UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

PHILLIPS GAS MARKETING COMPANY	)	FE DOCKET NO. 91-118-NG

ORDER GRANTING BLANKET AUTHORIZATION TO EXPORT NATURAL GAS TO MEXICO

DOE/FE OPINION AND ORDER NO. 599

APRIL 14, 1992

I. BACKGROUND

On December 26, 1991, Phillips Gas Marketing Company (PGMC) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting blanket authorization to export from the United States to Mexico up to 100 Bcf of U.S. natural gas over a two-year term beginning on the date of first delivery. PGMC would utilize existing pipeline facilities for the transportation of the exported volumes and would submit quarterly reports detailing each export transaction.

PGMC, a Delaware corporation with its principal place of business in Houston, Texas, engages in the business of marketing natural gas. PGMC is a wholly-owned subsidiary of Phillips 66 Natural Gas Company, which in turn is a wholly-owned subsidiary of Phillips Petroleum Company. PGMC states that it expects to enter into short and intermediate term arrangements, with individually negotiated terms, including price and volume. PGMC intends to export gas to Mexico under spot and short-term sales arrangments. The terms of each arrangement, including price and volumes, would be negotiated in response to market conditions. In support of its application, PGMC maintains that there is no present domestic need for the gas to be exported and that its export proposal will supply a market for surplus U.S. gas.

A notice of the application was published in the Federal Register on January 30, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by

March 2, 1992. 1/ No comments or motions to intervene were received.

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1. 57 FR 3627.

II. DECISION

The application filed by PGMC has been evaluated to determine if the proposed export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an export must be authorized unless there is a finding that it "will not be consistent with the public interest." 2/ In reviewing natural gas export applications, domestic need for the gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

PGMC's uncontested export proposal, as set forth in the application, is consistent with section 3 of the NGA and the DOE's international gas trade policy. The current supplies of domestic gas, coupled with the short-term, market responsive nature of the contracts into which PGMC proposes to enter, indicate that it is unlikely that the proposed export volumes will be needed domestically during the term of the authorization. In addition, PGMC's proposal, like other blanket export proposals that have been approved by the DOE, 3/ will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods between the U.S. and Mexico. Thus, PGMC's export arrangement will enhance cross-border competition in the marketplace.

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2. 15 U.S.C. Sec. 717b.

3. E.g., Utrade Gas Company, 1 FE Para. 70,469 (July 26, 1991); Venro Petroleum Corporation, 1 FE Para. 70,465 (July 22, 1991); Texaco Gas Marketing, Inc., 1 FE Para. 70,458 (June 21, 1991).

After taking into consideration all of the information in the record of this proceeding, I find that granting PGMC blanket authorization to export up to 100 Bcf of natural gas to Mexico over a period of two years, is not inconsistent with the public interest and should be approved. 4/

ORDER

For reasons set forth above, pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Phillips Gas Marketing Company (PGMC) is authorized to export from the United States to Mexico up to 100 Bcf of natural gas over a two-year term beginning on the date of the first delivery.

B. PGMC is authorized to export natural gas at any point on the international border where existing pipeline facilities are located.

C. Within two weeks after deliveries begin, PGMC shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first delivery of natural gas authorized in Ordering Paragraph A above occurred.

D. With respect to the exports authorized by this Order, PGMC shall file with the Office of Fuels Programs, within 30 days

4. Because the proposed exportation of gas will use existing facilities, DOE has determined that granting this application is not a major 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.) and therefore an environmental impact statement or environmental assessment is not required. See 40 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).

following each calendar quarter, quarterly reports indicating whether exports of natural gas have been made, and if so, giving, by month, the total volume of the exports in Mcf and the average sales price per MMBtu at the international border. The reports shall also provide the details of each export transaction, including (1) the names of the seller(s) and the purchaser(s); (2) estimated or actual duration of the agreement(s); (3) transporter(s); (4) point(s) of exit; (5) geographic market(s) served; and, if applicable, (6) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price, any special contract price adjustment clauses, and any take-or-pay or make-up provisions. If no exports have been made, a report of "no activity" for that calendar quarter must be filed. Failure to file quarterly reports may result in termination of this authorization.

E. The first quarterly report required by Ordering Paragraph D of this Order is due not later than July 30, 1992, and should cover the period from the date of this Order until the end of the current calendar quarter June 30, 1992.

Issued in Washington, D.C., on April 14, 1992.

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Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy