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August 31, 2009

Mr. Robert Corbin
Office of Fuels Programs, Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE-50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

**Re: *ConocoPhillips Company*, Docket No. 09-92-LNG
Application for Blanket Authorization to Export Liquefied Natural
Gas on a Short-Term Basis**

Dear Mr. Corbin:

Pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. § 717b, and Part 590 of the regulations of the Department of Energy, 10 C.F.R. Part 590 (2009), ConocoPhillips Company hereby files an original and fifteen (15) copies of its Application for Blanket Authorization to Export Liquefied Natural Gas on a Short-Term Basis. An electronic copy of the application is also provided on the enclosed compact disk. A check in the amount of \$50 is being provided under separate cover as the filing fee stipulated by 10 C.F.R. § 590.207 (2009). I have enclosed four (4) extra copies of the application to be date-time stamped and returned to our messenger.

Thank you for your attention to this matter. If you have any questions regarding this filing, please contact the undersigned at (202) 429-8801.

Respectfully submitted,

Douglas F. John
Attorney for ConocoPhillips Company

Enclosures

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**



In the Matter of:)
)
CONOCOPHILLIPS COMPANY)
)

Docket No. 09-92-LNG

**APPLICATION OF CONOCOPHILLIPS COMPANY
FOR BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS ON A SHORT-TERM BASIS**

Pursuant to Section 3 of the Natural Gas Act (NGA), 15 U.S.C. § 717b, and Part 590 of the regulations of the Department of Energy (DOE), 10 C.F.R. Part 590 (2009), ConocoPhillips Company (ConocoPhillips) hereby requests that the DOE Office of Fossil Energy (DOE/FE) issue an order granting ConocoPhillips blanket authorization for a two-year period commencing on the date of authorization to engage in short-term exports of up to 500 billion cubic feet (Bcf) of previously-imported liquefied natural gas (LNG), on a cumulative basis, from the United States (U.S.) to the United Kingdom, Belgium, Spain, Portugal, Turkey, Brazil, Argentina, Chile, Mexico, the Dominican Republic, Japan, South Korea, India, China, Taiwan, France, and/or Italy, as well as any country with the capacity to import ocean-going LNG, and with which trade is not prohibited by U.S. law or policy. Good cause exists to grant the requested authorization for the reasons set forth below.

I. DESCRIPTION OF APPLICANT

The exact legal name of applicant is ConocoPhillips Company. ConocoPhillips is a Delaware corporation with its executive offices located at 600 North Dairy Ashford, Houston, Texas 77079. Among other things, ConocoPhillips is an independent producer and seller of natural gas and an importer of LNG into the U.S. In Order No. 2673, DOE/FE granted

ConocoPhillips blanket authorization to import LNG in a total amount up to the equivalent of 500 Bcf during a two-year period commencing on August 30, 2009.¹ ConocoPhillips intends to apply to renew that authorization at the end of the two-year period.

II. COMMUNICATIONS

Communications and correspondence concerning this filing should be directed to the following:

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III. AUTHORIZATION REQUESTED

ConocoPhillips requests blanket authorization to export on a short-term or spot market basis up to 500 Bcf of previously imported LNG cumulatively over a two-year period commencing on the date the authorization is granted. ConocoPhillips further requests that such authorization extend to LNG supplies imported from foreign sources to which ConocoPhillips holds title, as well as to LNG supplies imported from foreign sources that ConocoPhillips may export on behalf of other entities who themselves hold title. ConocoPhillips does not herein seek authorization to export domestically-produced natural gas. Moreover, ConocoPhillips will not export LNG to those countries with which trade is prohibited by Federal law or policy. There are

¹ *ConocoPhillips Co.*, FE09-63-LNG, DOE/FE Order No. 2673 (July 24, 2009). ConocoPhillips was previously granted blanket authorization to import liquefied natural gas from various international sources in DOE/FE Order No. 2394 on August 30, 2007, which extended through August 29, 2009 (2 FE ¶ 71,493).

no other proceedings related to this application currently pending before DOE or any other federal agency.

