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Coastal Oil & Gas Corp. v. FERC: Does the Contract or the Natural Gas Act Control Dedication Pursuant to Contract

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COASTAL OIL & GAS CORP. v. FERC: DOES THE CONTRACT OR THE NATURAL GAS ACT CONTROL "DEDICATION" PURSUANT TO CONTRACT?

I. INTRODUCTION

Natural gas, unlike oil, cannot be stored prior to sale; consequently, natural gas production is contingent on the producer obtaining a market for the gas. Marketing of natural gas is accomplished pursuant to a gas purchase contract by and between the producer and the pipeline company. The typical gas purchase contract provides for the dedication of all natural gas to be produced from properties described in the contract.[1]

In addition to obtaining a market for their production, natural gas producers also have to choose between intrastate and interstate markets. However, introduction of any natural gas production into interstate commerce may be done only pursuant to an application and receipt of a certificate of public convenience and necessity from the Federal Energy Regulatory Commission (FERC).[2] The issuance of the certificate results in the dedication of production to interstate commerce.[3] Because the Natural Gas Act's primary goal is to ensure that producers charge "just and reasonable" rates to consumers,[4] there can be no abandonment of interstate service after dedication without the prior approval of the FERC.[5] This rule was reaffirmed by the United States Court of Appeals

1. *See* 8 H. WILLIAMS & C. MEYERS, OIL AND GAS LAW 199 (perm. rev. ed. 1984).

2. 15 U.S.C. § 717f(c)(1)(A) (1982) states that:

No natural-gas company or person which will be a natural-gas company upon completion of any proposed construction or extension shall engage in the transportation or sale of natural gas, subject to the jurisdiction of the Commission . . . unless there is in force with respect to such natural-gas company a certificate of public convenience and necessity issued by the Commission authorizing such acts or operations . . . .

3. 15 U.S.C. § 717(c) (1982) states that:

The provisions of this chapter shall not apply to any person engaged in or legally authorized to engage in the transportation in interstate commerce or the sale in interstate commerce for resale, of natural gas received by such person from another person within or at the boundary of a state if all the natural gas so received is ultimately consumed within such state . . . .

4. 15 U.S.C. §§ 717c-717d (1982).

5. 15 U.S.C. § 717f(b) (1982) states that:

No natural-gas company shall abandon all or any portion of its facilities subject to the jurisdiction of the Commission, or any service rendered by means of such facilities, without the permission and approval of the Commission first had and obtained, after due hearing, for the Fifth Circuit[6] in *Coastal Oil & Gas Corp. v. FERC.*[7]

II. THE PURPOSE AND APPLICATION OF THE NGA

The Natural Gas Act (NGA) contains no references as to when natural gas is dedicated to interstate commerce. The NGA has been interpreted to provide that natural gas is "dedicated" to interstate commerce, and consequently, the FERC's jurisdiction, when natural gas is sold in the interstate market,[8] because the purpose of the NGA is to regulate and control the interstate sale of gas.[9] The requirement that gas be dedicated in order for the NGA to apply is found in the terms of sections 717f(b) and (c),[10] which require a certificate of convenience to sell gas in the interstate market,[11] and require the FERC's approval before any facilities or services rendered under the FERC's jurisdiction are abandoned.[12]

Because the purpose of the NGA is to control the interstate sale of natural gas, "dedication" of natural gas to interstate commerce and the jurisdiction of the FERC under the NGA occurs when the delivery of gas in interstate commerce begins, not when the producers apply for a certificate of public convenience required by the NGA for the sale of gas in interstate commerce.[13] The certificate merely controls the scope of the

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and a finding by the Commission that the available supply of natural gas is depleted to the extent that the continuance of service is unwarranted, or that the present or future public convenience or necessity permit such abandonment.

6. Circuit Judge John R. Brown delivered the opinion in which Chief Judge Clark and Circuit Judge Johnson joined.

7. 782 F.2d 1249 (5th Cir. 1986).

8. *See* Atlantic Refining Co. v. Public Service Comm'n, 360 U.S. 378 (1959); J.M. Huber Corp. v. FPC, 236 F.2d 550 (3rd Cir. 1956), *cert. denied*, 352 U.S. 971 (1957), where the Court found dedication even without a certificate of dedication.

