

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

April 18, 2008

In Reply Refer To:

Sword Energy Limited and  
Eagle Rock Exploration, Ltd.  
Docket No. CP08-90-000  
Presidential Permit

The Honorable Condoleezza Rice  
Secretary of State  
Washington, DC 20520

Dear Madame 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. 00-004.00A, effective May 16, 2006, enclosed herewith for your information and consideration is a copy of an application filed by Sword Energy Limited (Sword), a Canadian corporation, and Eagle Rock Exploration Ltd. (Eagle Rock), a Canadian Corporation, (collectively, Applicants) with the Federal Energy Regulatory Commission on March 11, 2008, in Docket No. CP08-90-000. Also enclosed for your consideration is a draft copy of the proposed Presidential Permit to be issued to Eagle Rock which incorporates terms and conditions that you and the Secretary of Defense have heretofore required in similar cases.

In the March 11, 2008 filing, Applicants state that Eagle Rock has acquired all the common shares of Sword, and that Sword has been amalgamated into Eagle Rock. Consequently, Applicants seek issuance of a Presidential Permit and authorization under section 3 of the Natural Gas Act (NGA) for Eagle Rock to acquire and operate the border crossing/import facility for which the Commission granted such authorizations to Sword.<sup>1</sup>

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<sup>1</sup> See *Regent Resources Ltd. and Sword Energy Limited*, 117 FERC ¶ 61,036 (2006) (order authorizing Sword to acquire subject border crossing facility from Regent Resources Ltd). See also *Regent Resources Ltd*, 102 FERC ¶ 61,307 (2003) (order

The subject border crossing/import facility for which a Presidential Permit and authorization under section 3 of the NGA are necessary is a 30-foot long section of pipeline used for the importation of natural gas from the Province of Alberta, Canada, into Glacier County, Montana. The facility is located about sixteen miles west of Sweetgrass, between Glacier County, Montana and the Coutts area of the Province of Alberta.

Specifically, the border crossing facility extends across the Canada/United States border at the NW corner of Section 1, Township 37N, Range 5W in the State of Montana for a distance of 30 feet. The 30-foot long border crossing facility is connected on the Canadian side of the border to Sword/Eagle Rock's 4-inch diameter pipeline extending 2,300 feet directly north to a gas meter station in LSD 8 of Section four (4), Township one (1), Range sixteen (16), West of the fourth (4<sup>th</sup>) Meridian in the Province of Alberta. On the United States side of the border, the 30-foot border crossing facility interconnects with Sword/Eagle Rock's 4-inch diameter pipeline which runs in a southeasterly direction for a distance of approximately 19,400 feet and ties in with an existing third-party gathering system and processing facility in northern Montana at SE ¼ Section 8, Township 37N, Range 4W downstream of the third-party North Moulton compressor station.

Applicants state that the border crossing facility and the upstream Canadian pipeline facilities and downstream pipeline facilities in Montana will remain in place and operation for the continued transportation of natural gas imported from Canada following the acquisition of the facilities by Eagle Rock. A similar letter, together with a draft of the Presidential Permit and copy of the application, is being sent to the Secretary of Defense. If the Secretary of Defense should make an unfavorable recommendation or propose any material change in the draft of the Permit, the Commission will immediately advise you.

Applicants have requested that the Commission act without delay on their application filed March 11, 2008. Further, under section 15 of the NGA, 15 U.S.C. § 717n (2000), as amended by section 313 of the Energy Policy Act of 2005 (EPA Act 2005), Pub. L. No. 109-58, 119 Stat. 594 (2005), the Commission is required to establish a schedule to ensure expeditious completion of all Federal authorizations, including any

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authorizing construction of subject border crossing facility to allow unprocessed gas from existing shut-in wells in Alberta, Canada, to be imported into an existing United States gathering and processing system).

permit, necessary for a proposed natural gas project for which authorization under section 3 of the NGA is required. Pursuant to regulations adopted by the Commission to implement NGA section 15 as amended by EPAct 2005, your recommendation regarding this proposed Presidential Permit should be provided to the Commission no later than 90 days after the Commission issues its final environmental document. *See* 18 C.F.R. § 157.22 (2007). Notice of the initial schedule for the development of the environmental document, any subsequent changes to that schedule, issued draft environmental documents (if any), and the final environmental document will be available on the Commission's website and may be monitored by your staff via the Commission's eSubscription service.

