

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

SEAONE PASCAGOULA, LLC

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FE DOCKET NO. 14-83-CGL

ORDER GRANTING LONG-TERM MULTI-CONTRACT
AUTHORIZATION TO EXPORT BY VESSEL NATURAL GAS CONTAINED
IN OR MIXED WITH COMPRESSED GAS LIQUID FROM THE PROPOSED
PASCAGOULA COMPRESSED GAS LIQUID EXPORT FACILITY
TO BE LOCATED AT THE PORT OF PASCAGOULA, MISSISSIPPI,
TO FREE TRADE AGREEMENT NATIONS
IN THE CARIBBEAN BASIN AND GULF OF MEXICO

DOE/FE ORDER NO. 3555

DECEMBER 2, 2014

I. DESCRIPTION OF REQUEST

On June 3, 2014, SeaOne Pascagoula, LLC (SeaOne) filed an application (Application) with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)¹ for long-term, multi-contract authorization to export domestically produced “Compressed Gas Liquid” (CGL), which it describes as a “compressed liquid product consisting of a custom manufactured mixture of hydrocarbon chemicals produced from oil and gas wells.”² Specifically, SeaOne requests authorization to export CGL “with a Btu content ... of 1100 Btu/scf³ or less or CGL where the product formulation and conditions of export otherwise suggest that export of methane is the primary purpose,”⁴ in a volume equivalent to approximately 1.5 billion standard cubic feet per day (Bcf/d) (548 Bcf per year (Bcf/yr)).⁵

SeaOne requests authorization to export this CGL by vessel from the proposed Pascagoula Compressed Gas Liquid Export Facility (Facility), which it intends to develop, own, and operate at the Port of Pascagoula, Mississippi (Port). SeaOne seeks to export this CGL to any country located in or adjoining the Caribbean Basin and Gulf of Mexico with which the United States currently has, or in the future will have, a free trade agreement (FTA) requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or

¹ The authority to regulate the imports and exports of natural gas, including liquefied natural gas, under section 3 of the NGA (15 U.S.C. § 717b) has been delegated to the Assistant Secretary for FE in Redefinition Order No. 00-002.04F, issued on July 11, 2013.

² Application of SeaOne Pascagoula, LLC for Long-Term Authorization to Export Compressed Gas Liquid, FE Docket No. 14-83-CGL, at 2 (June 3, 2014) [hereinafter SeaOne App.].

³ A Btu is a British thermal unit. “Btu/scf” represents British thermal units per standard cubic foot.

⁴ SeaOne App. at 2-3. SeaOne states that it “[does] not believe that CGL is a ‘natural gas’ or that export of CGL requires DOE’s authorization,” but “agree[s] to accede to DOE jurisdiction for CGL formulations with Btu content of less than 1100 Btu/scf or for exports where circumstances otherwise indicate a primary purpose of exporting methane.” *Id.* (Cover Ltr. at 2).

⁵ See Ltr. from Elizabeth Ames Jones, Squire Patton Boggs (US) LLP, to John Anderson, Office of Fossil Energy, FE Docket No. 14-83-CGL, at 1 (Aug. 15, 2014) (amending application).

policy (FTA countries).⁶ SeaOne seeks to export the natural gas contained in or mixed with CGL on its own behalf and as agent for other entities who hold title at the time of export. Finally, SeaOne requests an authorization with a 30-year term, to commence on the date of first export.

In this Order, DOE/FE is authorizing SeaOne to export domestically produced natural gas contained in or mixed with CGL for the requested term.

II. BACKGROUND

Description of Applicant. SeaOne states that it is a Delaware limited liability company with its principal place of business in Houston, Texas. SeaOne is a wholly-owned subsidiary of SeaOne Holdings, LLC, a Delaware limited liability company with its principal place of business in Houston, Texas.

Description of CGL. SeaOne states that CGL is a compressed liquid product consisting of a custom manufactured mixture of hydrocarbon chemicals produced from natural gas and oil wells. SeaOne states that CGL products are typically composed primarily of natural gas liquids and have a much higher Btu content than the fuels generally classified as natural gas.

SeaOne states that CGL products may contain various levels of methane, and the process may be utilized as a means of transporting methane.⁷ According to SeaOne, CGL products capable of efficient utilization as a means of transporting methane typically have a Btu content of less than 1100 Btu/scf.

