



Department of Energy
Washington, DC 20585

March 11, 2019

William H. Daughdrill
Director, Health, Safety, and Environment
Fairwood Peninsula Energy Corporation
1100 Louisiana Street,
Suite 3550
Houston, Texas, 77002

RE: Notice of Change of Control Through Indirect Equity Ownership Changes
Delfin LNG, LLC
FE Docket No. 13-147-LNG

Dear Mr. Daughdrill:

This correspondence constitutes the response of the Department of Energy (DOE), Office of Fossil Energy (FE), to your letter filed on July 10, 2018, on behalf of Delfin LNG, LLC (Delfin LNG) in the above-referenced proceeding.¹ In the letter, you provide information regarding changes to the indirect ownership of Delfin LNG in light of DOE/FE's Change in Control Procedures.²

I. BACKGROUND

In relevant part, Delfin LNG holds a long-term authorization to export liquefied natural gas (LNG) to countries with which the United States does not have a free trade agreement (FTA) requiring national treatment for trade in natural gas, and with which trade is not prohibited by U.S. law or policy (non-FTA countries).³ DOE/FE issued this non-FTA authorization to Delfin LNG in DOE/FE Order No. 4028 in the above-captioned docket.⁴

¹ Delfin LNG, LLC, FE Docket Nos. 13-129-LNG and 13-147-LNG, Notice of Change of Control Through Indirect Equity Ownership Changes (July 10, 2018) [hereinafter Delfin LNG Ltr.].

² See U.S. Dep't of Energy, Procedures for Changes in Control Affecting Applications and Authorizations to Import or Export Natural Gas, 79 Fed. Reg. 65,541 (Nov. 5, 2014) [hereinafter DOE/FE Change in Control Procedures].

³ This letter addresses only the non-FTA portion of Delfin LNG's letter. On August 23, 2018, in FE Docket No. 13-129-LNG, DOE/FE addressed the FTA portion of the Delfin LNG letter separately.

⁴ *Delfin LNG, LLC*, DOE/FE Order No. 4028, FE Docket No. 13-147-LNG, Opinion and Order Granting Long-Term, Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel From a Proposed Floating Liquefaction Project and Deepwater Port 30 Miles Offshore of Louisiana to Non-Free Trade Agreement Nations (June 1, 2017).

II. DESCRIPTION OF CHANGES IN CORPORATE OWNERSHIP

According to your letter, Delfin LNG has undergone recent changes in the indirect ownership of the company. Your letter states that, at the time DOE/FE issued Order No. 4028, Delfin LNG was a wholly-owned subsidiary of Fairwood Peninsula Energy Corporation (Fairwood Peninsula), which in turn was owned by a variety of investors.⁵ Your letter describes the following changes that have since occurred:

- Delfin Midstream, LLC (Delfin Midstream), an intermediary holding company, was established. Fairwood Peninsula owned 100% of Delfin Midstream, and Delfin Midstream owned 100% of Delfin LNG.
- On May 1, 2018, Delfin Midstream was converted from a limited liability company to a corporation. In June 2018, equity shares in Delfin Midstream (which continues to own 100% of Delfin LNG) were sold to a variety of investors to raise additional capital.
- Effective June 12, 2018, Fairwood Peninsula's ownership of Delfin Midstream has been reduced from 100% to 30.7%.
- Two other entities also own or control 10% or more of the voting securities of Delfin Midstream as follows: Talisman Global Alternative Master, L.P. (25.5%) and Talisman Global Capital Master, L.P. (20.1%).
- The two Talisman funds were previously, and remain, investors in Fairwood Peninsula. As a result, they hold additional indirect ownership interests in Delfin Midstream as follows: Talisman Global Alternative Master, L.P. (4.57%) and Talisman Global Capital Master, L.P. (3.60%).
- Mr. Frederick Jones (a principal director and officer of Delfin LNG) individually owns 9.3% of Delfin Midstream and 5.41% of Fairwood Peninsula—the latter resulting in an additional 1.66% indirect ownership of Delfin Midstream.⁶

According to Delfin LNG, these changes in indirect ownership provide additional funding to support the continued development of Delfin LNG's Project.⁷

III. DISCUSSION AND CONCLUSIONS

DOE/FE construes a change in control to mean a change, directly or indirectly, of the power to direct the management or policies of an entity whether such power is exercised through one or more intermediary companies or pursuant to an agreement, written or oral, and whether such power is established through ownership or voting of securities, or common directors, officers, or stockholders, or voting trusts, holding trusts, or debt

⁵ See Delfin LNG Ltr. at 2.

⁶ See *id.* at 2-3.

⁷ See *id.* at 3.

holdings, or contract, or any other direct or indirect means.⁸ A rebuttable presumption that control exists will arise from the ownership or the power to vote, directly or indirectly, 10% or more of the voting securities of such entity.⁹

As stated above, this letter applies only to Delfin LNG's existing non-FTA authorization. DOE/FE's CIC Procedures state that, with respect to existing non-FTA authorizations, DOE/FE will give effect to the change in control and will publish a notice of the change in the *Federal Register*. If no interested person protests the change in control and DOE takes no action on its own motion, the amendment to the non-FTA authorization will be deemed granted 30 days after publication in the *Federal Register*.¹⁰

Consistent with these procedures, DOE published a notice of Delfin LNG's changes in control in the *Federal Register* on August 29, 2018 (Notice).¹¹ DOE/FE invited protests, motions to intervene, and written comments to be filed no later than September 13, 2018.¹² DOE/FE received no filings in response to the Notice.

Upon review of the record, DOE/FE determines that the changes in control described above are consistent with the public interest under section 3(a) of the Natural Gas Act, 15 U.S.C. § 717b(a). Observing no opposition to this request, the changes in control are deemed granted insofar as they relate to Delfin LNG's non-FTA authorization, DOE/FE Order No. 4028. No further action is required.

Sincerely,

Amy R. Sweeney
Director, Division of Natural Gas Regulation

⁸ See DOE/FE Change in Control Procedures, 79 Fed. Reg. at 65,542.

⁹ See *id.*

¹⁰ See *id.*

¹¹ U.S. Dep't of Energy, Change in Control: Delfin LNG, LLC, 83 Fed. Reg. 44,035 (Aug. 29, 2018).

¹² See *id.*