

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 25, 2006

In Reply Refer To:

North Baja Pipeline, LLC
Docket No. CP01-23-003
Presidential Permit

The Honorable Donald H. Rumsfeld
Secretary of Defense
Washington, D.C. 20301

Dear Mr. Secretary:

Pursuant to the provisions of Executive Order Nos. 10485 and 12038 of September 1, 1953, and February 3, 1978, respectively, and the Secretary of Energy's Delegation Order No. 00-004.00, effective December 6, 2001, enclosed herewith for your information and consideration is a copy of an application filed by North Baja Pipeline, LLC (North Baja) with the Federal Energy Regulatory Commission on February 7, 2006, in Docket No. CP01-23-003 to amend its existing Natural Gas Act (NGA) section 3 authorization and Presidential Permit issued on January 16, 2002. These existing authorizations allow North Baja to operate border facilities between the United States and Mexico located near Mexicali, Mexico to export natural gas to Mexico.

In the February 7, 2006 filing, North Baja requests certification pursuant to section 7(c) of the NGA to expand its existing pipeline system and to amend its existing authorizations to permit it to use these expanded facilities to import as well as export natural gas. North Baja states that it is expanding its existing pipeline system to facilitate delivery of regasified LNG into the California and Arizona markets.

Article 3 of the draft permit specifies that the subject facilities may be used for either the importation or exportation of natural gas. Such use will be consistent with current and future authorizations by the Department of Energy. Article 9 is revised to state that the permittee is required to defer to the Commission's finding and requirement regarding which authorized facilities should be removed and which should remain in place in the event that they are no longer used.

A similar letter, together with a draft of the amended Presidential Permit and a copy of the application, is being sent to the Secretary of State. If the Secretary of State should make an unfavorable recommendation or propose any material change in the draft of the Permit, the Commission will immediately advise you.

The Commission would appreciate receiving your views regarding issuance of the proposed amended Permit at an early date. Please do not hesitate to contact me at (202) 502-8400, or Ethel Morgan at (202) 502-8450, if you need any further information.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: The Honorable Condoleezza Rice

Attachments:

Application of North Baja Pipeline, LLC
Presidential Permit

AMENDED PERMIT AUTHORIZING NORTH BAJA PIPELINE, LLC (NORTH BAJA) TO OPERATE AND MAINTAIN NATURAL GAS FACILITIES AT THE INTERNATIONAL BOUNDARY BETWEEN THE UNITED STATES AND MEXICO

**FEDERAL ENERGY REGULATORY COMMISSION
Docket No. CP01-23-003**

North Baja Pipeline, LLC a limited liability company organized under the laws of the State of Delaware filed on February 7, 2006, in Docket No. CP01-23-003 an application pursuant to Executive Order Nos. 10485 and 12038 and the Secretary of Energy's Delegation Order No. 00-004.00, requesting that the Commission issue an order authorizing it to modify its export facilities located at the international boundary between the United States and Mexico to accommodate the importation of regasified LNG from Mexico.

By letter dated 2006, the Secretary of State, and by letter dated 2006, the Secretary of Defense favorably recommended that this Permit be granted. The Federal Energy Regulatory Commission finds that the issuance of this Permit, allowing the modifications requested by North Baja is appropriate and consistent with the public interest.

Pursuant to the provisions of Executive Order Nos. 10485 and 12038, dated September 3, 1953, and February 3, 1978, respectively, the Secretary of Energy's Delegation Order No. 00-004.00 effective December 6, 2001, and the Commission's regulations, permission is granted to North Baja (Permittee) to operate and maintain the natural gas facilities described in Article 2 below, upon the terms and conditions of the Permit.

Article 1. It is expressly agreed by the Permittee that the facilities herein described shall be subject to all provisions and requirements of this Permit. This Permit may be modified or revoked by the President of the United States or the Federal Energy Regulatory Commission and may be amended by the Federal Energy Regulatory Commission, upon proper application therefor.

Article 2. The following facilities are subject to this Permit:

A 30-inch pipeline and a 48-inch pipeline which will commence in California at the center of the All American Canal approximately 500 feet from the international boundary between the United States and Mexico near Mexicali, Mexico and interconnect with Gasoducto Bajanorte, S. de R.L. de C.V., a pipeline owned and operated by Sempra Energy located within Mexico.

