



**United States Department of State**

*Washington, D.C. 20520*

**PERMIT**

**AUTHORIZING TRANSCANADA KEYSTONE PIPELINE, LP  
("KEYSTONE") TO CONSTRUCT, CONNECT, OPERATE AND MAINTAIN  
PIPELINE FACILITIES AT THE INTERNATIONAL BOUNDARY  
BETWEEN THE UNITED STATES AND CANADA**

By virtue of the authority vested in me as Under Secretary of State for Economic, Energy, and Agricultural Affairs under Executive Order 13337, 69 Fed. Reg. 25299 (2004), as amended, and Department of State Delegation of Authority No. 118-2 of January 26, 2006; having considered the environmental effects of the proposed action in accordance with the National Environmental Policy Act of 1969 (42 U.S.C. §§ 4321 – 4370f), Section 7 of the Endangered Species Act (16 U.S.C. 1536), and other statutes related to environmental concerns; having considered the proposed action in accordance with Section 106 of the National Historic Preservation Act (16 U.S.C. §§ 470f); and having requested and received views of members of the public, various federal and state agencies and various Indian tribes; I hereby grant permission, subject to the conditions herein set forth, to TransCanada Keystone Pipeline, LP (hereinafter referred to as the "permittee" or "Keystone"), a limited partnership, organized under the laws of the State of Delaware, owned equally by TransCanada Corporation, a Canadian public company organized under the laws of Canada, and ConocoPhillips Company, a Delaware corporation, to construct, connect, operate, and maintain pipeline facilities at the border of the United States and Canada at Cavalier County, North Dakota, for the transport of crude oil and other hydrocarbons between the United States and Canada.

The term "facilities" as used in this permit means the relevant portion of the pipeline and any land, structures, installations or equipment appurtenant thereto.

The term "United States facilities" as used in this permit means those parts of the facilities located in the United States.

As stated in permittee's application of April 19, 2006, as amended, the United States facilities will consist of the following major components:

A 30 inch diameter pipeline extending south from the United States – Canada border in Cavalier County, North Dakota, up to and including the first mainline shut-off valve or pumping station in the United States.

The permittee shall maintain such metering facilities as are required by the Commission of Customs, provided with an adequate proving system, to be installed and operated in accordance with American Petroleum Institute Code No. 1101, and a suitable sampling device; the installation and operation of said meter, proving system, and sampling device shall be subject to approval of the Commissioner of Customs. The conditions and times of meter reading, meter proving, and sampling shall be as directed by the Commissioner of Customs.

This permit is subject to the following conditions:

Article 1. The United States facilities and operations herein described shall be subject to all the conditions, provisions, and requirements of this permit and of the Record of Decision and National Interest Determination dated February 28, 2008 and any amendment thereof; further, that this permit may be terminated at the will of the Secretary of State of the United States or the Secretary's delegatee or may be amended by the Secretary of State of the United States or the Secretary's delegatee at will or upon proper application therefore; further, that the permittee shall make no substantial change in the location of the United States facilities in the immediate vicinity of the international boundary line or in the operations authorized by this permit until such changes have been approved by the Secretary of State of the United States or the Secretary's delegatee.

Article 2. The construction, operation, and maintenance of the facilities shall be in all material respects as described in permittee's application for a Presidential permit under Executive Order 13337, filed on April 19, 2006 (the "Application"), as amended, and in accordance with the construction, mitigation, and reclamation measures agreed to by Keystone in the Construction Mitigation and Reclamation Plan (CMR) found in Appendix B of the Final Environmental Impact Statement (FEIS), both of which are appended to and made part of this permit.

Article 3. The standards for, and the manner of, construction, connection, operation, and maintenance of the United States facilities shall be subject to inspection and approval by the representatives of any Federal or State agency concerned. The permittee shall allow duly authorized officers and employees of such agencies free and unrestricted access to said facilities in the performance of their official duties.

Article 4. The permittee shall comply with all applicable Federal and State laws and regulations regarding the construction, connection, operation, and maintenance of the United States facilities and with all applicable industrial codes. The permittee shall obtain requisite permits from Canadian authorities, as well as the relevant state and local governmental entities, and relevant federal agencies.

Article 5. Upon the termination, revocation, or surrender of this permit, and unless otherwise agreed by the Secretary of State or the Secretary's delegatee, the United States facilities in the immediate vicinity of the international boundary line shall be removed by, and at the expense of, the permittee within such time as the Secretary of State of the United States or the Secretary's delegatee may specify, and upon failure of the permittee to remove, or to take such other appropriate action with respect to, this portion of the United States facilities as ordered, the Secretary of State or the Secretary's delegatee may direct that possession of such facilities be taken and that they be removed or other appropriate action taken, at the expense of the permittee; and the permittee shall have no claim for damages by reason of such possession, removal, or other action.