The blanket export authorization requested by ConocoPhillips is substantially similar to the blanket export authorization granted by DOE/FE to Freeport LNG Development, L.P. (FLNG) in Order No. 2644² and to Cheniere Marketing, Inc. (Cheniere) in Order No. 2651.³ In those proceedings, the blanket export authorization granted by DOE/FE was limited to exports from specified LNG import terminals. Consistent with that precedent, ConocoPhillips requests that the blanket export authorization requested herein be applicable to exports from the FLNG terminal. In this regard, FLNG has previously received FERC authorization to modify its facilities so as to enable LNG exports as well as imports.⁴

IV. BACKGROUND AND EXECUTIVE SUMMARY

In the instant application, ConocoPhillips requests blanket authorization to export LNG previously imported into the U.S. from foreign sources. ConocoPhillips' interest in securing this blanket authorization is driven by its desire to utilize and optimize the long-term LNG terminalling capacity for which it has contracted at FLNG⁵ and its need for flexibility to respond to periodic changes in domestic and world markets for natural gas and LNG. Specifically, once LNG has been imported into the U.S. and is in storage at the FLNG import terminal, ConocoPhillips desires the flexibility either to export the imported LNG to other world markets or to have LNG regassified for sale into domestic markets, with this decision based primarily on

² *Freeport LNG Development, L.P.*, FE08-70-LNG, DOE Opinion and Order No. 2644 (May 28, 2009).

³ *Cheniere Marketing, Inc.*, FE08-77-LNG, DOE Opinion and Order No. 2651 (Jun. 8, 2009).

⁴ *See Freeport LNG Development, L.P.*, 127 FERC ¶ 61,105 (2009); *Sabine Pass LNG, L.P.*, 127 FERC ¶ 61,200 (2009).

⁵ ConocoPhillips has a long-term terminal use agreement with FLNG for 0.9 Bcf per day of LNG storage and regasification capacity.

prevailing market conditions. As explained below, the blanket export authorization requested by ConocoPhillips is not inconsistent with the public interest because the LNG to be exported by ConocoPhillips is not needed to meet domestic needs and granting the blanket export authorization will facilitate the continued importation of LNG cargos into the U.S.

V. PUBLIC INTEREST STANDARD

Under Section 3 of the NGA, as amended by Section 201 of the Energy Policy Act of 1992, DOE/FE must authorize exports from the U.S. to a foreign country unless there is a finding that the export "will not be consistent with the public interest."⁶ DOE/FE has further found that Section 3 of the NGA creates a statutory presumption in favor of approval of a properly-framed export application,⁷ and that the public interest determination is guided by DOE Delegation Order No. 0204-111, which provides that domestic need for natural gas is the principal factor to be considered when evaluating an export application.⁸ As explained below, the blanket export authorization requested by ConocoPhillips satisfies this public interest standard.

A. The LNG that may be exported pursuant to the blanket authorization requested herein is not needed to meet domestic needs.

DOE/FE's evaluation of natural gas export applications typically involves an analysis of the domestic impacts that would result from the loss of domestic natural gas that is exported. DOE/FE explained the applicability of this analysis to the export of previously-imported LNG in the FLNG and Cheniere LNG export proceedings as follows:

⁶ 15 U.S.C. § 717b(a).

⁷ See *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Opinion and Order No. 1473, 2 FE ¶ 70,317 at p. 13, n. 42 (Apr. 2, 1999), citing *Panhandle Producers and Royalty Owners Association v. ERA*, 822 F.2d 1105, 1111 (DC Cir. 1987).

⁸ See *id.* at p. 14.

The current proceeding is atypical because the gas for which export authority is sought was not produced in the United States. Accordingly, exporting the gas will not reduce the availability of domestically produced gas. On the other hand, exporting previously imported LNG will still affect the domestic market because, for a two-year period, the exports will reduce the volume of natural gas potentially available for domestic consumption.⁹

Based on this reasoning, DOE/FE concluded in both cases that the "fundamental question . . . remains whether the LNG which [the applicant] seeks to export is needed to meet domestic demand."¹⁰

Moreover, DOE/FE further determined in the FLNG and Cheniere proceedings that previously-imported LNG is not needed to meet domestic demand. DOE/FE reached this conclusion based on data compiled by the Energy Information Administration (EIA), which it summarized as follows in both cases:

According to the EIA, the United States produced 19.1 Tcf of dry natural gas and imported 4.6 Tcf of natural gas and 771 Bcf of LNG during 2007. In addition, storage reservoirs in the United States held approximately 3.6 Tcf of natural gas by the commencement of the Winter heating season in October 2007. By comparison, natural gas consumption in the United States during 2007 equaled 23 Tcf. It is clear from the foregoing supply and demand figures that United States domestic consumption needs were met in 2007 and that if the export proposed in the current application had been authorized at that time, there would have been no significant impact on the market's ability to meet the demand for natural gas domestically.