9. NGA regulation and control is required to protect the consumer from "price exploitation by natural gas interests." Comment, *Federal Regulation of the Dedication and Abandonment of Natural Gas in Interstate Commerce*, 24 LOY. L. REV. 678, 678 (1978) (citing *Hearings before the House Committee on Interstate and Foreign Commerce on H.R.* 4008, 75th Cong., 1st Sess. (1937)); H.R. REP. No. 709, 75th Cong., 1st Sess. 1-2 (1937); S. REP. No. 1162, 75th Cong., 1st Sess. 1-2 (1937); FPC v. Hope Nat. Gas Co., 320 U.S. 591, 610 (1944); *see also* Sunray Mid-Continent Oil Co. v. FPC, 364 U.S. 137 (1960).

10. 15 U.S.C. § 717f(b)-(c) (1982).

11. *Id.* § 717f(c).

12. *Id.* § 717f(b). The use of the word "dedication" is an apparent attempt by the courts to show that natural gas is subject to the NGA, and consequently FERC jurisdiction, when it is sold in interstate commerce. Because the approval of FERC is required to remove the gas from interstate commerce, the gas is "dedicated" to interstate commerce until FERC says otherwise. *See, e.g.*, Comment, *supra* note 9, at 690; *Atlantic Refining Co.*, 360 U.S. at 387-88.

13. *See* United Gas Pipe Line Co. v. FPC, 385 U.S. 83 (1966); *see also* Comment, *supra* note 9, at 689 (Commencement of such deliveries marks the beginning of a service which is regulatable by the Commission.").

dedication.[14] Because the certificate controls the scope of the dedication, commencement of service under a certificate dedicates all gas subject to that certificate.[15] Once the gas is "dedicated," sale of the gas in interstate commerce cannot cease without the permission of the FERC to abandon either the sale or the facilities.[16] Permission to abandon must be requested from the FERC even to plug a well that is now dry.[17]

The FERC has no authority to impose penalties on those who illegally sell natural gas that has been dedicated to interstate commerce.[18] However, it does have the authority to order refunds that restore the producer and purchaser to the positions they would have been in had the contract been observed[19] and to refund with interest any amounts realized that exceed the contract rate.[20] Further, the FERC also has the authority to order payback "in kind" where there have been illegal sales of dedicated gas to an intrastate market.[21]

III. STATEMENT OF THE CASE

The predecessors in interest of Coastal Oil & Gas Corporation (Coastal)[22] entered into a contract for sale of natural gas from four speci-

14. Harrison v. FERC, 567 F.2d 308 (5th Cir. 1978). The certificate dedicates the full amount applied for, and no more. *Id.* at 311.

15. *See* United Gas Pipe Line Co. v. McCombs, 442 U.S. 529 (1979); California v. Southland Royalty Co., 436 U.S. 519 (1978); *Sunray*, 364 U.S. at 150; Amarex, Inc. v. FERC, 603 F.2d 127 (10th Cir. 1979), *cert. denied*, 444 U.S. 1102 (1980).

16. 15 U.S.C. § 717f(b) (1982).

17. 15 U.S.C. § 717f(b) (1982); *McCombs*, 442 U.S. at 537.

18. In Southern Union Gas Co. v. FERC, 725 F.2d 99, 102 (10th Cir. 1984), the Tenth Circuit noted that the Supreme Court had previously held that the FERC had no authority to order payments to one injured as damages (citing Montana-Dakota Utilities Co. v. Northwestern Public Service Co., 341 U.S. 246 (1951)) or to issue reparation orders (citing FPC v. Hope Natural Gas Co., 320 U.S. 591 (1944)). Nonetheless, the FERC while recognizing that it lacked the authority, felt that it would be unfair to allow the violator to escape liability for its acts. The Tenth Circuit, however, held that this "is a purpose or reason beyond the authority of the Commission." *Id.*

19. In Mesa Petroleum Co. v. FPC, 441 F.2d 182 (5th Cir. 1971), the Commission ordered a refund to the purchaser of the difference between the contracted sales price and what the producer realized from its illegal sales. Despite the purchaser's claim that the decision was in effect a penalty, the Fifth Circuit held "that the Commission possesses the authority to require the corrective action which it ordered in this proceeding." *Id.* at 186.

20. In United Gas Improvement Co. v. Callery Properties, Inc., 382 U.S. 223 (1965), the Court stated that "the imposition of interest on refunds is not an inappropriate means of preventing unjust enrichment." *Id.* at 230.

