

157 FERC ¶ 61,050  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

October 21, 2016

In Reply Refer To:  
Anadarko Energy Services  
Company  
Docket No. RP16-1234-000

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Reference: Petition for Temporary Waiver of Capacity Release Regulations and Policies

1. On September 8, 2016, and supplemented September 29, 2016,<sup>1</sup> Anadarko Energy Services Company (Anadarko) filed a petition (Petition) for temporary waiver of the Commission's capacity release regulations and policies to facilitate the permanent assignment of a firm service agreement to Castleton Commodities International Gulf

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<sup>1</sup> Anadarko notified the Commission that in connection with the internal structuring of the transaction, on September 23, 2016, Castleton Gulf Coast, an indirect wholly-owned subsidiary of Castleton International LLC, assigned its right to receive the assets being acquired from Anadarko and its affiliates to Castleton East Texas Upstream LLC (Castleton East Texas). According to Anadarko, Castleton Gulf Coast and Castleton East Texas remain jointly and severally liable for the purchase of the assets and the performance of Castleton Gulf Coast's obligations under the purchase and sale agreement. Anadarko seeks to modify its original request in order to permanently release and assign capacity to Castleton East Texas in lieu of Castleton Gulf Coast. Anadarko states that the Petition is unchanged in all other respects. Therefore, the descriptions in this letter reflecting the original Petition's references to Castleton Gulf Coast, should be understood consistent with the modified Petition's replacement of Castleton Gulf Coast with Castleton East Texas, its assignee.

Coast Upstream LLC (Castleton Gulf Coast). For good cause shown, the Commission grants the requested temporary waivers.

2. Anadarko states that it seeks the permanent capacity release in order to facilitate the sale of numerous oil and natural gas production and midstream assets by Anadarko and its affiliates<sup>2</sup> to Castleton Gulf Coast. Anadarko explains waivers are necessary to effectuate the permanent release and assignment of the capacity under three firm natural gas transportation service agreements to Castleton Gulf Coast for the purpose of facilitating the pending asset sale. Anadarko states that it will assign and permanently release to Castleton Gulf Coast the long-term natural gas transportation service agreements at existing rates.<sup>3</sup> Anadarko states that it intends to complete the transaction by October 31, 2016.

3. Specifically, Anadarko requests: (1) temporary and limited waiver of the Commission's capacity release rules<sup>4</sup> set forth in and policies, including the posting and bidding requirements and the prohibition against tying to the extent applicable; (2) waiver of the shipper-must-have title rule; (3) waiver of section 284.8(b)(2)<sup>5</sup> the payment of rates in excess of the maximum rates; (4) temporary and limited waiver of section 19 of the General Terms and Conditions of Enable Gas Transmission, LLC's FERC Gas Tariff and section 6.16 of the General Terms and Conditions of Texas Gas Transmission, LLC's tariff,<sup>6</sup> i.e., the applicable pipelines, which implement the Commission's capacity release regulations and policies; (5) as well as any other authorizations or waivers deemed necessary in order to permit the transaction. Anadarko asks that the requested waivers remain in effect until 120 days past the transaction closing date to allow adequate time to consummate the transaction. Additionally, Anadarko requests that the Commission issue an order granting the temporary waivers no later than October 21, 2016, in order to allow Anadarko to effectively close the transaction by October 31, 2016.

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<sup>2</sup> The Anadarko affiliates are: Anadarko E&P Onshore LLC; Kerr-McGee Oil & Gas Onshore L.P.; Anadarko Midstream Services LLC; and WGR Asset Holding Company LLC.

<sup>3</sup> Petition at 9. The transportation service agreements at issue are Contract No. 1009445 with Enable Gas Transmission, LLC and Contract Nos. 21939 and 33176 with Texas Gas Transmission, LLC.

<sup>4</sup> 18 C.F.R. § 284.8 (2016).

<sup>5</sup> *Id.* § 284.8(b)(2).

<sup>6</sup> Petition at 8.

4. Anadarko states that pursuant to a purchase and sale agreement (PSA) between Anadarko and its affiliates and Castleton Gulf Coast, Anadarko will sell and Castleton Gulf Coast will purchase, substantially all of Anadarko's upstream and midstream assets located in Panola, Harrison, Rusk, Gregg, Upshur, and Shelby Counties, Texas, including approximately 105,000 net acres and approximately 1,800 wells with net production of approximately 275 MMcfepd<sup>7</sup> as of March 2016, in addition to midstream infrastructure assets, which include a 750-mile gathering system, located in Panola, Rusk and Harrison Counties. Anadarko states the pipeline capacity is approximately 165,000 Dekatherms per day of firm transportation.<sup>8</sup> As part of the transaction, Anadarko also agrees to sell the following assets: (1) numerous oil and natural gas leases and the lands covered by those leases; (2) agreements relating to the leases and land; (3) wells; (4) all equipment and machinery located on the land and primarily used for the production, upstream gathering, treatment, processing, injection and storage of natural gas and petroleum products produced from the affected land; (5) all power lines, power poles, electrical substations, electrical infrastructure and related electrical equipment used or held for use to operate equipment on the affected land; and (6) midstream assets, including gathering lines, and processing facilities, along with equipment and machinery ancillary thereto. In addition, Anadarko states that under the terms of the PSA, it will assign and transfer several marketing and transportation assets to Castleton Gulf Coast.

