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FE DOCKET NO. 06-03-LNG
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U.S. DEPARTMENT OF ENERGY

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06-03-LNG

January 5, 2006

Mr. Robert Corbin
Office of Oil & Gas Global Security and Supply
Fossil Energy
U.S. Department of Energy
Docket Room 3E-042
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: **BG LNG Services, LLC**
FE Docket No. 06-03-LNG

Dear Mr. Corbin:

Pursuant to Part 590 of the regulations of the Department of Energy ("DOE"), 10 C.F.R. Pt. 590 (2005), please find enclosed the application of BG LNG Services, LLC ("BGLS") for long-term authorization to import liquefied natural gas from the Arab Republic of Egypt pursuant to Section 3 of the Natural Gas Act, as amended. Also please find enclosed a check for \$50 made payable to the Treasury of the United States as required by 10 C.F.R. § 590.207.

Please file stamp the enclosed extra copies of this application and return them to our messenger. Thank you for your attention to this matter.

Respectfully submitted,



John S. Decker
Attorney for BG LNG Services, LLC

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

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BG LNG Services, LLC

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FE Docket No. 06-03-LNG

**APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS
FROM THE ARAB REPUBLIC OF EGYPT
OF BG LNG SERVICES, LLC**

Jason Klein
Commercial Attorney
BG LNG Services, LLC
5444 Westheimer, Suite 1200
Houston, Texas 77056
(713) 599-3709

John S. Decker
William E. Wolf
Vinson & Elkins L.L.P.
1455 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-1008
(202) 639-6599

January 5, 2006

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

BG LNG Services, LLC

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FE Docket No. 06-____-LNG

**APPLICATION FOR LONG-TERM AUTHORIZATION
TO IMPORT LIQUEFIED NATURAL GAS
FROM THE ARAB REPUBLIC OF EGYPT
OF BG LNG SERVICES, LLC**

Pursuant to Section 3 of the Natural Gas Act (“NGA”), as amended,¹ Department of Energy (“DOE”) Delegation Order Nos. 0204-111 and 0204-127,² and Part 590 of the Regulations of the DOE, Office of Fossil Energy (“OFE”),³ BG LNG Services, LLC (“BGLS”) hereby submits this application for long-term authorization to import liquefied natural gas (“LNG”) from the Arab Republic of Egypt pursuant to an executed Master LNG Sale and Purchase Agreement (the “Master Agreement”) and a Memorandum to the Master Agreement (the “Confirmation Memorandum”) between BGLS and BG LNG Trading, LLC (“BGLT”). In support of this application, BGLS respectfully shows as follows:

**I.
CORRESPONDENCE AND COMMUNICATIONS**

Correspondence and communications regarding this application should be addressed to the following:

¹ 15 U.S.C. § 717b (2000).

² DOE Delegation Order No. 0204-111, Administrator of the Economic Regulatory Administration (Feb. 22, 1984); DOE Delegation Order No. 0204-127, Assistant Secretary for Fossil Energy (Feb. 7, 1989).

³ 10 C.F.R. Pt. 590 (2005).

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email: jdecker@velaw.com

II. BACKGROUND

BGLS is a limited liability company organized under the laws of the State of Delaware, having its principal place of business at 5444 Westheimer, Suite 1775, Houston, Texas 77056. BGLS is a wholly-owned subsidiary of BG Group plc, which has its principal place of business at 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT, England. Pursuant to authorizations previously granted to BGLS by the OFE, BGLS engages in the business of importing LNG from various international sources.⁴

III. LONG-TERM AUTHORIZATION REQUESTED

BGLS is seeking a long-term authorization to import LNG from the Arab Republic of Egypt pursuant to the terms of the Master Agreement and Confirmation Memorandum. BGLS and BGLT have entered into a Master Agreement that contains general terms and conditions applicable to all contracts between BGLS and BGLT for the importation of LNG into the United States. BGLS filed the Master Agreement with the OFE on December 9, 2005 in DOE/FE Docket No. 05-114-LNG and the Master Agreement is hereby incorporated by reference. The

⁴ BGLS also imports LNG pursuant to the following authorizations: DOE/FE Order No. 1977 (April 19, 2004), DOE/FE Order No. 1975 (April 16, 2004), DOE/FE Order No. 1947 (February 18, 2004), DOE/FE Order No. 1932 (December 30, 2003), and DOE/FE Order No. 1926 (December 8, 2003).

Confirmation Memorandum filed herewith contains the terms specific to the particular transaction, including: identification of the upstream agreement under which the LNG is being obtained; the source of the supply; the name of the supplier; and the term and quantity of the contract. By structuring its transactions in such a manner, BG Group plc can obtain greater flexibility in executing its transactions as well as increased transparency in its transactions.

Pursuant to the terms of the Master Agreement and Confirmation Memorandum, BGLS will purchase LNG from BGLT for importation into the United States. Upon importation, BGLS will sell the LNG and the natural gas resulting from vaporization of the LNG to various third parties in the regular course of business. BGLT will acquire the LNG subject to the terms of a separate confirmation memorandum with BG Gas Marketing, Ltd. ("BGGM"). BGGM will purchase the LNG from the Egyptian General Petroleum Corporation, BG International Limited, and PICL (Egypt) Corporation Ltd. (collectively, the "LNG Suppliers") in the Arab Republic of Egypt. The point of entry for the importation of LNG into the United States will primarily be the LNG terminalling, storage and vaporization facilities located on Elba Island, in the vicinity of Savannah, Georgia and at the Lake Charles Terminal in Lake Charles, Louisiana (the "LNG Terminal(s)").

The Confirmation Memorandum has a term of 20 years from the date the first delivery after the date of execution, August 2, 2005. BGLS will purchase LNG from BGLT in an amount up to the annual contract quantity of 188 TBtu per year of LNG or LNG equivalent pursuant to the Confirmation Memorandum.

BGGM will acquire the LNG subject to the terms of an LNG Sale and Purchase Agreement with the LNG Suppliers and sell the LNG to BGLT subject to the terms of a separate agreement. The Master Agreement requires BGLS to take any LNG provided by BGLT under

the Confirmation Memorandum or pay damages incurred by BGLT for a failure to accept delivery.

The price BGLS will pay BGLT for the LNG it purchases under the Master Agreement⁵ is a formula based on sales proceeds received by BGLS and published price indices for natural gas. BGLS will pay a price for LNG delivered pursuant to either (i) the final settlement price for the New York Mercantile Exchange's Henry Hub natural gas futures contract for delivery during such month; or (ii) the average price for "Daily Price Survey ... Louisiana-Onshore-South ... Henry Hub ... Midpoint" as published in *Platts Gas Daily*. Because the contract price for LNG under the Agreement is linked to published natural gas price indices, the price of LNG supplied during the term of the Confirmation Memorandum will remain competitive.

V. ENVIRONMENTAL IMPACT

BGLS intends to continue to use existing facilities for importing LNG as requested herein. This application therefore neither contemplates nor requires the construction of new facilities. Consequently, granting this application will not involve a federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act.⁶ Accordingly, neither an environmental impact statement, nor an environmental assessment, is required.

⁵ The pricing formula is included in the general terms of the Master Agreement and not in the Confirmation Memorandum.

⁶ 42 U.S.C. § 431, *et seq.* (2000).

VI. THE PUBLIC INTEREST

Section 3 of the NGA provides that an import or export of natural gas must be authorized unless there is a finding that it “will not be consistent with the public interest.”⁷ Under Section 3(c), the importation of LNG “is deemed to be consistent with the public interest and must be granted without modification or delay.”⁸ The long-term import authorization sought by BGLS herein meets the Section 3(c) criterion and, therefore, is consistent with the public interest.

VII. REPORTING REQUIREMENTS

As in its other existing import authorizations, BGLS agrees to follow the reporting requirements listed below as a condition to receiving the requested long-term import authorization:

- A. Within two weeks after deliveries begin, BGLS must provide written notification to OFE of the date on which the first import of LNG occurred pursuant to the authorization requested herein.
- B. With respect to the LNG imports authorized in this docket, BGLS will file within 30 days following each calendar quarter, reports indicating, by month: (1) the country of origin; (2) total monthly volumes of LNG imported; (3) the monthly volumes taken by each of BGLS’s customers; (4) the name of the seller(s), (5) the point(s) of entry; (6) the name(s) of the LNG tankers used; (7) the estimated or actual duration of agreements; (8) the geographic market(s) served; (9) the

⁷ 15 U.S.C. § 717b(a) (2000).

⁸ *Sonat Energy Services Co.*, Order Granting Long-Term Authorization to Import Liquefied Natural Gas From Trinidad and Tobago, DOE/FE Order No. 1549, FE Docket No. 99-93-LNG (Dec. 8, 1999).

average landed cost per MMBtu at the point of import; and (10) the per unit (MMBtu) demand/commodity/reservation charge breakdown of the contract price.

- C. The first quarterly report required by paragraph B will be due within 30 days following the first complete calendar quarter that follows the commencement of deliveries under this authorization.

VIII. CORPORATE POWER OF COMPANY

The opinion of counsel, required by 10 C.F.R. § 590.202(c) (2005), showing that the proposed importation of LNG is within the corporate powers of BGLS, is attached as Exhibit A.

IX. RELATED REGULATORY PROCEEDINGS

BGLS's request for long-term import authorization is not being considered by any other part of DOE, including the Federal Energy Regulatory Commission, or any other federal agency or department. BGLS currently has two other pending import applications on file with the DOE in DOE/FE Docket Nos. 05-114-LNG and 05-115-LNG.

X.

CONCLUSION

WHEREFORE, for the foregoing reasons, BGLS respectfully requests that OFE grant the instant application for a long-term import authorization to import LNG from the Arab Republic of Egypt. BGLS submits that a grant of such authorization would be consistent with the public interest.

Respectfully submitted,

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

John S. Decker
William E. Wolf
VINSON & ELKINS L.L.P.

Attorneys for BG LNG Services, LLC

Dated: January 5, 2006

EXHIBIT A

CORPORATE POWER OF ATTORNEY



October 6, 2005

Mr. Robert Corbin
Office of Oil & Gas Global Security and Supply
Office of Fossil Energy (FE-34)
U.S. Department of Energy
Room 3E-033
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Corbin:

This opinion is furnished in accordance with the requirements of 10 C.F.R. § 590.202(c) (2005), in conjunction with the application of BG LNG Services, LLC for an order requesting a long-term authorization to import liquefied natural gas into the United States pursuant to Section 3 of the Natural Gas Act, as amended.

I am counsel for BG LNG Services, LLC, in the above-referenced matter, and as such, I am familiar with the Articles of Incorporation, By-laws and corporate records of BG LNG Services, LLC. I have examined these and other relevant documents and am of the opinion that the proposed importation of liquefied natural gas by BG LNG Services, LLC is within the corporate powers of BG LNG Services, LLC.

This opinion is submitted solely for the purpose of this matter, and may not be relied upon by the Office of Fossil Energy, or by any other governmental entity, or any person, for any other purpose.

Respectfully Submitted,

Jason T. Klein
Attorney for BG LNG Services, LLC

Dated: October 6, 2005

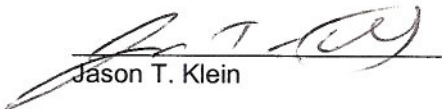
BG LNG SERVICES, LLC

5444 Westheimer
Suite 1700
Houston, Texas 77056
Tel (713) 599-3741
Fax (713) 599-3781

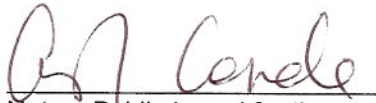
VERIFICATION

The State of Texas)
)
County of Harris)

Jason T. Klein, declares before me on this date, and says that he is counsel of BG LNG Services, LLC, the applicant in this document; that he is authorized to verify the foregoing document pursuant to 10 C.F.R. § 590.103 (2005); that he has examined the statements contained therein and that all such statements are true and correct to the best of his knowledge, information and belief; and that he is a duly authorized representative of BG LNG Services, LLC; and that to the best of his knowledge, neither this nor any related matter is being considered by any other part of the Department of Energy, including the Federal Energy Regulatory Commission, or any other federal agency or department.


