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1100 Louisiana Street, Suite 3100
Houston, TX 77002
United States of America

July 10, 2018

By Electronic Mail

U.S. Department of Energy
Office of Fossil Energy
Office of Oil and Gas Global Security and Supply
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P.O. Box 44375
Washington, D.C. 20026-4375

Attention: Delfin LNG, LLC, FE Docket Nos. **13-129-LNG** and **13-147-LNG**
Order Nos. 4028 and Order No. 3393
Notice of Change of Control Through Indirect Equity Ownership Changes

Dear Sirs:

Pursuant to the policies of the U.S. Department of Energy, Office of Fossil Energy ("DOE/FE") and the authorizations issued in the above-captioned proceedings, Delfin LNG, LLC ("Delfin LNG") respectfully submits this filing describing a change in control resulting from changes in indirect ownership of the company. Delfin LNG requests that the DOE/FE amend its authorizations to export domestically produced liquefied natural gas ("LNG") by marine vessel from its proposed floating liquefaction project to be located in the Gulf of Mexico (the "Project") to countries with which the United States either have, or do not have, a Free-Trade Agreement ("FTA") requiring the national treatment of natural gas.

DOE/FE authorized Delfin LNG to export LNG to FTA countries in Order No. 3393 issued in FE Docket No. 13-129-LNG on February 20, 2014. DOE/FE authorized Delfin LNG to export LNG to non-FTA countries in Order No. 4028 issued in FE Docket No. 13-147-LNG on June 1, 2017. Ordering Paragraph P of Order No. 4028 provides that Delfin must comply with DOE/FE's "Procedures for Change in Control Affecting Applications and Authorizations to Import or Export Natural Gas,"¹ and states that a "change in control" shall include any change, directly or indirectly, of the power to direct the management or policies of Delfin LNG, whether such power is exercised through

¹ 79 Fed. Reg. 65541 (Nov. 5, 2014)(hereinafter the "Change in Control Procedures").



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one or more intermediary companies or pursuant to an agreement and whether such power is established through ownership or voting of securities or any other direct or indirect means.

DOE's regulations at 10 C.F.R. 590.405 provide that authorizations to export natural gas shall not be transferable or assignable unless specifically authorized by DOE/FE. In applying that regulation, DOE/FE has clarified that amendments to export authorizations are necessary to reflect a change in control of the authorization holder. The Change in Control Procedures explain DOE/FE's broad interpretation of the term "change in control" (just as summarized in Order No. 4028) and further explain that a rebuttal presumption that control exists will arise from the ownership or the power to vote, directly or indirectly, 10 percent or more of the voting securities of an entity. The Procedures require the filing of notices of any change in control no later than 30 days after the changes have been effectuated, unless good cause is shown for a later filing.

The Change in Control Procedures state that the DOE/FE will give immediate effect to notices of change in control with respect to already issued long-term LNG export authorizations to both FTA and non-FTA countries. With respect to FTA authorizations, DOE/FE then will take no further action. With respect to non-FTA authorizations, DOE/FE will publish notice of the change in control in the Federal Register, providing interested persons 15 days after publication to intervene, protest, or answer the statement of change in control. If no interested person protests, and DOE/FE takes no action on its own motion, the amendment to the authorization will be deemed granted 30 days after publication in the Federal Register. If one or more protests are filed, DOE/FE will issue a determination as to whether the proposed change in control has been demonstrated to render the underlying authorization inconsistent with the public interest.

As noted in Order No. 4028, Delfin LNG was a wholly-owned subsidiary of Fairwood Peninsula Energy ("Fairwood Peninsula"), which in turn was owned by a variety of investors engaged in the development of the Project. An intermediary holding company, Delfin Midstream, LLC ("Delfin Midstream") was subsequently established, with Fairwood Peninsula owning 100% of Delfin Midstream and Delfin Midstream owning 100% of Delfin LNG (not resulting in any change of control or ownership).

On May 1, 2018, Delfin Midstream was converted from a limited liability company to a corporation and, in June of this year, equity shares in Delfin Midstream, Inc. (which



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continues to own 100% of Delfin LNG) were sold to a variety of investors to raise additional capital. Effective as of June 12, 2018, when the last of the changes in ownership became effective, the Fairwood Peninsula ownership of Delfin Midstream has been reduced to 30.7%. The only other entities that now own or control 10 percent or more of the voting securities of Delfin Midstream are: Talisman Global Alternative Master, L.P. and Talisman Global Capital Master, L.P., which are affiliated investment funds managed by an investment firm that now own 25.5% and 20.1% respectively. The two Talisman funds were previously, and remain, investors in Fairwood Peninsula as well, giving them further indirect ownership interests in Delfin Midstream of an additional 4.57% and 3.60%.²

Other than Fairwood Peninsula and the Talisman funds, no other entity owns more than 10% of Delfin Midstream. Indeed, only one other entity owns more than 3.5% of Delfin Midstream: Mr. Frederick Jones, who now individually owns 9.3% of Delfin Midstream as well as 5.41% of Fairwood Peninsula, resulting in an additional 1.66% indirect ownership of Delfin Midstream. Mr. Jones has always been a principal director and officer of Delfin LNG, with direct and indirect ownership interests in Fairwood Peninsula.

The recent changes in indirect ownership of Delfin LNG provide additional funding to support the continued development of the Project. The change in control in no way affects the public interest analysis supporting the export of LNG from the Project to non-FTA countries reflected in Order No. 4028, and certainly does not in any way render the underlying authorization inconsistent with the public interest.

Consistent with the Change in Control Procedures, Delfin LNG asks that DOE/FE give immediate effect to this filing and amend the FTA export authorization issued in Order No. 3393, with no need for further action. With respect to the non-FTA authorization issued in Order No. 4028, DOE/FE should give immediate effect to the change in ownership, publish notice of the change in control in the Federal Register and, assuming no protests, take no further action with respect to it either.

We hope this notice provides sufficient detail regarding the change in control of Delfin LNG through indirect ownership of the company, in compliance with Order No. 4028 and DOE/FE policies. Please feel free to contact our counsel, Patrick Nevins of Latham

² Specifically, Talisman Global Alternative Master, L.P. owns 14.9% of Fairwood Peninsula, resulting in additional indirect ownership in Delfin Midstream of 4.57%, and Talisman Global Capital Master, L.P. owns 11.73% of Fairwood Peninsula, for additional indirect ownership in Delfin Midstream of 3.60%.



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& Watkins at (202) 637-3363 or Patrick.Nevins@LW, if you have any questions or require additional information.

Respectfully submitted,

A handwritten signature in black ink that reads "W. H. Daughdrill". The signature is written in a cursive style with a horizontal line extending to the right from the end of the name.

William H. Daughdrill
Director, Health, Safety and
Environment
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cc: Benjamin Nussdorf, DOE