Other statistics for calendar year 2008 likewise bear out the availability of natural gas supplies sufficient to meet current demand without the increment of previously imported LNG which [the applicant] seeks authority to export. For example, notwithstanding significant interruptions of producing activities in the Gulf of Mexico due to hurricanes in the Fall of 2008, the EIA has reported that "the natural gas market did not show the supply-demand tightness that characterized the market in 2005" when other hurricanes hit the Gulf in significant numbers. The EIA observes that as a consequence, a downward trend in natural gas prices that had begun in July 2008 continued through the end of November 2008.

⁹ Order No. 2644 at p. 9; Order No. 2651 at pp. 11-12.

¹⁰ Order No. 2644 at p. 9; Order No. 2651 at p. 12.

More recent data confirms that this downward trend has continued to the present day due in large measure to the slowed United States economy. In particular, the estimated average city-gate price for natural gas in January 2009 was \$7.93 per thousand cubic feet (Mcf). This compares to an estimated average annual city-gate price for calendar year 2008 of \$9.15 per Mcf.¹¹

All of these considerations apply with equal force today and reinforce the conclusion that the LNG supplies that ConocoPhillips may export pursuant to the blanket authorization requested herein are not needed to meet domestic demand. Indeed, the upward trend in domestic natural gas supplies and corresponding downward trend in domestic natural gas prices has continued in 2009¹² and can be expected to continue in the near future, during the two-year term of the requested authorization.¹³

B. Granting the requested export authorization will facilitate the importation of LNG into the U.S.

Granting the blanket export authorization requested herein will facilitate the importation of LNG cargos into the U.S. by ConocoPhillips. This is because the authorization will enable ConocoPhillips to import LNG cargos into the U.S. without fear that such cargos will become captive to the U.S. market if market conditions change. As such, the requested authorization will make the importation of LNG into the U.S. more attractive because, once imported,

¹¹ Order No. 2644 at pp. 10-11 (citations omitted); Order No. 2651 at pp. 12-13 (citations omitted).

¹² In this regard, FERC issued its 2009 Summer Energy Market Reliability Assessment in May 2009 and reported, among other things, that fossil fuel prices are 50% to 80% lower in 2009 than in 2008, that natural gas prices in particular "have dropped to levels not seen in years[,]" and that "natural gas supplies are abundant[,]" as evidenced by the fact that EIA reported storage levels are "23 percent above the five-year average and only 3 percent below the all time high for this early in the injection season." FEDERAL ENERGY REGULATORY COMMISSION, 2009 Summer Energy Market Reliability Assessment at p. 7 (May 21, 2009) (available at <<http://www.ferc.gov/market-oversight/mkt-views/2009/05-21-09.pdf>>).

¹³ Analysts forecast that natural gas prices will continue to decline in the near-term. See, e.g., Cheryl Buchta, *Analyst Sees Gas Falling Below \$2/Mcf Later This Year*, GAS DAILY at p. 3 (Jul. 17, 2009) (reporting that Benchmark analyst Mark Gilman forecasts that "US gas prices should drop to \$2/Mcf or lower later this year as storage capacity limitations place more gas into an already oversupplied market").

ConocoPhillips will have the option of either selling into U.S. markets or exporting to other markets based on prevailing market conditions.¹⁴

ConocoPhillips recognizes that it could negotiate for use of the export authority already granted to FLNG to accomplish its purposes. ConocoPhillips prefers, however, not to be forced into having to negotiate for such rights, but, rather to hold its own DOE export authorization for this purpose, and it is not aware of any reason why it should not be equally entitled to do so.

C. Granting the requested export authorization will not reduce domestically-produced natural gas supplies.

ConocoPhillips is only seeking the authority to export LNG that has been previously imported from foreign sources. ConocoPhillips is not seeking the authority to liquefy and export natural gas supplies produced in the U.S. As such, the requested export authorization will not reduce the availability of domestically-produced natural gas supplies.

VI. ENVIRONMENTAL IMPACT

The requested export authorization does not raise any environmental concerns. As noted above, FLNG has received FERC authorization to modify its facilities so as to enable LNG exports as well as imports. Environmental review under the National Environmental Policy Act (NEPA) was performed by FERC prior to granting such authorization, with DOE acting as a cooperating agency.¹⁵ No additional facility modifications will be required to enable ConocoPhillips to also export LNG from the FLNG terminal.