⁶ The United States currently has FTAs requiring national treatment for trade in natural gas with Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore. FTAs with Israel and Costa Rica do not require national treatment for trade in natural gas.

⁷ SeaOne notes that CGL products also may be used as fuels in burners configured to burn propane or other high-Btu fuels, and as feedstock for the production of petrochemicals, fertilizers, vehicle and vessel fuels, and a broad range of other products.

SeaOne states that it intends to commence operations with the production of high-Btu CGL products suitable for boiler fuel, and that this CGL formulation will not be utilized for the primary purpose of exporting methane.⁸ SeaOne characterizes its initial contracts (currently being negotiated) as calling for CGL with a Higher Heat Value (HHV) of 2010-2800 Btu/scf, with a methane component ranging from 1.32 to 50 Bcf/yr (0.004 to 0.14 Bcf/d).⁹ Nonetheless, SeaOne states that, to resolve any jurisdictional uncertainties associated with the regulation of different CGL formulations as “natural gas,” it requests long-term authorization to export CGL with a Btu content of 1100 Btu/scf or less, or CGL where the product formulation and conditions of export otherwise suggest that export of methane is the primary purpose.¹⁰

CGL Facility and Export Project. SeaOne proposes to develop, site, own, and operate the Facility in the Port of Pascagoula, Mississippi, using the Port as its initial point of export.¹¹ SeaOne states that it has entered into negotiations with the Mississippi Development Authority and the Jackson County Economic Development Foundation regarding SeaOne’s use of the Port—specifically, for an industrial site on the north end of Bayou Casotte in Jackson County.¹² On July 18, 2014, SeaOne submitted to DOE/FE a letter from the Mississippi Development Authority confirming the site’s continued availability and the intention to formalize Port

⁸ SeaOne App. (Cover Ltr. at 2).

⁹ See Ltr. from Elizabeth Ames Jones, Squire Patton Boggs (US) LLP, to John Anderson, Office of Fossil Energy, FE Docket No. 14-83-CGL, at 1 (Aug. 15, 2014).

¹⁰ SeaOne App. at 2-3 & Cover Ltr. at 2.

¹¹ The equipment used for SeaOne’s CGL process is modular and portable, such that SeaOne anticipates exporting CGL from other locations in the future. SeaOne states that it may amend or supplement its Application to include other locations as necessary.

¹² A map of the proposed site is included as Appendix C to the Application.

Commission approval and other agreements promptly upon issuance of the requested export authorization.¹³

Source of Natural Gas. SeaOne states that it will receive the feedstock for the proposed exports entirely from domestic sources. The feedstock will be delivered to SeaOne’s dedicated private plant pipeline via a new offtake pipeline located upstream from the existing Pascagoula Gas Processing Plant in Jackson County, Mississippi.

Environmental Review. SeaOne asserts that the proposed Facility is only subject to the Federal Energy Regulatory Commission’s (FERC) jurisdictional authority under NGA section 3 “to the extent that [DOE/FE] determines that certain CGL products constitute ‘natural gas.’”¹⁴ SeaOne maintains that, to the extent that the Facility exports non-jurisdictional products, it does not require an application to FERC seeking approval of the Facility’s construction under the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq.*

III. FINDINGS

(1) Section 3(c) of the NGA was amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) to require that applications authorizing (a) the import and export of natural gas, including LNG, from and to a nation with which there is in effect a FTA requiring national treatment for trade in natural gas, and (b) the import of LNG from other international sources, be deemed consistent with the public interest and granted without modification or delay.

¹³ See Ltr. from Gordon Arbuckle, counsel to SeaOne, to Ben Nussdorf, Office of Fossil Energy, FE Docket No. 14-83-CGL (July 18, 2014) (attaching letter from Evan Stone, Mississippi Development Authority, to Dr. Bruce Hall, SeaOne, dated July 16, 2014).

¹⁴ SeaOne App. at 5.

This Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the requested authorization without modification or delay.¹⁵

(2) In light of DOE/FE's statutory obligations to regulate the export of natural gas and to grant this Application without modification or delay, DOE/FE will authorize the export of natural gas contained in or mixed with CGL (without regard to the Btu content thereof) to the FTA countries requested in the Application.¹⁶

(3) For purposes of reporting the volume of exports of natural gas contained in or mixed with CGL pursuant to Ordering Paragraph L below, SeaOne shall report, as a proxy for natural gas, the quantity of methane contained in or mixed with CGL in thousand standard cubic feet (Mcf).

