

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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RIO ENERGY INTERNATIONAL, INC.) FE DOCKET NO. 91-117-NG
_____)

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT NATURAL GAS
TO MEXICO

DOE/FE OPINION AND ORDER NO. 593

MARCH 18, 1992

I. BACKGROUND

On December 24, 1991, Rio Energy International, Inc. (Rio) 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, requesting blanket authorization to export to Mexico up to 75,000 MMBtu per day of natural gas over a two-year period beginning on the date of first delivery. The application was supplemented with additional information on January 24, 1992.

Rio is a Texas corporation with its principal place of business in Houston, Texas. Rio proposes to export gas purchased from U.S. producers in Texas, Louisiana, and New Mexico to Petroleos Mexicano (Pemex) for local distribution by Pemex to industrial and residential users in Mexico. All sales would result from arms-length negotiations and prices would be determined by market conditions. Rio indicates it intends to use existing U.S. natural gas pipeline facilities to transport the exported gas and will comply with DOE's quarterly reporting provisions. In support of its export request, Rio asserts that supplies available in the spot market are more than adequate to provide the requested export authorization.

A notice of the application was published in the Federal

Register on January 22, 1992, inviting protests, motions to

intervene, notices of intervention and comments to be filed by

February 21, 1992. 1/ No comments or motions to intervene were received.

II. DECISION

The application filed by Rio 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 as well as any other issues determined to be appropriate in a particular case.

Rio's uncontested export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The current surplus of domestic gas, coupled with the short-term, market-responsive nature of the contracts into which Rio proposes to enter, indicate it is unlikely the proposed export volumes will be needed domestically during the term of the authorization. In addition, Rio's proposal, like other blanket export proposals that have been approved by DOE 3/, will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a

1/ 57 FR 2534.

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

3/ E.g., Utrade Gas Marketing, 1 FE Para. 70,469 (July 26, 1991); Aectra Refining and Marketing, Inc., 1 FE Para. 70,531

(January 24, 1992); and Venro Petroleum Corporation, 1 FE Para.

70,465 (July 22, 1991).

more competitive distribution of goods between the U.S. and Mexico. Thus, Rio'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 Rio authority to export natural gas to Mexico over a two-year term beginning on the date of first delivery is not inconsistent with the public interest and should be approved. 4/ In order to provide Rio with maximum operating flexibility I have designated a total authorized volume for the two-year term of 54.8 Bcf of natural gas, rather than the 75,000 MMBtu per day that Rio requested in its export application.

ORDER

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

A. Rio Energy International (Rio) is authorized to export to Mexico up to 54.8 Bcf of natural gas over a two-year term, beginning on the date of first delivery.

4/ Because the proposed 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 assessment

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

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

C. Within two weeks after deliveries begin, Rio 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 exports authorized by this Order, the applicant shall file 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 Mcf and the average price 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, 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 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 than April 30, 1992, and should cover the period from the date of this order until the end of the current calendar quarter March 31, 1992.

Issued in Washington, D.C., on March 18, 1992.

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