

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

PHILLIPS ALASKA NATURAL GAS CORPORATION AND MARATHON OIL COMPANY
FE DOCKET NO. 96-99-LNG

ORDER REQUESTING INFORMATION
AND WRITTEN COMMENTS

NOVEMBER 6, 1997

I. SUMMARY

The Office of Fossil Energy (FE) of the Department of Energy (DOE) is issuing this procedural order in the proceeding concerning the application by Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) to extend their long-standing authorization to export liquefied natural gas (LNG) from Alaska to Japan for five years, from April 1, 2004, through March 31, 2009. FE determines the PANGC and Marathon application is not premature and contains sufficient information to go forward with our consideration of the export proposal. Therefore, FE is rejecting the motions to dismiss the application. FE has granted all motions to intervene submitted in response to the application and is establishing a schedule for additional written comments on issues we deem relevant and material to a determination of whether the proposed export is consistent with the public interest. FE currently sees no reason for a trial-type hearing or other procedures, but will consider requests for additional procedures after the submission of written comments.

II. BACKGROUND

On December 31, 1996, PANGC and Marathon filed an application requesting FE approve a five-year extension of their authorization, originally granted by the Federal Power Commission in 1967,⁽¹⁾ to export Alaskan LNG from Alaska to Japan. The current authorization was granted by the Economic Regulatory Administration of DOE, a predecessor of FE, on July 28, 1988, to Phillips 66 Natural Gas Company, predecessor in interest to PANGC, and Marathon for a 15-year period ending March 31, 2004.⁽²⁾ In DOE/FE Opinion and Order No. 261-C,⁽³⁾ the existing authorization was amended to permit the increase in annual exports of LNG to Japan from 52.0 TBtu to 64.4 TBtu. The previously authorized provisions for annual sales of up to 106 percent of the annual contract quantity remained unchanged.

Under the requested five-year extension, the natural gas to be exported would be produced from gas fields owned or controlled by PANGC and Marathon in the Cook Inlet area of Alaska. The natural gas would be manufactured into LNG at their existing liquefaction plant near Kenai, Alaska, and would be transported by tanker to Japan for sale to Tokyo Electric Power Company, Inc. and Tokyo Gas Company, Ltd. The proposed extension would not involve any new construction or operational changes.

FE issued a notice of the application on February 25, 1997, inviting protests, motions to intervene, notices of intervention, and comments to be filed by April 3, 1997.⁽⁴⁾ On that date, FE received four motions to intervene from the following five users of Cook Inlet natural gas: ENSTAR Natural Gas Company (ENSTAR), Union Oil Company Of California (Unocal), Northern Eclipse LLC and Fairbanks Natural Gas LLC (Northern Eclipse and Fairbanks) jointly, and Aurora Gas, Inc. (Aurora). In addition to their motions to intervene, these companies filed various protests, comments, and requests for additional procedures.

FE also received 39 letters from interested persons who did not seek to intervene. They include the City of Kenai, the Municipality of Anchorage, Alaska, 15 State of Alaska legislators, and U.S. Senator Ted Stevens of Alaska.

FE issued a procedural order on April 11, 1997, extending from April 18, 1997, to May 9, 1997, the period for PANGC and Marathon to answer the protests and motions to intervene.⁽⁵⁾ On May 9, 1997, in accordance with FE's April 11 procedural order, PANGC and Marathon submitted their joint answer to the protests and motions to intervene.

On June 9 and July 14, 1997, ENSTAR and Aurora, respectively, filed motions requesting leave to reply to the May 9 joint answer of PANGC and Marathon, and concurrently filed the replies subject to their motions. On June 23 and July 23, 1997, PANGC and Marathon filed joint answers in opposition to the ENSTAR and Aurora motions and replies.

On June 30, 1997, Northern Eclipse and Fairbanks withdrew their April 3, 1997, intervention and protest "with prejudice." In a letter filed on July 30, 1997, ENSTAR requested DOE grant the withdrawal of Northern Eclipse and Fairbanks "without prejudice" to their later refile. On August 8, 1997, PANGC and Marathon filed a letter requesting FE expunge from the record in this proceeding ENSTAR's July 30, 1997, request regarding the withdrawal of Northern Eclipse and Fairbanks.

