UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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| PHILLIPS ALASKA NATURAL GAS CORPORATION AND MARATHON OIL COMPANY | ) | FE DOCKET NO. 92-156-LNG |

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS

DOE/FE ORDER NO. 786

MARCH 17, 1993

I. BACKGROUND

On December 9, 1992, Phillips Alaska Natural Gas Corporation and Marathon Oil Company (Phillips/Marathon) jointly 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 export to various countries up to 10 Bcf of liquefied natural gas (LNG) over a two-year term beginning on the date of first delivery. Phillips Alaska Natural Gas Corporation (PANGC), a Delaware corporation with its principal place of business in Bartlesville, Oklahoma, is a wholly-owned subsidiary of Phillips Petroleum Company, a Delaware corporation. Marathon Oil Company (Marathon), an Ohio corporation with its principal place of business in Houston, Texas, is a wholly-owned subsidiary of USX Corporation, also a Delaware corporation. PANGC and Marathon are not affiliated with each other. Phillips/Marathon propose to export LNG, using their LNG facilities at Kenai, Alaska, to various countries, acting on their own behalf or as agent for others. Phillips/Marathon expect that the proposed spot market LNG transactions will be short-term, and that LNG prices will be adjusted on a monthly basis as required by market conditions, based on prices of competitive fuels.

A notice of the application was published in the Federal Register on January 29, 1993, inviting protests, motions to intervene, notices of intervention and comments to be filed by

1/ 15 U.S.C. 717b.

March 1, 1993.2/ No comments or motions to intervene were received.

II. DECISION

The application filed by Phillips/Marathon has been evaluated to determine if the proposed export arrangement meets the public interest requirement 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." When natural gas export applications are reviewed, domestic need for the gas to be exported is considered, as well as any other issues determined to be appropriate in a particular case.

Phillips/Marathon's uncontested LNG export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The export authorization sought by Phillips/Marathon, similar to other blanket arrangements approved by DOE3/, will provide Phillips/Marathon with blanket approval, within prescribed limits, to negotiate and transact individual spot and short-term export arrangements without further regulatory action. Under Phillips/Marathon's proposal, transactions will only occur when producers and sellers can provide spot or short-term volumes, customers need the gas, and prices remain competitive. Additionally, because natural gas supplies in the United States

2/ 58 F.R. 6488.

3/ E.g., Santanna Natural Gas Corp., 1 FE 70,688 (October 9, 1992); Norcen Marketing Inc., 1 FE 70,689 (October 9, 1992); and Multi-Energies Inc., 1 FE 70,706 (November 20, 1992).

are expected to continue to be more than adequate to meet consumer demand, it is unlikely that the proposed export volumes will be needed in the domestic market during the term of this authorization. Therefore, Phillips/Marathon's export proposal will reduce trade barriers by promoting a more market-oriented gas trade among the United States and other countries.

After taking into consideration all of the information in the record of this proceeding, I find that authorizing Phillips/Marathon to export to various countries up to 10 Bcf of LNG over a two-year term beginning on the date of first delivery, under contracts with terms of two years or less, is not inconsistent with the public interest.4/

ORDER

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

A. Phillips Alaska Natural Gas Corporation and Marathon Oil Company (Phillips/Marathon) are authorized to export to various countries up to 10 Bcf of liquefied natural gas (LNG) over a two-year term beginning on the date of first delivery. This gas shall be exported at the Kenai, Alaska, LNG facilities of Phillips/Marathon.

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4/ Because the proposed export of gas will use existing facilities, DOE has determined that granting this authorization 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.); therefore, neither an environmental impact statement nor an environmental assessment is required. See 40 C.F.R.   1508.4 and 54 F.R. 15122 (April 24, 1992).

B. Within two weeks after deliveries begin, Phillips/ Marathon shall notify the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing, of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

C. With respect to the LNG exports authorized by this Order, Phillips/Marathon shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether exports of LNG have been made. If no exports have been made, a report of "no activity" for that calendar quarter must be filed. If exports occur, Phillips/Marathon must report total monthly volumes in Mcf and the average price for LNG exports per MMBtu delivered to each purchaser. The reports shall also provide the details of each export transaction, including (1) the destination of the LNG exports; (2) the name of the purchaser(s); and (3) the estimated or actual duration of the agreement(s).

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than April 30, 1993, and should cover the period from the date of first LNG export delivery until the end of the first calendar quarter, March 31, 1993.

Issued in Washington, D.C., on March 17, 1993.

Anthony J. Como
Acting Deputy Assistant Secretary
for Fuels Programs

Office of Fossil Energy