

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

BG LNG SERVICES, LLC

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FE DOCKET NO. 04-39-LNG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS
FROM VARIOUS INTERNATIONAL SOURCES

DOE/FE ORDER NO. 1977

APRIL 19, 2004

I. DESCRIPTION OF REQUEST

On March 26, 2004, BG LNG Services, LLC (BGLS) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),^{1/} for authorization to import up to the equivalent of 58 billion cubic feet (Bcf) per year of liquefied natural gas (LNG) over a 17-year term under a LNG Sale and Purchase Agreement Term Sheet (Term Sheet) with Marathon LNG Marketing LLC (Marathon LNG), dated October 13, 1999.^{2/} The 17-year term commences on April 27, 2004. Marathon LNG may extend the term up to an additional five-year period on at least three years notice to BGLS. BGLS, a limited liability company under the laws of Delaware and a wholly-owned subsidiary of the BG Group, Inc., has its principal place of business in Houston, Texas. BGLS asserts that the LNG it proposes to import will come from various international sources and would enter the United States at the LNG receiving facilities located at Elba Island in the vicinity of Savannah, Georgia, or at an alternative delivery point designated by BGLS.

Under the Term Sheet, BGLS will pay Marathon LNG an amount based on published index prices for spot natural gas. The requested authorization does not involve the construction of new LNG receiving facilities.

^{1/} 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary for Fossil Energy pursuant to Redefinition Order No. 00-002.4 (January 8, 2002).

^{2/} The Term Sheet was initially entered into by Enron Americas LNG Company (Enron Americas) and Sonat Energy Services Company (SES). By Order issued August 28, 2002, the U.S. Bankruptcy Court, overseeing the bankruptcy proceeding of Enron American's parent, Enron Corp., approved assignment of Enron Americas' rights and obligations under the Term Sheet to Marathon LNG. El Paso Merchant Energy L.P. acquired the rights and obligations of SES and were subsequently re-assigned to BGLS.

II. FINDING

The application has been evaluated to determine if the proposed import 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 of LNG is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by BGLS to import LNG from various sources meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

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

A. BG LNG Services, LLC (BGLS) is authorized to import up to the equivalent of 58 billion cubic feet per year of liquefied natural gas (LNG) over a 17-year term under the terms of its October 13, 1999, LNG Sales and Purchase Agreement Term Sheet with Marathon LNG Marketing LLC.

B. This LNG may be imported at the Elba Island, Georgia, facility or any LNG receiving facility in the United States and its territories.

C. With respect to the LNG imports authorized by this Order, BGLS shall file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, reports indicating whether imports of LNG have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If LNG imports have not been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, the report must give the details of each transactions: (1) total monthly volumes in thousand cubic feet (Mcf) and million British

thermal units (MMBtu); (2) the name of the purchaser(s); (3) the point(s) of entry; (4) the name(s) of the LNG tanker; (5) the geographic market(s) served (by State); (6) the average landed cost per MMBtu at the point of import; (7) the per unit (MMBtu) demand/commodity/reservation/demurrage rate charge breakdown of the contract price; and, if applicable, (8) the monthly volumes in Mcf taken by each of BGLS's customer

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D. The first quarterly report required by this Order is due not later than July 30, 2004, and should cover the period from April 27, 2004, until the end of the second calendar quarter, June 30, 2003.

E. The notification and reports required by this Order shall be filed with the U.S. Department of Energy, Office of Natural Gas & Petroleum Import & Export Activities, FE-34, P.O. Box 44375, Washington, D.C. 20026-4375.

Issued in Washington, D.C., on April 19, 2004.

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