

ORIGINAL

**JOHN & HENGERER**

A LAW PARTNERSHIP  
1200 17TH STREET, N.W.  
SUITE 600  
WASHINGTON, D.C. 20036

November 4, 1998

98-87-NG

DOUGLAS F. JOHN  
EDWARD W. HENGERER  
KEVIN M. SWEENEY  
KIM M. CLARK  
GORDON J. SMITH  
SHELBY L. PROVENCHER  
JOELLE K. OGG

TELEPHONE  
202/429-8800  
TELECOPIER  
202/429-8805

Office of Fuels Programs, Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Room 3F070  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

**RE: Application of PEMEX Gas y Petroquimica Basica for Authorization to Import and/or Export Natural Gas from and to Canada and Mexico**

Dear Sir/Madam:

Pursuant to 10 C.F.R. Section 590.103, I am enclosing for filing an original and fifteen copies of the application of PEMEX Gas y Petroquimica (PEMEX Gas) for authorization to import and/or export natural gas under Section 3 of the Natural Gas Act. I am also enclosing a check in the amount of \$50.00 for the filing fee imposed by 10 C.F.R. Section 590.207.

PEMEX Gas was granted its most recent Department of Energy natural gas import/export authorization on July 11, 1997 in Order No. 1289 (FE Docket No. 97-53-NG). That authorization applied only to imports/exports between the U.S. and Mexico. PEMEX Gas' authorization will expire on December 31, 1998. In the instant application PEMEX Gas is requesting authorization to broaden its cross-border trade to include Canada. Accordingly, PEMEX Gas submits this application under the provisions of the Energy Policy Act of 1992 and its finding that imports and exports of natural gas, including Liquefied Natural Gas, from and to Canada and Mexico are consistent with the public interest, and respectfully requests that the Department approve this renewal application no later than December 31, 1998.

Please feel free to call me directly at (202) 429-8801 if you have any questions regarding this application.

Sincerely,

*Douglas F. John*

Douglas F. John  
Counsel for PEMEX Gas y Petroquimica Basica

Attachments

REC'D  
1998 NOV 11 P 3:17  
DOE/FE

ORIGINAL

UNITED STATES OF AMERICA  
BEFORE THE  
DEPARTMENT OF ENERGY, OFFICE OF FOSSIL ENERGY

In the Matter of  
PEMEX GAS Y PETROQUIMICA BASICA

)  
)  
)

FE DOCKET NO. 98- -NG

APPLICATION OF PEMEX GAS Y PETROQUIMICA BASICA FOR AN ORDER  
AUTHORIZING THE SHORT-TERM IMPORTATION AND EXPORTATION  
OF NATURAL GAS, INCLUDING LIQUIFIED NATURAL GAS  
FROM/TO CANADA AND TO MEXICO ON A BLANKET BASIS

PEMEX Gas y Petroquimica Basica (PEMEX Gas) hereby requests issuance by the Office of Fossil Energy (FE) of the Department of Energy (DOE) of a blanket authorization to effectuate short-term imports and exports a combined total of up to 160 Bcf of natural gas, including liquified natural gas (LNG), from and to Canada and Mexico. This application is submitted pursuant to Section 3 of the Natural Gas Act (NGA), 15 U.S.C. Section 717b, Department of Energy Delegation Order No. 0204-111, and the Department's regulations, 10 C.F.R. Part 590.

The blanket authorization requested herein will permit PEMEX Gas, competitively priced natural gas from a variety of supply sources available to North American markets. This accords with the Department's policy of encouraging competitive and market-responsive pricing. The gas will be transported through existing international border pipeline interconnection points. The gas will be carried on the existing facilities of U.S. pipeline companies, in the U.S. and Mexico.

The requested authorization is needed in blanket form in order to allow PEMEX Gas to import and export gas on its own behalf as well as on behalf of suppliers and purchasers for whom PEMEX Gas may act as agent.

Finally, PEMEX Gas requests that authorization be granted no later than December 31, 1998, when PEMEX Gas' existing market import/export authorization is due to expire.

**I.**

Communications and correspondence concerning this application should be directed to the following:

Douglas F. John  
JOHN & HENGERER  
1200 17th Street, N.W.  
Suite 600  
Washington, D.C. 20036  
(202) 429-8801

and

Margarita Perez  
PEMEX Gas y Petroquímica Básica  
Av. Marina Nacional 329 Edif. B-1  
Piso 8.  
Col. Huasteca. C.P. 11311  
Mexico City, Mexico

**II.**

PEMEX Gas is a decentralized public entity of the federal government of Mexico and a subsidiary of Petroleos Mexicanos, which is also a decentralized public entity of the federal government of Mexico. PEMEX Gas supplies natural gas to markets throughout Mexico, and owns and operates transmission and distribution facilities in Mexico for that purpose. PEMEX gas from time to time augments its domestic production with supplies of gas imported from the United States and exports surplus gas supplies to markets in the United States and Canada.