¹⁴ In this regard, the DOE/FE in the FLNG and Cheniere proceedings took note of the fact that the applicant indicated that, "if market conditions change, it will consider selling the LNG into the domestic market rather than export it[.]" and that such "willingness to entertain such sales if market conditions warrant it is in keeping with the market-oriented policy of DOE's prevailing Guidelines." Order No. 2644 at p. 11; Order No. 2651 at pp. 13-14.

¹⁵ This procedure was used for NEPA compliance via supplemental Environmental Assessment in both FLNG and Sabine. See Order No. 2644; Order No. 2651.

VII. APPENDICES

The following appendices are attached hereto:

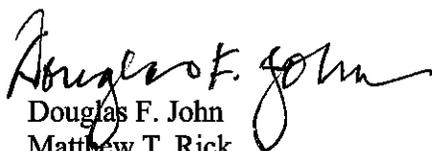
Appendix A: Verification

Appendix B: Opinion of Counsel

VIII. CONCLUSION

For the reasons set forth above, ConocoPhillips respectfully requests that DOE/FE issue an order granting ConocoPhillips blanket authorization for a two-year period commencing on the date of authorization to engage in short-term exports of up to 500 Bcf, cumulative, of previously imported LNG from the U.S. to the United Kingdom, Belgium, Spain, Portugal, Turkey, Brazil, Argentina, Chile, Mexico, the Dominican Republic, Japan, South Korea, India, China, Taiwan, France, Italy, and/or any country with which such trade is not prohibited by Federal law or policy.¹⁶

Respectfully submitted,



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Attorneys for ConocoPhillips Company

August 31, 2009

¹⁶ See *ConocoPhillips Alaska Natural Gas Corp. and Marathon Oil Co.*, FE07-02-LNG, DOE Opinion and Order No. 2500 (Jun. 3, 2008) (granting authorization to export LNG to Japan or any Pacific Rim country with which trade is not prohibited by U.S. law), *reh'g denied*, DOE Opinion and Order No. 2500-A (Jul. 30, 2008).

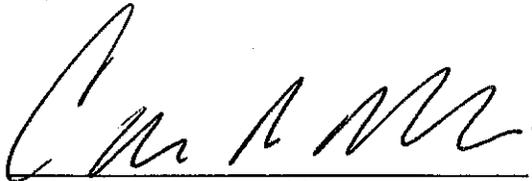
Appendix A

Verification

VERIFICATION

County of Harris)
)
State of Texas) ss

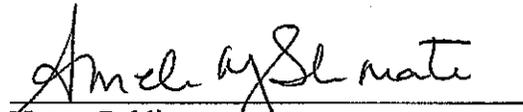
I, Catherine R. Abercrombie, being duly sworn on her oath, does hereby depose and say that I am Director, Regulatory Affairs, ConocoPhillips Company; that I am familiar with the contents of the foregoing application; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.



Catherine R. Abercrombie

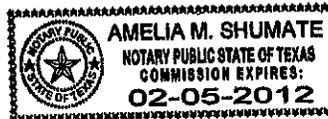
Sworn to and subscribed before me, a Notary Public, in and for the State of Texas, this 26th day of August, 2009.

(NOTARIAL SEAL)



Notary Public

My Commission Expires: 02-05-2012



Appendix B

Opinion of Counsel



Carolyn S. Hazel
Senior Counsel

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August 27, 2009

Office of Fuels Program
Fossil Energy, U.S. Department of Energy
Docket Room 3F-056, FE 50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: ConocoPhillips Company
Application for Blanket Authorization to Export Liquefied Natural Gas

Dear Sir or Madam:

This opinion of counsel is provided in accordance with the requirements of Section 590.202(c) of the U.S. Department of Energy's regulations, 10 C.F.R. § 590.202(c) (2009). I have examined the Certificate of Incorporation of ConocoPhillips Company and other authorities as necessary, and have concluded that the proposed exportation of liquefied natural gas by ConocoPhillips Company is within its corporate powers. Further, ConocoPhillips Company is authorized to do business in Texas and other U.S. states and to engage in foreign commerce.

Respectfully submitted,

Carolyn S. Hazel
Senior Counsel