III. SUMMARY OF INTERVENTIONS, PROTESTS, AND OTHER COMMENTS

A. ENSTAR

ENSTAR is a local distribution company providing natural gas service to southcentral Alaska. ENSTAR asserts the application should be dismissed, without prejudice, as premature because the applicants' current export authorization will not expire for seven years and they have no firm supply contract during the extension period.

If FE does not dismiss the application as premature, ENSTAR argues the extension should be denied as inconsistent with the public interest. ENSTAR claims the resource base is not as large as the applicants' estimates and ENSTAR's supply estimates show a declining reserve base.⁽⁶⁾ At the same time, ENSTAR claims local demand will increase through the extension period, the imbalance contributing to regional gas shortages by 2004, and adverse economic consequences, if exports of LNG continue.

ENSTAR asserts FE should adopt formal discovery procedures if informal procedures are unsatisfactory, schedule a public conference, and hold a trial-type hearing to examine allegedly disputed issues of fact. Furthermore, ENSTAR argues the National Environmental Policy Act of 1969 (NEPA)⁽⁷⁾ requires preparation of an Environmental Impact Statement (EIS) based on the likelihood of fuel switching to oil or coal if gas shortages occur.

B. Unocal

Unocal is a producer and user of natural gas in the Cook Inlet area. Unocal requests FE dismiss the application, without prejudice, as premature, or defer its consideration until Unocal's complaint addressing the current LNG export authorization is decided.⁽⁸⁾

If FE does not dismiss the application or defer its consideration, Unocal protests the application as inconsistent with the public interest. Unocal claims the PANGC and Marathon reserve analysis is unduly optimistic about the future of Cook Inlet gas supplies.⁽⁹⁾ Unocal contends further exports might result in curtailments to Unocal's Alaska chemical plant in times of domestic delivery shortfalls.⁽¹⁰⁾

Unocal asserts FE should schedule informal discovery, hold a public conference, and establish additional, unspecified procedures. Unocal also claims NEPA requires preparation of an Environmental Assessment (EA) on the assumption fuel-switching to oil or coal will result from shortages of gas.

C. Aurora

Aurora is an independent aggregator and marketer of natural gas. It purchases natural gas from producers in the Cook Inlet region, and resells that gas to customers in the Anchorage area. Aurora asserts the application should be dismissed as premature, and as incomplete and deficient, because the information contained in the application will be inaccurate and inadequate at the time of the proposed export extension.

Aurora protests both the extension application and applicants' current export authorization⁽¹¹⁾ claiming deliverable Cook Inlet gas reserves are insufficient to meet regional need. In addition, Aurora asserts exports will be anticompetitive because PANGC and Marathon are refusing to undertake any significant contractual obligations to meet this regional need.

Aurora requests additional procedures in the form of discovery, a prehearing conference, and a trial-type hearing.

D. Others

Most of the 39 other commentors urge DOE to approve the PANGC and Marathon application. A few request FE to perform its own independent analysis of gas reserves in southcentral Alaska.

E. PANGC and Marathon's Position

PANGC and Marathon assert FE should approve the export extension because it would not be inconsistent with the public interest. In support of their position, the applicants state there is no regional or national need for the gas they propose to export. Furthermore, the applicants state the requested extension would continue certain benefits to the public interest, including the promotion of Alaska's economic development, the maintenance and strengthening of a long-term international relationship, and a reduction in the U.S. trade deficit.

In their answer to the protests of ENSTAR, Aurora, and Unocal, PANGC and Marathon assert the application is not premature. They assert the filing is necessary to meet the requirements of the existing LNG sales agreement. In addition, the applicants emphasize the Japanese utilities must have adequate time to plan and contract for sufficient energy supplies in advance of their market needs. Furthermore, PANGC and Marathon note the development of Cook Inlet gas fields requires planning of their own capital spending program several years in advance of the proposed exports.

