMBtu at the international border. The reports shall also provide the details of each import/export transaction, including the names of the seller(s), and the purchaser(s), estimated or actual duration of the agreements, transporter(s), points of entry or exit, geographic markets served, and, if applicable the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price, any special contract price adjustments clauses, and any take-or-pay or make-up provisions. If no imports/exports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by Paragraph D of this Order is due not later April 30, 1992, and should cover the period from the date of this order until the end of the current calendar quarter on March 31, 1992.

Issued in Washington, D.C., on February 24, 1992.

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Charles F. Vacek  
Deputy Assistant Secretary  
for Fuels Programs  
Office of Fossil Energy