The Commission would appreciate receiving your views regarding issuance of the proposed Presidential Permit at an early date. Please do not hesitate to contact me at (202) 502-8400, or Edward G. Gingold at (202) 502-8114, if you need any further information.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

cc: The Honorable Robert M. Gates

Attachments:

Application

Draft of Presidential Permit

**DRAFT PRESIDENTIAL PERMIT  
AUTHORIZING EAGLE ROCK EXPLORATION LTD  
TO ACQUIRE, OPERATE, AND MAINTAIN FACILITIES FOR THE  
IMPORTATION OF NATURAL GAS AT THE INTERNATIONAL BOUNDARY  
BETWEEN THE UNITED STATES AND CANADA  
IN GLACIER COUNTY, MONTANA**

**FEDERAL ENERGY REGULATORY COMMISSION  
DOCKET NO. CP08-90-000**

(Issued      , 2008)

Sword Energy Limited (Sword) and Eagle Rock Exploration Ltd. (Eagle Rock) (Permittees) filed on March 11, 2008, in Docket No. CP08-90-000 an application pursuant to Executive Order Nos. 10485 and 12038, dated September 3, 1953, and February 3, 1978, respectively, and the Secretary of Energy's Delegation Order No. 00-004.00A, effective May 16, 2006, requesting that the Commission issue an order under section 3 of the NGA and a Presidential Permit authorizing Eagle Rock to acquire from Sword certain pipeline and related facilities and to operate and maintain such facilities, as described in Article 2 below, for the importation of natural gas from Canada.

By letter dated      , 2008, the Secretary of State, and by letter dated      , 2008, the Secretary of Defense, favorably recommended that the Permit be granted. The Federal Energy Regulatory Commission finds that the issuance of a Permit is appropriate and consistent with the public interest.

Pursuant to the provisions of Executive Order Nos. 10485 and 12038, the Secretary of Energy's Delegation Order No. 00-004.00A, and the Commission's Regulations, permission is granted to Permittees 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 Permittees 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 therefore.

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

A 30-foot long segment of pipeline extending across the Canada/United States border at the NW corner of Section 1, Township 37N, Range 5W in the State of Montana for a distance of 30 feet. The 30-foot long border

crossing facility is connected on the Canadian side of the border to Sword's 4-inch diameter pipeline extending 2,300 feet directly north to a gas meter station in LSD 8 of Section four (4), Township one (1), Range sixteen (16), West of the fourth (4<sup>th</sup>) Meridian in the Province of Alberta. On the United States side of the border, the 30-foot border crossing facility interconnects with Sword's 4-inch diameter pipeline which runs in a southeasterly direction for a distance of approximately 19,400 feet and ties in with an existing third-party gathering system and processing facility in northern Montana at SE ¼ Section 8, Township 37N, Range 4W downstream of the third-party North Moulton compressor station.

Article 3. The natural gas facilities subject to this Permit, or which may subsequently be included herein by modification or amendment, may be utilized for the transportation of natural gas imported from Canada 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 Permittees 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 Permittees 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 Permittees 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 Permittees shall do everything reasonable within their power to prevent or suppress fires on or near land occupied under this Permit.

Article 7. The Permittees agree 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 imported or exported, 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 Permittees shall maintain the facilities in a condition of repair for the efficient transportation of natural gas and shall make all necessary renewals and replacements.

Article 9. At such time that this Permit is surrendered, revoked, or otherwise terminated, the Commission shall determine which of the authorized facilities shall be removed and which shall remain in place. The Commission will specify the time within which any authorized facilities shall be removed, and the Permittees shall remove those facilities within such time and at the Permittees' expense. Upon failure of the Permittees to comply with the Commission's direction to remove any authorized facilities, the Commission may direct that possession of the same be taken and the facilities be removed at the Permittees' expense, and the Permittees shall have no claim for damages by reason of such possession or removal.

Article 10. The Permittees agree 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 Permittees; and in the event that the United States shall exercise such right it shall pay the Permittees 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 Permittees.

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 Permittees 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 Permittees this day of \_\_\_\_\_ have caused their names to be signed by \_\_\_\_\_, pursuant to a resolution of its Board of Directors duly adopted on the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, a certified copy of the record of which is attached hereto.

Sword Energy Limited

By \_\_\_\_\_

Eagle Rock Exploration Ltd.

By \_\_\_\_\_

(Attest)

\_\_\_\_\_

Executed in triplicate