QUARTERLY FOCUS:

NATURAL GAS EXPORTS TO MEXICO

- The United States has been a net importer of natural gas since 1958. Nevertheless, the United States historically has exported small volumes of natural gas to Canada and Mexico, and in 1969, it began exporting liquefied natural gas (LNG) from Alaska to Japan.

- Although the natural gas export volumes to all three countries continue to be modest, there has been substantial growth in sales to all three countries over the past four years. LNG exports to Japan have increased steadily during this period as the result of a renegotiated long-term purchase contract in 1992, and the commissioning of new, larger tankers in 1993. Exports to Canada and Mexico also have grown; however, the volumes were all transacted under short-term sales arrangements. As a consequence, sales have fluctuated more from year-to-year than trade to Japan.

- During the past four years, Mexico, on average, has been the largest export market for U.S. natural gas supplies, averaging about 60 billion cubic feet (Bcf) per year. From 1991 through 1994, natural gas export sales to Mexico have ranged from an historic high of 94 Bcf in 1992, to 38 Bcf in 1993.

- Recently, there has been increased enthusiasm among U.S. firms about the prospects for expanded natural gas trade with Mexico. For the first six months of 1995, daily export volumes flowed at about 212 millions of cubic feet per day (MMcf/day), and the volume exported in June (7.8 Bcf) was an historic high for the month. Additionally, the Mexican Government currently is in the process of developing new natural gas policies and regulations that are expected to create increased opportunities for foreign investment in Mexico's plans to expand its natural gas transportation and distribution infrastructure.

- This report provides an overview of the natural gas export trade with Mexico during the past four and a half years, and summarizes six planned pipeline projects that are intended to facilitate future trade. Although virtually all of these planned projects are designed for expanded gas exports, it is quite possible that some also may be used to import natural gas supplies in the future.

- **Figure 1** on the next page is a map showing the name and location of the five natural gas pipeline interconnects on the United States/Mexico border that currently are used to transport natural gas exports to Mexico. The map estimates the daily capacities in MMcf for all five of the pipelines and provides their actual average daily throughput from 1991 through the first six months of 1995.

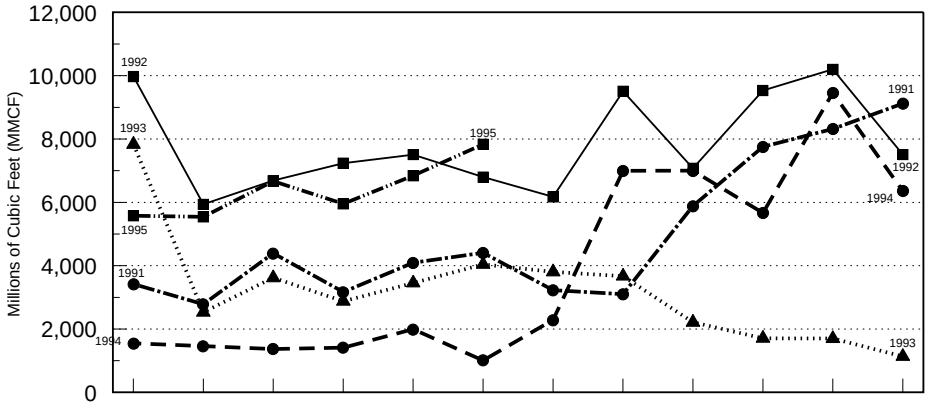
- **Figures 2** and **3** provide monthly volume and price information with regard to natural gas exports to Mexico over the past four and a half years (January 1991 - June 1995).