(4) In light of DOE's statutory obligation to grant this Application without modification or delay, there is no need for DOE/FE to review other arguments asserted by SeaOne in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments.

(5) The countries with which the United States has a FTA requiring national treatment for trade in natural gas currently are: Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore.

(6) SeaOne requests authorization to export on its own behalf and as agent for other entities who hold title at the time of export. DOE/FE previously addressed the issue of Agency

¹⁵ DOE further finds that the requirement for public notice of applications and other hearing-type procedures in 10 C.F.R. Part 590, are applicable only to applications seeking to export natural gas, including LNG, to countries with which the United States does not have a FTA requiring national treatment for trade in natural gas.

¹⁶ We emphasize that this authorization addresses the export of natural gas, not the export of other commodities that may be subject to regulation under other legal authorities. *See, e.g.*, 15 C.F.R. § 730.1 *et seq.*

Rights in DOE/FE Order No. 2913,¹⁷ which granted Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) authority to export LNG to FTA countries. In that order, DOE/FE approved a proposal by FLEX to register each LNG title holder for whom FLEX sought to export LNG as agent. DOE/FE found that this proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in *The Dow Chemical Company*,¹⁸ which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export. We find that the same policy considerations that supported DOE/FE's acceptance of the alternative registration proposal in DOE/FE Order No. 2913 apply here as well.

DOE/FE reiterated its policy on Agency Rights procedures in *Gulf Coast LNG Export, LLC*.¹⁹ In *Gulf Coast*, DOE/FE confirmed that, in LNG export orders in which Agency Rights have been granted, DOE/FE shall require registration materials filed for, or by, an LNG titleholder (Registrant) to include the same company identification information and long-term contract information of the Registrant as if the Registrant had filed an application to export LNG on its own behalf.²⁰

To ensure that the public interest is served, this authorization requires that, where SeaOne proposes to export natural gas contained in or mixed with CGL as agent for other entities who

¹⁷ *Freeport LNG Expansion, L.P., et al.*, DOE/FE Order No. 2913, FE Docket No. 10-160-LNG, Order Granting Long-Term Authorization to Export Liquefied Natural Gas from Freeport LNG Terminal to Free Trade Nations (Feb. 10, 2011).

¹⁸ *The Dow Chemical Company*, DOE/FE Order No. 2859, FE Docket No. 10-57-LNG, Order Granting Blanket Authorization to Export Liquefied Natural Gas, at 7-8 (Oct. 5, 2010), discussed in *Freeport LNG*, DOE/FE Order No. 2913, at 7-8.

¹⁹ *Gulf Coast LNG Export, LLC*, DOE/FE Order No. 3163, FE Docket No. 12-05-LNG, Order Granting Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas By Vessel from the Proposed Brownsville Terminal to Free Trade Agreement Nations (Oct. 16, 2012).

²⁰ *See id.* at 7-8.

hold title (Registrants), SeaOne must register with DOE/FE those entities on whose behalf it will export CGL in accordance with the procedures and requirements described herein.

(7) Section 590.202(b) of DOE's regulations requires applicants to supply transaction specific factual information "to the extent practicable."²¹ Additionally, DOE regulations at 10 C.F.R. § 590.202(e) allow confidential treatment of the information supplied in support of, or in opposition to, an application if the submitting party requests such treatment, shows why the information should be exempted from public disclosure, and DOE determines it will be afforded confidential treatment in accordance with 10 C.F.R. § 1004.11.²²

(8) DOE/FE will require that SeaOne file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which SeaOne exports natural gas contained in or mixed with CGL as agent for a Registrant once they have been executed. DOE/FE finds that the submission of all such agreements or contracts within 30 days of their execution using the procedures described below will be consistent with the "to the extent practicable" requirement of section 590.202(b). By way of example and without limitation, a "relevant long-term commercial agreement" would include an agreement with a minimum term of two years.

(9) DOE/FE also will require SeaOne to file any long-term contracts SeaOne enters into providing for the long-term export of natural gas contained in or mixed with CGL on its own behalf from the Facility. DOE/FE finds that the submission of these contracts within 30 days of their execution using the procedures described below will be consistent with the "to the extent practicable" requirement of section 590.202(b).

²¹ 10 C.F.R. § 590.202(b).

²² *Id.* § 590.202(e).

(10) In addition, DOE/FE finds that section 590.202(c) of DOE/FE's regulations²³ requires that SeaOne file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas contained in or mixed with CGL to the Facility within 30 days of their execution that either SeaOne or the Registrant enters into.

