

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

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| CONOCO, INC. | ) | _____                  |
|              | ) | FE DOCKET NO. 93-63-NG |
|              | ) | _____                  |

ORDER GRANTING BLANKET AUTHORIZATION TO  
IMPORT AND EXPORT NATURAL GAS FROM AND TO MEXICO,  
AND TO EXPORT LNG TO ANY FOREIGN COUNTRY;  
AND GRANTING INTERVENTIONS

DOE/FE OPINION AND ORDER NO. 838

AUGUST 27, 1993

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I. BACKGROUND

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On June 28, 1993, as amended July 9, 1993, Conoco, Inc. (Conoco) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA),<sup>1/</sup> and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting blanket authorization to import and export natural gas from and to Mexico. In addition, Conoco requests authorization to export liquefied natural gas (LNG) to any foreign country. Conoco proposes to import and export up to a combined total of 50 Bcf of natural gas and LNG over a period of two years beginning on the date of the first delivery of either imports or exports.<sup>2/</sup> The imports and exports would take place using existing pipeline and LNG facilities and no new construction would be involved.

Conoco is a Delaware corporation with an office in Houston, Texas. It would import and export the gas and LNG under spot and short-term transactions, either on its own behalf or as the agent

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

2/ Conoco previously had two-year blanket authority to import and export natural gas, including LNG, from and to any international market. This prior authorization, which was granted in DOE/FE Opinion and Order No. 524 (Order 524), expired July 31, 1993 (1 FE Para. 70,472, July 26, 1991). Conoco's proposal in this proceeding originally included a request to extend its authority under Order 524 to import and export natural gas from and to Canada, and to import LNG from any foreign country. However, Conoco amended its application on July 9, 1993, so that these activities would be reviewed in a separate proceeding (93-72-NG). Requests for authority to import/export natural gas from/to Canada, and applications to import LNG, generally, are

not noticed in the Federal Register for public comment.

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Proceedings limited to such requests, therefore, are shorter. Conoco's application filed in docket 93-72-NG was granted in DOE/FE Order No. 824, issued July 29, 1993 (not yet published).

for others. Conoco states that the specific terms of these arrangements would be negotiated individually, and that the price would be competitive. In addition, Conoco asserts that there is no current need for the domestic gas and LNG that would be exported.

## II. INTERVENTIONS AND COMMENTS

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A notice of Conoco's application was published in the Federal Register on July 21, 1993, inviting protests, motions to intervene, notices of intervention, and comments to be filed by August 20, 1993.<sup>3/</sup> Valero Transmission, L.P. (Valero) and Southern California Gas Company (SoCalGas) filed motions to intervene, but they did not take a position on the authorization sought by Conoco or request additional procedures. This order grants intervention to Valero and SoCalGas.

## III. DECISION

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The application filed by Conoco has been evaluated to determine if the proposed import/export meets the public interest requirement of section 3 of the NGA. Under section 3, an import or export must be authorized unless there is a finding that it "will not be consistent with the public interest."<sup>4/</sup> Regarding import authorizations, the section 3 determination is directed by DOE's natural gas import policy guidelines.<sup>5/</sup> Under these guidelines, the competitiveness of an import in the markets

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- 3/ 58 F.R. 39011. \_
- 4/ 15 U.S.C. Sec. 717b. \_
- 5/ 49 F.R. 6684, February 22, 1984. \_

served is the primary consideration for meeting the public interest test. 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.

Conoco's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA, DOE's natural gas import policy guidelines, and DOE's international gas trade policy. The import/export authorization sought by Conoco, similar to other blanket arrangements approved by DOE,<sup>6/</sup> will provide Conoco with blanket approval, within prescribed limits, to negotiate and transact individual spot and short-term import and export arrangements without further regulatory action. Under Conoco's proposed import and export arrangements, 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 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, Conoco's import/export proposal should reduce trade barriers by promoting a more market-oriented gas trade between the United States and other countries.

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<sup>6/</sup> E.g., Texas-Ohio Gas, Inc., 1 FE Para. 70,615 (July 29, 1992);

Cornerstone Natural Gas Company, 1 FE Para. 70,614 (July 29, 1992);  

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and CNG Trading Company, 1 FE Para. 70,612 (July 28, 1992).  

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After taking into consideration all of the information in the record of this proceeding, I find that authorizing Conoco to import and export natural gas from and to Mexico, and to export LNG to any foreign country is not inconsistent with the public interest.<sup>7/</sup> This blanket order authorizes transactions under contracts with terms of no longer than two years.

ORDER

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

A. Conoco, Inc. (Conoco) is authorized to import and export natural gas from and to Mexico, and to export liquefied natural gas (LNG) to any foreign country. This authorization shall extend for a period of two years beginning on the date of the first delivery of either imports or exports. The volume that may be imported and exported shall not exceed a combined total of 50 Bcf. These authorized transactions may take place at any U.S. border point that does not require the construction of new pipeline or LNG facilities.

B. Within two weeks after deliveries begin, Conoco shall provide written notification to the Office of Fuels Programs, Fossil Energy, Room 3F-056, Forrestal Building, 1000 Independence

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<sup>7/</sup> Because the proposed import and export of gas would use existing pipeline and LNG 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 57 F.R. 15122 (April 24, 1992). —

Avenue, S.W., Washington, D.C. 20585, of the date that the first import or export of natural gas authorized in Ordering Paragraph A above occurred, and of the date that the first export of LNG occurred.

C. Regarding the imports and exports authorized by this Order, Conoco shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports or exports have been made. Quarterly reports must be filed whether or not initial deliveries have begun. If no imports or exports have been made, a report of "no activity" for that calendar quarter must be filed. If imports or exports have occurred, Conoco must report monthly total volumes in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import and export transaction, including: (1) the name of the purchaser(s); (2) the name of the seller(s); (3) the estimated or actual duration of the agreement(s); (4) the name of the United States transporter(s), including any LNG tankers used; (5) the point(s) of entry or exit; (6) the geographic market(s) served; (7) whether the sales are being made on an interruptible or firm basis; and, if applicable, (8) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price. Failure to file quarterly reports may result in termination of this authorization.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than October 30, 1993,

and should cover the period from the date of this order until the end of the current calendar quarter, September 30, 1993.

E. The motions to intervene filed by Valero Transmission, L.P. and Southern California Gas Company are hereby granted, provided that their participation shall be limited to matters specifically set forth in their motions to intervene and not herein specifically denied, and that the admission of these intervenors shall not be construed as recognition that they may be aggrieved because of any order issued in these proceedings.

Issued in Washington, D.C., on August 27, 1993.

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Anthony J. Como  
Acting Deputy Assistant Secretary  
for Fuels Programs  
Office of Fossil Energy