Figure 2

NATURAL GAS EXPORTS TO MEXICO

1991 - 1995

MONTHLY VOLUMES



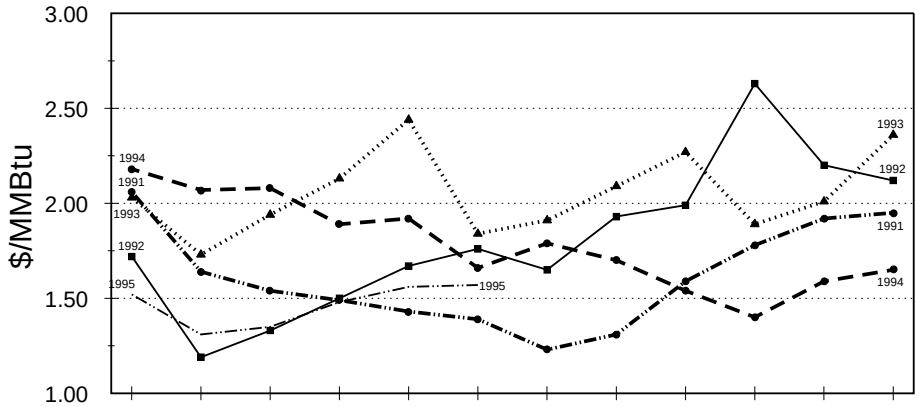
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1991	3,419	2,783	4,392	3,169	4,095	4,408	3,229	3,101	5,885	7,755	8,318	9,120
1992	9,973	5,939	6,688	7,237	7,506	6,797	6,175	9,506	7,076	9,531	10,200	7,510
1993	7,833	2,531	3,617	2,875	3,453	4,042	3,806	3,668	2,214	1,708	1,698	1,134
1994	1,546	1,459	1,367	1,411	1,993	1,007	2,285	6,996	7,001	5,663	9,458	6,362
1995	5,576	5,542	6,670	5,953	6,842	7,835						

Figure 3

NATURAL GAS EXPORTS TO MEXICO

1991 - 1995

WEIGHTED AVERAGE PRICE



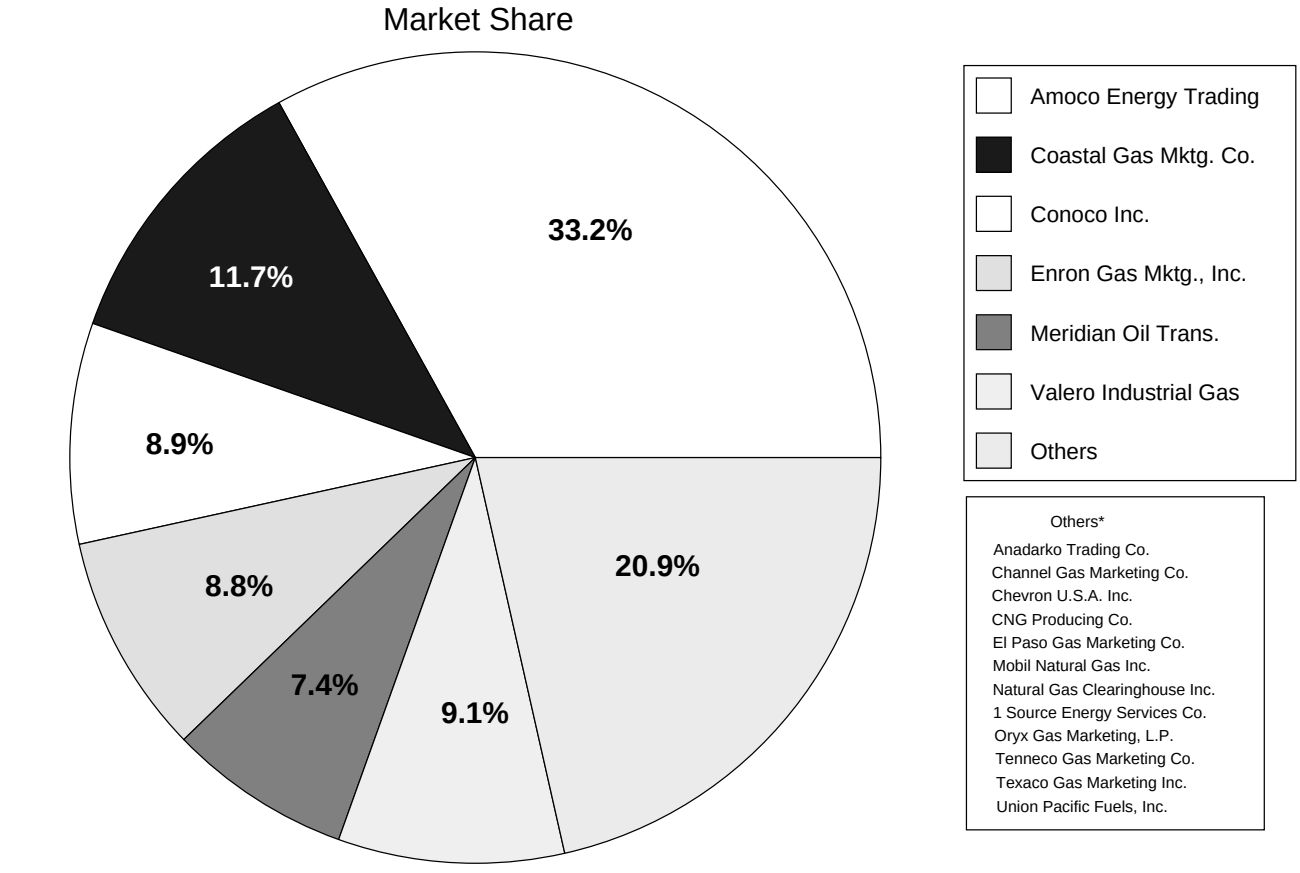
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1991	2.06	1.64	1.54	1.49	1.43	1.39	1.23	1.31	1.59	1.78	1.92	1.95
1992	1.72	1.19	1.33	1.50	1.67	1.76	1.65	1.93	1.99	2.63	2.20	2.12
1993	2.03	1.73	1.94	2.13	2.44	1.84	1.91	2.09	2.27	1.89	2.01	2.36
1994	2.18	2.07	2.08	1.89	1.92	1.66	1.79	1.70	1.54	1.40	1.59	1.65
1995	1.52	1.31	1.35	1.48	1.56	1.57						

