

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

FLINT HILLS RESOURCES, LP

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DOCKET NO. 15-169-LNG

ORDER GRANTING BLANKET AUTHORIZATION TO
EXPORT LIQUEFIED NATURAL GAS
TO FREE TRADE AGREEMENT COUNTRIES
BY TRUCK, RAIL, BARGE,
AND NON-BARGE WATERBORNE VESSELS

DOE/FE ORDER NO. 3822

June 13, 2016

I. DESCRIPTION OF REQUEST

On November 5, 2015, Flint Hills Resources, LP (Flint Hills) filed an 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 up to a combined total of 7.24 billion cubic feet (Bcf) of liquefied natural gas (LNG) over a two-year period (3.62 Bcf/yr). Flint Hills seeks authority to export domestically produced LNG via truck, rail, barge, or non-barge waterborne vessel to Canada, Mexico and any other 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 (FTA countries) and which has the capacity to import LNG.

As supplemented by letter filed May 23, 2016 (Supplement), Flint Hills states that the exports will be loaded from a liquefaction facility owned by Stabilis LNG Eagle Ford, LLC (Stabilis Facility)² in George West, Texas, into either ISO containers or LNG trucks. The LNG to be exported by barge or non-barge waterborne vessel will be transferred to the Port of Brownsville, Port of Corpus Christi, or Port of Houston and, from there, will be loaded onto a container ship or waterborne vessel. The applicant requests the authorization be granted for a two-year term beginning on the earlier of the date of first export or three months after the issuance of this order.³

Flint Hills is a Delaware limited partnership with its principal place of business in Wichita, Kansas. Flint Hills is a wholly-owned, indirect subsidiary of Flint Hills Resources,

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 Redelegation Order No. 00-006.02, issued on November 17, 2014.

² Stabilis LNG Eagle Ford, LLC is owned by an affiliate of Flint Hills, FHR LNG, LLC (49%), Stabilis FHR Oilfield, LLC (2%), and Stabilis Oilfield Investco LLC (49%).

³ Application of Flint Hills Resource, LP for Short Term Authorization to Export Liquefied Natural Gas to Free Trade Agreement Nations, FE Docket No. 15-169-LNG (November 5, 2015) [hereinafter Application]

LLC, a Delaware limited liability company, with its principal place of business in Wichita, Kansas. Flint Hills states that it is currently negotiating with Stabilis LNG Eagle Ford, LLC for the purchase of LNG from the Stabilis Facility. According to Flint Hills, the liquefaction facility owned by Stabilis LNG currently has the capability to load LNG onto trucks and ISO containers, and no additional infrastructure would be required for Flint Hills to purchase LNG from Stabilis LNG for export.

II. FINDING

The application has been evaluated to determine if the proposed import and/or export 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 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 the import of LNG from other international sources are deemed to be consistent with the public interest, and applications for such imports and exports must be granted without modification or delay. The authorization sought by Flint Hills to export LNG to Canada, Mexico and any other FTA country by truck, rail, barge, and non-barge waterborne vessel meets the section 3(c) criterion and, therefore, is consistent with the public interest. This Order authorizes transactions with terms of no longer than two years.

Flint Hills requests authorization to act on its own behalf or as agent on behalf of other entities who hold title to the LNG. DOE/FE addressed the issue of agency rights in *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 2913, issued February 10, 2011. In Order 2913, DOE/FE approved a proposal by Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC (collectively, FLEX) to register each LNG title holder for whom

FLEX sought to export LNG as agent. This proposal was an acceptable alternative to the non-binding policy adopted by DOE/FE in *Dow Chemical*,⁴ which established that the title for all LNG authorized for export must be held by the authorization holder at the point of export. The same policy considerations that supported DOE/FE's acceptance of the alternative proposal in Order 2913 apply here as well to both imports and exports. The authorization granted herein shall require that where Flint Hills proposes to export as agent for others, Flint Hills will register those companies in accordance with the procedures and requirements described herein.

ORDER

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

A. Flint Hills is authorized to export up to a combined total of 7.24 Bcf of natural gas by truck, rail, barge, and non-barge waterborne vessels to FTA countries, pursuant to transactions that have terms of no longer than two years. This authorization shall be effective for a two-year term which will begin on the earlier of the date of first export or September 13, 2016, and extends through the earlier of two years from the date of first export or September 12, 2018.

B. This LNG may be exported by truck, rail, barge, and non-barge waterborne vessels from any point of export from the United States.

C. Flint Hills is permitted to use its authorization in order to export LNG on behalf of or as agent for others, after registering the other party 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

⁴ *Dow Chemical* DOE/FE Order No. 2859, Order Granting Blanket Authorization to Export Liquefied Natural Gas, at 7-8 (Oct. 5, 2010).

requirements of DOE's regulations at 10 CFR 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; and (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.

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

E. **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. Monthly reports must be filed whether or not initial deliveries have begun. If no exports have been made, a report of "no activity" for that month must be filed.

If exports of LNG by truck or rail have occurred, the report must give the following details of each LNG cargo: (1) the name of the U.S. departure facility; (2) the country of destination; (3) the point(s) of exit; (4) the name(s) of the supplier(s)/seller(s); (5) the name(s) of the LNG transporter(s); (6) the volume in Mcf; (7) the price per MMBtu at the point of exit; (8) the duration of the supply agreement; and (9) the name(s) of the authorized exporter registered with DOE/FE.

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. departure facility; (2) the country of destination; (3) the date of departure from the U.S. departure facility; (4) the name(s) of the supplier(s)/seller(s);

(5) the name(s) of the vessel; (6) the volume in Mcf; (7) the price per MMBtu at the point of export; (8) the name(s) of the purchaser(s); (9) the duration of the supply agreement; and (10) the name(s) of the authorized exporter registered with DOE/FE.

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

F. The first monthly report required by this Order is due not later than the earlier of 30 days after the end of the month of first export, or October 30, 2016, and should cover the reporting period from the earlier of either the date of first export through the last day of the month of first export, or September 13, 2016, through September 30, 2016.

G. 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, or may be faxed to Natural Gas Reports (202) 586-6050.

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Office of Oil and Natural Gas