

DEWEY BALLANTINE LLP

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WASHINGTON, D.C. 20006-4605  
TEL 202 862-1000 FAX 202 862-1093

REC'D DOE/FE  
1998 NOV 20 P 2:12

November 20, 1998

VIA HAND DELIVERY

Mr. John W. Glynn  
Manager, Natural Gas Regulation  
Office of Natural Gas and Petroleum  
Import and Export Activities  
Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Room 3E-042, FE-34  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

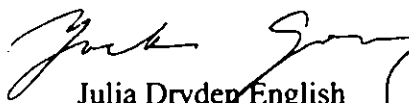
Re: **Union Pacific Fuels, Inc.**  
**Docket No. FE Docket No. 98-40-NG**

Dear Mr. Glynn:

Enclosed for filing in the above-referenced docket are an original and fifteen (15) copies of an Application of Union Pacific Fuels, Inc. for Blanket Authorization to Import and Export Natural Gas on behalf of Union Pacific Fuels, Inc. Also enclosed is a check in the amount of \$50.00 made payable to the Treasurer of the United States to be submitted for the filing fee.

Kindly acknowledge receipt of this document by time-stamping an extra copy for our files. Thank you for your attention to this matter.

Respectfully submitted,



Julia Dryden English  
Yvette Gorog

*Attorneys for*  
*Union Pacific Fuels, Inc.*

Enclosures

**ORIGINAL**

**UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY**

**BEFORE THE  
OFFICE OF FOSSIL ENERGY  
WASHINGTON, D.C.**

REC'D  
1999 FEB 20 P 3 12  
DOE/FE

IN THE MATTER OF )  
 )  
UNION PACIFIC FUELS, INC. )

FE Docket No. 98-92-NG

**APPLICATION OF UNION PACIFIC FUELS, INC.  
FOR BLANKET AUTHORIZATION TO  
IMPORT AND EXPORT NATURAL GAS**

Union Pacific Fuels, Inc. ("UPFI") hereby makes application to the Office of Fossil Energy ("FE") of the Department of Energy ("DOE") for issuance of blanket authorization to import and export a combined total of up to 200 Bcf of natural gas from and to Mexico and Canada on a short-term basis, over a two-year term beginning on January 1, 1999.<sup>1</sup>

This application is submitted pursuant to Section 3 of the Natural Gas Act ("NGA"),<sup>2</sup> Department of Energy Delegation order No. 0204-111,<sup>3</sup> Department of Energy Delegation Order No. 0204-127,<sup>4</sup> and Part 590 of the Regulations of the

<sup>1</sup> UPFI's current blanket authorization to import and export natural gas to and from Canada and Mexico, granted on December 24, 1996 in DOE/FE Opinion and Order No. 1234, expires on December 31, 1998.

<sup>2</sup> Natural Gas Act of 1938, as amended, 15 U.S.C. § 717(b) (1986).

<sup>3</sup> 49 Fed. Reg. 6684 (February 24, 1984).

<sup>4</sup> 54 Fed. Reg. 11436 (March 20, 1989). Delegation Order No. 0204-127 transferred certain functions, including the review of applications for authorization to import and export natural gas, from the Office of Fuel Programs of the Economic Regulatory Administration ("ERA") to the Assistant Secretary for Fossil Energy.

Department of Energy.<sup>5</sup>

As set forth more fully herein, UPFI requests that it be granted import/export authorization similar to that granted numerous other importers and exporters. The authorization requested herein will meet the public interest requirement of section 3 of the NGA, as amended by Section 201 of the Energy Policy Act of 1992,<sup>6</sup> since Canada and Mexico, the nations from which and to which UPFI seeks authorization to import and export natural gas, are nations with which a free trade agreement is in effect. Section 3(c) of the NGA now provides that the import or export of natural gas from a nation with which there is in effect a free trade agreement 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.

UPFI requests that such authorization be granted on a blanket basis so that UPFI will have the flexibility to respond quickly to changing conditions in the U.S., Mexican and Canadian gas markets. UPFI further requests that authorization be granted on an expedited basis, and in any event, no later than January 1, 1999, since UPFI's current blanket authorization to import and export natural gas to and from Canada and Mexico, granted on December 24, 1996 in DOE/FE Opinion and Order No. 1234, expires on December 31, 1998.

