

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

---

FLINT HILLS RESOURCES, LP

---

)  
)  
)  
FE DOCKET NO. 15-168-LNG

ORDER GRANTING LONG-TERM, MULTI-CONTRACT AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS IN ISO CONTAINERS OR IN BULK  
LOADED AT THE STABILIS LNG EAGLE FORD, LLC FACILITY IN GEORGE WEST,  
TEXAS, AND EXPORTED BY VESSEL TO FREE TRADE AGREEMENT NATIONS

DOE/FE ORDER NO. 3809

APRIL 13, 2016

## **I. DESCRIPTION OF REQUEST**

On November 5, 2015, Flint Hills Resources, LP (Flint Hills) filed an application (Application)<sup>1</sup> with the Office of Fossil Energy (FE) of the Department of Energy (DOE) under section 3 of the Natural Gas Act (NGA)<sup>2</sup> for long-term, multi-contract authorization to export domestically produced liquefied natural gas (LNG), in approved ISO IMO7-TVAC-ASME LNG (ISO) containers or in bulk, transported on vessels to:<sup>3</sup> (i) any country 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 policy (FTA countries)<sup>4</sup>; and (ii) any other country with which trade is not prohibited by U.S. law or policy (non-FTA countries). Flint Hills seeks to export this LNG in a volume equivalent to approximately 3.62 billion cubic feet per year (Bcf/yr) of natural gas, which it states is approximately 120,000 gallons of LNG per day (0.01 Bcf per day (Bcf/d)). Flint Hills seeks to purchase the LNG for export from a LNG liquefaction facility owned by Stabilis LNG Eagle Ford, LLC (Stabilis Facility), located in George West, Texas.<sup>5</sup> According to Flint Hills, the Stabilis Facility has the capacity to produce 120,000 gallons of LNG per day and store approximately 270,000 gallons of LNG. Flint Hills states that the Stabilis Facility is currently operational and can accommodate both ISO container

---

<sup>1</sup> Flint Hills Resources, LP, Application for Long-Term Multi-Contract Authorization to Export Liquefied Natural Gas to Free Trade Agreement Nations and Non-Free Trade Agreement Nations, FE Docket No. 15-168-LNG (Nov. 5, 2015) [hereinafter Flint Hills App.].

<sup>2</sup> 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 Redelegation Order No. 00-006.02 issued on November 17, 2014.

<sup>3</sup> Flint Hills states that it generally intends to use ISO containers to export LNG. Under this scenario, the ISO containers will be trucked to a port or dock located along the Gulf Coast, where the containers will be loaded onto a barge or ship for export. If Flint Hills uses tanker trucks, it will truck LNG from the Stabilis Facility directly to a bulk transport barge, ship, or floating storage for distribution to customers. App. at 4-5. Appendix A of the Application contains a non-exhaustive list of ports from which Flint Hills may export LNG.

<sup>4</sup> 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.

<sup>5</sup> Flint Hills states that Stabilis LNG is owned in part (49%) by Flint Hills' affiliate, FHR LNG, LLC. App. at 3.

and tanker truck loadings. Flint Hills therefore asserts that no additional plant infrastructure will be required as a result of the proposed exports. Flint Hills requests the authorization for a 20-year term to commence on the earlier of the date of first commercial export or a date three months from the issuance of a final order granting the requested authorization.

Flint Hills requests authority to export this LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. According to Flint Hills, upon arrival by truck at the point of export, ocean-going marine vessels (for ISO containers) or transport barge, ship, or floating storage (for bulk LNG) will be loaded for transport to the destination countries. Flint Hills anticipates the points of export to include the Port of Brownsville, Port of Houston, and Port of Corpus Christi, Texas.

The portion of Flint Hills' Application that seeks authorization to export domestically produced LNG to FTA countries will be reviewed pursuant to NGA section 3(c), 15 U.S.C. § 717b(c), and approved in this Order. The portion of the Application that seeks authorization to export domestically produced LNG to non-FTA countries will be reviewed pursuant to NGA section 3(a), 15 U.S.C. § 717b(a), and addressed in a separate order.

