

K&L GATES

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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. 3245, FE Docket No. 12-183-LNG
DOE/FE Order No. 3406, FE Docket No. 13-131-LNG
DOE/FE Order No. 3909, FE Docket No. 13-132-LNG**

To: Office of Natural Gas Regulatory Activities:

Pursuant to Ordering Paragraph I of DOE/FE Order 3245, Ordering Paragraph J of DOE/FE Order No. 3406, and Ordering Paragraph O of DOE/FE Order No. 3909, please accept this progress report for Magnolia LNG LLC ("Magnolia LNG"). This report covers the period from April 1, 2017, through September 30, 2017. Consistent with Ordering Paragraphs I, J, and O, respectively, Magnolia LNG will continue to file semi-annual reports with the Department.

Any questions regarding this correspondence may be directed to the undersigned at 202.778.9178 or sandra.safro@klgates.com.

Very truly yours,



Sandra E Safro
Counsel for Magnolia LNG LLC

Enclosure

Magnolia LNG LLC
FE Docket Nos. 12-183-LNG, 13-131-LNG, and 13-132-LNG
DOE/FE Order Nos. 3245, 3406, and 3909
Semi-Annual Report
Period Ending September 30, 2017

Progress at the Proposed Magnolia LNG Terminal

The regulatory permitting process for the Magnolia LNG Terminal continues to progress. As outlined in prior Semi-Annual Reports dated November 4, 2016, April 4, 2016, October 1, 2015, April 2, 2015, and October 7, 2014, Magnolia LNG LLC (“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 FERC’s mandatory pre-filing process for LNG facilities. Kinder Morgan Louisiana Pipeline LLC (“KMLP”) filed an application with FERC on June 30, 2014, to construct the facilities necessary to deliver natural gas to the Magnolia LNG project.

FERC issued an Order Granting Authorization Under Section 3 of the Natural Gas Act and Granting Certificates approving the Magnolia LNG project and related KMLP pipeline facilities on April 15, 2016 (the “April 15 Order”). Sierra Club requested rehearing of FERC’s order on May 16, 2016. FERC issued an order granting the request for rehearing for the limited purpose of allowing the Commission unlimited additional time to consider the request for rehearing on June 13, 2016. FERC denied this request for rehearing on November 23, 2016.

Following the April 15 Order, Magnolia LNG submitted its Implementation Plan to FERC on April 29, 2016. Magnolia LNG requested authorization to begin initial site preparation on May 19, 2016, as supplemented on June 9, 2016, June 30, 2016, July 20, 2016, August 23, 2016, September 27, 2016, October 12, 2016, December 9, 2016, December 28, 2016, January 9, 2017, January 26, 2017, March 8, 2017, and April 27, 2017. FERC authorized Magnolia LNG to commence initial site preparation on May 4, 2017.

Magnolia LNG continues to move forward on the design and engineering of the Magnolia LNG Terminal. As reported in its Semi-Annual Report dated April 4, 2016, Magnolia LNG executed a lump sum turnkey contract for engineering, procurement, and construction services (“EPC Contract”) with a joint venture between KBR and SKE&C (the “KSJV”) on November 16, 2015. The EPC Contract does not change the total 8 million tonne per annum LNG export design capacity or the guaranteed 7.6 million tonne per annum LNG export capacity of the Magnolia LNG Terminal. Magnolia LNG announced on June 13, 2017, that it has agreed with the KSJV to extend the validity period of the signed engineering, procurement, and construction contract price through December 31, 2017.

Current global energy market conditions have extended the time necessary to obtain additional binding LNG offtake agreements required to underpin the construction program. Consequently, Magnolia LNG has not commenced construction on any of its four trains at this time and Magnolia LNG does not plan to commence any construction activities until it achieves a Final Investment Decision.

On July 5, 2017, Magnolia LNG announced that it has executed an amended and restated equity commitment agreement with Stonepeak Partners LP (“Stonepeak”) and updated the Magnolia LNG LLC agreement. These July 2017 agreements replace the October 2013 equity commitment and Magnolia LNG LLC agreements in their entirety. The equity commitment

agreement governs the relationship, cooperation, rights, and obligations between Stonepeak and Magnolia LNG's parent company, LNG Limited, through financial close of the Magnolia LNG project. The Magnolia LNG LLC agreement sets out the respective rights and obligations of Stonepeak and LNG Limited relating to Magnolia LNG from financial close, including the governance, construction, operation, allocation of profits, distribution of post-debt service cash flows, and other related matters. As Magnolia LNG reported to the U.S. Department of Energy ("DOE") on July 20, 2017, Magnolia and its ultimate parent, LNG Limited, will maintain control over the operations of the Magnolia LNG project, including over all export activities that DOE has approved under DOE/FE Order Nos. 3245, 3406, and 3909.

On August 1, 2017, Magnolia LNG executed a Servitude Agreement with Turners Bay, LLC, a Louisiana limited liability company, for the right to deposit dredge spoils generated by the project on certain tracts of land located in Calcasieu Parish, Louisiana (Servitude Property) as per the Project's Beneficial Use of Dredged Material (BUDM) Plan and the U.S. Army Corps of Engineers (USACE) Section 404/10 Permit.

Status of Long-Term LNG Offtake Agreements

Contract negotiations for other long-term offtake agreements continue to progress. Magnolia LNG will file a copy of any long-term contracts, including long-term supply contracts, within 30 days of execution in accordance with DOE/FE Orders 3245, 3406, and 3909.