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<sup>5</sup> 10 C.F.R. § 590.101 et seq. (1998).

<sup>6</sup> Pub. L. 102-486.

In support hereof, UPFI shows the following:

I.

#### DESCRIPTION OF APPLICANT

The exact legal name of the applicant is Union Pacific Fuels, Inc. UPFI is a close corporation organized and existing under the laws of the State of Delaware with its principal place of business in Fort Worth, Texas.

UPFI is a marketer of, inter alia, natural gas and is a wholly-owned subsidiary of Union Pacific Resources Company, a Delaware corporation engaged in the production of oil and natural gas. In addition, affiliates of Union Pacific Resources Company are engaged in the transportation, gathering and marketing of natural gas in the U.S. and Canada. Union Pacific Resources Company is a wholly-owned subsidiary of Union Pacific Resources Group Inc., a Utah corporation with subsidiaries engaged in oil and gas and mineral exploration and production.

The names, titles, and mailing addresses of the persons to whom communication concerning this application are to be addressed are as follows:

Alan W. Tomme, Esquire  
Assistant General Counsel  
Union Pacific Fuels, Inc.  
Post Office Box 7  
Fort Worth, Texas 76101-0007  
(817) 877-7543

and

Julia Dryden English, Esquire  
Dewey Ballantine  
1775 Pennsylvania Ave., N.W.  
Washington, D.C. 20006  
(202) 429-1439

## II.

### AUTHORIZATION REQUESTED

UPFI herein seeks import/export authorization consistent with authorization granted to numerous other applicants.<sup>7</sup> By this application, UPFI requests blanket authorization to (i) import pipeline quality natural gas from Canada for sales to markets in the United States during a two-year period and (ii) export to Canada and/or Mexico pipeline quality natural gas produced in the United States during a two-year period, commencing on the date of the first delivery pursuant to such authorization, such quantities to be imported and exported not to exceed in the aggregate a maximum quantity of 200 Bcf.

UPFI requests authorization to export and import for its own account as well as on behalf of the accounts of U.S. suppliers and purchasers and Mexican and Canadian suppliers and purchasers. UPFI further requests that such export and import authority be granted on a blanket basis to provide UPFI with the flexibility necessary to respond to rapidly changing conditions in the natural gas markets in the United States, Mexico and Canada.

If the authorization requested herein is granted, UPFI contemplates that it will (i) export natural gas from the United States for sales to markets in Mexico and Canada on a short-term basis and (ii) import natural gas from Canada for sales to markets

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<sup>7</sup> See, e.g., CMP Natural Gas, L.L.C., DOE/FE Opinion and Order No. 1413, FE Docket No. FE 98-65-NG (September 18, 1998); Southern Company Energy Marketing L.P., DOE/FE Opinion and Order No. 1408, FE Docket No. FE 98-59-NG (August 27, 1998); Upstate Energy Inc., DOE/FE Opinion and Order No. 1407, FE Docket No. FE 98-57-NG (August 18, 1998); Coral Energy Resources, L.P., DOE/FE Opinion and Order No. 1397, FE Docket No. FE 98-48-NG (July 1, 1998); St. Clair Pipelines (1996) Ltd., DOE/FE Opinion and Order No. 1377, Docket No. FE 98-25-NG (April 23, 1998); and Proliance Energy L.L.C., DOE/FE Opinion and Order No. 1357, FE Docket No. FE 98-06-NG (February 3, 1998).

in the United States on a short term basis. The natural gas quantities to be exported will be obtained from a number of reliable sources in producing areas of the United States, in excess of the regional and national needs of current purchasers of natural gas located in the United States. Natural gas imported from Canada will be obtained from a number of reliable sources in producing areas of Canada. UPFI proposes to purchase such quantities of imported natural gas at the United States-Canadian border for sales to various purchasers in the United States.

UPFI proposes to sell export quantities at the United States-Mexico border to various purchasers in Mexico as permitted by applicable Mexican law and at the United States-Canada border to various purchasers in Canada as permitted by applicable Canadian law.