## **II. BACKGROUND**

**Applicant.** Flint Hills states that it is a Delaware limited liability company with its principal place of business in Wichita, Kansas. Flint Hills further states that it is a wholly-owned indirect subsidiary of Flint Hills Resources, LLC, a Delaware limited liability company with its principal place of business in Wichita, Kansas.

**Liquefaction Project.** Flint Hills states that it is currently negotiating with the Stabilis Facility in George West, Texas, for the purchase of LNG.<sup>6</sup> Flint Hills states that the Stabilis

---

<sup>6</sup> Flint Hills App. at 3.

Facility has been producing LNG as a replacement fuel for domestic diesel used in transportation and exploration and production. According to Flint Hills, the Stabilis Facility has the capacity to produce 120,000 gallons of LNG per day and can accommodate both ISO container and tanker truck loadings. Flint Hills states that the Stabilis Facility has a storage capacity of approximately 270,000 gallons of LNG. Flint Hills also states that exports of LNG produced at the Stabilis Facility will be from the Gulf Coast and elsewhere in the southeastern United States. Flint Hills will load LNG onto ocean-going vessels for transport to destination countries using tanker trucks, or ISO containers. Flint Hills further states that because the Stabilis Facility is operational and has the capability to load LNG onto tanker trucks and ISO containers, no additional plant infrastructure will be required as a result of the proposed exports.<sup>7</sup>

**Source of Natural Gas.** Flint Hills states that the Stabilis Facility sources gas from the robust and abundant resources of natural gas currently available in South Texas.<sup>8</sup> Gas is sourced from a local gas plant approximately two miles from the Stabilis Facility, and transported to the Stabilis Facility via an intrastate pipeline. A back up supply can be sourced from the Transcontinental Interstate Pipeline via a connecting line into the same intrastate pipeline between the primary supplier and the Stabilis Facility.

**Business Model.** Flint Hills seeks to export LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. Flint Hills states that it will comply with all DOE/FE requirements for exporters and agents, including registration requirements. Flint Hills further states that, when acting as agent, it will register with DOE/FE each LNG title holder for which it seeks to export LNG as agent. Flint Hills will comply with other registration requirements as set forth in recent DOE/FE orders. Flint Hills states that it has not entered into any long-term

---

<sup>7</sup> Flint Hills App. At 3.

<sup>8</sup> Flint Hills App. At 5.

supply or long-term export agreements with prospective customers, but will file any relevant contracts and agreements with DOE/FE under seal following their execution as required by DOE/FE regulations.

**Environmental Review.** Flint Hills states that the Application is subject to a categorical exclusion from the requirements of the National Environmental Policy Act (“NEPA”) pursuant to exclusion B5.7 at 10 C.F.R. Part 1021, Subpart D, Appendix B, of DOE/FE’s regulations. Item B5.7 provides a categorical exclusion from the requirements of NEPA where approvals of authorizations to export natural gas under NGA Section 3 involve minor operational changes, but not new construction. Flint Hills states that no new construction at the Stabilis Facility is proposed or would be required in order for Flint Hills to export LNG. Flint Hills states that the Stabilis Facility is an existing, operational facility currently producing LNG for exploration and production markets and other industrial fuel applications.<sup>9</sup> Flint Hills claims that none of the operations at the Stabilis Facility would be changed due to DOE/FE’s action on this Application.

### **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 a 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.

---

<sup>9</sup> Flint Hills App. at 16

This Application falls within section 3(c), as amended, and therefore, DOE/FE is charged with granting the requested authorization without modification or delay.<sup>10</sup>

(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 Flint Hills in support of the Application. The instant grant of authority should not be read to indicate DOE/FE's views on those arguments or on Flint Hills' request for non-FTA export authorization.

(3) 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.

(4) As described above, Flint Hills requests authorization to export LNG on its own behalf and as agent for other entities who hold title to the LNG at the time of export. DOE/FE previously addressed the issue of Agency Rights in DOE/FE Order No. 2913,<sup>11</sup> which granted Freeport LNG Expansion, L.P., *et al.* (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*,<sup>12</sup> which established that the title for all LNG authorized for export must be held by the authorization holder at the point

---

<sup>10</sup> 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.

<sup>11</sup> *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).

<sup>12</sup> *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.

