

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

_____)
BP GAS INC.)
_____)

FE DOCKET NO. 92-89-NG

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT NATURAL GAS TO MEXICO

DOE/FE OPINION AND ORDER NO. 679

OCTOBER 7, 1992

I. BACKGROUND

On July 7, 1992, BP Gas Inc. (BP) 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 50 Bcf of natural gas over a two-year period beginning on the date of first delivery. BP, a Delaware corporation with its principal place of business in Houston, Texas, is a marketer and transporter of natural gas.

BP proposes to export U.S. gas, for its own account or as an agent on behalf of others for sale to purchasers in Mexico. BP asserts that the proposed exports would result from arms-length negotiations with the Mexican purchasers. The negotiations, BP states, would emphasize competitive prices and contract flexibility. BP states the gas would be transported using existing pipeline facilities; no new or separate facilities will be constructed in order to transport or export the natural gas. BP also states that it would comply with DOE's quarterly reporting provisions. In support of its export request, BP asserts that the proposed exports would be over and above current and projected U.S. regional and national needs for the gas, and purchased from suppliers that would benefit from the incremental natural gas sales.

A notice of the application was published 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 motions to intervene or comments were received.

II. DECISION

The application filed by BP 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.

BP'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 BP's transactions will be short-term and market responsive, it is unlikely the proposed export volumes will be needed domestically during the term of the authorization. In addition, BP's proposal, like other blanket export proposals that have been approved by DOE/³, will further the Secretary of Energy's policy goal of reducing trade barriers by encouraging a more market-oriented gas trade between the United States and Mexico.

1 57 F.R. 33497.

2 15 U.S.C. 717b.

3 E.g., SEMCO Energy Services, Inc., 1 FE 70,606

(June 30, 1992); Northwest National Gas Company, 1 FE

70,605 (June 29, 1992); and Aectra Refining and Marketing,

Inc., 1 FE 70,531 (January 24, 1992). _____

Therefore, BP'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 BP authority to export 50 Bcf of natural gas to Mexico over a two-year term beginning on the date of first delivery, under contracts of two years or less, is not inconsistent with the public interest and should be approved./4

ORDER

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

A. BP Gas Inc. (BP) is authorized to export to Mexico up to 50 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 U.S./Mexico border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, BP 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.

4 Because the proposed 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.)

— — and therefore, neither an environmental impact statement nor an
environmental assessment is required. See 40 C.F.R. 1508.4 and

— 57 F.R. 15122 (April 24, 1992).

D. Regarding the natural gas exports authorized by this Order, BP 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 indicating "no activity" for that calendar quarter must be filed. If exports occurred, BP must submit monthly total volumes 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 (1) the names of the purchaser(s); (2) the estimated or actual duration of the agreements; (3) the names of the U.S. transporter(s); (4) the points 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 Paragraph D of this Order is due not later than January 30, 1993, and should cover the period from the date of this order until the end of the current calendar quarter December 31, 1992.

Issued in Washington, D.C., on October 7, 1992.

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