- **Figure 4** identifies the 18 companies that exported a total of 46.5 Bcf of natural gas to Mexico during 1994. The average international border price for these exports was $1.66/MMBtu. As shown in the graph, the level of trade among the 18 exporters varied considerably. Amoco Energy Trading Corporation, the largest exporter to Mexico last year (15.5 Bcf), controlled about a third of the Mexican gas import market. Despite the fact that there were quite a few companies marketing gas to Mexico last year, Amoco and the next five largest exporters dominated the marketplace with 79 percent of total export sales (36.9 Bcf).

- For the first six months of 1995, Amoco Energy Trading Corporation continued to be the largest exporter of natural gas to Mexico. During this time period, Amoco exported 14.1 Bcf of gas to Mexico; representing about 37 percent of total export sales (38.4 Bcf).

Figure 4

FIRMS THAT EXPORTED NATURAL GAS TO MEXICO IN 1994



Total Exports: 46.5 Bcf

- **Figure 5** is a map showing the location of six proposed pipeline expansion projects that are under various stages of development which, if completed, would facilitate increased natural gas trade between the United States and Mexico.

- If all six of the proposed pipeline projects as shown in **Figure 5** became operational, it would increase the annual pipeline capacity on the United States/Mexico border by about 602 Bcf. However, a couple of the proposed projects are mutually exclusive of each other, and other proposals may not be completed in accordance with their scheduled commercial start-up. Nevertheless, the expansion projects reflect the growing interest of U.S. firms seeking to expand their gas trade with Mexico.

- Following **Figure 5**, there are brief descriptions of the six proposed projects. The project descriptions contain information on ownership/sponsorship, location, pipeline size and capacity characteristics, date of projected commercial start-up, capital costs, markets to be served, and project/regulatory status.

EL PASO'S SAMALAYUCA LATERAL EXPANSION PROJECT

Owner(s):	El Paso Natural Gas Company (El Paso)
Location/Description:	El Paso plans to construct and operate a new international border-crossing facility (24-inch pipeline) at the United States/Mexico border, near Clint, Texas. The proposal would include 32,800 HP of new compression and 36 miles of new interstate pipeline (24-30-inch) connecting the proposed new border facility with El Paso's existing facilities (California Line).
Summary:	The project is designed principally to serve the Samalayuca II Power Plant, a new gas-fired 700 MW facility to be located about 20 miles south of Ciudad Juarez, Mexico. The natural gas fuel requirement for the proposed new plant and adjacent existing plant is estimated to be 175 MMcf/day. Under current plans, the Samalayuca II facility is to be built by a four-company consortium which includes El Paso, GE Power Generation, Bechtel Enterprises, and ICA S.A. de C.V. of Mexico. The project is important because it represents the first large capital venture in Mexico not guaranteed by government loans. Furthermore, the facilities will be built under a build-lease transfer arrangement whereby the Commission Federal de Electricidad (CFE), the federal electric public utility, would lease the plant for 20 years after it is constructed, and then it would be turned over to CFE. Project sponsors expect to complete all financial arrangements by the end of the year.
Est. In-Service Date:	1998
Daily Pipeline Capacity:	300,000 Mcf
Capital Costs:	$57 million
Status:	On March 16, 1993, El Paso filed an application with the Federal Energy Regulatory Commission (FERC) seeking authorization pursuant to sections 3 and 7 of the Natural Gas Act to construct and operate a new pipeline facility (CP93-252-000 and CP93-253-000). El Paso also sought a Presidential Permit to operate a new international border-crossing facility. On November 29, 1993, the FERC issued an order approving the construction and operation of the international border-crossing facilities, but postponed any decision on the other related facilities until El Paso provides evidence that there is a market for the proposed facilities.