21. In Cox v. FERC, 581 F.2d 449 (5th Cir. 1978), the producer sold uncertified gas in interstate commerce in violation of the NGA and the FERC held that subsequent diversion of this same gas to the intrastate market was an unauthorized abandonment. As a result, the FERC ordered the producer to return the diverted gas in kind to the interstate market. The Fifth Circuit Court upheld this payback in-kind remedy as being both within the authority of the FERC and not a penalty.

22. The predecessors in interest of Coastal, and actual parties to the 1958 contract were the Ohio Oil Company, later Marathon Oil Company; Tidewater Oil Company, later Getty Oil Com-

fied offshore tracts[23] in Aransas Bay, Aransas Pass, Texas, to Florida Gas Transmission Company (FGT) on November 1, 1958. The contract contained an "economic connection clause" which excused Coastal from connection of any well within the four specified offshore tracts to FGT's pipeline if the connection would be unprofitable.[24]

Coastal applied to the FERC, then known as the Federal Power Commission, for a certificate of public convenience and necessity, which would provide authority for the sale of natural gas pursuant to the 1958 contract.[25] Coastal received a temporary certificate for natural gas sales from the four specified offshore tracts on November 2, 1961, and received its permanent certificate on June 23, 1964. Sale of natural gas from three of the four tracts, to FGT under the 1958 contract, was commenced in 1962.

Coastal began delivery of natural gas produced from Tract 120 on July 29, 1965. However, this gas was not delivered to FGT under the 1958 contract but instead was delivered to the Lo-Vaca Gathering Company (Lo-Vaca), an intrastate carrier and wholly-owned subsidiary of Coastal.[26] Documents appearing in Coastal's internal records, covering the period from September 1965 through 1976, indicated a concern and awareness on the part of Coastal that the production from Tract 120 was dedicated to interstate commerce. Notwithstanding this concern, Coastal did not apply at any time from September 1965 through 1976 for an abandonment of the interstate dedication as required by the NGA.[27] Coastal applied for abandonment of the interstate service dedication in April 1977, but continued to make intrastate sales to Lo-Vaca until 1979, when the well on Tract 120 was depleted.

pany; and Mission Corporation. *See* Initial Brief of Coastal Oil and Gas Corp. at 8, Coastal Oil and Gas Corp. v. FERC, 782 F.2d 1249 (5th Cir. 1986) (No. 84-4504) [hereinafter *cited as* Initial Brief]. For convenience, the authors will refer to the predecessors in interest as "Coastal," as the Fifth Circuit did in its decision. *See Coastal*, 782 F.2d at 1250 n.1.

23. Tracts 119, 120, 124, 125. Initial Brief, *supra* note 22, at 8. Coastal was assigned rights in Tract 120, and the gas produced from that tract is the subject of the *Coastal* decision. *Id.* at 9.

24. Under the contract with FGT, Coastal agreed to complete whatever facilities were necessary to enable it to deliver the gas covered by the agreement by the date FGT had completed construction of FGT's pipeline to receive the gas, provided that Coastal under no circumstances was obligated to connect any well which in its opinion would be unprofitable.

25. *See supra* note 3.

26. *Coastal*, 782 F.2d at 1251. Delivery was commenced to Lo-Vaca following a determination by Coastal that it was economically unfeasible to connect the well to FGT's pipeline. The parties' Fifth Circuit briefs disputed the question of whether FGT had acquiesed to this decision. *See* Reply Brief of Coastal Oil and Gas Corp. at 10-12, Coastal Oil and Gas Co. v. FERC, 782 F.2d 1249 (5th Cir. 1986) (No. 84-4504). The Fifth Circuit ignored this issue because it had no bearing on whether the gas was dedicated to interstate commerce. *See infra* note 37.

27. *See supra* note 9.

The FERC ordered an investigation in 1982 into Coastal's sales practices of natural gas production from Tract 120 and subsequently ordered an administrative hearing to determine if the intrastate sales to Lo-Vaca were in violation of the NGA. The Administrative Law Judge (ALJ) determined that Coastal violated the NGA by selling its natural gas production intrastate without first obtaining authority from the FERC to abandon that gas.[28] Coastal was therefore ordered by the ALJ to pay back to FGT the amount of gas sold to the intrastate market at the 1958 contract price.[29] The FERC affirmed the ALJ's ruling requiring abandonment authority of interstate dedication prior to intrastate sales but held that the remedy should be altered to require Coastal to refund to FGT all revenue realized by Coastal from its illegal intrastate sales.[30] The FERC justified this alteration of the remedy by reasoning that this would be the only means of effectively deterring future violations.[31] Coastal appealed to the Fifth Circuit.