PANGC and Marathon also assert the record demonstrates the Cook Inlet area has sufficient gas supply to meet present and future local demand and to support extension of the existing LNG export. The applicants therefore claim extension of the existing export authorization will not result in supply shortfalls of Cook Inlet gas, and they dispute protestants' arguments to the contrary. In addition, they emphasize the continued export of LNG is consistent with the Department's policy of promoting market competition by permitting commercial parties to negotiate arrangements free from unnecessary regulatory constraints.

Finally, PANGC and Marathon argue the protestants, in requesting additional procedures, are misusing FE's regulations to delay approval of the requested export extension. The applicants urge FE to reject the requests for discovery and a trial-type hearing because they argue there are no material issues of fact genuinely in dispute. They state a public conference would not materially advance the proceeding, and therefore, is not required. They also ask FE to deny the motions for summary dismissal filed by all three protestants. Their application is not deficient and the motions to dismiss, the applicants argue, are without merit. As a final procedural matter, PANGC and Marathon assert there are no environmental issues raised by the application and that extension of the authorization thus does not require preparation of an EIS or EA.

IV. PROCEDURAL DECISIONS

A. Motions to Dismiss

The motions for summary dismissal of the PANGC and Marathon application by ENSTAR, Unocal, and Aurora were previously denied by operation of law pursuant to §590.302 of FE's administrative procedures⁽¹²⁾ because they were not acted on within 30 days after the requests were filed with FE. In making its decision not to act on those requests, FE determined PANGC and Marathon provided sufficient reasons to justify filing the application at this time.

FE considered the alleged deficiencies within the framework of Subpart B of its administrative procedures. Subpart B contains the general filing requirements for applications to import or export natural gas and for other requested actions. These requirements were not intended to erect inflexible and arbitrary barriers but rather to elicit the information necessary for FE to act on a request. The regulations explicitly recognize that all matters identified in §590.202 for inclusion in an application may not be relevant and material to a particular application since the provision contains the language "to the extent applicable." Moreover, the decision to dismiss an application as deficient is committed to FE's discretion and is dependent on a review of the substance of the application rather than its form.

Protestants argue the application is premature but the regulations nowhere impose a requirement that would compel this conclusion. Section 590.201(b), as PANGC and Marathon point out, requires the advance filing of an application to provide FE adequate processing time, not to limit applicants to a specified filing window. In addition, and also noted by the applicants, there is precedent for the time frames encompassed by the application, both in the long history of this export arrangement, and in FE's 25-year grant of export authority to Yukon Pacific Corporation in 1989.⁽¹³⁾

Furthermore, FE is influenced by the commercial circumstances of this extension application. According to the applicants, long-term planning is necessary for the contract parties, and their current Japanese utility customers have agreed to a five-year extension, coextensive with the export application, under terms identical to those in the LNG sale

contract underlying the current authorization, if the applicants provide written acceptance of the extension on or before March 31, 2001. PANGC and Marathon also are obligated, commencing April 1, 1998, to provide the buyers with an indication of the status of extension activities, including the export application under consideration by FE. If FE were to dismiss the application, PANGC and Marathon argue they could not meet these "obligations" and would risk contract extension on renegotiated terms in an international LNG market significantly more competitive than the market that existed in 1988. The filing of the extension application at this time thus appears to be a reasonable business decision on the part of PANGC and Marathon.

ENSTAR also argues FE should dismiss the application because there is no firm supply contract for the extension period. However, §590.202 does not demand firm contracts as a prerequisite to a decision on an application, nor would FE be mandating the export if it granted the requested extension.⁽¹⁴⁾ In addition, FE's decision not to dismiss on this basis takes into account the lengthy history of this international supply relationship and the fact this application does not involve an inchoate proposal but rather the extension of an existing export arrangement. FE notes, however, that if the export is approved, FE may require the applicants to file contracts when executed with customers.

FE believes Aurora's contentions regarding the adequacy and accuracy of information in the application during the requested extension go to the substance of FE's public interest decision in this proceeding rather than to the sufficiency of the application for consideration. This Order provides an opportunity for the further development of these matters to the extent they are the subject of requests for additional information.

