

file in 04-39-LNG

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DEC 09 2005
DOE/OFE/NER

December 9, 2005

Mr. Robert Corbin
Office of Oil & Gas Global Security and Supply
Fossil Energy
U.S. Department of Energy
Docket Room 3E-042
Forrestal Building
1000 Independence, Avenue, S.W.
Washington, D.C. 20585

~~05-115-LNG~~
04-39-LNG

Re: *BG LNG Services, LLC*
FE Docket No. ~~04-39-LNG~~

Dear Ms. Kornfeld:

Pursuant to Part 590 of the regulations of the Department of Energy ("DOE"), 10 C.F.R. Pt. 590 (2005), please find enclosed the application of BG LNG Services, LLC ("BGLS") to amend its long-term authorization to import liquefied natural gas pursuant to Section 3 of the Natural Gas Act, as amended. Also please find enclosed a check for \$50 made payable to the Treasury of the United States as required by 10 C.F.R. § 590.207.

Pursuant to 10 C.F.R. §§ 590.202(e) and 1004.11, BGLS hereby notifies DOE that the LNG Sale and Purchase Agreement between (BGLS and Marathon LNG Marketing LLC) (the "Agreement"), which is the subject of this application, contains highly sensitive commercial information that is exempt from public disclosure. The Agreement, which is attached to the application as Exhibit B, contains certain commercially sensitive terms the disclosure of which would place BGLS at a commercial disadvantage.

Accordingly, pursuant to our conversation on December 1, 2005, BGLS is providing one original copy of the application clearly marked "Contains Confidential Information—Do Not Release" and 15 copies with the confidential information redacted from the Agreement. Those copies are clearly marked "Privileged Information Removed For Confidential Treatment." Notwithstanding the filing of a redacted copy of the application, BGLS reserves its right, pursuant to 10 C.F.R. § 1004.11(c), to be notified prior to any disclosure of the confidential information and to be allowed an opportunity to submit its views with respect to

such disclosure. BGLS further requests that you return the unredacted copy of the Agreement following your office's action on the application.

Please file stamp the enclosed extra copies of this application and return them to our messenger. Thank you for your attention to this matter.

Respectfully Submitted,



John S. Decker
Attorney for BG LNG Services, LLC

PRIVILEGED MATERIAL REMOVED FOR CONFIDENTIAL TREATMENT

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

BG LNG Services, LLC

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FE Docket No. 04-39-LNG

**APPLICATION TO AMEND
LONG-TERM LNG IMPORT AUTHORIZATION OF
BG LNG SERVICES, LLC**

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December 9, 2005

PRIVILEGED MATERIAL REMOVED FOR CONFIDENTIAL TREATMENT

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

BG LNG Services, LLC

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FE Docket No. 04-39-LNG

APPLICATION TO AMEND
LONG-TERM LNG IMPORT AUTHORIZATION OF
BG LNG SERVICES, LLC

Pursuant to Section 3 of the Natural Gas Act (“NGA”), as amended;¹ Department of Energy (“DOE”) Delegation Order Nos. 0204-111 and 0204-127;² and Part 590 of the Regulations of the DOE, Office of Fossil Energy (“OFE”),³ BG LNG Services, LLC (“BGLS”) hereby submits this application to supplement and amend its long-term authorization to import liquefied natural gas (“LNG”) from various affiliated and unaffiliated sources with an executed LNG Sale and Purchase Agreement (the “Agreement”) between BGLS and Marathon LNG Marketing LLC (“Marathon LNG”). Such Agreement replaces the Term Sheet upon which BGLS’s long-term authorization was originally granted. In support of this application, BGLS respectfully shows as follows:

I.
CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications regarding this application should be addressed to the following:

¹ 15 U.S.C. § 717b (2000).

² DOE Delegation Order No. 0204-111, Administrator of the Economic Regulatory Administration (Feb. 22, 1984); DOE Delegation Order No. 0204-127, Assistant Secretary for Fossil Energy (Feb. 7, 1989).

³ 10 C.F.R. Pt. 590 (2004).