Jason T. Klein

SUBSCRIBED and SWORN TO before me, a Notary Public, this day: October 6, 2005


Notary Public in and for the
State of Texas



My Commission Expires: June 20, 2009

EXHIBIT B

**MASTER LNG SALE AND PURCHASE AGREEMENT BETWEEN
BG LNG SERVICES, LLC AND
BG LNG TRADING, LLC**

Exhibit B has been filed with the OFE by BGLS on December 9, 2005 in FE Docket No. 05-114-LNG and is hereby incorporated by reference.

EXHIBIT C

**CONFIRMATION MEMORANDUM TO THE
MASTER LNG SALE AND PURCHASE AGREEMENT BETWEEN
BG LNG SERVICES, LLC AND
BG LNG TRADING, LLC**

Memorandum to the Master LNG Sale and Purchase Agreement
Dated August 2, 2005
between BG LNG Trading, LLC, as Seller
and BG LNG Services, LLC, as Buyer

TERMS AND CONDITIONS

1. Supply Agreement

The Supply Agreement, from which the LNG to be sold under this Memorandum is that certain SALE AND PURCHASE AGREEMENT FOR LIQUEFIED NATURAL GAS FROM EGYPT (TRAIN 2 – LAKE CHARLES) dated September 24, 2003, between BG GAS MARKETING, LTD., as buyer, and EGYPTIAN GENERAL PETROLEUM CORPORATION, BG INTERNATIONAL LIMITED, and PICL (EGYPT) CORPORATION LTD, collectively, as seller, a copy of which has been provided to Buyer. Seller will acquire the LNG sold under this Memorandum pursuant to the BGGM-BGLT Agreement.

2. Source of Supply

The source of supply under the Supply Agreement is the loading port and related facilities located at Idku, Egypt.

3. Supplier

The suppliers under the Supply Agreement are Egyptian General Petroleum Corporation, BG International Limited, and PICL (Egypt) Corporation Ltd.

4. Contract Term

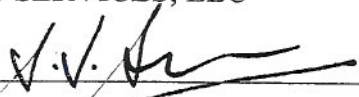
The term of the Supply Agreement commences on September 24, 2003 and shall remain in effect for a period of 20 years following the date of first commercial delivery at the Source of Supply, as may be extended or earlier terminated pursuant to the terms of the Supply Agreement.

5. Annual Contract Quantity

The annual contract quantity under the Supply Agreement is approximately 188 TBtu/year, reduced by boil-off and subject to adjustment pursuant to the provisions of the Supply Agreement, including any reduction in quantity resulting from exercise of BGGM's right to divert all or a portion of such quantities to the proposed LNG receiving terminal in Brindisi, Italy.

IN WITNESS HEREOF, each of the Parties has caused this Memorandum to be executed in more than one copy, each of which shall be deemed to be an original as of the 2nd day of August 2005.

BG LNG SERVICES, LLC

By: 

Name: STEVE SURRALL

Title: PRESIDENT

BG LNG TRADING, LLC

By: _____

Name: _____

Title: _____

IN WITNESS HEREOF, each of the Parties has caused this Memorandum to be executed in more than one copy, each of which shall be deemed to be an original as of the 2nd day of August 2005.

BG LNG SERVICES, LLC

By: _____

Name: _____

Title: _____

BG LNG TRADING, LLC

By: John O'Driscoll

Name: JOHN O'DRISCOLL

Title: DIRECTOR