B. Motions to Intervene

ENSTAR, Unocal, and Aurora filed timely motions to intervene in this proceeding. The applicants answered the protests contained in those filings but did not oppose the motions to intervene, and FE neither denied the motions nor limited intervention before expiration of the time permitted for answering the motions to intervene. Accordingly, the movants were granted intervention pursuant to §§590.303(f) and (g).

C. Requests for Additional Procedures

ENSTAR and Aurora request a trial-type hearing and an opportunity to conduct formal discovery if the PANGC and Marathon application is not dismissed. In addition, ENSTAR, Aurora, and Unocal request FE hold a public conference. Unocal also requests FE establish a schedule for informal discovery.

After reviewing the existing record, FE concludes, at this stage of the proceeding, neither ENSTAR nor Aurora has demonstrated there are relevant and material factual issues genuinely in dispute for which a trial-type hearing is needed to permit a full and true disclosure of the facts. Nor have ENSTAR, Aurora, and Unocal shown a public conference is necessary at this point to materially advance the proceeding. In addition, FE has considered the related requests for discovery and determines no good cause has been shown for formal discovery procedures.⁽¹⁵⁾ Accordingly, the requests for a trial-type hearing, a public conference, and formal discovery are denied without prejudice to the consideration of requests at a later stage of this proceeding.

In evaluating the need for additional procedures, FE has concluded written comments and reply comments are sufficient at this stage of the proceeding for the development of a full decisional record without the utilization of other procedures. Accordingly, FE is establishing a schedule for the submission of written comments and reply comments. After the submission of initial comments and reply comments, FE will consider, upon request, whether further procedures are necessary and appropriate to develop material factual issues that could not be developed adequately through the prescribed comment process. Noting the numerous filings submitted after the May 9 answer of the applicants that were neither contemplated by regulation nor requested by FE, FE emphasizes its expectation the parties will make good faith efforts to develop their positions by means of the scheduled comments and reply comments.

D. Environmental Effects

FE intends to consider fully the environmental aspects of the proposed export in accordance with NEPA before making

a public interest determination concerning the application.

V. REQUEST FOR COMMENTS AND INFORMATION

This Order is intended to develop further the record upon which a decision on this export application can be based. Domestic need for natural gas, while not the only factor, is the criterion explicitly designated by the Secretary in Delegation Order Nos. 0204-111 and 0204-127⁽¹⁶⁾ for consideration in FE's review of export applications. FE's evaluation of domestic need and any other factor shown to be relevant to the public interest determination will be guided by the Secretary's market-oriented import policy.⁽¹⁷⁾ That policy, also applicable to exports, presumes market forces will bring about results consistent with the public interest.

The parties to this proceeding have had an opportunity to comment on the following analyses:

(Submitted as part of the application)

a. "Economic Analysis of Regional and Local Interests Relating to Kenai LNG Export To Japan" (December 11, 1996), prepared for PANGC and Marathon by Resource Decisions and Northern Economics (Resource Decisions).

b. "Proven Reserve Assessment Cook Inlet Alaska" (March 1996), prepared for PANGC and Marathon by Geoquest/Reserve Technologies (Geoquest).

(Identified in footnote 4 of the application)

c. "National Energy Program's Executive Summary - 1995 National Assessment of United States Oil and Gas Reserves", prepared by U.S. Geological Survey, National Oil and Gas Assessment Team.

d. "Potential Supply of Natural Gas in the United States - Report of the Potential Gas Committee (December 31, 1994)" (July 1995), prepared by Potential Gas Agency, Colorado School of Mines, Golden, Colorado.

e. "Endowments of Undiscovered Conventionally Recoverable and Economically Recoverable Oil and Gas in the Alaska Federal Offshore" (January 1995), OCS Report MMS96-0033, prepared by U.S. Department of Interior, Minerals Management Service, Alaska Outer Continental Shelf Region Resource Evaluation Group.

f. "Comparison of Estimates of Recoverable Natural Gas Resources in the United States: A Report of the Potential Gas Committee" (July 1995), prepared by Potential Gas Committee Potential Gas Agency, Colorado School of Mines, Golden, Colorado.

g. "Analysis of Historical and Gas Lease Sale and Exploration Data for Alaska" (1995), prepared by State of Alaska, Department of Natural Resources (ADNR), Division of Geological and Geophysical Surveys in Cooperation with the Division of Oil and Gas.

h. "Historical and Projected Oil and Gas Consumption" (April 1996), prepared by ADNR, Division of Oil and Gas.