GAS COMPANY OF NEW MEXICO EXPANSION PROJECT

Owner(s):	Public Service Company of New Mexico
Location/Description:	Public Service of New Mexico-Gas Services (PNM-GS), a Division of Public Service Company of New Mexico, plans to construct and operate a new pipeline facility at the United States/Mexico border near Santa Teresa, New Mexico. The pipeline would connect with a PEMEX pipeline and would supply an industrial park just across the border in Chihuahua, Mexico. In order to facilitate these exports, PNM-GS also proposes to build a 22-mile pipeline connecting its existing distribution system around Sunland Park, New Mexico, to a new tap on El Paso Natural Gas Company's system. This would allow PNM-GS to serve existing and potential customers in New Mexico, in addition to Mexico.
Summary:	PNM-GS estimates that it would sell 4 Bcf of gas per year to customers of the industrial park in Mexico. However, PNM-GS does not have any contracts at this time.
Length/Diameter:	150 feet/8-inch
Projected In-Service Date:	1996
Daily Pipeline Capacity:	35,000 Mcf
Capital Costs:	$3 million
Proposed Market(s):	Mexico (Santa Teresa Industrial Park), New Mexico
Status:	The FERC approved the new border lateral on August 6, 1993 (Docket No. CP93-98). To date, no construction has started on this project. In an order issued April 7, 1994, DOE approved a request by the Gas Company of New Mexico for a two-year blanket authorization to export up to 4 Bcf of gas per year to Mexico (Docket No. 92-154-NG). This company is a Division of Public Service Company of New Mexico.

HOUSTON PIPE LINE COMPANY PROJECT

Owner(s):	Houston Pipe Line Company (Houston), a subsidiary of Enron Corp.
Location/Description:	This project involves Houston constructing and operating a natural gas pipeline which would originate in Hidalgo County, Texas, and connect with a PEMEX pipeline on the Mexico/U.S. border near Reynosa, Tamaulipas, Mexico. The proposed pipeline would be considered a "header", or a pipeline which would connect directly with four or five other major pipelines, thereby offering trade opportunities with Mexico for a large number of parties.
Summary:	The proposed project involves the construction of 1,373 feet of pipeline beneath the Rio Grande River. The Presidential Permit issued by the FERC requires Houston to provide the International Boundary and Water Commission (IBWC) with plans regarding the construction, connection, operation and maintenance of the border facility. The permit states that the review and approval by the IBWC will assure that any construction across the Rio Grande River will not cause a change in the flow of the river and a consequent change of the international boundary.
Length/Diameter:	22 miles/36-inch
Projected In-Service Date:	1997 (originally)
Daily Pipeline Capacity:	600,000 Mcf
Capital Costs:	Not Available
Proposed Market(s):	Mexico (industrial markets in Reynosa and Monterrey)
Status:	The application was approved by the FERC on September 21, 1992, in Docket No. CP92-417. Since the completion and operation of Valero Transmission, L.P.'s pipeline facility at Penitas, Texas, in August 1992, there is less reason to build this pipeline. Enron, the sponsor of this proposed pipeline, believes that it continues to be a viable future project if various planned natural gas-fired power plants are constructed over the next few years at Yucatan, Monterrey, and elsewhere. However, Enron has no current plans to begin construction.

