

170 FERC ¶ 61,160
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

February 27, 2020

In Reply Refer To:

Talos Exploration LLC, ILX Prospect
Diller, LLC, ILX Prospect Marmalard,
LLC, ILX Prospect MC79, LLC, ILX
Prospect Niedermeyer, LLC, ILX
Prospect Odd Job, LLC, ILX Prospect
Caddis, LLC, ILX Prospect Crown &
Anchor, LLC, ILX Prospect Dantzler,
LLC, ILX Prospect Claiborne, LLC, and
ILX I Sales & Transport, LLC
Docket No. RP20-511-000

Ridgewood Energy
1254 Enclave Parkway
Suite 600
Houston, TX 77077

Talos Exploration LLC
2226 Pine Street
Philadelphia, PA 19103

Attention: W. Greg Tabor, Attorney
Matthew M. Schreck, Attorney

Dear Messrs. Tabor and Mr. Schreck:

1. On February 10, 2020, Talos Exploration LLC (Talos), ILX Prospect Diller, LLC, ILX Prospect Marmalard, LLC, ILX Prospect MC79, LLC, ILX Prospect Niedermeyer, LLC, ILX Prospect Odd Job, LLC, ILX Prospect Caddis, LLC, ILX Prospect Crown & Anchor, LLC, ILX Prospect Dantzler, LLC, ILX Prospect Claiborne, LLC, and ILX I Sales & Transport, LLC (collectively, the ILX entities) (jointly, Petitioners) filed a joint petition requesting temporary, limited waiver of the Commission's capacity release regulations and policies, and the applicable capacity release tariff provisions of Destin Pipeline Company, L.L.C. (Destin) and Discovery Gas Transmission LLC (Discovery).

2. Petitioners state that they seek waiver to allow the permanent release of firm transportation capacity under ten service agreements that the ILX entities hold on Destin

and Discovery to Talos.¹ They assert that this firm transportation capacity on Destin and Discovery is necessary for Talos to fully utilize the natural gas production assets being purchased from ILX and that each of the ILX entities no longer need this firm transportation because of the sale of the related natural gas producing assets to Talos. Petitioners state that the transactions are projected to close on or about March 1, 2020, but the proposed assignments of the firm transportation agreements will not occur until the Commission has granted the requested waiver.

3. As discussed below, and for good cause shown, the Commission grants the requested temporary waiver effective the date of the issuance of this order, to remain in effect for 120 days from the earlier of the issuance of this order, or the date the transaction is completed, and only to the extent necessary to facilitate the described transaction.

4. Petitioners state that on December 10, 2019, Talos' parent corporation, TPI (Talos Production Inc.), Talos Energy Inc., the parent corporation of TPI, and ILX Holdings II, LLC (the sole shareholder of certain of the ILX entities) entered into two purchase and sale agreements, under which the membership interests of each of the ILX entities are being acquired, which will transfer ownership in various offshore prospects to Talos. According to the Petitioners, pursuant to the terms of the two agreements, the ILX entities will assign to Talos the ten firm transportation service agreements under Rate Schedule FT-2 and will permanently and partially release the capacity associated with these service agreements to Talos. Petitioners contend that the subject capacity is integral to Talos acquiring the membership interests of each of the ILX entities so that it can obtain the ownership in ten offshore prospects of natural gas production in the Gulf of Mexico and be able to transport the gas produced into the market.²

5. To facilitate the permanent release of capacity, Petitioners request waiver of certain Commission regulations and policies, as well as any other waiver or authorizations deemed necessary. Specifically, Petitioners request waiver of the capacity release regulations set forth in section 284.8 of the Commission's regulations,³ which include the posting and bidding requirements as well as the maximum rate ceiling provisions. Petitioners also request waiver of the Commission's: (a) shipper-must-have-title rule; (b) prohibition against tying arrangements to permit the capacity to be permanently released; and (c) prohibition against buy/sell arrangements. In addition, Petitioners request waiver of the capacity release provisions set forth in Section 18 of the

¹ Petition at 2.

² *Id.* at 4-5.

³ 18 C.F.R. § 284.8 (2019).

General Terms and Conditions (GT&C) of Destin's FERC gas tariff and Section 11 of the GT&C of Discovery's FERC gas tariff to facilitate the release of firm capacity.⁴

6. Further, Petitioners state that waiver of the bidding and posting rules and regulations is necessary to ensure that there are no violations concerning the bidding and posting of the capacity, including the maximum rate ceiling limitations because the agreements with Destin and Discovery are negotiated rate agreements. Petitioners state that because the capacity is not subject to the applicable maximum recourse rates, waiver of sections 284.8(b)(2), 284.8(d), and 284.8(e) of the Commission's regulations⁵ is needed to permit the proposed release to be considered and treated as a pre-arranged maximum release transaction to effectuate the assignment at the current negotiated rate.⁶

7. Public notice of the filing was issued on February 11, 2020. Interventions and protests were due on or before February 18, 2020. Pursuant to Rule 214,⁷ 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 intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No comments or protests were filed. The request for waiver is therefore uncontested.

8. We have reviewed Petitioners' request for temporary waiver and find 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.⁸ Specifically, we find that Petitioners provided the information required for approval of such waivers, which includes: (a) identification of the regulations and policies for which waiver is sought; (b) identification of the pipeline service agreement and capacity to be transferred; (c) a description of the overall transaction and its claimed benefits, with

⁴ Discovery's capacity release provisions only expressly apply to firm transportation service provided under Rate Schedule FT-1, while the ILX entities have firm transportation agreements under Rate Schedule FT-2. For purposes of this filing, we will treat this capacity release as a waiver of all of the capacity release provisions of Discovery's tariff.

⁵ 18 C.F.R. §§ 284.8(b)(2), 284.8(d), and 284.8(e).

⁶ Petition at 8.

⁷ 18 C.F.R. § 385.214 (2019).

⁸ See, e.g., *Anadarko Energy Services Co.*, 169 FERC ¶ 61,006 (2019); *Black Hills Gas Distribution, LLC*, 168 FERC ¶ 61,218 (2019); *HG Energy II Appalachia, LLC*, 167 FERC ¶ 61,100 (2019); *GenOn Wholesale Generation, LP*, 167 FERC ¶ 61,113 (2019); *Encana Marketing (USA) Inc.*, 166 FERC ¶ 61,185 (2019).

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.⁹

9. Accordingly, for good cause shown, we grant Petitioners' request for temporary, limited waiver of the Commission's capacity release regulations, including the posting and bidding requirements and maximum rate provisions, as well as the Commission's policies on the prohibition against tying, buy/sell arrangements and the shipper-must-have-title rule. We also grant the requested waiver of the applicable capacity release tariff provisions of Destin's FERC gas tariff and Discovery's FERC gas tariff. We grant the request for waiver to remain in effect for 120 days from the earlier of the issuance of this order, or the date the transaction is completed, and only to the extent necessary to facilitate the described transaction. Granting the requested waiver will allow Petitioners an orderly and efficient transfer of ownership of assets.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁹ *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).