(11) DOE/FE recognizes that some information in SeaOne's long-term commercial agreements associated with the export of natural gas contained in or mixed with CGL, and/or long-term contracts associated with the long-term supply of natural gas contained in or mixed with CGL to the Facility, may be commercially sensitive. Therefore, DOE/FE will provide SeaOne the option to file, or cause to be filed, either unredacted contracts, or in the alternative: (A) SeaOne may file long-term contracts under seal, but it also will file either (i) a copy of each long-term contract with commercially sensitive information redacted or (ii) a summary of all major provisions of the contract(s) including, but not limited to, the parties to each contract, contract term, quantity, any take or pay or equivalent provisions/conditions, destinations, re-sale provisions, and other relevant provisions; and (B) the filing must demonstrate why the redacted information should be exempted from public disclosure.

To ensure that DOE/FE destination and reporting requirements included in the Order are conveyed to subsequent title holders, DOE/FE will include as a condition of this authorization that future contracts for the sale or transfer of natural gas contained in or mixed with CGL exported pursuant to the Order include an acknowledgement of these requirements.

²³ *Id.* § 590.202(c).

ORDER

Pursuant to section 3 of the NGA, it is ordered that:

A. SeaOne is authorized to export domestically produced natural gas contained in or mixed with Compressed Gas Liquid (CGL) by vessel from the proposed Facility, to be located at the Port of Pascagoula, in Pascagoula, Mississippi. The volume of natural gas contained in or mixed with CGL authorized in this Order for export shall not exceed 548 Bcf/yr (1.5 Bcf/d) for a 30-year term, beginning on the date of first export. SeaOne is authorized to export this natural gas on its own behalf and as agent for other entities who hold title to the natural gas contained in or mixed with CGL, pursuant to one or more long-term contracts (a contract greater than two years).

B. This natural gas contained in or mixed with CGL may be exported to any FTA country located in or adjoining the Caribbean Basin and the Gulf of Mexico, provided that the destination nation has the capacity to import the natural gas contained in or mixed with CGL via ocean going vessels. FTA countries are currently identified by DOE/FE at:
<http://www.fossil.energy.gov/programs/gasregulation/index.html>.

C. SeaOne shall ensure that all transactions authorized by this Order are permitted and lawful under U.S. laws and policies, including the rules, regulations, orders, policies, and other determinations of the Office of Foreign Assets Control of the United States Department of the Treasury. Failure to comply with this requirement could result in rescission of this authorization and/or other civil or criminal remedies.

D. (i) SeaOne shall file with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term export of natural gas contained in or mixed with CGL from the Facility. The non-redacted copies may be

filed under seal and must be filed within 30 days of their execution. Additionally, if SeaOne has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, SeaOne shall also file for public posting either: i) a redacted version of the contracts described in the preceding sentence, or ii) major provisions of the contracts. In these filings, SeaOne shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) SeaOne shall file with the Office of Oil and Gas Global Security and Supply a non-redacted copy of all executed long-term contracts associated with the long-term supply of natural gas to the Facility. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if SeaOne has filed the contracts described in the preceding sentence under seal or subject to a claim of confidentiality or privilege, within 30 days of their execution, SeaOne shall also file for public posting either: i) a redacted version of the contracts described in the preceding sentence, or ii) major provisions of the contracts. In these filings, SeaOne shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. SeaOne shall include the following provision in any agreement or other contract for the sale or transfer of natural gas contained in or mixed with CGL exported pursuant to this

Order:

Customer or purchaser acknowledges and agrees that it will resell or transfer natural gas contained in or mixed with Compressed Gas Liquid (CGL) purchased hereunder for delivery only to countries identified in Ordering Paragraph B of DOE/FE Order No. 3555, issued December 2, 2014 in FE Docket No. 14-83-CGL, and/or to purchasers that have agreed in writing to limit their direct or indirect resale or transfer of such natural gas contained in or mixed with CGL to such countries. Customer or purchaser further commits to cause a report to be provided to SeaOne Pascagoula, LLC that identifies the country of destination, upon delivery, into which the exported natural gas contained in or mixed with CGL was actually delivered, and to include in any resale contract for such product

the necessary conditions to ensure that SeaOne Pascagoula, LLC is made aware of all such actual destination countries.