**III.**

PEMEX Gas hereby requests authority to import and/or export an aggregate 160 Bcf of natural gas, including LNG from and to Canada and Mexico, over a two-year term beginning on the date of expiration of its existing authorization.

In order to ensure maximum flexibility, PEMEX Gas is asking that no daily volume limit be set on this authorization.

PEMEX Gas specifically requests blanket authorization respectively to import and to import at or from any existing pipeline interconnection point on the international border.

PEMEX Gas will file with the OFE in the month following each calendar quarter, quarterly reports as to whether sales have been made, and if so, the total monthly volumes and the average purchase price per MMBtu at the international border. The reports will also provide the details of each import transaction including:

- i name of the seller(s);
- ii name of the purchaser(s);
- iii estimated or actual duration of the agreement(s);
- iv name of the U.S. transporter(s);
- v point(s) of entry;
- vi the geographic market(s) served;
- vii whether the imports or exports are being made on an interruptible or firm basis; and; if applicable, the per unit (MMBtu) demand/commodity/reservation components of pricing under the contract(s), any special contract price adjustment clause, and or take-or-pay or make-up provisions.

#### IV.

Section 3(c) of the NGA, as amended by the Energy Policy Act of 1992 (Pub. L. 102-486), states that an import or export of natural gas from a nation with which there is a free trade agreement in effect requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay (15 USC 717b(c)). The authorization sought by PEMEX Gas to import or export natural gas from and to Canada and Mexico, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and is, therefore, consistent with the public interest.

#### V.

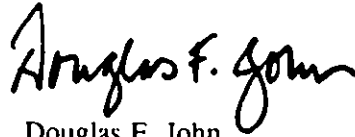
PEMEX Gas submits the following exhibits in support of its application:

Exhibit A: Certificate from Counsel

Exhibit B: Form of Notice

**WHEREFORE**, PEMEX Gas respectfully requests that the FE expeditiously issue an order, pursuant to Section 3 of the Natural Gas Act, finding that the proposed blanket import and export authorizations are not inconsistent with the public interest and approving them in all respects.

Respectfully submitted,



Douglas F. John  
JOHN & HENGERER  
1200 17th Street, NW  
Suite 600  
Washington, D.C. 20036  
(202) 429-8801

Counsel For PEMEX Gas y Petroquimica Basica

Dated: November 3, 1998

Appendix A

FE Docket No. 98- -NG

CERTIFICATE FROM COUNSEL

**JOHN & HENGERER**  
A LAW PARTNERSHIP  
1200 17TH STREET, N.W.  
SUITE 600  
WASHINGTON, D.C. 20036

November 3, 1998

DOUGLAS F. JOHN  
EDWARD W. HENGERER  
KEVIN M. SWEENEY  
KIM M. CLARK  
GORDON J. SMITH  
SHELBY L. PROVENCHER  
JOELLE K. OGG

TELEPHONE  
202/429-8801  
TELECOPIER  
202/429-8805

Office of Fuels Programs, Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Room 3F070  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

**RE: PEMEX Gas y Petroquimica Basica, Fe Docket No. 98- -NG,  
Authorization to Import and Export Natural Gas.**

Dear Sir/Madam:

Pursuant to 10 C.F.R. Section 590.202, this certificate of counsel is hereby furnished in connection with PEMEX Gas y Petroquimica Basica (PEMEX Gas) and the renewal of blanket authorization to import and export natural gas pursuant to Section 3 of the natural gas act.

In respect of the above, to the best of my knowledge:

- PEMEX is a corporation duly organized, validly existing and in good standing under the laws of Mexico, and
- the proposed importation and exportation of natural gas is within the corporate powers of PEMEX Gas; and
- PEMEX Gas either has complied with or is in the process of complying with applicable state rules and regulations of the regulatory authorities in the states in which it operates.

Respectfully submitted,

*Douglas F. John*

Douglas F. John  
Counsel for PEMEX Gas y Petroquimica Basica

Appendix A

FE Docket No. 98- -NG

FORM OF NOTICE



DEPARTMENT OF ENERGY

Office of Fuels Programs, Fossil Energy

[FE Docket No. 98- -NG]

FR

November , 1998

PEMEX Gas y Petroquimica Basica, Receipt of Application to Import and Export Natural Gas.