UPFI also may secure transportation arrangements for the gas to be imported and exported. UPFI proposes to effectuate the imports and exports through use of existing U.S. pipeline facilities. Thus, UPFI does not propose the construction of any new facilities.

### III.

#### REGULATORY ANALYSIS

Pursuant to Section 3 of the Natural Gas Act, supra, and Department of Energy Delegation Order No. 0204-11, supra, an application to import and export gas must be approved unless there is a finding that the proposed importation and exportation will not be consistent with the public interest.

Under Section 3(c) of the NGA, as amended by Section 201 of the Energy Policy Act of 1992, supra, the import or export of natural gas from a nation with which there is

in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without notification or delay. The authorization sought herein by UPFI to import and export natural gas from and to Canada and Mexico, nations with which a free trade agreement is in effect, meets the section 3(c) criterion, and, therefore, is consistent with the public interest.

Since no new facilities will be constructed specifically for the proposed importation and exportation of natural gas, granting this application would not involve a 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. Accordingly, neither an environmental impact statement nor an environmental assessment is required.

#### IV.

#### REPORTING REQUIREMENTS

Consistent with the requirements imposed by the FE with respect to other import and export authorizations, UPFI undertakes to comply with the following requirements:

1. UPFI shall notify the FE in writing of the date of first delivery within two weeks after the date imports and/or exports commence.
2. UPFI shall file with the FE, within 30 days following each calendar quarter, quarterly reports indicating, by month, whether imports or exports have occurred and reporting the details of any such transaction, as required by the FE, including volumes, price, the names of the seller(s), the purchasers, duration of the agreements, transporters, points of import or export, and markets served.

V.

**EXPEDITED ACTION**

UPFI requests that the FE consider and grant its application on an expedited basis and, in any event, no later than January 1, 1999. The authorization requested by UPFI herein corresponds to that granted by the FE to numerous other holders of blanket import and export authorizations. UPFI has incorporated in its application all the conditions and requirements imposed by the FE in granting such other import and export authorizations. The expedited grant of import and export authorization to UPFI will serve the public interest by facilitating new exports of surplus domestic natural gas to consumers in Mexico and Canada, nations with which a free trade agreement is in effect.

VI.

**CONCLUSION**

WHEREFORE, for the reasons stated herein, UPFI submits that its proposal to import natural gas from Canada and to export natural gas to Mexico and Canada is consistent with the public interest within the meaning of Section 3 of the Natural Gas Act and the Secretary of Energy's Policy Guidelines. Accordingly, UPFI respectfully requests that the FE expeditiously issue an order finding that the proposed blanket export authorization is not inconsistent with the public interest and approving it in all aspects.



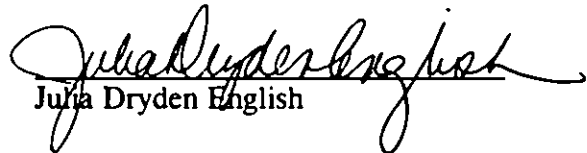
UPFI submits the following Exhibits in support of its Application:

Exhibit A: Verification

Exhibit B: Opinion of Counsel

Respectfully submitted,

UNION PACIFIC FUELS, INC.

  
Julia Dryden English

Julia Dryden English  
Dewey Ballantine  
1775 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
(202) 429-1439

Of Counsel

Dated: November 19, 1998

Union Pacific Fuels, Inc.  
FE Docket No. 98-\_\_\_-NG

Exhibit A  
Verification

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY

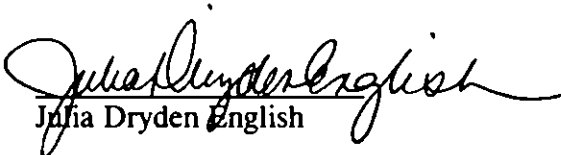
BEFORE THE  
OFFICE OF FOSSIL ENERGY  
WASHINGTON, D.C.

