UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

MERCADO GAS SERVICES, INC.)	FE DOCKET NO. 92-85-NG

ORDER GRANTING BLANKET AUTHORIZATION TO EXPORT
NATURAL GAS TO MEXICO AND OTHER COUNTRIES

DOE/FE OPINION AND ORDER NO. 674

SEPTEMBER 24, 1992

I. BACKGROUND

On July 2, 1992, as supplemented on July 17 and August 26, 1992, Mercado Gas Services, Inc. (Mercado) 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 authority to export up to 43.8 Bcf of natural gas to Mexico and other countries over a two-year term beginning on the date of first delivery. Mercado proposes to use existing pipeline facilities to transport the exported gas.

Mercado is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Austin, Texas. Mercado is authorized to conduct business in Texas, New Mexico, Oklahoma and Arizona. Mercado currently anticipates exporting natural gas to Mexico for use in the generation of electricity in Juarez, Mexico, and the surrounding area. Mercado also seeks blanket authorization to enable it to export gas to customers in other nations.

Mercado has entered into a transportation agreement with its affiliate, Western Gas Interstate Company (Western), to export natural gas through Western's Del Norte facilities located at the United States/Mexican border in El Paso, Texas. Mercado does not plan to export natural gas from any specific field and would obtain the gas to be exported through purchases from producers and interstate and intrastate pipelines.

DOE published a notice of receipt of Mercado's application in the Federal Register on July 29, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 28, 1992./1 No interventions or comments were received.

II. DECISION

The application filed by Mercado 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, the domestic need for the gas to be exported is considered, as well as any other issues determined to be appropriate in a particular case.

Mercado'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. Natural gas supplies in the United States are expected to continue to be more than adequate to meet consumer demand. For this reason, and because Mercado's transactions will be short-term and market-responsive, it is unlikely that the proposed export volumes will be needed in the domestic market during the term of this authorization. Additionally, Mercado's proposal, which is similar to other blanket export proposals approved by DOE,/3 will further the

1/ 57 FR 33497.

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

3/ E.g., Venro Petroleum Corporation, 1 FE 70,465 (July 22, 1991); Utrade Gas Company, 1 FE 70,469 (July 26, 1991); and Aectra Refining and Marketing, Inc., 1 FE 70,531 (January 24, 1992).

Secretary of Energy's policy goal to reduce trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the United States and other countries. Thus, Mercado'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 authorizing Mercado to export up to 43.8 Bcf of natural gas over a two-year term beginning on the date of first delivery, under contracts with terms of two years or less, is not inconsistent with the public interest./4

ORDER

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

A. Mercado Gas Services, Inc. (Mercado) is authorized to export up to 43.8 Bcf of natural gas to any country over a two-year term beginning on the date of the first export.

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

C. Within two weeks after deliveries begin, Mercado shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first

4/ Because the proposed import/export of gas will use existing facilities, DOE has determined that granting this authorization 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.), therefore neither an environmental impact statement nor an environmental assessment is required. See 40 CFR 1508.4 and 57 FR 15122 (April 24, 1992).

delivery of natural gas authorized in ordering paragraph A above occurred.

D. Regarding the natural gas exports authorized by this order, Mercado 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. If no exports have been made, a report of "no activity" for that calendar quarter must be filed. If exports occurred, Mercado must report monthly total volumes in Mcf and the average sales price per MMBtu at the international border. The reports shall also provide the details of each export transaction, including: (1) the name of the purchaser(s); (2) the estimated or actual duration of the agreement(s); (3) the name of the United States transporter(s); (4) the point(s) of exit; (5) the geographic market(s) served; and (6) whether the sales are being made on an interruptible or firm basis. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by ordering paragraph D is due not later than October 30, 1992, and should cover the period from the date of this Order until the end of the current calendar quarter of September 30, 1992.

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

Charles F. Vacek
Deputy Assistant Secretary

for Fuels Programs
Office of Fossil Energy