UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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| SUN OPERATING LIMITED PARTNERSHIP | FE DOCKET NO. 91-72-NG |

ORDER GRANTING BLANKET AUTHORIZATION TO IMPORT
AND EXPORT NATURAL GAS, INCLUDING LIQUEFIED NATURAL GAS

DOE/FE OPINION AND ORDER NO. 566

DECEMBER 27, 1991

I. BACKGROUND

On September 6, 1991, Sun Operating Limited Partnership (SOLP) filed an application with the Office of Fossil Energy (FE) 1of 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 authority to import and export natural gas, including liquefied natural gas (LNG). Specifically, SOLP requests blanket authorization to import up to 200 Bcf of natural gas, from Canada, Mexico and other countries and to export up to 200 Bcf of natural gas, to Canada, Mexico and other countries over a two-year term beginning on the date of the first delivery. SOLP proposes to use existing pipeline and LNG facilities for the imports and exports and no new construction would be involved.

SOLP is a limited partnership formed pursuant to the Delaware Revised Uniform Limited Partnership Act. SOLP is acting through its managing general partner, SOLP Energy Company, a Delaware corporation with its principal place of business in Dallas, Texas. SOLP, a natural gas producer active in arranging sales and transportation in the United States, now seeks to expand its activities to international markets.

Under the import authorization sought, SOLP would purchase natural gas and LNG from a variety of Mexican, Canadian and other foreign suppliers and resell it to various purchasers, including local distribution companies, pipelines, and commercial and industrial end-users. Under the export authorization requested, SOLP would acquire natural gas from a variety of United States suppliers in various producing states as well as its own production in several regions of the country and resell those supplies to foreign spot market purchasers, including commercial and industrial end-users and local distribution companies. SOLP asserts that the specific terms of each blanket import and export sale arrangement would be negotiated on an individual basis at market responsive prices.

DOE published a notice of receipt of SLOP's application in the Federal Register on October 31, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by December 2, 1991. 1/ No interventions or comments were received.

II. DECISION

The application filed by SOLP has been evaluated to determine if the proposed import and export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, import and export must be authorized unless there is a finding that it "will not be consistent with the public interest." 2/ With regard to imports, this determination is guided by DOE's natural gas import policy guidelines under which the competitiveness of an import in the markets served is the primary consideration for meeting the public interest test. 3/ In reviewing natural gas export applications, domestic need for

1/ 56 FR 56074, October 31, 1991.

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

3/ 49 FR 6684, February 22, 1984.

the gas to be exported is considered, and any other issues determined to be appropriate in a particular case.

SOLP's uncontested import/export proposal, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. The authorization sought, would provide SOLP with blanket import and export approval, within prescribed limits, to negotiate and transact individual, spot and short-term purchase arrangements without further regulatory action. The fact that each spot purchase will be voluntarily negotiated and market-responsive, as asserted in SOLP's application, provides assurance that the transactions will be competitive with other natural gas supplies available to SOLP.

In addition, the current supplies of domestic gas, coupled with the short-term, market-responsive nature of the contracts into which SOLP proposes to enter, indicate that it is unlikely the proposed export volumes will be needed domestically during the term of this authorization. Finally, SOLP's proposal, like other blanket import/export proposals that have been approved by DOE, 4/ will further the Secretary's policy goals of reducing trade barriers by encouraging market forces to achieve a more competitive distribution of goods in the North American gas market.

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4/ See, e.g., Inland Gas & Oil Corp., 1 FE 70,463 (July 5, 1991); Seagull Marketing Services, Inc., 1 FE 70,470 (July 26, 1991); and Jonan Gas Marketing, Inc.,

1 FE 70,475 (August 22, 1991).

After taking into consideration all of the information in the record of this proceeding, I find that authorizing SOLP to import up to 200 Bcf of natural gas, including LNG, and to export up to 200 Bcf of natural gas, including 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. 5/

ORDER

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

A. SOLP Operating Limited Partnership (SOLP) is authorized to import up to 200 Bcf of natural gas, including liquefied natural gas (LNG), and to export up to 200 Bcf of natural gas, including LNG, over a two-year term beginning on the date of first import or export.

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

C. Within two weeks after deliveries begin, SOLP shall notify the Office of Fuels Programs, Fossil Energy, Room 3F-056,

5/ Because the proposed importation/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).

Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, in writing of the date that the first import and first export delivery of natural gas authorized in Ordering Paragraph A above occurs.

D. With respect to the natural gas imports and exports authorized by this Order, SOLP shall file with the Office of Fuels Programs, within 30 days following each calendar quarter, quarterly reports indicating whether imports and/or exports of natural gas or LNG have been made, and if so, giving, by month, the total volume of the imports and exports in Mcf and the average purchase price per MMBtu at the international border. The reports shall also provide the details of each import or export transaction, including the names of the seller(s), and the purchaser(s), including those other than SOLP, estimated or actual duration of the agreement(s), transporter(s), points of entry or exit, and market(s) served and, if applicable, 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 imports or 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 that January 30, 1992, and should cover the period from the date of this order until the end of the current calendar quarter December 31, 1991.

Issued in Washington, D.C., on December 27, 1991.

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy