

168 FERC ¶ 61,216  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

September 30, 2019

In Reply Refer To:  
LLOG Bluewater Holdings, L.L.C.;  
Murphy Exploration & Production  
Company – USA;  
LLOG Exploration Offshore, L.L.C.  
Docket No. RP19-1391-000

Ruth M. Porter  
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Washington, DC 20036-5306

Matthew M. Schreck  
2226 Pine Street  
Philadelphia, PA 19103

Reference: Petition for Capacity Release Waivers

Dear Ms. Porter and Mr. Schreck:

1. On July 22, 2019, LLOG Bluewater Holdings, L.L.C. (LLOG Bluewater), Murphy Exploration & Production Company – USA (Murphy), and LLOG Exploration Offshore, L.L.C. (LLOG) (collectively, Petitioners) filed a joint petition for limited waivers and request for expedited action, with a shortened comment period of seven days (Petition). Specifically, Petitioners request limited, case-specific waiver of the Commission's capacity release regulations and policies; waiver of the capacity release provisions set forth in the FERC Gas Tariff of Destin Pipeline Company, L.L.C. (Destin); and all other waivers or authorizations to the extent they may be required to assign or partially assign firm transportation agreements that LLOG Bluewater and LLOG hold on Destin to Murphy. Petitioners request that the proposed waivers remain effective for 120 days. For the reasons discussed below, the Commission grants the Petitioners' joint request for limited waivers.

2. Petitioners state that they are requesting these waivers to implement a Purchase and Sale Agreement (PSA) dated April 19, 2019, between LLOG Bluewater, Murphy,

and LLOG, under which Murphy purchased LLOG Bluewater's and LLOG's respective ownership interest in the Delta House prospect in several Mississippi Canyon blocks in the Gulf of Mexico (Prospect).<sup>1</sup> Petitioners note that the Prospect is currently producing natural gas, which is being transported on firm transportation agreements pursuant to Destin's Rate Schedule FT-2.<sup>2</sup> Petitioners state that while the transaction closed on May 31, 2019, the proposed assignments of the firm transportation agreements cannot occur until the Commission grants the requested waivers.<sup>3</sup> Petitioners state that under the PSA, LLOG Bluewater will fully, and LLOG will partially, assign to Murphy two service agreements<sup>4</sup> under Destin's Rate Schedule FT-2, each dated May 20, 2013 (FT-2 Agreements). Petitioners state that this capacity is integral to Murphy's acquisition of the Prospect natural gas production and that it is necessary to transport gas produced from the Prospect into the market.<sup>5</sup>

3. Petitioners specifically request temporary, 120-day waiver of the following capacity release regulations and policies of the Commission and the related provisions of Destin's tariff, to the extent applicable, to permit the proposed assignment and transfer: (a) the prohibition against tying arrangements; (b) the applicable maximum rate;<sup>6</sup> (c) notification for bidding;<sup>7</sup> (d) bidding;<sup>8</sup> (e) the provisions of Section 18 of the General Terms and Conditions of Destin's FERC Gas Tariff regarding the Commission's capacity release rules; (f) the shipper-must-have-title requirement; (g) the prohibition of buy-sell

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<sup>1</sup> Petition at 1-2.

<sup>2</sup> *Id.* at 2.

<sup>3</sup> *Id.*

<sup>4</sup> Contract Nos. 2DPC43 (LLOG) and 2DPC44 (LLOG Bluewater). Petitioners note that the Reserve Commitment Agreements associated with the FT-2 Agreements are also being partially assigned to Murphy and that Contract No. 2 DPC43 is only being partially assigned to Murphy, as LLOG is retaining a portion of the capacity under the agreement to transport other gas supplies it holds in certain of the Prospect's leases.

<sup>5</sup> Petition at 4.

<sup>6</sup> 18 C.F.R. §§ 284.8(b)(2) and 284.8(h)(1)(iii) (2019).

<sup>7</sup> 18 C.F.R. § 284.8(d).

<sup>8</sup> 18 C.F.R. § 284.8(e).

arrangements; and h) to the extent required, any other rules, regulations, policies, or tariff provisions necessary to implement the proposed capacity releases.<sup>9</sup>

4. Petitioners note that the proposed assignment of the FT-2 Agreements to Murphy will permit it to continue to utilize the capacity in conjunction with the current and future use and development of the natural gas production assets that rely on said capacity for delivery to the market. Petitioners further note that the requested waivers will enable them to effectuate the assignment at the current negotiated rate,<sup>10</sup> thereby allowing the commercial terms of the negotiated rate agreements to remain effective for their remaining term. Petitioners state that the proposed waivers will ensure that they are not in violation of Commission policies as they effectuate, through a series of transactions, the proposed assignments and transfers as efficiently as possible. Finally, Petitioners aver the waivers are necessary because the proposed assignments are being accomplished as part of a much larger commercial transaction.

5. Petitioners aver that the requested waivers are in the public interest, as the firm transportation capacity on Destin is necessary for Murphy to fully utilize the natural gas production assets being purchased from LLOG Bluewater and LLOG. Further, LLOG Bluewater and LLOG no longer need this firm transportation capacity in light of the sale of the related natural gas producing assets to Murphy.<sup>11</sup> Petitioners also contend that the nature of the PSA and the integrated sale of both physical assets and transfer of the Destin firm transportation agreements is such that the two cannot be practically separated. Finally, Petitioners state that the requested waivers are necessary to effectuate the larger commercial asset transaction between LLOG Bluewater, Murphy, and LLOG and that Commission policy was not intended as a barrier to such transactions. Petitioners state that the Commission has granted such waivers in similar circumstances in the past and that granting those requested in the instant filing would be consistent with previous Commission action.<sup>12</sup>

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<sup>9</sup> Petition at 5-7.

<sup>10</sup> *Id.* at 7, fn 7. Petitioners note that because the consideration for the assignment of this firm capacity is part of the overall consideration being paid by Murphy for the Prospect pursuant to the PSA, Petitioners also request waiver of the Commission's regulations to the extent the Commission were to deem this consideration as resulting in capacity releases in excess of the maximum recourse rate.

<sup>11</sup> *Id.*, at 8.

<sup>12</sup> *Id.* at 7 (citing *Cabot Oil & Gas Corp.*, 160 FERC ¶ 62,153 (2017); *Total Gas & Power North America, Inc.*, 131 FERC ¶ 61,023 (2010); *Apache Corp.*, 167 FERC ¶ 61,143 (2019); *Energy Corp. of America*, 161 FERC ¶ 61,279 (2017); *XTO Energy Inc.*,

6. Petitioners request expedited action on their request for waivers on or before September 30, 2019, in addition to a shortened comment period of seven days, so that the proposed assignment, which is part of a much larger commercial transaction, can be effectuated as soon as possible to ensure no disruption in service. Petitioners note Murphy does not intend to receive the assigned capacity until the requested waivers are granted.<sup>13</sup>

7. Public notice of the filing was issued on July 24, 2019, with interventions and protests due July 29, 2019. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>14</sup> all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No adverse comments or protests were filed. The requested waivers and request for shortened comment period are therefore uncontested.

8. The Commission has reviewed the Petition and finds that the request is adequately supported and appears consistent with previous waivers the Commission has granted to permit the release of capacity under similar circumstances.<sup>15</sup> In these cases, the Commission has granted temporary, limited waivers of its capacity release regulations and the relevant tariff provisions of the affected pipelines involving the transfer of natural gas transportation agreements. In addition, we find that Petitioners have provided the information required for granting waivers, which includes (a) identification of the regulations and policies for which waiver is sought; (b) identification of the pipeline service agreements and capacity to be transferred; (c) a description of the overall

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160 FERC ¶ 61,120 (2017); *Anadarko Energy Services Co.*, 158 FERC ¶ 61,130 (2017); *Macquarie Cook Energy, LLC*, 126 FERC ¶ 61,160 (2009); *Marathon Oil Co.*, 133 FERC ¶ 61,168 (2010); *Noble Energy, Inc.*, 159 FERC ¶ 62,312 (2017); *Anadarko Energy Services Co.*, 159 FERC ¶ 62,307 (2017); *ARM Energy Management, LLC*, 159 FERC ¶ 62,290 (2017)).

<sup>13</sup> Petition at 9-10.

<sup>14</sup> 18 C.F.R. § 385.214 (2019).

<sup>15</sup> See, e.g., *USG Properties Marcellus Holdings, LLC*, 166 FERC ¶ 61,111 (2019); *BP Energy Co.*, 165 FERC ¶ 61,018 (2018); *CNX Gas Co. LLC*, 163 FERC ¶ 61,143 (2018); *Petrohawk Energy Corp.*, 144 FERC ¶ 61,234 (2013); *Salmon Res. LTD*, 138 FERC ¶ 61,059 (2012); *Wis. Elec. Power Co.*, 131 FERC ¶ 61,104 (2010); *EnergyMark, LLC*, 130 FERC ¶ 61,059 (2010); *Sequent Energy Mgmt., L.P.*, 129 FERC ¶ 61,188 (2009); *Macquarie Cook Energy, LLC*, 126 FERC ¶ 61,160 (2009); *Bear Energy LP*, 123 FERC ¶ 61,219 (2008).

transaction and its claimed benefits, with sufficient detail to permit the Commission and other interested parties to determine whether granting the requested waiver is in the public interest; and (d) filing the petition as much in advance of the requested date as possible.<sup>16</sup>

9. Accordingly, for good cause shown, the Commission grants temporary and limited waiver of the Commission's capacity release regulations and certain other Commission policies as described above. In addition, the Commission grants, to the extent necessary, a temporary and limited waiver of the related capacity release tariff provisions of Destin. Granting this request for waiver allows the Petitioners to fully implement the described transaction and will facilitate the larger commercial transaction. This grant of waiver is to remain in effect until the earlier of 120 days following the date of the assignment of the agreements, or the date that the proposed transaction is completed, and only to the extent necessary to facilitate the described transaction.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>16</sup> *Request for Clarification of Policy Regarding Waivers of Applicable Requirements to Facilitate Integrated Transfers of Marketing Businesses*, 127 FERC ¶ 61,106, at P 10 (2009) and *DCP Midstream LP*, 141 FERC ¶ 61,256, at P 6 (2012).