

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 18, 2011

In Reply Refer To:

El Paso Natural Gas Company
Docket No. CP12-7-000
Presidential Permit

The Honorable Leon E. Panetta
Secretary of Defense
Washington, DC 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. 00-004.00A, effective May 16, 2006, enclosed herewith for your information and consideration is a copy of an application filed by El Paso Natural Gas Company (El Paso) with the Federal Energy Regulatory Commission on October 7, 2011, in Docket No. CP12-7-000, to amend its two existing Natural Gas Act (NGA) section 3 authorizations and Presidential Permits, one of which was issued on July 21, 1998 and the other on February 9, 2000. These existing authorizations allow El Paso to operate three border facilities between Mexico and the United States located in Cochise County, Arizona, to export natural gas to Mexico.

In its October 7, 2011 Filing, El Paso requests amendments to its Presidential Permits and NGA section 3 authorizations so that it can increase the maximum daily export capacity of the three border crossing facilities. El Paso concurrently filed with the Commission an application pursuant to NGA section 7(c) requesting a certificate of public convenience and necessity authorizing the modification of certain facilities upstream of the border facilities. However, no change is requested to the border facilities themselves.

Also enclosed for your consideration is a draft of the amended Presidential Permit that was originally issued in 1998, labeled Draft A, and a draft of the amended Presidential Permit that was originally issued in 2000, labeled Draft B, to be issued to El Paso if the Commission approves its application. The Presidential Permits incorporate terms and conditions you and the Secretary of State have heretofore required in similar

cases. Consistent with current Commission policy, Article 9 of the draft permits differs from Article 9 of the original permits. 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 Presidential Permits 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 Permits, the Commission will immediately advise you.

The Commission would appreciate receiving your views regarding issuance of the proposed amended Presidential Permits at an early date. Please do not hesitate to contact me at (202) 502-8400, or Kathrine Henry at (202) 502-8861, if you need any further information.

By direction of the Commission. Commissioner Spitzer is not participating.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

cc: The Honorable Hillary Rodham Clinton
Secretary of State

Attachments:
Application of El Paso Natural Gas Company
Draft of Amended Presidential Permits

DRAFT A

**AMENDED PERMIT AUTHORIZING EL PASO NATURAL GAS
COMPANY (EL PASO) TO OPERATE, MAINTAIN, AND CONNECT
NATURAL GAS FACILITIES AT THE INTERNATIONAL BOUNDARY
BETWEEN THE UNITED STATES AND MEXICO**

**FEDERAL ENERGY REGULATORY COMMISSION
Docket No. CP12-7-000**

(Issued)

El Paso Natural Gas Company (El Paso), a corporation organized under the laws of the State of Delaware, filed on October 7, 2011, in Docket No. CP12-7-000, an application pursuant to Executive Order Nos. 10485 and 12038 and the Secretary of Energy's Delegation Order No. 00-004.00A, requesting that the Commission issue an order under section 3 of the Natural Gas Act and an amended Presidential Permit authorizing El Paso to increase the daily natural gas export capacity of its crossing facility at the international boundary between the United States and Mexico connected to the existing MexCobre/Douglas Meter Station via Line No. 20116 from 78,000 Mcf per day to 117,000 Mcf per day.

By letter dated , 2011, the Secretary of State, and by letter dated , 2011, 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 increased export capacity requested by El Paso, 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. 00-004.00A effective May 16, 2006, and the Commission's regulations, permission is granted to El Paso (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 upon proper application therefore.

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

A natural gas pipeline segment consisting of sixty feet of 16-inch outer diameter pipeline connecting at the United States-Mexico international boundary near Douglas, Arizona in Cochise County, Arizona, with the facilities of Mexicana de Cobre, S.A. de C.V..

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 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 Defense 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 Defense, 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 therefore. 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, 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 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 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 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 ____, 2011 has caused its name to be signed by _____, [pursuant to a resolution of its Board of Directors duly adopted] on the ____ day of __, 2011, a certified copy of the record of which is attached hereto.

El Paso Natural Gas Company

By _____

(Attest)

Executed in triplicate

DRAFT B

**AMENDED PERMIT AUTHORIZING EL PASO NATURAL GAS
COMPANY (EL PASO) TO OPERATE, MAINTAIN, AND CONNECT
NATURAL GAS FACILITIES AT THE INTERNATIONAL BOUNDARY
BETWEEN THE UNITED STATES AND MEXICO**

**FEDERAL ENERGY REGULATORY COMMISSION
Docket No. CP12-7-000**

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El Paso Natural Gas Company (El Paso), a corporation organized under the laws of the State of Delaware, filed on October 7, 2011, in Docket No. CP12-7-000, an application pursuant to Executive Order Nos. 10485 and 12038 and the Secretary of Energy's Delegation Order No. 00-004.00A, requesting that the Commission issue an order under section 3 of the Natural Gas Act and an amended Presidential Permit authorizing El Paso to increase the daily natural gas export capacity of two crossing facilities located in Cochise County, Arizona, at the international boundary between the United States and Mexico. Specifically, El Paso requests authorization to increase the export capacity at the border crossing facility connected to the El Fresnal Meter Station located at the terminus of El Paso's Line No. 2164 from its currently authorized amount of 50,000 Mcf per day to 199,000 Mcf per day. El Paso also requests authorization to increase the export capacity at the border crossing facility connected to the Willmex Meter Station located at the terminus of El Paso's Line No. 2163 from its currently authorized amount of 80,000 Mcf per day to 130,000 Mcf per day.

By letter dated , 2011, the Secretary of State, and by letter dated , 2011, 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 increased export capacity requested by El Paso, 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. 00-004.00A effective May 16, 2006, and the Commission's regulations, permission is granted to El Paso (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 upon proper application therefore.

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

Two natural gas pipeline segments, each consisting of sixty feet of 16-inch outer diameter pipeline, with appurtenances, from the El Fresnal Delivery Point near Douglas, Arizona, and from the Willmex Delivery Point, located near the Monument 90 Meter Station, in Cochise County, Arizona.

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 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 Defense 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 Defense, 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 therefore. 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, 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 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 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 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.

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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 ____, 2011 has caused its name to be signed by _____, [pursuant to a resolution of its Board of Directors duly adopted] on the ____ day of ____, 2011, a certified copy of the record of which is attached hereto.

El Paso Natural Gas Company
By _____

(Attest)

Executed in triplicate