

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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OFFICE OF FOSSIL ENERGY
U.S. DEPARTMENT OF ENERGY

PETRO-CANADA HYDROCARBONS INC.

FE DOCKET NO. 05-05-NG

3-4-03

3-3-05

APPLICATION OF
PETRO-CANADA HYDROCARBONS INC.
FOR AN ORDER GRANTING A ~~TWO-YEAR EXTENSION~~
~~OF DOE/FE ORDER NO. 1851 AUTHORIZING THE~~
IMPORTATION OF NATURAL GAS FROM CANADA

Petro-Canada Hydrocarbons Inc. (the "Applicant") hereby applies for an order, pursuant to Section 3 of the Natural Gas Act (the "NGA") 5 U.S.C. § 717B, Part 590 of the Department of Energy ("DOE") Regulations thereunder, 10 C.F.R. § 590.01 et seq., and Section 301(b) and 402(f) of the Department of Energy Organization Act of 1977, authorizing the Applicant to import natural gas from Canada for resale to purchasers in the United States in a volume not to exceed in the aggregate ~~300~~ bcf over a term of two years. The order sought would extend by two further years the blanket authorization originally granted by DOE/ERA Order No. 100 and subsequently renewed pursuant to the respective extensions granted in DOE/ERA Order No. 269, DOE/FE Order No. 336, DOE/FE Order No. 454, DOE/FE Order No. 696, DOE/FE Order No. 1030, DOE/FE Order No. 1252, DOE/FE Order 1457, DOE/FE Order 1667 and DOE/FE Order No. 1851 which is currently in effect.

In support hereof, Applicant states as follows:

I.

The exact legal name of the Applicant is Petro-Canada Hydrocarbons Inc. Applicant's head office is P.O. Box 2844, 150 - 6th Avenue S.W., Calgary, Alberta, Canada, T2P 3E3.

All communications concerning this application should be addressed as follows:

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II.

Applicant is a **Delaware** corporation with its registered office in Wilmington, Delaware, and has its principal place of business in Calgary, Alberta, Canada. Applicant is authorized to conduct business in the United States and the proposed imports are within the corporate powers of Applicant, as the previously submitted Opinion of Counsel attached hereto as Exhibit A demonstrates. Although Applicant's By-laws have been amended three times since the issuance of the original opinion of counsel, there has been no change in the corporate powers of the Applicant with respect to the gas import activities for which authorization is requested. Applicant is authorized to do business as a foreign corporation in the states of California, Delaware, Kansas, Illinois, Indiana, Michigan, Minnesota, Nevada, North Dakota, Oregon, Texas, Washington and Wyoming, and will seek such authorizations as may be required to operate in other jurisdictions. Applicant is a wholly-owned subsidiary of Petro-Canada, which is a publicly traded Canadian company incorporated pursuant to the laws of Canada. Petro-Canada is a fully integrated oil and gas company engaged in all aspects of the exploration for, and the production, refining, transportation, and marketing of, oil, natural gas and other hydrocarbons and minerals, and their products.

The Applicant is knowledgeable about the United States market, and for many years has sold competitively priced natural gas within that market. Under its current import authorization, it has sold substantial volumes of Canadian natural gas to several customers in the United States. An extended import authorization will contribute to the continued success of this effort for the mutual benefit of both the Applicant and its customers.

III.

Applicant requests a two-year extension of its blanket authorization under DOE/FE Order No. 1851 issued pursuant to Section 3 of the Natural Gas Act, to import natural gas from Canada, a copy of which is attached hereto as Exhibit B. The extension would allow importation in amounts not to exceed ~~300~~ **300 bcf of natural gas** in the aggregate over a two-year term. Under the proposed extension, as with the previous blanket authorizations, Applicant will act either as an agent of Petro-Canada or will itself resell gas that it has purchased.

Petro-Canada is ranked among the five largest natural gas producers in Canada. Petro-Canada is therefore well positioned to support the level of natural gas volumes applied for. In 2003, Petro-Canada's natural gas production averaged 693 million cubic feet per day. In 2003 Applicant sold a total of 191 million cubic feet per day of imported Canadian natural gas to industrial customers, natural gas distributors and marketing companies in the United States.

With respect to Canadian natural gas supplies in general the Canadian National Energy Board (NEB) stated in an Energy Market Assessment entitled "Short-term Canadian Natural Gas Deliverability, 2004-2006" which was released in November 2004 that:

"Total Canadian production is expected to increase slightly over the projection period [2004-2006]. Production from the WCSB [Western Canadian Ssedimentary Basin] is expected to be sustained at approximately recent levels, with the contribution from Alberta NGC [Natural Gas from Coal] increasing over the projection period". (*Page 19*).

