

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

SANDCASTLE PETROLEUM GAS & ENERGY, LLC)
_____)

FE DOCKET NO. 15-39-LNG

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS
IN ISO CONTAINERS LOADED ON VESSELS AND IN LNG VESSELS
TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3661

JUNE 17, 2015

I. DESCRIPTION OF REQUEST

On December 10, 2014, Sandcastle Petroleum Gas & Energy, LLC (Sandcastle) 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 blanket authorization to export liquefied natural gas (LNG) in a volume equivalent to approximately 19.2 billion cubic feet per year (Bcf/yr) of natural gas (0.05 Bcf/day).² Sandcastle seeks authorization to export the LNG on its own behalf in two ways: (i) by transporting the LNG by truck in approved ISO IMO7/TVAC-ASME LNG (ISO) containers to be loaded onto ocean transport vessels for export in the ISO containers; and/or (ii) by transporting the LNG by truck in ISO containers, to be unloaded onto ocean transport LNG vessels for export overseas via the LNG vessels. Sandcastle seeks to export this LNG from export terminals located at ports on the Gulf Coast and Eastern Seaboard of the United States to any country with which the United States currently has, or in the future will have, an FTA providing national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (FTA countries).³ Sandcastle seeks authorization to export the LNG for a two-year term, commencing on the date that DOE/FE issues this Order.

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. 00-006.02 issued on November 12, 2014.

² The Application requests authorization to export LNG in a volume equivalent to approximately 1.6 Bcf of natural gas per month, which equates to 19.2 Bcf/yr.

³ 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. On March 3, 2015, Sandcastle notified FE that, in its Application, it had inadvertently included Costa Rica and Israel in the description of countries with which the United States has entered into FTAs requiring national treatment for trade in LNG and/or natural gas. Sandcastle states, however, that it is not seeking authorization to export LNG and/or natural gas to either Costa Rica or Israel.

II. BACKGROUND

Applicant. Sandcastle states that it is a Florida limited liability company with its principal place of business in Miami, Florida. Sandcastle states that it is a wholly owned subsidiary of Sandcastle Energy, LLC, also a Florida limited liability company with its principal place of business in Miami, Florida. Sandcastle Energy, LLC is jointly owned by: (i) TrocheCo, LLC, a Florida limited liability company whose sole member is Carlos Troche Acosta; and (ii) Rutecki Giroux & Company, LLC, a Florida limited liability company whose sole member is Mark C. Rutecki.

LNG Export Project. Sandcastle proposes to transport the LNG by truck, initially from the LNG production plants involved, in ISO containers to one or more export ports or terminals in the United States, and specifically from ports located along the Gulf Coast and Eastern Seaboard of the United States. Sandcastle states that its suppliers currently operate their own fleet of LNG trucks for this purpose.

Sandcastle states that, once the ISO containers have been transported by truck to the export terminals, it will export the LNG in two ways: (i) the ISO containers will be loaded onto ocean transport vessels for export; and/or (ii) the LNG contained in the ISO containers will be unloaded onto ocean transport LNG carriers for export.

According to Sandcastle, several shipping companies currently offer LNG shipping via small-quantity, small-load LNG carriers. Sandcastle states that the LNG loads for these types of LNG carriers vary from 6,500 metric tons to 30,000 metric tons of LNG.⁴

Source of Natural Gas. Sandcastle states that the LNG proposed to be exported will be sourced from North American producers in the LNG and/or natural gas markets operating in the United States or in its territories. Based upon commercial arrangements, contracts, and letters of

⁴ Information on LNG carrier capabilities from TGE Marine AG is appended to the Application as Exhibit 1.

intent received to date, Sandcastle anticipates that the supply of LNG from its producers will commence in a volume of approximately 5,000 metric tons per month. Sandcastle states that this volume is expected to increase by an additional 25,000 metric tons per month quickly after the start of deliveries.

Business Model. Sandcastle requests authorization to export LNG solely on its own behalf. Sandcastle states that its commercial arrangements for LNG supply contracts are near completion. Sandcastle anticipates that it will be prepared to commence exporting LNG when DOE/FE grants this Order.

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 requesting authority for (a) the import and export of natural gas, including LNG, from and to a nation with which there is in effect an FTA requiring national treatment for trade in natural gas, and/or (b) the import of LNG from other international sources, be deemed consistent with the public interest and granted without modification or delay. This Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the requested authorization without modification or delay.⁵

(2) 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 Sandcastle in support of the Application. The instant grant of authority should not be read to indicate DOE's views on those arguments.

(3) The countries with which the United States has an FTA requiring national treatment for trade in natural gas currently are: Australia, Bahrain, Canada, Chile, Colombia, Dominican

⁵ 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.

Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore.

ORDER

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

A. Sandcastle is authorized to export LNG from the any export port or terminal in the Gulf Coast and Eastern Seaboard of the United States both: (1) in ISO containers transported by ocean-going vessel, and (2) by ocean-going LNG vessel. The volume authorized in this Order is equivalent to approximately 19.2 Bcf/yr of natural gas for a two-year term, beginning on June 17, 2015, and extending through June 16, 2017. Sandcastle is authorized to export this LNG on its own behalf, pursuant to one or more short-term contracts (a contract of two years or less).

B. This LNG may be exported to Australia, Bahrain, Canada, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Republic of Korea, and Singapore, and to any nation with which the United States subsequently enters into a FTA requiring national treatment for trade in natural gas, provided that the destination nation has the capacity to import LNG via ocean going vessels. FTA countries are currently identified by DOE/FE at:

<http://www.fossil.energy.gov/programs/gasregulation/index.html>.

C. Sandcastle 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. Monthly Reports: With respect to the LNG exports authorized by this Order,

Sandcastle 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 LNG 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 LNG in ISO containers by vessels have occurred, the report must give the following details of each LNG cargo: (1) the name of the U.S. export port or terminal; (2) the name of the vessel; (3) the date of departure from the U.S. export port or terminal; (4) the country (or countries) of destination into which the exported LNG was actually delivered; (5) the name of the supplier/seller; (6) the delivered volume in Mcf; (7) the price at the point of export in U.S. dollars per million British thermal units (MMBtu); (8) the name and location (city, state) of the facility where the ISO container is loaded with LNG; (9) the mode(s) of transport used to move the loaded ISO container from the loading facility to the export port or terminal; (10) the duration of the supply agreement (indicate spot sales); and (11) the name(s) of the purchaser(s).

If exports of LNG by vessel have occurred, the report must give the following details of each LNG cargo: (1) the name of the U.S. export terminal; (2) the name of the LNG vessel; (3) the date of departure from the U.S. export terminal; (4) the country (or countries) of destination into which the LNG was actually delivered; (5) the name of the supplier/seller; (6) the volume in Mcf; (7) the price at point of export per million British thermal units (MMBtu); (8) the duration of the supply agreement (indicate spot sales); and (9) the name(s) of the purchaser(s).

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

E. The first monthly report required by this Order is due not later than July 30, 2015, and should cover the reporting period from June 17, 2015, through June 30, 2015.

F. 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 June 17, 2015.

A handwritten signature in black ink, appearing to read "John A. Anderson", written over a horizontal line.

John A. Anderson
Director, Office of Oil and Gas Global Security and Supply
Office of Oil and Natural Gas