The issue ultimately considered by the Fifth Circuit was whether the terms of Coastal's contract, more particularly the "economic connection clause," affected the dedication status of the gas produced within the contract area.

IV. ANALYSIS OF *COASTAL OIL AND GAS*

A. *The Dedication Issues*

Coastal argued throughout the administrative hearings, and before the Fifth Circuit, that uneconomical wells not hooked up were not dedicated to interstate commerce because (1) the certificate of public convenience obtained from the FPC dedicated gas pursuant to the contract, and (2) the contract excused the hook-up of wells to the interstate pipeline

28. *Id.* The ALJ in fashioning this remedy relied on Black Marlin Pipeline Company, 21 F.E.R.C. ¶ 61,008 (1982 & Supp. 1984). The ALJ found that Coastal had harmed the consumer by causing price increases, that Coastal had knowledge of its violation, and, most damaging, that Coastal had commenced the sale of gas to Lo-Vaca prior to finding it would be uneconomical to connect to FGT. The ALJ then applied South Texas Natural Gas Gathering Company, 56 F.P.C. 1146 (1976), which was interpreted as allowing penalties to obtain compliance with the NGA in the event of "widespread and pervasive disregard, evasion, and violation." *See* Coastal Oil and Gas Corp., 26 F.E.R.C. ¶ 61,352 at 61,770 (1984).

29. This remedy required a total payment of $3,099,144, the entire revenue received plus accrued interest, which was paid by Coastal to FGT in 1984. Initial Brief, *supra* note 22, at 8.

30. *See supra* note 28; Opinion 212; Coastal Oil and Gas Corp., 26 F.E.R.C. ¶ 61,352 (1984).

31. Rehearing was denied by the FERC in Opinion 212A, Coastal Oil and Gas Corp., 28 F.E.R.C. ¶ 61,008 (1984). Coastal then appealed to the Fifth Circuit on both the dedication and the remedy issues. The Fifth Circuit affirmed the FERC's decision on dedication, but reversed and remanded the penalty issue to the FERC. The case has yet to be decided on remand at the FERC.

when it would be uneconomical.[32] Coastal argued that the economic connection clause preconditioned the certificate and any dedication that occurred.

On appeal, Coastal also argued that the FERC abused its discretion by failing to follow the standards advanced by the Fifth Circuit in *Mitchell Energy Corp. v. FERC*.[33] In *Mitchell*, the Court remanded a FERC decision that gas excluded from a sales contract by an economic connection clause was dedicated to interstate commerce because the FERC failed to adequately explain its conclusion.[34] Coastal argued that, although the ALJ did find that once gas is dedicated it is forever dedicated, it failed to find what gas was dedicated in the first place.[35] Coastal contended that if the gas was exempted from the contract under the economic connection clause, it was also exempt from dedication under the NGA, and that the Fifth Circuit should remand the case to the FERC in order for the FERC to make this determination.[36]

The Fifth Circuit dealt with both arguments by applying the rule of *California v. Southland Royalty Co.*,[37] and by interpreting the contract so that the economic connection clause was separated from the dedication.

The Fifth Circuit first interpreted the contract to find that the contract "did not condition the dedication of the gas on the profitability of connecting Coastal's wells to FGT's pipeline."[38] The contract dedicated all the gas from all the tracts, "and the economic connection clause af-

32. *See* Initial Brief, *supra* note 22, at 19-20.
33. 651 F.2d 414 (5th Cir. 1981).
34. *Id.* at 415.
35. Initial Brief, *supra* note 22, at 12. The ALJ's decision was affirmed by the FERC. *See supra* note 30.
36. Initial Brief, *supra* note 22, at 24.
37. 436 U.S. 519 (1978). The Supreme Court in *Southland Royalty* held that the terms of the contract do not control the determination of what is dedicated. *Id.* at 525-26. The Court applied *Sunray*, where it upheld a FPC determination requiring the continuation of interstate service even after termination of the contract pursuant to which gas had been dedicated. The gas producers' obligation to supply gas to interstate commerce arises from the NGA, not the contract; *Sunray*, 364 U.S. at 155, and the obligation to continue is "essential to effectuate the purposes of the Act; otherwise producers and pipelines would be free to make arrangements that would circumvent the ratemaking and supply goals of the statute." *Southland Royalty*, 436 U.S. at 526, citing *Sunray*, 364 U.S. at 142-47. If the terms of the contract were allowed to control, it "would allow producers to enter the interstate market for the duration of their contract with pipeline companies, and to then withdraw at a later date should a more lucrative alternative arise." Comment, *supra* note 9, at 690. Certificates are routinely granted which require sale for periods longer than the underlying contract. *Id.* The granting of certificates effectuates the purposes of the NGA, such as maintenance of rates and assurance of a steady supply of gas. *See Sunray*, 364 U.S. at 142-44 (where several purposes for the NGA are noted). The effect of *Southland Royalty* is that once gas is sold in interstate commerce from a field, all gas from that field is dedicated under the NGA, regardless of the terms of the contract under which the gas is sold. *See supra* note 12.
38. *Coastal*, 782 F.2d at 1252.