In addition to the studies identified above, FE also intends to consider the ADNR's March 1995 and April 1997 annual reserves reports, both entitled "Historical and Projected Oil and Gas Consumption." In the ADNR's 1997 report proved reserves for the Cook Inlet area are estimated at almost 3.3 Tcf.

The following questions request additional comments and information which FE considers relevant to issues within the proper scope of this proceeding:

A. All Parties

If appropriate gas storage/LNG peak shaving facilities were available to meet anticipated annual peak demands, how would that affect the deliverability and availability of local natural gas supplies?

B. Applicants

1. GeoQuest concludes installation of compression will supply incremental gas reserves of 430 Bcf (page 3-1 of the study). Please provide data to support your assumption the installation of additional compression in the Beluga River, Cannery Loop, Kenai, and NCIU Fields is economic. What is the status of compression installation in the Beluga River Field? When will compression be installed in the other fields? When will the proposed low pressure gas gathering system be installed?
2. A 33 percent risk factor is used by GeoQuest in calculating estimated volumes of undeveloped reserves (page 4-3 of the study). What is the source of this factor? The factor was not applied to the undeveloped reserves of the Beaver Creek and Sunfish Fields, both of which are volumetrically calculated. Are similar risk factors applied to the ADNR undeveloped reserves?
3. In the GeoQuest study, undeveloped reserves calculated volumetrically are risked by 33 percent (page 4-3 of the study). Was any consideration given to risking undeveloped reserves calculated by other methods in a similar manner? For instance, the undeveloped reserves for the Beluga River, NCIU, and Cannery Loop fields were not risked at all, but probably contain some uncertainty. Please explain.
4. Page 4-4 of the Resource Decisions report states the current reserve estimate for the Sunfish Field is 20 Bcf. However, in the GeoQuest study at page 2-2 and the Sunfish Field Reserve Evaluation Worksheet, proved undeveloped reserves are estimated at 32.4 Bcf. Please explain this difference.
5. The protestors raise issues related to deliverability. On page 2-6, the Resource Decisions report states deliverability is not a supply issue but a storage issue, and therefore is not analyzed in the report. Please provide what you forecast the annual deliverability to be through the year 2009, and elaborate on the assertion that deliverability need not be a consideration in the review of this application. If not a concern during the term of this application, when, if ever, do you forecast that deliverability will become a concern? Please include a discussion on seasonal fluctuations (peak demand) and the potential impact of those fluctuations.
6. As stated on page 4-4 of the Resource Decisions report, "[r]eserves have generally been developed when reserves-to-production ratios have declined to the mid teens." (Note: Table 4-1 on page 4-3 is not a reserves-to-production ratio chart, but rather a reserves-to-consumed reserves ratio chart.) The ratio of remaining reserves to annual consumption has been below this threshold since 1993, when the ratio was 14.1 years. What development and exploration efforts have taken place in the Cook Inlet area during the 1993-1997 period? What were the results? Were any additional reserves discovered? What oil and gas prices are required to spur exploratory drilling in the Cook Inlet area?
7. Is the upward adjustment in the proven reserves (as of January 1, 1995) of Cook Inlet, from the 1.887 Tcf originally estimated by the March 1995 ADNR publication (page 4), to the 3.052 Tcf as listed in the Resource Decisions report (page 4-3) attributable to significant natural gas discoveries or exploration?
8. On page 3 of the April 1997, ADNR publication it states "[t]he Cook Inlet gas estimates took into consideration Marathon's and Phillips' comprehensive analysis of Cook Inlet reserves." If this analysis is more recent than the GeoQuest study filed with the application, please provide a copy to FE.
9. In its analysis of "expected" gas supply, the Resource Decisions report on page 4-10 has added probable resources to reserves. The Society of Petroleum Engineers (SPE) has established standard definitions for reserve categories. The combination of proved reserves and speculative resources does not conform to SPE guidelines. Why do you believe reserves or resources beyond the SPE defined proved reserves, however