Article 6. If, in the future, it should appear to the Secretaries of Defense or Homeland Security (or either Secretary's delegatee) or the United States Coast Guard that any facilities or operations permitted hereunder cause unreasonable obstructions 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 Defense or the Secretary of Homeland Security (or either Secretary's delegatee) or the United States Coast Guard, to remove or alter such of the facilities as are owned by it so as to render navigation through such waters free and unobstructed.

Article 7. This permit is subject to the limitations, terms, and conditions contained in any orders or regulations issued by any competent agency of the United States Government with respect to the United States facilities. This permit shall continue in force and effect only so long as the permittee shall continue the operations hereby authorized in accordance with such limitations, terms, and conditions.

Article 8. When, in the opinion of the President of the United States, the national security of the United States demands it, due notice being given to the permittee by the Secretary of State of the United States or the Secretary's delegatee, the United States shall have the right to enter upon and take possession of any of the United States facilities or parts thereof; 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 thereafter to restore possession and control to the permittee. In the event that the United States shall exercise such right, it shall pay to the permittee just and fair compensation for the use of such United States facilities upon the basis of a reasonable profit in normal conditions, and the cost of restoring said facilities to as good conditions as existed at the time of entering and taking over the same, less the reasonable value of any improvements that may have been made by the United States.

Article 9. In the event of transfer of ownership or control of the United States facilities or any part thereof, this permit shall continue in effect temporarily for a reasonable time pending submission of a proper application by the transferee for a new and permanent permit, provided that notice of such transfer is given promptly in writing to the Department of State accompanied by a statement by the transferee under oath that the United States facilities and the operations and maintenance thereof authorized by this permit will remain substantially the same as before the transfer pending issuance to the transferee of a new and permanent permit.

Article 10. (1) The permittee shall maintain the United States facilities and every part thereof in a condition of good repair for their safe operation, and in compliance with prevailing environmental standards and regulations.

(2) The permittee shall save harmless and indemnify the United States from any and all claims or adjudged liability arising out of the construction, connection, operation, or maintenance of the facilities, including but not limited to environmental contamination from the release or threatened release or discharge of hazardous substances and hazardous waste.

Article 11. The permittee shall acquire such right-of-way grants, easements, permits, and other authorizations as may become necessary and appropriate.

Article 12. The permittee shall file with the appropriate agencies of the Government of the United States such statements or reports under oath with respect to the United States facilities, and/or permittee's activities and operations in connection therewith, as are now or as may hereafter be required under any laws or regulations of the Government of the United States or its agencies.

Article 13. The permittee shall take all appropriate measures to prevent or mitigate adverse environmental impacts or disruption of historic properties in connection with the construction, operation, and maintenance of the United States facilities. Such measures will include the construction, mitigation, and reclamation measures agreed to by Keystone in the Construction Mitigation and

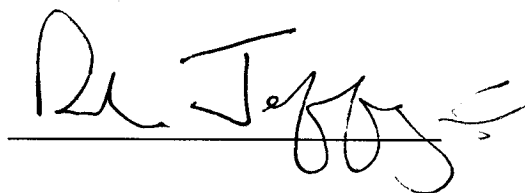
Reclamation Plan (CMR) found in Appendix B of the Final Environmental Impact Statement (FEIS) dated January 11, 2008, in the Programmatic Agreement dated February 21, 2008, and those referenced in the Letter of Intent Regarding Compliance with Section 7 of the Endangered Species Act dated February 22, 2008, all of which are appended to and made part of this permit.

Article 14 The permittee shall comply with all agreed actions and obligations undertaken to be performed in its Application for a Presidential permit dated April 19, 2006, as amended, in the Programmatic Agreement dated February 21, 2008, in the Final Environmental Impact Statement dated January 11, 2008, and in the Letter of Intent Regarding Compliance with Section 7 of the Endangered Species Act dated February 22, 2008, all of which are appended to and made a part of this permit.

Article 15 Keystone shall provide written notice to the Department at such time as the construction authorized by this permit is begun, and again at such time as construction is completed, interrupted or discontinued.

Article 16 This permit shall issue fifteen days after the date of the determination by the Under Secretary for Economic, Energy and Agricultural Affairs that issuance of this permit would serve the national interest, provided that the Department of State does not otherwise notify Keystone that the permit shall not be issued.

IN WITNESS WHEREOF, I, Reuben Jeffery III, Under Secretary of State for Economic, Energy and Agricultural Affairs, have hereunto set my hand this 11th day of March, 2008 in Washington, District of Columbia.

A handwritten signature in black ink, appearing to read "Re Jeffery III", is written over a horizontal line. The signature is stylized and includes a flourish at the end.