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*.<sup>13</sup> 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, a LNG title-holder (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.<sup>14</sup>

To ensure that the public interest is served, the authorization granted herein shall be conditioned to require that where Flint Hills proposes to export LNG as agent for other entities who hold title to the LNG (Registrants), Flint Hills must register with DOE/FE those entities on whose behalf it will export LNG in accordance with the procedures and requirements described herein.

(5) Section 590.202(b) of DOE's regulations requires applicants to supply transaction specific factual information "to the extent practicable."<sup>15</sup> 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.

(6) DOE/FE will require that Flint Hills file or cause to be filed with DOE/FE any relevant long-term commercial agreements (contracts) pursuant to which Flint Hills exports LNG as agent

---

<sup>13</sup> *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).

<sup>14</sup> *See id.* at 7-8.

<sup>15</sup> 10 C.F.R. § 590.202(b).

for a Registrant once those agreements 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, such as a long-term purchase and sales agreement involving LNG stored or liquefied at the Stabilis Facility.

(7) DOE/FE also will require Flint Hills to file any long-term contracts Flint Hills enters into providing for the long-term export of LNG on its own behalf from the Stabilis 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).

(8) In addition, DOE/FE finds that section 590.202(c) of DOE/FE’s regulations<sup>16</sup> requires that Flint Hills file, or cause to be filed, all long-term contracts associated with the long-term supply of natural gas to the Stabilis Facility within 30 days of their execution to which either Flint Hills or the Registrant is a party.

(9) DOE/FE recognizes that some information in Flint Hills’ or a Registrant’s long-term commercial agreements associated with the export of LNG, and/or long-term contracts associated with the long-term supply of natural gas to the Stabilis Facility, may be commercially sensitive. DOE/FE therefore will provide Flint Hills the option to file or cause to be filed either unredacted contracts, or in the alternative: (A) Flint Hills may file, or cause to be filed, long-term contracts under seal or subject to a claim of confidentiality or privilege. If Flint Hills files the contracts under seal or subject to a claim of confidentiality or privilege, within 30 days of the contract execution

---

<sup>16</sup> *Id.* at § 590.202(c).

date, Flint Hills shall also file, or cause others to file, for public posting, 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, destination, re-sale provisions, and other relevant provisions; and (B) a statement demonstrating why the redacted or non-disclosed 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 LNG exported pursuant to the Order shall include an acknowledgement of these requirements.

### **ORDER**

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

A. Flint Hills Resources, LP is authorized to export domestically produced LNG in ISO containers and bulk on vessels from the Stabilis LNG Eagle Ford, LLC Facility in George West, Texas. The volume authorized in this Order is equivalent to approximately 3.62 Bcf/yr of natural gas (0.01 Bcf/d). This authorization is for a 20-year term, beginning on the earlier of the date of first export or three months from the date the authorization is issued (April 13, 2016). Flint Hills is authorized to export this LNG on its own behalf and as agent for other entities who hold title to the natural gas, pursuant to one or more long-term contracts (a contract greater than two years).

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 bulk transport barge, ship or in a floating

storage terminal. FTA countries are currently identified by DOE/FE at:

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

C. Flint Hills 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) Flint Hills shall file, or cause others to file, with the Office of Regulation and International Engagement a non-redacted copy of all executed long-term contracts associated with the long-term export of LNG on its own behalf or as agent for other entities from the Stabilis Facility. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Flint Hills 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, Flint Hills shall also file, or cause others to 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, Flint Hills shall state why the redacted or non-disclosed information should be exempted from public disclosure.

(ii) Flint Hills shall file, or cause others to file, with the Office of Regulation and International Engagement a non-redacted copy of all executed long-term contracts associated with the long-term supply of natural gas to the Stabilis Facility. The non-redacted copies may be filed under seal and must be filed within 30 days of their execution. Additionally, if Flint Hills 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, Flint Hills shall also file, or cause others to 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, Flint Hills shall state why the redacted or non-disclosed information should be exempted from public disclosure.