fected only the obligation of Coastal to construct a facility for the *delivery* of the gas to FGT's pipeline."[39] This interpretation limited the argument based on *Mitchell*, because the Fifth Circuit found that the FERC had determined that *all* gas was dedicated under the contract.[40] Because the FERC had already decided that all gas was dedicated under the contract, there was no need to remand the case to the FERC to make that determination.

Southland Royalty's rule was then applied to find that the terms of the NGA, rather than the terms of the underlying contract, controlled the scope of the dedication.[41] Without NGA control,

> producers [would have] the discretion to delete new wells from areas subject to an interstate contract after gas has begun to flow pursuant to the contract. In this way the producer would be unchecked in his ability to substantially affect the flow of gas in interstate commerce.[42]

By applying *Southland Royalty*, it is clear that no matter how the contract was interpreted, the Fifth Circuit would have found a purpose of the NGA that outweighed the provisions of the contract. In fact, the contract was probably only interpreted by the Fifth Circuit to answer Coastal's contention of error by the ALJ on his evidentiary rulings and to avoid the application of a *Mitchell*-required remand.[43]

B. *The Damaging Memos*

The Fifth Circuit also emphasized that the internal memos of Coastal reflected possible knowledge of the NGA violations. Apparently, after reviewing the memos, the Fifth Circuit stated that Coastal's contract argument which was based upon its interpretation of the economic connection clause "was a new theory dreamed up by its counsel as recently as 1980."[44] However, the court's references to the internal documents were probably made in answer to, and to refute, Coastal's contentions that the ALJ erred in allowing the documents into evidence.[45] Essentially, the Fifth Circuit applied the rule of *Southland Royalty* and only interpreted the contract, mentioning the memos in order to answer and rebut Coastal's contentions on the appeal. *Coastal* does not create a

39. *Id.* (emphasis in original).

40. *Id.* "Therefore, the Commission correctly ruled that the 'economic connection clause' pertained only to the *delivery* of the gas . . . ." *Id.*

41. "[A] certificate does not incorporate contract provisions inconsistent with the purposes of the Natural Gas Act." *Coastal*, 782 F.2d at 1252.

42. *Coastal*, 782 F.2d at 1252-53.

43. *See supra* note 34.

44. *Coastal*, 782 F.2d at 1253.

45. Initial Brief, *supra* note 22, at 6.

rule that requires an interpretation of the contract before application of *Southland Royalty*, because *Southland Royalty* would apply regardless of how the contract was interpreted.[46]

C. *The Penalty Issue*

Although the FERC is without authority to exact penalties on those who make illegal sales of dedicated natural gas,[47] the Fifth Circuit did state that it had the authority to order a refund of excess profits realized by the producer or of excess costs incurred by the transmission company,[48] and to order payback in kind.[49] Justification for the refund of excess profits was based on the need for respect by producers and pipeline companies of the FERC's regulatory power,[50] while in *Cox v. FERC*[51] payback in kind was found to be within the FERC's authority because it would prevent unjust enrichment of the violator and would also require the violator bear the burden of any subsequent change in the gas price.

There has been disagreement regarding the validity of payback in kind. The Fifth Circuit upheld the validity of payback in kind in *Cox*, holding that "the payback in kind remedy is equitable, reasonable, and within the authority of FERC."[52] Meanwhile, in *McCombs v. FERC*,[53] an opinion that has since been vacated,[54] the Tenth Circuit denied the validity of payback in kind by holding that the FERC lacked the authority to issue payback orders.[55] Although Section 16 of the Act seems to authorize the issuance of such orders,[56] *McCombs* held that while em-

46. "In a nutshell, whether we look at this issue as a matter of contract principles or a matter of statutory gas law, we hold that the gas in Tract 120 was dedicated to interstate commerce. Therefore, Coastal illegally sold the gas intrastate by not first obtaining Commission authorization to abandon interstate service." *Coastal*, 782 F.2d at 1253.