5. Anadarko states that in order to facilitate the sale of the production, midstream, and marketing assets to Castleton Gulf Coast, it seeks Commission approval to permanently release and assign capacity under the firm transportation agreements at applicable rates, to Castleton Gulf Coast. Anadarko maintains that Castleton Gulf Coast will use the capacity under the agreements for the primary purpose of transporting natural gas from the acquired wells to market centers, just as Anadarko currently uses the capacity. Anadarko notes that the portion of its transportation capacity that is the subject of this Petition is an integrated part of the larger transaction that cannot be separated into discrete transactions. It explains that it uses this capacity to move natural gas from the Texas production fields to various market centers and Castleton Gulf Coast will use this capacity in the same manner and from the same wellheads. In particular, Anadarko states that granting temporary waiver of the Commission's prohibition against tying arrangements will allow it to permanently release this capacity in an orderly and effective manner that will allow a critical fuel source to be marketed in various market centers.

6. Anadarko contends that granting the waivers requested in this petition is consistent with recent Commission precedent granting temporary waivers of its capacity release regulations and policies to permit parties to consummate mergers, corporate

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<sup>7</sup> MMcfepd is "million cubic feet of natural gas equivalents per day."

<sup>8</sup> Petition at 9.

consolidations and similar transactions, including the bundling of firm interstate transportation contracts unrelated to any other asset disposition or business activities.<sup>9</sup> Further, Anadarko argues that the Commission has granted such waivers under circumstances analogous to those presented here.<sup>10</sup>

7. Anadarko states that granting the requested waivers will permit this complex transaction to proceed in an orderly and efficient fashion. Moreover, it pledges to use the temporary waivers only for the limited purpose of consummating the transfer of capacity as part of the larger, integrated transaction between Anadarko and Castleton Gulf Coast.

8. Public notice of the filing was issued on September 12, 2016. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.<sup>11</sup> Pursuant to Rule 214,<sup>12</sup> all timely motions to intervene and any unopposed motions 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.

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<sup>9</sup> Petition at 6 n.3 (citing *WPX Energy Marketing, LLC*, 156 FERC ¶ 61,037 (2016); *Anadarko Energy Serv. Co.*, 153 FERC ¶ 61,124; *WPX Energy Appalachia, LLC*, 150 FERC ¶ 61,013 (2015); *Wyoming Interstate Co. L.L.C.*, 146 FERC ¶61,040 (2014); *Cheyenne Plains Gas Pipeline Co., L.L.C.*, 145 FERC ¶ 61,006 (2013)).

<sup>10</sup> Petition at 6-7 (citing *Dogwood Energy LLC*, 152 FERC ¶ 61,083 (2015) (granting temporary waiver of capacity release rules and regulations in order to enable the petitioner to release a portion of total capacity provided for in a firm transportation agreement in order to facilitate the disposition of a partial ownership interest in a generating facility and rights to transportation capacity under a firm transportation agreement); *Virginia Power Energy Marketing, Inc.*, 142 FERC ¶ 61,223 (2013) (granting waiver to facilitate a permanent release of a firm natural gas transportation agreement in connection with the sale of Brayton Point Power Station); *Iberdrola Energy Serv. LLC*, 138 FERC ¶ 61,201 (2012) (waiver of the Commission's capacity release rules and policies granted to enable a gas and power marketer to transfer its natural gas business to an affiliate as part of a corporate reorganization); and *WPX Energy Appalachia LLC*, 150 FERC 61,013 (granting waiver to facilitate a capacity release in connection with the disposition of substantially all of WPX's natural gas production assets in the Marcellus Shale region)).

<sup>11</sup> 18 C.F.R. § 154.210 (2016).

<sup>12</sup> *Id.* § 385.214.

9. The Commission has reviewed Anadarko's request for the temporary and limited waivers and approvals to complete the transaction, and finds that the request is adequately supported and appears generally consistent with previous waivers that the Commission has granted to permit the release of capacity under similar circumstances, particularly when it results in sales of entire business units.<sup>13</sup> Moreover, no party has objected to the requested waivers.

10. Accordingly, for good cause shown, the Commission grants Anadarko's request for temporary, limited waiver of the Commission's capacity release regulations as specified in the Petition, including prohibitions on buy/sell and tying arrangements, posting and bidding provisions, and shipper-must-have-title requirements. In addition, the Commission grants limited waiver of the affected pipelines' tariff provisions implementing those policies, but only to the extent necessary to effectuate the permanent releases of capacity in the amounts specified in the Petition. The Commission will allow the waivers to remain in effect for up to a 120-day period following issuance of this order, in order to allow time for consummation of the transaction.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.

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<sup>13</sup> *E.g.*, *WPX Energy Holdings, LLC*, 154 FERC ¶ 61,221 (2016); *Big Sandy Pipeline, LLC*, 141 FERC ¶ 61,151; *Big Sandy Pipeline, LLC*, 136 FERC ¶ 61,130 (2011); *Total Gas & Power North America, Inc.*, 131 FERC ¶ 61,023 (2010); *North Baja Pipeline, LLC*, 128 FERC ¶ 61,082 (2009); *Macquarie Cook Energy, LLC*, 126 FERC ¶ 61,160 (2009).