**ACTION:** Notice of application for renewed blanket authorization to 1) import natural gas for sale on a short-term or "spot" basis, and 2) export natural gas to foreign markets for sale on a spot or short-term basis.

**SUMMARY:** The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt on , of the application of PEMEX Gas y Petroquimica Basica (PEMEX Gas), for renewed blanket authorization to import natural gas for sale on a short-term or "spot" basis, and to export natural gas to a foreign market on the same basis. The application requests authority for imports and exports of natural gas from and to Canada and Mexico. Authorization is requested to import and/or export an aggregate 160 Bcf over a two-year term beginning on the date of expiration of its existing authorization in this docket. PEMEX Gas also requests authority to act as agent for third parties who will have title to the gas to be imported or exported. The specific terms of each export and import would be negotiated on an individual basis, including price and volume. According to PEMEX Gas, the transactions it presently contemplates will utilize existing pipeline and related facilities and will not require the construction of new facilities. PEMEX Gas proposes to submit quarterly reports to the FE, giving the specific details of each transaction.

**DATES:** The application is filed with the FE pursuant to Section 3 of the Natural Gas Act and DOE Delegation Order No. 0204-111. Protests, motions to intervene or notices of intervention, as applicable, and written comments are to be filed no later than 4:30 p.m., on 1998.

**FOR FURTHER INFORMATION CONTACT:**

, Office of Fuels Programs, Fossil Energy, U.S. Department of Energy, Forrestal Building, Room 3F-070, 1000 Independence Avenue, S.W., Washington, DC 20585, (202) 586- .

, Office of General Counsel, Natural Gas and Mineral Leasing, U.S. Department of Energy, Forrestal Building, 1000 Independence Avenue S.W., Washington, DC 20585.

**SUPPLEMENTARY INFORMATION:** The decision on this application will be made consistent with the DOE's gas import and export policy guidelines, under which the competitiveness of the import arrangement and the need for domestic supplies for which export authorization is sought are the primary considerations in determining whether the authorizations sought are in the public interest (49 FR 6684, February 22, 1984). The authorizations requested in the subject application are similar to those recently granted by FE to other applicants. Consistent with the reporting requirements imposed in those authorizations, Applicant states it will undertake to comply with the following requirements:

1. Notify the FE in writing of the date of first delivery of natural gas imported or exported under the requested authorization within two weeks of the date of such delivery.

2. With respect to all imports or exports made pursuant to the requested authorization, file with the FE in the month following each calendar quarter, quarterly reports indicating, by month, whether sales have been made, and if so, the details of each transaction. The reports shall include the purchase and sales prices, volumes, any special contract price adjustments, take or make-up provisions, duration of the agreements, ultimate sellers and purchasers, transporters, points of entry, and markets served.

3. PEMEX Gas will submit copies of all agreements under which spot or short-term LNG sales will take place.

Parties that may oppose this application should comment in their responses on the issue of competitiveness as set forth in the policy guidelines. The applicant asserts that the proposed import and export arrangements are competitive. Parties opposing the arrangement bear the burden of overcoming this assertion.

**PUBLIC COMMENT PROCEDURES:** In response to this notice, any person may file a protest, motion to intervene, or notice of intervention, as applicable, and written comments. Any person wishing to become a party to the proceeding and to have the written comments considered as the basis for any decision on the application must, however, file a motion to intervene or notice of intervention, as applicable. The filing of a protest with respect to this application will not serve to make the protestant a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate procedural action to be taken on the application. All protests, motions to intervene, notices of intervention, and written comments must meet the requirements that are specified by the regulations in 10 CFR Part 590. They should be filed with the Office of Fuels Programs, Fossil Energy, Room 3F-070, Forrestal Building, 1000 Independence Avenue S.W., Washington, DC 20585. They must be filed no later than 4:30 p.m., \_\_\_\_\_, 1998.

VERIFICATION

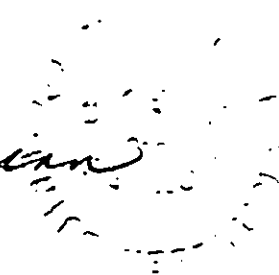
DISTRICT OF COLUMBIA     )  
CITY OF WASHINGTON       ) ss.

Douglas F. John, being duly sworn, deposes and says he is attorney for PEMEX Gas y Petroquimica Basica; that he has read the foregoing document; that he is familiar with the contents thereof; that the statements contained therein are true and correct to the best of his knowledge, information and belief; and that he is authorized to file the same with the Office of Fossil Energy, DOE.