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II. BACKGROUND

BGLS is a limited liability company organized under the laws of the State of Delaware, having its principal place of business at 5444 Westheimer, Suite 1775, Houston, Texas 77056. BGLS is a wholly-owned subsidiary of BG Group plc, which has its principal place of business at 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT, England. Pursuant to the authorization previously granted to BGLS by the OFE, BGLS engages in the business of importing LNG purchased from Marathon LNG pursuant to a LNG Sale and Purchase Agreement Term Sheet (the "Term Sheet") dated October 13, 1999.⁴ Marathon LNG, a subsidiary of Marathon Oil Company, is a marketer of LNG.

On March 26, 2004, BGLS filed an application with the OFE for authorization to import up to 58 billion cubic feet (Bcf) per year of LNG over a 17 year term pursuant to terms of the Term Sheet between BGLS and Marathon LNG. On April 19, 2004, in DOE/FE Order No. 1977, the OFE approved BGLS's application and granted it long-term authorization to import up to the equivalent of 58 Bcf of LNG per year at any LNG receiving facility in the United States and its territories. In its original application, BGLS stated that while the Term Sheet was a binding agreement, BGLS was in the process of negotiating a more fully-termed agreement with

⁴ BGLS also imports LNG pursuant to the following authorizations: DOE/FE Order No. 1975 (April 16, 2004), DOE/FE Order No. 1947 (February 18, 2004), DOE/FE Order No. 1932 (December 30, 2003), and DOE/FE Order No. 1926 (December 8, 2003).

Marathon LNG, with the terms of any substitute agreement intended to supersede the Term Sheet. BGLS and Marathon LNG have since negotiated and executed the LNG Sale and Purchase Agreement and are submitting such agreement as a substitute to the Term Sheet for approval by the OFE.

III.
AMENDMENT TO AUTHORIZATION REQUESTED

BGLS is seeking to amend its long-term import authorization granted by the OFE in DOE/FE Docket No. 1977 on April 19, 2004 to replace the Term Sheet upon which the order was granted with a LNG Sale and Purchase Agreement. BGLS, in its original application, stated that the parties intended the Term Sheet to be a binding agreement until such time a more complete agreement could be reached. BGLS and Marathon LNG have executed the Agreement as a substitute to the Term Sheet, and are submitting this application to replace the Term Sheet upon which the import authorization was granted with the Agreement.

Pursuant to the terms of the Agreement, BGLS will purchase LNG from Marathon LNG for importation into the United States. Upon importation, BGLS will sell the LNG and the natural gas resulting from vaporization of the LNG to various third parties in the regular course of business. Subject to the terms of the Agreement, Marathon LNG will acquire the LNG from various international sources. The point of entry for the importation of LNG into the United States will primarily be the LNG terminalling, storage and vaporization facility located on Elba Island, in the vicinity of Savannah, Georgia (the "LNG Terminal"). Under the terms of the Agreement, BGLS may designate alternative import destinations for the LNG.

The term of the Agreement runs from the date of execution, June 3, 2005, to March 31, 2021. Marathon LNG has the option to extend the term up to December 1, 2023 upon at least three years prior written notice to BGLS. BGLS will purchase LNG from Marathon LNG in an

amount up to the annual contract quantity of 58 Bcf of LNG or LNG equivalent. Marathon LNG has the option to request, upon at least 85 days prior notice before the commencement of a contract year, an increase in the annual contract quantity by a quantity of LNG up to the volume of one full cargo, so that scheduling the maximum annual contract quantity will coincide with the scheduling of full cargos.⁵ This provision could increase the annual contract quantity by a maximum of 145,000 cubic meters, a near negligible amount. BGLS will take title to the LNG at the inlet flange of the unloading pipe at the LNG Terminal or any designated alternative destination.

Marathon LNG, a marketer of LNG, will acquire the LNG subject to the terms of the Agreement from various international sources. The Agreement requires BGLS to take or pay for any LNG provided by Marathon LNG under the Agreement.

The price BGLS will pay Marathon LNG for the LNG it purchases under the Agreement is a formula based on published price indices for natural gas, and varies depending upon the amount of time by which Marathon LNG's delivery confirmation for firm quantities of LNG precedes the actual delivery of LNG to BGLS. BGLS will pay a price for LNG delivered pursuant to either (i) the first *Inside FERC's Gas Market Report* for the Market Center Spot-Gas Prices, South Louisiana Henry Hub Index published each month; (ii) the first *Inside FERC's Gas Market Report* for the Prices of spot gas delivered to pipelines, SNG Louisiana Index published each month; or (iii) the *Gas Daily* absolute range Louisiana Onshore-South, Sonat spot prices. Because the contract price for LNG under the Agreement is linked to published price indices, the price of LNG supplied during the term of this Agreement will remain competitive.

