

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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SERGEANT OIL & GAS CO., INC.) FE DOCKET NO. 92-06-NG
_____)

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT NATURAL GAS
TO MEXICO

DOE/FE OPINION AND ORDER NO. 604

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APRIL 17, 1992

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I. BACKGROUND

On January 27, 1992, Sergeant Oil & Gas Co., Inc. (SOG) 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 40,000 Mcf per day of natural gas and up to a term total of 30 Bcf, over a two-year period beginning on the date of first delivery.

SOG is a Texas corporation with its principal place of business in Houston, Texas. SOG proposes to export gas supplied by U.S. producers for sale to purchasers in Mexico, principally Petroleos Mexicanos (PEMEX), for local distribution by PEMEX to its customers. All sales would result from arms-length negotiations and prices would be determined by market conditions. SOG 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, SOG asserts there exists no current national or regional need for the gas it proposes to export and such a need is unlikely to develop during the two-year term of the requested export authorization.

A notice of the application was published in the Federal Register on February 24, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by

March 25, 1992. 1/ No comments or motions to intervene were received.

II. DECISION

The application filed by SOG 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.

SOG'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 supplies of domestic gas, coupled with the short-term, market-responsive nature of the contracts into which SOG proposes to enter, indicate it is unlikely the proposed export volumes will be needed domestically during the term of the authorization. In addition, SOG's proposal, like other blanket export proposals that have been approved by DOE 3/, will further the Secretary's policy goals of

1/ 57 FR 6325.

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).

reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and Mexico. Thus, SOG'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 SOG 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 SOG with maximum operating flexibility I have designated just a total authorized volume for the two-year term of 30 Bcf of natural gas.

ORDER

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

A. Sergeant Oil & Gas Co. Inc. (SOG) is authorized to export to Mexico up to 30 Bcf of natural gas over a two-year term, beginning on the date of first export delivery.

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

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).

C. Within two weeks after deliveries begin, SOG 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 July 31, 1992, and should cover the period from the date of this order until the end of the current calendar quarter June 30, 1992.

Issued in Washington, D.C., on April 17, 1992.

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