PACIFIC INTERSTATE OFFSHORE COMPANY'S PROJECT

Owner(s):	Pacific Interstate Offshore Company (PIOC), a wholly-owned subsidiary of Pacific Enterprises and an affiliate of Southern California Gas Company (SoCal).
Location/Description:	PIOC plans to construct and operate a new international border-crossing facility with a capacity of 175 MMcf/day (20-inch pipeline) at the United States/Mexico border, near Clint, Texas. The proposal would consist of 1,000 feet of pipeline and a metering station.
Summary:	The project is designed principally to serve the Samalayuca II Power Plant, a new gas-fired 700 MW facility to be located about 20 miles south of Ciudad Juarez, Mexico. The natural gas fuel requirement for the proposed new plant and adjacent existing plant is estimated to be 175 MMcf/day. PIOC and SoCal are negotiating with Mexico's federal electric utility, the CFE, to supply the natural gas to power CFE's Samalayuca II Power Plant. If the negotiations are successful, PIOC intends to make a filing with the FERC seeking approval to construct a 21-mile interstate interconnection between the proposed border facility and El Paso Natural Gas Company's (El Paso) system. PIOC's planned border crossing facility is in direct competition with El Paso's project approved by the FERC in 1993 (see earlier discussion of Samalayuca Lateral Expansion Project on page vii).
Est. In-Service Date:	1997
Daily Pipeline Capacity:	175,000 Mcf
Capital Costs:	$792,000
Status:	On June 29, 1995, PIOC filed an application with the FERC (CP95-588-000) seeking authorizations pursuant to section 3 of the Natural Gas Act, and a Presidential Permit (pursuant to Executive Order No. 10485, as amended), for the siting, construction, operation, and maintenance of the proposed border-crossing facilities.

SAN DIEGO GAS AND ELECTRIC/SOUTHERN CALIFORNIA GAS "PROJECT VECINOS"

Owner(s):	Pacific Enterprises Inc. (30%) San Diego Gas and Electric Company(SDG&E) (70%)
Location/Description:	The SDG&E/Southern California Gas Company "Project Vecinos" pipeline would cross through Riverside and San Diego counties in southern California and eventually intersect with 18 miles of new pipeline to be constructed by PEMEX in Mexico.
Summary:	The Mexican state electric utility, CFE, would use the gas for its 606 MW Rosarito Electric Powerplant located in northern Baja, California, just south of Tijuana. CFE has tentative plans to change the fuel used in its Rosarito Powerplant from oil to natural gas, but this is not expected to occur soon. This project would supply about 322 MMcf/day to this powerplant and additional volumes to PEMEX for redelivery to other end-users in the vicinity of Tijuana.
Length/Diameter:	84 miles/36-inch
Projected In-Service Date:	1998
Daily Pipeline Capacity:	500,000 Mcf
Capital Costs:	$100 million
Proposed Market(s):	Electric utilities and other end-users in northern Baja California, Mexico
Status:	The FERC issued an order authorizing this project on August 6, 1993 (Docket No. CP93-117). Mexico has not approved the project. To date, CFE has not finalized its gas supply arrangements, nor has it chosen any company to convert its Rosarito powerplant to using natural gas. To date, DOE has not received any applications to export natural gas to Mexico associated with this project.

SOUTHERN CALIFORNIA GAS COMPANY'S CALEXICO PROJECT

Owner(s):	Southern California Gas Company (SoCalGas)
Location/Description:	SoCalGas plans to construct and operate a new international border-crossing facility (16-inch pipeline) at the United States/Mexico border, near Calexico, California.
Summary:	The proposed 7-mile pipeline would interconnect with pipeline facilities in Mexico that would be built by PEMEX. The gas would be sold to Mexicali, Mexico, a city located across the border from Calexico. SoCalGas states that this project is part of "Project Vecinos", a joint venture of SoCalGas and San Diego Gas and Electric Company to market gas to Mexico (see description of Project Vecinos on page xi). The end-use market would include the facilities of Gas B.P., which provides local distribution service of propane in Mexicali. Under the proposal, the border facilities initially would ship about 10 MMcf/day to Mexicali, but this volume would increase to 40 MMcf/day by the year 2000. This area also shows strong interest for future cogeneration projects.
Est. In-Service Date:	1996
Daily Pipeline Capacity:	40,000 Mcf
Capital Costs:	$2.4 million
Status:	On February 1, 1994, SoCalGas filed an application with the FERC in Docket CP94-207, pursuant to section 3 of the Natural Gas Act, and Presidential Permit pursuant to Executive Order No. 10485, as amended, seeking authority to site, construct, and operate the proposed international border-crossing facility. On September 1, 1994, the FERC approved SoCalGas' application. On December 21, 1994, SoCalGas filed an application to amend its authorization by relocating the pipeline and metering station 4.8 miles east of the previously authorized location. This amendment was approved by the FERC on May 22, 1995.