⁵ Such increases in the annual contract quantity are effective for the year for which notice is given only. They are not cumulative.

IV. ENVIRONMENTAL IMPACT

BGLS intends to continue to use existing facilities for importing LNG as requested herein. This application therefore neither contemplates nor requires the construction of new facilities. Consequently, granting this application will not involve a federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act.⁶ Accordingly, neither an environmental impact statement, nor an environmental assessment, is required.

V. THE PUBLIC INTEREST

Section 3 of the NGA provides that an import or export of natural gas must be authorized unless there is a finding that it “will not be consistent with the public interest.”⁷ Under Section 3(c), the importation of LNG “is deemed to be consistent with the public interest and must be granted without modification or delay.”⁸ The amendment to its import authorization sought by BGLS herein meets the Section 3(c) criterion and, therefore, is consistent with the public interest.

VI. REQUEST FOR WAIVER OF 10 C.F.R. § 590.201(B)

BGLS requests waiver of the requirement that applications for import authorization be filed at least 90 days in advance of the proposed import. Pursuant to section 590.201(b) of DOE’s regulations, 10 C.F.R. §590.201(b) (2005), good cause exists to permit the proposed importation to commence promptly upon the issuance of the authorization requested herein. As noted above, BGLS has already received long-term authorization to import into the United States

⁶ 42 U.S.C. § 431, *et seq.* (2000).

⁷ 15 U.S.C. § 717b(a) (2000).

⁸ *Sonat Energy Services Co.*, Order Granting Long-Term Authorization to Import Liquefied Natural Gas From Trinidad and Tobago, DOE/FE Order No. 1549, FE Docket No. 99-93-LNG (Dec. 8, 1999).

up to 58 Bcf equivalent of LNG per year under the terms of the Term Sheet. This application does not alter the quantity to be imported, it merely substitutes the document which controls the terms of the importation between BGLS and Marathon. BGLS requests that the amendment to its long-term import authorization requested herein become effective upon the issuance of an order by DOE, or in any event, no later than January 9, 2006.

VII. REPORTING REQUIREMENTS

BGLS, in its original application, proposed the following reporting requirements, all of which are still followed by BGLS and will not be affected by the proposed amendment to the original application:

- A. Within two weeks after deliveries begin, BGLS must provide written notification to OFE of the date on which the first import of LNG occurred pursuant to the authorization requested herein.
- B. With respect to the LNG imports authorized in this docket, BGLS will file within 30 days following each calendar quarter, reports indicating, by month: (1) the country of origin; (2) total monthly volumes of LNG imported; (3) the monthly volumes taken by each of BGLS's customers; (4) the name of the seller(s), (5) the point(s) of entry; (6) the name(s) of the LNG tankers used; (7) the estimated or actual duration of agreements; (8) the geographic market(s) served; (9) the average landed cost per MMBtu at the point of import; and (10) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.
- C. The first quarterly report required by paragraph B will be due within 30 days following the first complete calendar quarter that follows the commencement of deliveries under this authorization.

VIII.
CORPORATE POWER OF COMPANY

The opinion of counsel, required by 10 C.F.R. § 590.202(c) (2004), showing that the proposed importation of LNG is within the corporate powers of BGLS, is attached as Exhibit A.

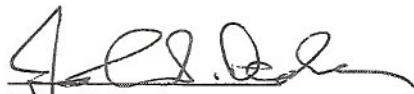
IX.
RELATED REGULATORY PROCEEDINGS

Neither BGLS's request for an amendment of its long-term import authorization, nor any matter related thereto, is being considered by any other part of DOE, including the Federal Energy Regulatory Commission, or any other federal agency or department.

X.
CONCLUSION

WHEREFORE, for the foregoing reasons, BGLS respectfully requests that OFE grant the instant application to amend its long-term import authorization and accept the LNG Sale and Purchase Agreement as a substitute for the Term Sheet upon which BGLS' original long-term import authorization was granted. BGLS submits that a grant of such authorization would be consistent with the public interest.