*Douglas F. John*  
\_\_\_\_\_

SUBSCRIBED AND SWORN TO before me this 3rd day of November, 1998.

*Kathleen Quinn*  
Notary Public



My Commission Expires:

My Commission Expires:  
April 14, 1999  
Kathleen Quinn, Notary Public  
District of Columbia

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

DOE/FE  
NOV 12 1998 2:20

\_\_\_\_\_  
PEMEX GAS Y PETROQUIMICA BASICA )  
\_\_\_\_\_ )

FE DOCKET NO 98-87-NG

ORDER GRANTING BLANKET AUTHORIZATION  
TO IMPORT AND EXPORT NATURAL GAS,  
INCLUDING LIQUEFIED NATURAL GAS  
FROM AND TO CANADA AND MEXICO

DOE/FE ORDER NO. 1435

NOVEMBER 12, 1998

## I. DESCRIPTION OF REQUEST

On November 4, 1998, PEMEX Gas y Petroquímica Básica (PEMEX Gas) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)<sup>1</sup> and DOE Delegation Order Nos. 0204-111 and 0204-127, for blanket authorization to import and export up to a combined total of 160 billion cubic feet (Bcf) of natural gas, including liquefied natural gas (LNG), from and to Canada and Mexico, for a two-year term beginning January 1, 1999.<sup>2</sup> PEMEX Gas is a decentralized public entity of the federal government of Mexico and a subsidiary of Petróleos Mexicanos, which is also a decentralized public entity of the federal government of Mexico. PEMEX Gas supplies natural gas to markets throughout Mexico, and owns and operates transmission and distribution facilities in Mexico for that purpose. PEMEX Gas from time-to-time augments its domestic production with supplies of gas imported from the United States and exports surplus gas supplies to markets in the United States. The requested authorization does not involve the construction of new pipeline facilities.

## II. FINDING

The application filed by PEMEX Gas has been evaluated to determine if the proposed import and export arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import or export of natural gas from or to nations with which there are in effect a free trade agreement requiring national treatment for trade in natural gas, is deemed to be consistent

---

<sup>1</sup>/ 15 U.S.C. § 717b.

<sup>2</sup>/ Pemex Gas' current blanket authority under DOE/FE Order No. 1289, 1 FE ¶ 71,428, expires December 31, 1998.

with the public interest and must be granted without modification or delay. The authorization sought by PEMEX Gas to import and export natural gas, including LNG, from and to Canada and Mexico, nations with which a free trade agreement is in effect, meet the section 3(c) criterion and, therefore, is consistent with the public interest. This blanket order authorizes transactions under contracts with terms of no longer than two years.

#### ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. PEMEX Gas y Petroquímica Básica (PEMEX Gas) is authorized to import and export up to a combined total of 160 Bcf of natural gas, including liquefied natural gas (LNG), from and to Canada and Mexico, over a two-year term beginning January 1, 1999, and ending December 31, 2000.

B. This natural gas may be imported and exported at any point on the border between the United States and Canada and between the border of the United States and Mexico.

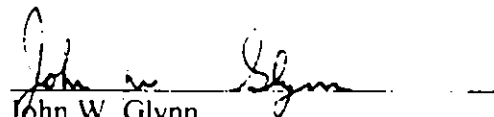
C. With respect to the natural gas imports and exports authorized by this Order, PEMEX Gas shall file with the Office of Natural Gas & Petroleum Import and Export Activities, within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports of natural gas have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports or exports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports or exports have occurred, PEMEX Gas must report the following: (1) total monthly volumes in Mcf, (2) the average monthly purchase price of gas per MMBtu at the international border; (3) the name of the seller(s); (4) the name of the purchaser(s); (5) the estimated or actual duration of the agreement(s); (6) the name of the U. S.

transporter(s), (7) the point(s) of entry and exit; and (8) the geographic market(s) served (for imports, by State). For import transactions only, the report shall also include: (1) whether sales are being made on an interruptible or firm basis; and (2) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than April 30, 1999, and should cover the period from January 1, 1999, until the end of the first calendar quarter, March 30, 1999.

E. The quarterly report required by Ordering Paragraph C of this Order shall be filed with the Office of Natural Gas & Petroleum Import and Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C., 20585.

Issued in Washington, D.C., on November 12, 1998

  
John W. Glynn  
Manager, Natural Gas Regulation  
Office of Natural Gas & Petroleum  
Import and Export Activities  
Office of Fossil Energy