UNION PACIFIC FUELS, INC. )

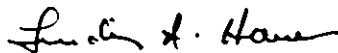
FE Docket No. 98-\_\_\_-NG

ss: VERIFICATION

Julia Dryden English, being duly sworn, deposes and says that she is of counsel to Union Pacific Fuels, Inc., the Petitioner herein, and is duly authorized to represent the Petitioner in the captioned proceeding, that she has read the foregoing pleading and knows the content thereof, that the same is true to the knowledge of deponent, except as to the matters therein stated to be alleged upon information and belief, and that as to those matters she believes the pleading to be true.

  
Julia Dryden English

Sworn and subscribed to before me  
this 19th day of November, 1998.

  
\_\_\_\_\_

Notary Public in and for the  
District of Columbia

My Commission Expires:

LINDA A HAMER  
NOTARY PUBLIC DISTRICT OF COLUMBIA  
MY COMMISSION EXPIRES 7/14/02

Union Pacific Fuels, Inc.  
FE Docket No. 98-\_\_\_-NG

Exhibit B  
Opinion of Counsel

Alan W. Tomme  
Assistant General Counsel

November 13, 1998



Office of Fuels Programs, Fossil Energy  
U. S. Department of Energy  
Forrestal Building  
Room 3F-056, FE-50  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Re: Application of Union Pacific Fuels, Inc. for Authorization to Import and  
Export Natural Gas

Dear Sir or Madam:

I serve as assistant general counsel for Union Pacific Fuels, Inc. ("Union Pacific"). Based on my familiarity with Union Pacific's plans to export and import natural gas into the United States from Canada and to export natural gas into Mexico and Canada from the United States and with pertinent corporate documents and authorization, I am of the opinion that:

1. Union Pacific is a corporation duly organized and validly existing under the laws of the state of Delaware.
2. Union Pacific has the requisite corporate authority to import natural gas into the United States from Canada and to export natural gas into Mexico and Canada as contemplated by its Application for Blanket Authorization.
3. Union Pacific has complied with state laws and the requirements of regulatory authorities having jurisdiction over the proposed transactions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Alan W. Tomme", with a long horizontal line extending to the right.

Alan W. Tomme

AWT/sb

**DEWEY BALLANTINE LLP**

1775 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20006-4602

TELEPHONE 202 862-1000 FACSIMILE 202 862-1093



**Facsimile  
Transmission**

**From:** Yvette Gorog **Tel. No.:** 202-429-1532  
**Date:** December 11, 1998 **Total pages, including cover sheet:** 3

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**FAX:** 011 42 22 482-7169

Addressee / Organization	Fax No.	Tel. No.
<b>John Glynn</b>	<b>202-586-6050</b>	<b>202-586-9454</b>
Room 3E-042		
Department of Energy		

**Message:**

Please see the attached.

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**DEWEY BALLANTINE LLP**

1775 PENNSYLVANIA AVENUE, N.W.  
WASHINGTON, D.C. 20006-4603  
TEL. 202 862-1000 FAX 202 862-1093

December 11, 1998

Mr. John Glynn  
Manager, Natural Gas Regulation  
Office of Natural Gas and Petroleum  
Import and Export Activity  
Office of Fuels Programs, Fossil Energy  
Department of Energy  
Room 3E-042  
1000 Independence Ave., S.W.  
Washington, D.C. 20585

Re: Application for Import/Export Authorizations Filed by Union Pacific  
Fuels, Inc.

Dear Mr. Glynn:

This will confirm our conversation of this morning concerning the application for authorization to import and export natural gas and liquefied natural gas which Union Pacific Fuels, Inc. ("Union Pacific") filed on November 20, 1998. As you noted, there is an inconsistency between the introductory paragraph contained in the application and the description of the relief requested that appears under "II. Authorization Requested" on page 4.

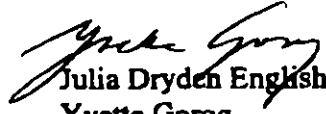
We request that DOE deem the application to be amended at page 4, by deleting the sentence that begins "By this application..." and replacing it with the following:

By this application, UPFI requests blanket authorization to (i) import pipeline quality natural gas from Canada and/or Mexico for sales to markets in the United States during a two-year period and (ii) export to Canada and/or Mexico pipeline quality natural gas produced in the United States during a two-year period, commencing on the date of the first delivery pursuant to such authorization, such quantities to be imported and exported not to exceed in the aggregate a maximum quantity of 200 Bcf.

