

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 2, 2006

In Reply Refer To:
Regent Resources Ltd. and
Sword Energy Limited
Docket No. CP06-41-000

The Honorable Condoleezza Rice
Secretary of State
Washington, DC 20520

Dear Madam Secretary:

Pursuant to the provisions of Executive Order Nos. 10485 and 12038 of September 3, 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 jointly by Regent Resources Ltd. (Regent) and Sword Energy Limited (Sword) (collectively, applicants) with the Federal Energy Regulatory Commission (Commission) on December 19, 2005, in Docket No. CP06-41-000.

In the December 19, 2005 filing, the applicants seek to amend the Presidential Permit issued to Regent on March 19, 2003, in *Regent Resources Ltd.*, 102 FERC ¶ 61,023 (2003). That order granted Regent authorization pursuant to Natural Gas Act (NGA) section 3 and a Presidential Permit to site, construct, operate, and maintain facilities for the importation of natural gas at the international boundary between Glacier County, Montana, and the Province of Alberta, Canada. These facilities are currently used to import natural gas into the United States.

Specifically, the applicants request that the authorization under NGA section 3 and the Presidential Permit held in the name of Regent be changed to insert Sword's name in lieu of Regent to recognize the sale of the facilities by Regent to Sword. The requested new section 3 authorization and Presidential Permit are to be held by Sword. The transfer of the facilities will not affect the underlying use of the facilities or the services that are currently provided to customers on the facilities.

The existing border facilities consist of a meter station in the Coutts area of Alberta, Canada, and a 2,300-foot, 4-inch outer diameter pipeline (Coutts Gas Export Pipeline) that extends directly south of the meter station to the United States-Canadian border. The Regent Pipeline crosses the International Boundary into the United States

and extends 30 feet to an interconnection with a 4-inch outer diameter pipeline (the Connector Pipeline) operated by Regent Resources Inc., a Montana incorporated company that is a wholly-owned subsidiary of Regent Resources Ltd. The Connector Pipeline connects with an existing NorthWestern-operated gathering system in northern Montana.

Regent is an Alberta corporation with its principal place of business at 1200, 630 – 7th Avenue SW, Calgary, Alberta T2P 2T5. Sword is an Alberta corporation with its principal place of business at 3400, 205 – 5th Avenue SW, Calgary, Alberta T2P 2V7. Regent and its facilities, and Sword are not owned or subsidized, either directly or indirectly, by any foreign government.

Also enclosed for your consideration is a draft copy of the Permit to be issued to Sword, which incorporates terms and conditions you and the Secretary of Defense have heretofore required in similar cases. Consistent with current Commission policy, there is one substantive difference between the draft Permit and the existing Permit. Article 3 of the draft Permit does not limit the use of the subject facilities to the importation of gas. Thus, the facilities may be used for importation or exportation as consistent with current and future authorizations by the Department of Energy.

A similar letter, together with a 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.

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 Betty Toepfer at (202) 502-8785, if you need any further information.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: The Honorable Donald Rumsfeld

Attachments:

Application of Regent Resources Ltd. and Sword Energy Limited
Draft Presidential Permit

DRAFT
**PERMIT AUTHORIZING SWORD ENERGY LIMITED TO OPERATE AND
MAINTAIN NATURAL GAS FACILITIES AT THE INTERNATIONAL
BOUNDARY BETWEEN THE UNITED STATES AND CANADA**

**FEDERAL ENERGY REGULATORY COMMISSION
DOCKET NO. CP06-41-000**

Regent Resources Ltd. and Sword Energy Limited (jointly, Applicants) both private corporations under the laws of the Province of Alberta, Canada, filed in Docket No. CP06-41-000 on December 19, 2005, 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: (1) authorizing the transfer to Sword of Regent's existing Natural Gas Act section 3 authorization to operate the Regent Pipeline for the importation of natural gas into the United States; and (2) authorizing the transfer to Sword of the Permit which the Commission issued to Regent authorizing it to site, construct, operate, and maintain pipeline facilities and place of entry for import of natural gas at the International Boundary between the United States and Canada. The border crossing facilities are located just north of Cutbank, about sixteen miles west of Sweetgrass, between Glacier County, Montana, and the Coutts area of Alberta, Canada.

By letter dated _____, 2006, the Secretary of State, and by letter dated _____, 2006, the Secretary of Defense favorably recommended that the amended Permit be granted. The Federal Energy Regulatory Commission finds that the issuance of an amended Permit 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 General Rules and Regulations, permission is granted to Sword (Permittee) to operate and maintain the natural gas transmission facilities described in Article 2 below, upon the terms and conditions of the amended 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-foot section of the Regent Pipeline on the U.S. side (border crossing) which interconnects with a 4-inch pipeline (Connector Pipeline) in the NW 1/4 Section 1, Township 37N, Range 5W, in Glacier County, Montana, operated by Regent Resources Inc., a Montana subsidiary of Regent. The 30-foot border crossing segment is the U.S. portion of the 2,300-foot, 4-inch outer diameter line extending from a gas meter station at an existing well site in Canada directly south to the United States/Canadian border. On the U.S. side, the Connector Pipeline runs in a southeasterly direction for a distance of approximately 19,400 feet and ties-in with an existing gathering system operated by NorthWestern in Northern Montana.

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 only in the amount, at the rate, and in the manner authorized under Section 3 of the Natural Gas Act.

Article 4. The construction, operation, maintenance, and connection of the aforesaid facilities shall be subject to the inspection and approval of representatives of the United States for such purposes. 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 aforesaid facilities and connections, 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 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 and connections, 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 and connections used hereunder 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 and connections 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 Commission shall specify the time within which any authorized facilities shall be removed, and the Permittee shall remove those facilities within such time and at the Permittee's expense. Upon failure of the Permittee 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 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.

Article 13. The Permittee will provide plans for the operation and maintenance of the facilities in Canada to the Commissioner for Canada, International Boundary Commission, and to the United States Commissioner of the International Boundary Commission, for review and approval in order to assure that the construction, operation, and maintenance of the boundary crossing facilities are consistent with boundary and water treaties and other agreements in force between the United States and Canada.

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.

Sword Energy Limited

By _____
(Attest)

Executed in triplicate