Pursuant to the authority applied for herein, Applicant will continue to import gas for sales to local gas distribution companies, natural gas pipelines, direct industrial customers and co-generation and non-utility power generation facilities in the markets of California, the Pacific Northwest, the U.S. Midwest, the U.S. Northeast, and in other areas of the United States, as market opportunities develop. Current and additional potential customers include local distribution companies, natural gas pipelines, direct industrial customers and co-generation power projects. Although the potential exists for broad geographic coverage, primary regions of consumption are anticipated to be in the Pacific Northwest, the U.S. Midwest and California.

The specific terms of each of the Applicant's sales contracts have been and will continue to be responsive to competitive market forces in the United States domestic gas market.

Historically the DOE has found that Applicant's importation of Canadian gas into the United States has met the public interest requirements of Section 3 of the NGA. In ERA Docket No. 85-29-NG, ERA issued Order No. 100 granting the initial blanket authorization to import natural gas from Canada, in which the Acting Administrator concluded that PCH's proposal was "consistent with the DOE policy guidelines" and that it was "not inconsistent with the public interest." (Petro-Canada Hydrocarbons Inc., ERA Docket No. 85-29-NG, DOE Order No. 100 Granting Blanket Authorization to Import Natural Gas from Canada, at 4). Subsequently, in ERA Docket No. 88-36-NG, DOE Opinion and Order No. 269, DOE/FE Opinion and Order No. 336, DOE/FE Opinion and Order No. 454, DOE/FE Opinion, Order No. 696, DOE/FE Opinion and Order No. 1030, DOE/FE Order No. 1252, DOE/FE Order No. 1457, DOE/FE 1667, and DOE/FE Order No. 1851 it has been consistently held that extensions to the original order were consistent with the public interest and were therefore granted. The public interest requirement of Section 3 of the NGA, as amended by Section 201 of the Energy Policy Act of 1992 (Pub.L.102-486), provides at Section 3(c), that the importation of natural gas from a nation, such as Canada, 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. It is, therefore submitted that the authorization sought by Applicant herein to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the criterion in Section 3(c) and, therefore, is consistent with the public interest.

Companion licenses and permits required to export the Canadian gas that is being and will be imported by Applicant have been, and as may be required in the future, will be obtained from the pertinent Canadian authorities.

IV.

Applicant agrees to be bound by such reporting requirements as may be incorporated in the authorization sought pursuant to this Application.

V.

Applicant will continue to use existing gas transmission systems and does not require the construction of new or separate facilities in order to import the gas. Applicant believes that approval and implementation of this gas import application will have a positive impact on air quality and the environment generally in instances where the imported gas is displacing the consumption of high sulphur fuel oil and coal, a goal which is consistent with the purpose and goals of the Clean Air Act, 42 USCS § 7401.

VI.

The continued importation of Canadian natural gas by Applicant meets the criterion in Section 3(c) of the NGA and is therefore deemed to be consistent with the public interest. In addition, for gas to be saleable in the spot market, it must *per se* meet a test of competitiveness in terms of availability, price and supply or no sales will be consummated. The terms (including the price) for each sale will be freely negotiated between Applicant and the U.S. purchaser. This will ensure the competitiveness of each import arrangement and will ensure the efficient allocation of natural gas in the marketplace.

VII.

The matter of Applicant's request for import authority herein is not currently pending before the Federal Energy Regulatory Commission, any other part of the DOE, or any other federal agency or department.

VIII.

Applicant submits the following exhibits in support of its application:

Exhibit A

An Opinion of Counsel (as required by 10 D.F.R. 590.202(c)) is on file with the application which led to the January 3, 1988 Order and is hereby incorporated by reference, a copy of such opinion is attached hereto;

Exhibit B

DOE/FE Order No. 1851 issued February 6, 2003, Granting Blanket Authorization to Import Natural Gas from Canada.

WHEREFORE, for the reasons stated herein, Petro-Canada Hydrocarbons Inc. submits that its application for a two-year extension of its authorization to import natural gas from Canada is consistent with the public interest. Petro-Canada Hydrocarbons Inc. respectfully requests a two-year extension of its authorization from the Office of Fossil Energy to import Canadian natural gas pursuant to the terms and conditions described herein, in order to make sales, as such arise, not to exceed in the aggregate 300 bcf of natural gas over a two year term beginning on or before March 4, 2005.

Respectfully submitted,

PETRO-CANADA HYDROCARBONS INC.

By: 

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Its Attorneys

February 3, 2005.

