UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

| | | |
|---|---|---|
| ENCINAL GATHERING, LTD. | ) ) ) | FE DOCKET NO. 08-12-NG |

ORDER GRANTING LONG-TERM AUTHORIZATION TO
IMPORT AND EXPORT NATURAL GAS
FROM AND TO MEXICO

DOE/FE ORDER NO. 2473

FEBRUARY 29, 2008

## I. DESCRIPTION OF REQUEST

On February 7, 2008, Encinal Gathering, Ltd. (EGL) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),[1] for long term authorization to import up to 30 million cubic feet (MMcf) per day (approximately 11 billion cubic feet (Bcf) per year) of natural gas from Mexico and to export up to 30 MMcf per day (approximately 11 Bcf per year) of natural gas to Mexico. The applicant requests the authorization be granted for a term of ten years beginning June 30, 2008. EGL is a Texas limited partnership engaged in the production and gathering of natural gas. EGL's principal place of business is located in San Antonio, Texas.

EGL has executed a North American Energy Standards Board Base Contract (Contract) for the sale and purchase of natural gas with MGI Supply Ltd. (MGI Supply) dated November 1, 2007.[2] EGL will take title to the gas at the border and sell the gas it imports at market-based rates. Additionally, EGL and Lewis Energy Mexico, S. de R.L. de C.V. (LEM), a company engaged in natural gas exploration and production activities in Mexico, plan to drill as many as 60 wells in the vicinity of northeastern Coahuila, Mexico (Olmos Block). Currently there is no pipeline infrastructure in Mexico for approximately 60 miles in any direction, thereby stranding all of the gas produced in the Olmos Block. In order to be able to produce gas from the Olmos Block, new gathering facilities need to be constructed. This will enable EGL to extend its gathering system to the U.S-Mexico border to connect

---

1 / 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary for FE pursuant to Redelegation Order No. 00.002.04C (January 30, 2007).

2 / MGI Supply is an entity created by PEMEX Gas and Petroquímica Básica to administer their activities in foreign commerce.

with the new gathering facilities being constructed by LEM. The Contract becomes effective subject to the receipt of regulatory approvals on June 30, 2008, and the term continues for a five year primary term until June 29, 2013.[3] The Contract may be renewed for an additional five year term. The deliveries are projected to commence when the pipeline and metering facilities are completed and in service. EGL states that the estimated in-service date is June 30, 2008. The gas will be delivered to a point on the international boundary between Mexico and the U.S. at the point of interconnection between the facilities of LEM and EGL in Webb County, Texas.

The price of the gas under the Contract is market-based pursuant to a formula that uses as its reference point a specified reported index price, less adjustments for fuel, transportation, and processing costs. The daily Contract quantity is 30 MMcf per day (approximately 11 Bcf per year).

## II. FINDING

The application 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), of the NGA, the import and export of natural gas, including liquefied natural gas (LNG), from and to a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas and the import of LNG from other international sources are deemed to be

3/ EGL filed an application with the Federal Energy Regulatory Commission (FERC) requesting authorization to site, construct and operate natural gas gathering and metering facilities at the international boundary between the U.S. and Mexico and for issuance of a Presidential permit authorizing EGL to construct, operate, maintain, and connect the border crossing facilities to EGL's existing gathering facilities in Webb County. The FERC issued the requested Presidential permit and NGA authorization on December 10, 2007. EGL is required to file an affidavit with FERC stating that all appropriate DOE/FE authorizations have been obtained prior to construction of the border crossing facilities.

consistent with the public interest and must be granted without modification or delay. The authorization sought by EGL to import and export natural gas from and to Mexico, a nation with which a free trade agreement is in effect, 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. EGL is authorized to import up to 30 MMcf per day (approximately 11 Bcf per year) of natural gas from Mexico and to export up to 30 MMcf per day (approximately 11 Bcf per year) of natural gas to Mexico in accordance with the NAESB Contract dated November 1, 2007. The term of this authorization shall be effective beginning on June 30, 2008, and extending through June 29, 2018.

B. This natural gas may be imported and exported at a point on the border between the U.S. and Mexico at the point of interconnection between the facilities of LEM and EGL in Webb County, Texas.

C. **Monthly Reports:** With respect to the natural gas imports and exports authorized by this Order, EGL shall file a report with the Office of Natural Gas Regulatory Activities, within 30 days following the last day of each calendar month indicating whether imports and/or exports of natural gas have been made. Monthly reports shall be filed whether or not initial deliveries have begun. If imports and/or exports have not occurred, a report of "no activity" for that month must be filed. If imports and/or exports of natural gas have occurred, the report must give the following details: (1) for imports, country of origin; (2) for exports, the country of destination; (3) the point(s) of entry and/or exit; (4) the volume in thousand cubic feet (Mcf); (5) the average purchase price of gas per million British thermal units (MMBtu) at the international border; (6) the name of the supplier(s); (7) the name of the U.S. transporter(s); (8) the estimated or actual duration of the supply agreements(s); and (9) for imports, the geographic market(s) served (list State(s), U.S. Census Region(s), or general U.S. geographic area(s)). [OMB No.: 1901-0294]

D. The first monthly report required by this Order is due not later than July 30, 2008, and should cover the reporting period of June 30, 2008.

E. All monthly report filings shall be made to the U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Natural Gas Regulatory Activities, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Ms. Yvonne Caudillo. Alternatively, reports may be e-mailed to Ms. Caudillo at yvonne.caudillo@hq.doe.gov or ngreports@hq.doe.gov, or may be faced to Ms. Caudillo at (202) 586-6050.

Issued in Washington, D.C., on February 29, 2008.

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