risked, should be included in the supply estimate? Furthermore, if the additional resources identified in the United States Geological Survey report, "National Energy Program's Executive Summary - 1995 National Assessment of United States Oil and Gas Resources", or the Potential Gas Committee report, "Potential Supply of Natural Gas in the United States", are to be considered in reviewing this application, what would you consider to be the appropriate risk factor for the forecast of production from these resources? Please provide your rationale.

10. To what extent have 3-D seismic and enhanced recovery been applied in Cook Inlet exploration and production?

C. ENSTAR

1. Did your reserves engineering firm, Malkewicz-Hunei (MHA) review the entire GeoQuest reserves report or only the Executive Summary of that report? Have there been any recent revisions to the MHA analysis from that discussed in your protest?

2. You indicate MHA needs more time to complete a thorough analysis of reserves (page 48 of your intervention). Is this work ongoing? If so, when will it be completed? If more recent work has been completed, please provide updated results.

3. In the GeoQuest study, applicants assert the installation of additional compression will benefit production and increase reserves. What is your opinion of the feasibility of, and the estimated reserve additions, from installation of additional compression as the applicants have proposed (page 3-1 of the study)? How will compression affect the production capacity forecasts shown in Table 12 of your intervention?

4. Regarding deliverability, you note on page 37 of your intervention production, not reserves, satisfy consumption. You estimate in Table 12 that demand will exceed production by the year 2004. Please provide the data used to develop the production capacity estimates. Include a list of all assumptions that went into the preparation of Table 12.

5. You state in your intervention (page 43) "... [The Institute for Social and Economic Research at the University of Alaska, Anchorage] ISER's results [on future gas demand] are still undergoing refinement...." Please provide any available updates on results of ISER's gas demand analysis.

D. Unocal

1. Your written testimony before the House Oil and Gas Committee on February 18, 1997 (Exhibit R of the applicants' May 9, 1997, answer to the interventions), regarding the future of gas supplies for southcentral Alaska, states the reserves as of February 18, 1997, were 3.2 Tcf and the LNG exporters have sufficient reserves to sustain exports beyond the year 2010. However, on page 8 of your intervention, filed six weeks later, you caution reserves are not plentiful and another look at LNG exports is required. What is the basis for this change in your opinion?

2. In your intervention, you alternately forecast deliverability shortfalls in the Cook Inlet area for the years 2002 (page 9) and 2006 (page 14). What are the differences in the basis for these forecasts? Please provide your forecast for annual deliverability through 2009, including appropriate supporting documentation.

3. What is the "storage and peak shaving service" referenced in your February testimony? Please explain and discuss its relevance to your protest.

E. Aurora

You assert in your intervention (pages 14-15) "local, domestic need for Cook Inlet natural gas reserves will require and use every Mcf of natural gas that Phillips and Marathon are proposing to export." Please provide information on the demand/supply analysis that supports this statement.

VI. COMMENT SCHEDULE

To provide the Applicants and all intervenors with ample opportunity to submit comments and reply comments in response to this order, FE has established two 45-day comment periods. An additional period is being allowed for filing motions for further procedures.

Parties requesting any further procedures must justify the need for those procedures pursuant to the requirements contained in FE's administrative rules, 10 CFR Part 590. In addition, requests must demonstrate it was not feasible to address fully the issues or develop the facts through the scheduled written comments.