47. *See supra* note 18.

48. *See supra* note 19.

49. *See supra* note 21.

50. *See Mesa*, 441 F.2d at 190.

51. 581 F.2d 449 (5th Cir. 1978).

52. *See Cox*, 581 F.2d at 451.

53. 705 F.2d 1177 (10th Cir. 1980).

54. 710 F.2d 611 (10th Cir. 1983). The Tenth Circuit granted a joint motion of the petitioners and intervenors for an order vacating and withdrawing its opinion of 705 F.2d 1177 and a motion to dismiss.

55. 705 F.2d at 1183.

56. 15 U.S.C. § 717(0) (1982 & Supp. 1984) states that:

> The Commission shall have power to perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate to carry out the provisions of this chapter. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this chapter; and may prescribe the form or forms of all statements, declarations, applications, and reports to

powering the FERC to act as investigator, civil plaintiff, and informant for the Attorney General, it did not grant the FERC authority to correct past violations.[57] Consequently, payback in kind as a remedy would seem to be of questionable validity even with the Tenth Circuit's vacating of its opinion in *McCombs*. Despite the allowance by courts of these "remedies," the FERC maintains that the imposition of penalties on violators affords the only effective deterrence of future violations.[58] Nonetheless, the Fifth Circuit reaffirmed the rule that the NGA does not grant the authority to impose penalties.[59] Even where the FERC sought to base its power to order a penalty on its administrative rulemaking authority, it was overruled because the Fifth Circuit determined that Congress alone had the authority to provide for civil penalties.[60] The NGA[61] does provide for specific means of enforcement, such as seeking criminal proceedings resulting in an injunction against the violator, or applying to the courts for a writ of mandamus ordering compliance by the violator with FERC rules, regulations, or orders. These remedies are permissive only, and not exclusive.[62] However, all the FERC is allowed to do in response to a violation of the NGA is to refer the violation to the Attorney General for determination of whether to initiate criminal proceedings.[63] Also, substantial civil and criminal sanctions, including criminal penalties of up to $5,000 and two years imprisonment and civil fines of up to $500 for each day the offense continues, are available where the acts or omissions leading to the violation are found to be willfully and knowingly committed.[64]

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be filed with the Commission, the information which they shall contain, and the time within which they shall be filed.

57. 705 F.2d at 1184.
58. *Coastal*, 782 F.2d at 1251.
59. *See supra* note 19.
60. *Southern Union*, 725 F.2d at 102-03.
61. 15 U.S.C. § 717s(a) and (b) (1982).
62. *Mesa*, 441 F.2d at 198.
63. 15 U.S.C. § 717s(a) (1982).
64. 15 U.S.C. § 717t (1982), states that:

(a) Any person who willfully and knowingly does or causes or suffers to be done any act, matter, or thing in this chapter prohibited or declared to be unlawful, or who willfully and knowingly omit or fails to do any act, matter, or thing in this chapter required to be done, or willfully and knowingly causes or suffers such omission or failure, shall, upon conviction thereof, be punished by a fine of not more than $5,000 or by imprisonment for not more than two years, or both.

(b) Any person who willfully and knowingly violates any rule, regulation, restriction, condition, or order made or imposed by the Commission under authority of this chapter, shall, in addition to any other penalties provided by law, be punished upon conviction thereof by a fine of not exceeding $500 for each and every day during which such offense occurs.

V. Conclusion

Section 7(b) of the NGA requires that natural gas only be removed from interstate commerce with abandonment authorization from the FERC. No consideration whatsoever is given to provisions of any underlying contracts or the production status of a dedicated field. Once dedication occurs after sale from a field begins, the field remains part of interstate commerce until abandonment is approved by the FERC and not before. Moreover, the dedication is pursuant to the NGA, not the underlying contract. To otherwise hold would allow producers and transmission companies to avoid the purpose of the NGA. Thus, *Coastal* affirms that natural gas may only be removed from interstate commerce pursuant to Section 7 of the NGA and that the courts will tolerate no other result.

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