UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

INTERENERGY SHEFFIELD PROCESSING COMPANY	)	FE DOCKET NO. 96-54-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1195

SEPTEMBER 11, 1996

I. DESCRIPTION OF REQUEST

On July 30, 1996, Interenergy Sheffield Processing Company (Interenergy Sheffield) 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/ and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 3,300 Mcf per day of unprocessed, casinghead natural gas from Canada. The term of the proposed authorization would be for 14 years beginning on the date of the first delivery. Interenergy Sheffield is a Colorado corporation with its principal place of business in Denver, Colorado. This gas would be imported under a gas purchase and sale contract between Interenergy Corporation and Amoco Canada Resources Ltd. (Amoco) dated February 14, 1996.2/

The volumes would enter the United States at the international border near Portal, North Dakota. To enable delivery of the gas, Interenergy Sheffield intends to extend its gathering facilities approximately 1.2 miles north to an interconnection with a Canadian gathering line to be constructed by Interenergy Sheffield (Canada) Ltd. (Interenergy Sheffield (Canada)), a wholly-owned subsidiary of Interenergy Sheffield. The gathering line to be constructed in Canada by Interenergy Sheffield (Canada) will extend approximately 4.5 miles north of

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

2/ Interenergy Corporation is the managing partner of Interenergy Sheffield. Interenergy Sheffield is party, by assignment, to the contract for the importation of the gas subject to this application.

the U.S./Canada border to an interconnection with Amoco's existing gathering line in the Pinto Field serving Amoco's Steelman Plant.

Contemporaneously with the filing of this application, Interenergy Sheffield filed an application with the Federal Energy Regulatory Commission requesting a Presidential Permit and authorization under section 3 of the NGA to construct and use the proposed gathering facilities for importation of the natural gas.

Interenergy Sheffield and Interenergy Sheffield (Canada) will gather the gas through the newly constructed and existing gathering systems to Interenergy Sheffield's gas processing plant at Lignite, North Dakota. At that plant, the solution gas will be processed to remove objectionable constituents (including hydrogen sulfide) and water and to separate and recover natural gas liquids and liquefiable hydrocarbons (NGLs). Then, Interenergy Sheffield will deliver the pipeline-quality residue gas at the tailgate of the Lignite plant to the transmission system of Williston Basin Interstate Pipeline Company for transportation to U.S. markets. Interenergy Sheffield intends to sell the natural gas purchased under the contract at market prices to various U.S. purchasers, including pipelines, local distribution companies, electric utilities, and industrial end-users.

The contract between Interenergy Sheffield and Amoco establishes a two-part price for the natural gas based on one component reflecting the value of the pipeline-quality residue gas and one component reflecting the value of the recoverable

NGLs. The contract also provides that the price would be redetermined annually to reflect relative changes in natural gas and NGL prices as measured by published market price indices. The gas component of the contract price would be adjusted to reflect the percent change in a published index price for Canadian natural gas during the preceding year as compared to the index price two years previously. The NGL price component of the contract price will be adjusted to reflect the percentage change in published index prices for NGL in the United States during the preceding year as compared to the index prices two years previously.3/

The contract provides that Amoco would deliver a minimum of 1,000 Mcf per day of natural gas for the first year, and Interenergy Sheffield would purchase, if delivered, up to 1,500 mcf per day for the first year. These delivery and purchase obligations decline at the rate of 10 percent per year each year thereafter. However, Amoco has the right, upon notice to Interenergy Sheffield, to deliver up to 1,500 Mcf per day and Interenergy Sheffield is obligated to purchase this incremental quantity. Amoco's ability to deliver incremental volumes depends on developments in the gas field which cannot be predicted.4/

3/ The index prices are weighted by composition of the NGL components in the unprocessed gas received during the year.

4/ A maximum import authorization of 3,300 Mcf per day has been requested to allow for potential fluctuation in daily deliveries.

The first contract year commences with the initial deliveries under the contract.5/ The term of the contract is ten contract years. However, if Amoco exercises its right to deliver incremental volumes as previously indicated, Amoco must commit to do so for a minimum term of three or four years, depending on the level of incremental volumes Amoco elects to deliver. If Amoco exercises that right late in the contract term, the effect may be to extend the contract for a period of up to four years. The maximum life of the contract could then be up to 14 contract years.

II. FINDING

The application filed by Interenergy Sheffield has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (P.L. 102-486). Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Interenergy Sheffield to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

5/ Depending on when initial deliveries commence, the initial contract year may be as long as 13 months.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. Interenergy Sheffield Processing Company (Interenergy Sheffield) is authorized to import at the border of the United States and Canada near Portal, North Dakota, up to 3,300 Mcf per day of unprocessed, casinghead natural gas for a period of 14 years beginning on the date of the first delivery. This gas shall be imported consistent with the terms and conditions of Interenergy Sheffield s gas purchase and sales contract with Amoco Canada Resources Limited (by assignment from Interenergy Corporation), dated February 14, 1996, on file in this docket.

B. Within two weeks after deliveries begin, Interenergy Sheffield shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, Interenergy Sheffield shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, Interenergy Sheffield must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu paid by Interenergy

Sheffield at the international border. Additionally, the reports shall provide, by month, the names, volumes, and market area (State) for natural gas sold by Interenergy Sheffield to third-party purchasers.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than October 30, 1996, and should cover the period from the date of this Order until the end of the third calendar quarter, September 30, 1996.

Issued in Washington, D.C., on September 11, 1996.

Anthony J. Como
Director
Office of Coal & Electricity
Office of Fuels Programs
Office of Fossil Energy