ORDER

For the reasons set forth above, it is ordered that:

- A. The applicants and all intervenors shall file and serve on all parties the additional information required by this Order no later than 4:30 p.m., E.S.T., December 22, 1997.
- B. Any party wishing to file reply comments should file and serve those reply comments on all parties no later than 4:30 p.m., E.S.T., February 5, 1998.
- C. Any party who wants an additional procedure should file a motion for such a procedure no later than 4:30 p.m., E.S.T., February 20, 1998. If an additional procedure is scheduled, FE will provide notice to all parties.
- D. Participation of the intervenors, as set forth in this Order, shall be limited to matters specifically set forth in their motions to intervene and not herein specifically denied, and the admission of such intervenors shall not be construed as recognition that they may be aggrieved because of any order issued in these proceedings.
- E. The requests by ENSTAR and Aurora for a trial-type hearing and discovery are denied, without prejudice. In addition, the requests by ENSTAR, Aurora, and Union Oil Company of California for a public conference are denied, without prejudice.
- F. All written submissions shall be filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3F-056, FE-34, Forrestall Building, 1000 Independence Avenue, S.W. Washington, D.C. 20585, (202) 586-9478, during regular business hours between 8:00 a.m. and 4:30 p.m., E.S.T.

Issued in Washington, D.C., on November 6, 1997.

Wayne E. Peters

Manager, Natural Gas Regulation

Office of Natural Gas & Petroleum

Import and Export Activities

Office of Fossil Energy

1. See 37 FPC ¶ 777 (1967).

2. See DOE/ERA Opinion and Order No. 261 (1 ERA ¶ 70,130).

3. 1 FE ¶ 70,607 (July 15, 1992). DOE/FE Opinion and Order No. 261-A, 1 FE ¶ 70,454 (June 18, 1991), amended the

LNG pricing formula authorized in DOE/ERA Opinion and Order No. 261. DOE/FE Opinion and Order No. 261-B, 1 FE ¶ 70,506 (December 19, 1991), transferred the authorization previously granted to Phillips 66 Natural Gas Company and Marathon Oil Company to PANGC and Marathon, effective December 19, 1991.

4. 62 FR 9758 (March 4, 1997).

5. 1 FE ¶ 71,417.

6. ENSTAR retained the firm of Malkewicz Hueni Associates to perform an independent assessment of the reserves underlying the Cook Inlet.

7. 42 U.S.C. 4321, *et seq.*

8. Unocal simultaneously filed the complaint as part of its intervention in this Docket No. 96-99-LNG and in ERA Docket No. 88-22-LNG on April 3, 1997. FE dismissed the complaint on July 18, 1997 (DOE/FE Opinion and Order No. 261-E (1 FE ¶ 71,429)). Unocal did not request rehearing of Order 261-E.

9. In their application, PANGC and Marathon submitted a document entitled "Proven Reserve Assessment Cook Inlet, Alaska Effective January 1, 1996", dated March 1996, prepared for the applicants by Schlumberger GeoQuest Reservoir Technologies, a private geophysical firm.

10. Unocal owns a chemical plant in Alaska that is supplied with natural gas by Marathon. The gas is used as a feedstock at the plant to produce ammonia and urea fertilizer products for both domestic and foreign markets.

11. *See supra* note 7.

12. 10 CFR Part 590.

13. Yukon Pacific Corp., 1 FE ¶ 70,259 (1989), denied on reh'g, 1 FE ¶ 70,303 (1990). On November 16, 1989, Yukon Pacific Corporation (Yukon Pacific) was authorized to export, over a term of 25 years, up to 14 million metric tons annually of LNG from Alaska's North Slope to Pacific Rim nations.

14. The Yukon Pacific application did not include gas purchase or resale contracts. The export authorization, however, required Yukon Pacific to file with FE all contracts and other documents that underlie the acquisition, transportation, and sale of the North Slope gas when they are executed.

15. There are ongoing informal discovery efforts between ENSTAR and the applicants. Information exchanged to date in this process has been submitted to FE and is in the official docket file.

16. 49 FR 6690 (February 22, 1984) and 54 FR 11437 (March 20, 1989).

17. "New Policy Guidelines Relating to the Regulation of Imported Natural Gas", 49 FR 6684 (February 22, 1984).