E. Flint Hills shall include, and require others for whom Flint Hills acts as agent to include, the following provision in any agreement or other contract for the sale or transfer of LNG exported pursuant to this Order:

Customer or purchaser acknowledges and agrees that it will resell or transfer LNG purchased hereunder for delivery only to countries identified in Ordering Paragraph B of DOE/FE Order No. 3809, issued April 13, 2016, in FE Docket No. 15-168-LNG, and/or to purchasers that have agreed in writing to limit their direct or indirect resale or transfer of such LNG to such countries. Customer or purchaser further commits to cause a report to be provided to Flint Hills Resources, LP that identifies the country (or countries) into which the exported LNG or natural gas was actually delivered and/or received for end use, and to include in any resale contract for such LNG the necessary conditions to ensure that Flint Hills Resources, LP is made aware of all such actual destination countries.

F. Flint Hills is permitted to use its authorization in order to export LNG as agent for other entities, after registering the other parties with DOE/FE. Registration materials shall include an acknowledgement and agreement by the Registrant to supply Flint Hills with all information necessary to permit Flint Hills 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; and (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, length of the 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, Flint Hills shall ensure that all persons required by this Order to register with DOE/FE have done so. Any failure by Flint Hills to ensure that all such persons or entities are registered with DOE/FE shall be grounds for rescinding the authorization in whole or in part.

I. Within two weeks after the first export of domestically produced LNG occurs from the Stabilis Facility, Flint Hills shall provide written notification of the date that the first export of LNG authorized in Ordering Paragraph A above occurred.

J. Flint Hills shall file with the Office of Regulation and International Engagement, on a semi-annual basis, written reports describing the status of the long-term contracts associated with the long-term export of LNG and any long-term supply contracts. The reports shall be filed on or by April 1 and October 1 of each year, and shall include information on the operation of the Stabilis Facility.

K. With respect to any change in control of the authorization holder, Flint Hills must comply with DOE/FE's Procedures for Change in Control Affecting Applications and Authorizations to Import or Export Natural Gas.<sup>17</sup> 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 Flint Hills, whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is

---

<sup>17</sup> 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. 65,541 (Nov. 5, 2014).

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.<sup>18</sup>

L. Monthly Reports: With respect to the LNG exports authorized by this Order, Flint Hills shall file with the Office of Regulation and International Engagement, within 30 days following the last day of each calendar month, a report indicating whether exports of LNG have been made. 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 vessel have occurred, the report must give the following details of each LNG cargo: (1) the name(s) of the authorized exporter registered with DOE/FE; (2) the name of the U.S. export terminal; (3) the name of the vessel; (4) the date of departure from the U.S. export terminal; (5) the country (or countries) into which the LNG is actually delivered and/or received for end use; (6) the name of the supplier/seller; (7) the volume in Mcf; (8) the price at point of export per million British thermal units (MMBtu); (9) the name and location (city/state) of the facility where the ISO container is loaded with LNG; (10) the mode(s) of transport used to move the loaded ISO container from the loading facility to the export port or terminal; (11) the duration of the supply agreement (indicate spot sales); and (12) the name(s) of the purchaser(s).

If exports of LNG in bulk by vessel have occurred, the report must give the following details of each LNG cargo: (1) the name(s) of the authorized exporter registered with DOE/FE; (2) the name of the U.S. export terminal; (3) the name of the vessel; (4) the date of departure from the U.S. export terminal; (5) the country (or countries) into which the exported LNG or natural gas is

---

<sup>18</sup> See *id.* at 65,542.

actually delivered and/or received for end use; (6) the name of the supplier/seller; (7) the volume in Mcf; (8) the price at point of export per million British thermal units (MMBtu); (9) the name and location (city, state) of the facility where the transport barge, carrier, or floating storage is loaded with LNG; (10) the mode(s) of transport used to move bulk LNG from the loading facility to the export port or terminal; (11) the duration of the supply agreement (indicate spot sales); and (12) the name(s) of the purchaser(s).

(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), Division of Natural Gas Regulation, Office of Regulation and International Engagement, Office of Fossil Energy, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Natural Gas Reports. Alternatively, reports may be e-mailed to [ngreports@hq.doe.gov](mailto:ngreports@hq.doe.gov), or may be faxed to Natural Gas Reports (202) 586-6050.

Issued in Washington, D.C., on April 13, 2016.



---

John A. Anderson  
Director, Office of Regulation and International Engagement  
Office of Oil and Natural Gas