Mr. John Glynn  
December 11, 1998  
Page 2

Thank you for contacting me concerning this matter.

Very truly yours,



Julia Dryden English

Yvette Gorog

Attorneys for Union Pacific Fuels, Inc.



98-92

DEWEY BALLANTINE LLP

1775 PENNSYLVANIA AVENUE, N.W.  
WASHINGTON, D.C. 20006-4605  
TEL 202 862-1000 FAX 202 862-1093

REC'D DOE/FE  
1998 DEC 18 A 10:03

December 11, 1998

Mr. John Glynn  
Manager, Natural Gas Regulation  
Office of Natural Gas and Petroleum  
Import and Export Activity  
Office of Fuels Programs, Fossil Energy  
Department of Energy  
Room 3E-042  
1000 Independence Ave., S.W.  
Washington, D.C. 20585

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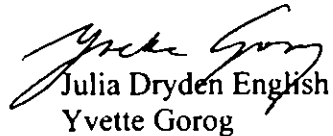
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Mr. John Glynn  
December 11, 1998  
Page 2

Thank you for contacting me concerning this matter.

Very truly yours,



Handwritten signature of Yvette Gorog in cursive script.

Julia Dryden English  
Yvette Gorog  
Attorneys for Union Pacific Fuels, Inc.

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

DOE/FE  
DEC 17 1998

\_\_\_\_\_  
UNION PACIFIC FUELS, INC. )  
\_\_\_\_\_)

FE DOCKET NO. 98-92-NG

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

DOE/FE ORDER NO. 1444

DECEMBER 17, 1998

## I. DESCRIPTION OF REQUEST

On November 20, 1998, as amended on December 11, 1998, Union Pacific Fuels, Inc. (UPFI) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act<sup>1/</sup> (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, for blanket authorization to import and export up to a combined total of 200 billion cubic feet of natural gas from and to Canada and Mexico. UPFI requests that the authorization be granted for two years beginning on January 1, 1999.<sup>2/</sup> UPFI, a marketer of natural gas, is a closed corporation organized and existing under the laws of the State of Delaware with its principal place of business in Fort Worth, Texas. UPFI is a wholly-owned subsidiary of Union Pacific Resources Company, which is a wholly-owned subsidiary of Union Pacific Resources Group Inc. UPFI intends to import and export the gas either on its own behalf or as the agent for others. The requested authorization does not involve the construction of new pipeline facilities.

## II. FINDING

The application filed by UPFI has been evaluated to determine if the proposed import/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 a nation with which there is in effect a free trade agreement 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. The authorization sought by UPFI to import and export natural gas from and to Canada and Mexico, nations with which free trade agreements are in effect, meets the section 3(c) criterion and, therefore, is consistent with

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1/ 15 U.S.C. § 717b.

2/ December 31, 1998, is the expiration date of UPFI's existing blanket import/export authorization granted by DOE/FE Order No. 1234 on December 24, 1996 (1 FE ¶ 71,348).

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. Union Pacific Fuels, Inc. (UPFI) is authorized to import and export up to a combined total of 200 billion cubic feet natural gas from and to Canada and Mexico over a two-year term beginning on January 1, 1999, and ending on December 31, 2000. This natural gas may be imported and exported at any United States border point.

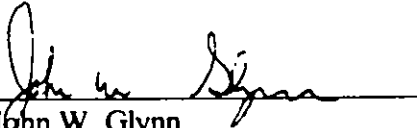
B. With respect to the natural gas imports and exports authorized by this Order, UPFI shall file with the Office of Natural Gas & Petroleum Import and Export Activities within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports of natural gas have been made. 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, UPFI 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 United States 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, if applicable, (2) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.

C. The first quarterly report required by Ordering Paragraph B 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 31, 1999.

D. The quarterly reports required by Ordering Paragraph B 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 December 17, 1998.

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