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WRITER'S DIRECT DIAL NUMBER

November 5, 1985

887-1512

Economic Regulatory Administration
Natural Gas Branch
Department of Energy
Forrestal Building
1000 Independence Avenue, SW.
Washington, DC 20585

Re: Application of Petro-Canada Hydrocarbons
Inc. for Authorization to Import Natural
Gas from Canada

Mesdames and Gentlemen:

In connection with the submission today of the Application described above (the "Application") by counsel on behalf of Petro-Canada Hydrocarbons Inc. (the "Company"), we have examined an executed counterpart of the Company's Certificate of Incorporation, as filed with the Secretary of State of Delaware on November 4, 1985, and a copy of the Company's By-Laws adopted by unanimous written consent of the Company's Board of Directors. The opinion set forth below is based upon our review of the aforesaid documents and the General Corporation Law of the State of Delaware, and we express no opinion with respect to the laws of any other jurisdiction. Subject to the foregoing and the qualifications set forth below, WE ARE OF THE OPINION THAT:

The Company has all necessary corporate power to import and export natural gas, subject to compliance with the Natural Gas Act, the rules and regulations promulgated thereunder and all other applicable legal or governmental requirements, prohibitions and limitations.

The foregoing opinion is rendered for your exclusive benefit pursuant to Section 590.202(c) of the Administrative Procedures of the Economic Regulatory Administration, 10 C.F.R. 590.202(c), and no other person may rely upon it.

Very truly yours,

Morrison & Foerster

MORRISON & FOERSTER

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

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U.S. DEPARTMENT OF ENERGY

PETRO-CANADA HYDROCARBONS INC.)
_____)

FE DOCKET NO. 03-04-NG

ORDER GRANTING BLANKET AUTHORIZATION TO
IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1851

FEBRUARY 5, 2003

Exhibit B

I. DESCRIPTION OF REQUEST

On January 29, 2003, Petro-Canada Hydrocarbons Inc. (the Applicant) 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/} for authorization to import from Canada, up to 300 Bcf of natural gas over a two-year term, beginning on March 4, 2003.^{2/} The Applicant is a Delaware corporation with its principal place of business in Calgary, Alberta, Canada, and a wholly-owned subsidiary of Petro Canada. The Applicant will import the natural gas under short-term and spot market arrangements on behalf of itself or as an agent on behalf of others. The proposed authorization does not involve the construction of new pipeline facilities.

II. FINDING

The application filed by the Applicant has been evaluated to determine if the proposed import arrangement meets the public interest requirement of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486). Under section 3(c), the import 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 the Applicant 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. This blanket Order authorizes transactions under contracts with terms of no longer than two years.

^{1/} 15 U.S.C. § 717b. This authority is delegated to the Assistant Secretary for Fossil Energy pursuant to Redlegation Order No. 00-002.4 (January 8, 2002).

^{2/} The Applicant current blanket authority to import natural gas granted by DOE/FE Order No. 1667 issued February 20, 2001 (2 FE ¶ 70,597) expires on March 3, 2003.

ORDER

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

A. Petro-Canada Hydrocarbons Inc. (the Applicant) is authorized to import from Canada up to 300 Bcf of natural gas over a two-year term, beginning on March 4, 2003, and extending through March 3, 2005.

B. This natural gas may be imported at any point on the border of the United States and Canada.

C. With respect to the natural gas imports authorized by this Order, the Applicant shall file with the Office of Natural Gas & Petroleum Import & Export Activities, within 30 days following each calendar quarter, reports indicating whether imports of natural gas have been made. If no imports of natural gas have been made, a report of "no activity" for that calendar quarter must be filed. If imports have occurred, the Applicant must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu at the international border. The reports shall also provide the details of each transaction, including: (1) the name of the sellers(s); (2) the name of the purchaser(s); (3) the estimated or actual duration of the agreement(s); (4) the name of the U.S. transporter(s); (5) the point(s) of entry; (6) the geographic market(s) served (by State); (7) whether sales are being made on an interruptible or firm basis; and, if applicable (8) the per unit (MMBtu) demand/commodity/reservation charge breakdowns of the contract price. [OMB NO. : 1901-0294]

D. The first quarterly report required by this Order is due not later than April 30, 2003, and should cover the period from March 4, 2003, until the end of the first calendar quarter, March 31, 2003.

E. The quarterly reports required by this Order shall be filed with the Office of Natural Gas & Petroleum Import & Export Activities, Fossil Energy, Room 3E-042, FE-34, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585.

Issued in Washington, D.C., on February 5, 2003.



Clifford P. Tomaszewski
Manager, Natural Gas Regulation
Office of Natural Gas & Petroleum
Import & Export Activities
Office of Fossil Energy