UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

HIGHLAND ENERGY COMPANY	)	FE DOCKET NO. 92-11-NG

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT NATURAL GAS
TO MEXICO

DOE/FE OPINION AND ORDER NO. 617

MAY 18, 1992

I. BACKGROUND

On February 5, 1992, Highland Energy Company (Highland) 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 to Mexico up to 75,000 MMBtu per day of natural gas over a two-year period beginning on the date of first delivery.

Highland is a Texas corporation with its principal place of business in Dallas, Texas. The identity of Highland's suppliers, purchasers, and the specifics of each sale are not known at this time, but the contractual arrangements, including the price paid for the gas, would be based on market conditions. Highland indicates it intends to use existing U.S. natural gas pipeline facilities to transport the exported gas and will provide quarterly reports to DOE detailing the export transactions. In support of its export request, Highland asserts their is no national or regional need for the proposed gas exports.

A notice of the application was published in the Federal Register on March 20, 1992, inviting protests, motions to intervene, notices of intervention and comments to be filed by April 20, 1992. 1/ No comments or motions to intervene were received.

1/ 57 FR 9720.

II. DECISION

The application filed by Highland 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 as well as any other issues determined to be appropriate in a particular case.

Highland's uncontested export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The current surplus of domestic gas, coupled with the short-term, market-responsive nature of the contracts into which Highland proposes to enter, indicate it is unlikely the proposed export volumes will be needed domestically during the term of the authorization. In addition, Highland's proposal, like other blanket export proposals that have been approved by 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

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

3/ See e.g., Utrade Gas Company, 1 FE Para. 70,469 (July 26, 1991); Aectra Refining and Marketing, Inc., 1 FE Para. 70,531

(January 24, 1992); and Venro Petroleum Corporation, 1 FE Para. 70,465 (July 22, 1991).

Mexico. Thus, Highland's export arrangement will enhance cross-border competition in the marketplace.

After taking into consideration all of the information in the record of this proceeding, I find that granting Highland authority to export natural gas to Mexico over a two-year term beginning on the date of first delivery is not inconsistent with the public interest and should be approved. 4/ In order to provide Highland with maximum operating flexibility I have designated a total authorized volume for the two-year term of 54.8 Bcf of natural gas, rather than the 75,000 MMBtu per day that Highland requested in its export application.

ORDER

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

A. Highland Energy International is authorized to export to Mexico up to 54.8 Bcf of natural gas over a two-year term, beginning on the date of first delivery.

B. This natural gas may be exported at any point on the international border where existing pipeline facilities are located.

4/ Because the proposed export 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 an environmental assessment is not required. See 40 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).

C. Within two weeks after deliveries begin, Highland 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 natural gas exports authorized by this Order, the applicant shall file with the Office of Fuels Programs, within 30 days 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 destination of the export; (2) the names of the seller(s); (3) the names of the purchaser(s); (4) the estimated or actual duration of the agreements; (5) the names of the transporter(s); (6) the point(s) of exit; (7) the geographic markets served; and, if applicable, (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price, any special contract price adjustments 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 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 May 18, 1992.

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