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**Via Email: [fergas@hq.doe.gov](mailto:fergas@hq.doe.gov)**U.S. Department of Energy (FE-34)  
Office of Fossil Energy  
Office of Natural Gas Regulatory Activities  
P.O. Box 44375  
Washington, DC 20026-4375  
Attention: Natural Gas Reports**Re: Magnolia LNG LLC  
DOE Semi-Annual Report  
DOE/FE Order No. 3406 - FE Docket No. 13-131-LNG**

To: Office of Natural Gas Regulatory Activities

Pursuant to Ordering Paragraph I of the above-referenced DOE/FE Order, please accept this progress report for Magnolia LNG LLC ("Magnolia LNG"). This report covers the period from the date of authorization, March 5, 2014, through September 30, 2014. Consistent with Ordering Paragraph I, Magnolia LNG will continue to file semi-annual reports with the Department.

Any questions regarding this correspondence may be directed to the undersigned at 202.778.9014 or [david.wochner@klgates.com](mailto:david.wochner@klgates.com).

Best regards,



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David L. Wochner  
*Counsel for Magnolia LNG LLC*

Magnolia LNG LLC  
FE Docket No. 13-131-LNG  
DOE/FE Order No. 3406  
Semi-Annual Report  
Period Ending September 30, 2014

**Progress of the Proposed Magnolia LNG Terminal**

The regulatory permitting process for the Magnolia LNG Terminal is in progress. Magnolia LNG filed its formal application under Section 3 of the Natural Gas Act with the Federal Energy Regulatory Commission (“FERC”) on April 30, 2014, after completing the mandatory FERC pre-filing process. In January 2014, Magnolia LNG signed a binding Precedent Agreement with Kinder Morgan Louisiana Pipeline for firm natural gas transportation service up to 1,400,000 dekatherms per day, sufficient to satisfy the full 8 mtpa capacity of the Magnolia LNG Project. On June 30, 2014, Kinder Morgan Louisiana Pipeline filed its application with FERC to construct the facilities necessary to deliver natural gas to the Magnolia LNG Project.

As part of the regulatory process, Magnolia LNG has continued to conduct substantial outreach at the state and local levels with governmental agencies, elected officials, civic organizations, and citizens groups. Notably, Magnolia LNG received a Letter of Recommendation from the U.S. Coast Guard, dated September 15, 2014, approving the Project’s Waterway Suitability Assessment. In addition, the Department of Transportation’s Pipeline and Hazardous Materials Safety Administration issued a Letter of No Objection to FERC dated September 17, 2014, approving the Project’s design spill methodology.

Magnolia LNG maintains the goal of commencing construction in 2015, with first production coming in the first half of 2018. Magnolia LNG executed an Engineering, Procurement & Construction (“EPC”) Contract Term Sheet with SK E&C USA, Inc. and the process of drafting the Lump Sum Turn Key EPC Contract has commenced. The Front End Engineering Design by SK E&C is progressing on schedule and budget, and a supplier and subcontractor inquiry process to support the EPC Capital Cost Estimate is underway.

In October 2013, Magnolia LNG signed a binding Equity Commitment Agreement with Stonepeak Partners LP for an estimated US\$660 million to provide 100% of the construction equity for the first phase of the Magnolia LNG Project. LNG Limited, Magnolia LNG’s parent company, raised A\$49.5 million, welcoming Fairview Capital Asset Management, LLC and Claren Road Asset Management, LLC as significant new shareholders. The Project is now fully funded to Financial Close, which remains planned for mid-2015.

Magnolia LNG also has made the following key hires:

- John Baguley - Chief Operating Officer
- Rick Cape - Chief Commercial Officer
- Rafael Hernandez - Vice President, Engineering and Construction
- Gregory Pilkinton - EPC Commercial Director
- Ron Hogan - EPC Planning Director

**Status of Long-Term LNG Offtake Agreements**

Contract negotiations for long-term tolling agreements continue to progress. To date, Magnolia LNG has executed the commercial arrangements listed below related to the Magnolia LNG Project. In compliance with Paragraphs D and F of DOE/FE Order No. 3406, Magnolia LNG will file a copy of any long-term contracts, including long-term supply contracts, within 30 days of execution.

Magnolia LNG LLC  
FE Docket No. 13-131-LNG  
DOE/FE Order No. 3406  
Semi-Annual Report  
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- In July 2013, Magnolia LNG executed a Tolling Agreement Term Sheet with Brightshore Overseas, Ltd, an affiliate of Gunvor Group, for 1.7 million metric tons per annum (“mtpa”) of firm capacity and 0.3 mtpa of interruptible capacity at the Magnolia LNG Terminal for 20 years, with a 5-year extension right.
- In August 2013, LNG Limited, Magnolia LNG’s parent company, signed a non-binding Tolling Heads of Agreement with Gas Natural Fenosa Group for 1.7 mtpa of firm capacity and additional interruptible capacity at the Magnolia LNG Terminal for a 20-year period.
- In November 2013, Magnolia LNG signed a Tolling Term Sheet with LNG Holdings Corp. for 1.7 mtpa of capacity at the Magnolia LNG Terminal for a 20-year period.
- In March 2014, Magnolia LNG executed a Tolling Agreement Term Sheet with AES Latin American Development, Ltd, a wholly owned subsidiary of The AES Corporation Group, for between 800,000 metric tons per annum and 1 mtpa for a 20-year period.