Article 3. The natural gas facilities authorized herein, or which may subsequently be included herein by modification or amendment, may be utilized for the importation or exportation of natural gas between the United States and Mexico only in the amount, at the rate, and in the manner authorized under section 3 of the Natural Gas Act.

Article 4. The operation and maintenance of the aforesaid facilities shall be subject to the inspection and approval of representatives of the United States. The Permittee shall allow officers and employees of the United States, showing proper credentials, free and unrestricted access to the land occupied by the facilities in the performance of their official duties.

Article 5. If in the future it should appear to the Secretary of the Army that any facilities or operations permitted hereunder cause unreasonable obstruction to the free navigation of any of the navigable waters of the United States, the Permittee may be required, upon notice from the Secretary of the Army, to remove or alter the same so as to render navigation through such waters free and unobstructed.

Article 6. The Permittee shall be liable for all damages occasioned to the property of others by the operation or maintenance of the facilities, and in no event shall the United States be liable therefor. The Permittee shall do everything reasonable within its power to prevent or suppress fires on or near land occupied under this Permit.

Article 7. The Permittee agrees to file with the Commission, under oath and in such detail as the Commission may require, such statements or reports with respect to the natural gas exported, imported, or the facilities described herein, as the Commission may, from time to time, request. Such information may be made available to any federal, state, or local agency requesting such information.

Article 8. Neither this Permit nor the facilities, nor any part thereof, covered by this Permit shall be voluntarily transferred in any manner, but the Permit shall continue in effect temporarily for a reasonable time in the event of the involuntary transfer of the facilities by operation of law (including transfer to receivers, trustees, or purchasers under foreclosure or judicial sale) pending the making of an application for a permanent Permit and decision thereon, provided notice is promptly given in writing to the Commission accompanied by a statement that the facilities authorized by this Permit remain substantially the same as before the involuntary transfer. The Permittee shall maintain the facilities in a condition of repair for the efficient transportation of natural gas and shall make all necessary renewals and replacement.

Article 9. Upon the termination, revocation, or surrender of this Permit, the Commission shall determine which of the authorized facilities shall be removed and

which shall remain in place. The facilities authorized shall be removed within such time as the Commission may specify, and at the Permittee's expense. Upon failure of the Permittee to comply with the Commission's direction to remove any authorized facilities, or any portion thereof, the Commission may direct that possession of the same be taken and the facilities be removed at the Permittee's expense, and the Permittee shall have no claim for damages by reason of such possession or removal.

Article 10. The Permittee agrees that when, in the opinion of the President of the United States, evidenced by a written order addressed to it as holder of this Permit, the safety of the United States demands it, the United States shall have the right to enter upon and take possession of any of the facilities, or parts thereof, maintained or operated under this Permit, and all contracts covering the transportation or sale of natural gas by means of said facilities, to retain possession, management, and control thereof for such length of time as may appear to the President to be necessary to accomplish said purposes, and then to restore possession and control to the Permittee; and in the event that the United States shall exercise such right it shall pay the Permittee just and fair compensation for the use of said facilities upon the basis of a reasonable profit in time of peace, and the cost of restoring said facilities to as good condition as existed at the time of taking over thereof, less the reasonable value of any improvements that may be made thereto by the United States and which are valuable and serviceable to the Permittee.

Article 11. This Permit is subject to any action which the Government of the United States may in the future deem expedient or necessary to take in case any part of the aforesaid facilities comes into the control of any foreign government.

Article 12. The Government of the United States shall be entitled to the same or similar privileges as may by law, regulation, agreement, or otherwise, be granted by the Permittee to any foreign government.

By direction of the Commission.

Secretary

IN TESTIMONY OF ACCEPTANCE of all the provisions, conditions and requirements of this Permit, the Permittee this day of __, 2006 has caused its name to be signed by __, [pursuant to a resolution of its Board of Directors duly adopted] on the __ day of __, 2006, a certified copy of the record of which is attached hereto.

North Baja Pipelines, LLC

By _____

(Attest)

Executed in triplicate