F. SeaOne is permitted to use its authorization in order to export natural gas contained in or mixed with CGL as agent for other entities, after registering the other entities with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply Sea One with all information necessary to permit SeaOne to register that person or entity with DOE/FE, including: (1) the Registrant's agreement to comply with this Order and all applicable requirements of DOE's regulations at 10 C.F.R. Part 590, including but not limited to destination restrictions; (2) the exact legal name of the Registrant, state/location of incorporation/registration, primary place of doing business, and the Registrant's ownership structure, including the ultimate parent entity if the Registrant is a subsidiary or affiliate of another entity; (3) the name, title, mailing address, e-mail address, and telephone number of a corporate officer or employee of the Registrant to whom inquiries may be directed; (4) within 30 days of execution, a copy of any long-term contracts not previously filed with DOE/FE, described in Ordering Paragraph D of this Order.

G. Each registration submitted pursuant to this Order shall have current information on file with DOE/FE. Any changes in company name, contact information, change in term of the long-term contract, termination of the long-term contract, or other relevant modification, shall be filed with DOE/FE within 30 days of such change(s).

H. As a condition of this authorization, SeaOne shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by SeaOne to ensure that all such persons or entities are registered with DOE/FE shall be grounds for rescinding in whole or in part the authorization.

I. Within two weeks after the first export of domestically produced natural gas contained

in or mixed with CGL occurs from the Facility, SeaOne shall provide written notification of the date that the first export of natural gas authorized in Ordering Paragraph A above occurred.

J. SeaOne shall file with the Office of Oil and Gas Global Security and Supply, on a semi-annual basis, written reports describing the progress of the Facility. The reports shall be filed on or by April 1 and October 1 of each year, and shall include information on the progress of the Facility, the date the Facility is expected to be operational, and the status of the long-term contracts associated with the long-term export of CGL and any long-term supply contracts.

K. Prior to any change in control of the authorization holder, SeaOne must obtain the approval of the Assistant Secretary for Fossil Energy. For purposes of this Ordering Paragraph, a “change in control” shall include any change, directly or indirectly, of the power to direct the management or policies of SeaOne, whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is established through ownership or voting of securities, or common directors, officers, or stockholders, or voting trusts, holding trusts, or debt holdings, or contract, or any other direct or indirect means.²⁴

L. Monthly Reports: With respect to the natural gas contained in or mixed with CGL exports authorized by this Order, SeaOne shall file with the Office of Oil and Gas Global Security and Supply, within 30 days following the last day of each calendar month, a report indicating whether exports of natural gas contained in or mixed with CGL have been made. The first monthly report required by this Order is due not later than the 30th day of the month following the month of first export. In subsequent months, if exports have not occurred, a report of “no activity” for that month must be filed. If exports of natural gas contained in or mixed with

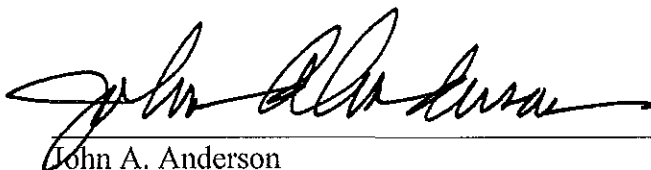
²⁴ See U.S. Dep’t of Energy, Procedures for Changes in Control Affecting Applications and Authorizations to Import or Export Natural Gas, 79 Fed. Reg. 65,641 (Nov. 5, 2014).

CGL have occurred, the report must give the following details of each CGL cargo: (1) the name(s) of the authorized exporter registered with DOE/FE; (2) the date of departure from the U.S. export port or terminal; (3) the country (or countries) of destination into which the exported CGL was actually delivered; (4) the name of the supplier/seller; (5) the volume of natural gas contained in or mixed with CGL in thousand standard cubic feet (Mcf), using as a proxy for natural gas the quantity of methane contained in or mixed with CGL in Mcf; (6) the shipping facility in the U.S. where the vessel is loaded and departs for the country of destination; (9) the price of the natural gas contained in or mixed with CGL at the point of export in U.S. dollars per million British thermal units (MMBtu); (10) the name of the ocean-going vessel; (11) the name(s) of the purchaser(s); and (12) the duration of the supply agreement.

(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

M. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Oil and Gas Global Security and Supply, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to ngreports@hq.doe.gov, or may be faxed to Natural Gas Reports at (202) 586-6050.

Issued in Washington, D.C., on December 2, 2014.



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