Respectfully Submitted,



John S. Decker
Attorney for BG LNG Services, LLC

Dated: December 9, 2005

Exhibit A

Corporate Power of Attorney



October 6, 2005

Mr. Robert Corbin
Office of Oil & Gas Global Security and Supply
Office of Fossil Energy (FE-34)
U.S. Department of Energy
Room 3E-033
1000 Independence, Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Corbin:

This opinion is furnished in accordance with the requirements of 10 C.F.R. § 590.202(c) (2005), in conjunction with the application of BG LNG Services, LLC for an order requesting a long-term authorization to import liquefied natural gas into the United States pursuant to Section 3 of the Natural Gas Act, as amended.

I am counsel for BG LNG Services, LLC, in the above-referenced matter, and as such, I am familiar with the Articles of Incorporation, By-laws and corporate records of BG LNG Services, LLC. I have examined these and other relevant documents and am of the opinion that the proposed importation of liquefied natural gas by BG LNG Services, LLC is within the corporate powers of BG LNG Services, LLC.

This opinion is submitted solely for the purpose of this matter, and may not be relied upon by the Office of Fossil Energy, or by any other governmental entity, or any person, for any other purpose.

Respectfully Submitted,



Jason T. Klein
Attorney for BG LNG Services, LLC

Dated: October 6, 2005

BG LNG SERVICES, LLC

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UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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BG LNG SERVICES, LLC)
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FE DOCKET NO. 04-39-LNG

ORDER AMENDING LONG-TERM AUTHORITY TO
IMPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 1977-A

On April 19, 2004, the Office of Fossil Energy of the Department of Energy granted to BG LNG Services, LLC in DOE/FE Order No. 1977 (Order 1977) authority to import up to the equivalent of 58 billion cubic feet per year of liquefied natural gas over a 17-year term under a LNG Sale and Purchase Agreement Term Sheet with Marathon LNG Marketing LLC, dated October 13, 1999.

In Ordering Paragraph C, the requirement to provide the country of origin was omitted. Accordingly, pursuant to section 3 of the Natural Gas Act, DOE/FE Order No. 1977 is amended to add the requirement to provide the country of origin under Ordering Paragraph C. All other terms and conditions in Order 1977 remain in full force and effect.

Issued in Washington, D.C., on August 16, 2004.



Sally Kornfeld
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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BG LNG SERVICES, LLC

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FE DOCKET NO. 04-39-LNG

ORDER AMENDING LONG-TERM AUTHORITY TO
IMPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 1977-B

On April 19, 2004, the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),^{1/} granted BG LNG Services, LLC (BGLS) authority to import up to the equivalent of 58 billion cubic feet (Bcf) of liquefied natural gas (LNG) over a 17-year term under a LNG Sale and Purchase Agreement Term Sheet with Marathon LNG Marketing LLC (Marathon), dated October 13, 1999, in DOE/FE Order No. 1977 (Order 1977), as amended by DOE/FE Order No. 1977-A (Order 1977-A).^{2/}

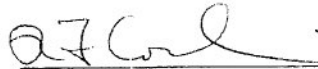
^{1/} 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary for Fossil Energy pursuant to Redefinition Order No. 00-002.04 (January 8, 2002).

^{2/} 2 FE ¶ 70,973 (April 19, 2004) and 2 FE ¶ 71,010 (August 16, 2004), respectively.

On December 9, 2005, BGLS notified DOE that an LNG Purchase and Sales Agreement (Agreement) had been executed between BGLS and Marathon. BGLS seeks to further amend Order 1977, as amended, by replacing the Term Sheet upon which BGLS's authorization was originally granted with the executed Agreement, dated June 3, 2005. The term of the Agreement began on June 3, 2005, and extends through March 31, 2021. Marathon has the option to extend the term up to December 2023 upon at least three years prior written notice to BGLS.

Accordingly, pursuant to section 3 of the Natural Gas Act, it is ordered that DOE/FE Order No. 1977, as amended, is further amended to substitute the LNG Purchase and Sales Agreement Term Sheet with the executed Agreement, dated June 3, 2005. All terms and conditions in Order 1977, as amended, remain in full force and effect.

Issued in Washington, D.C., on May 22, 2006.



R. F. Corbin
Manager, Natural Gas Regulatory Activities
Office of Oil and Gas Global Security and Supply
Office of Fossil Energy