CONDITIONAL

RIGHT-OF-WAY LEASE FOR THE TRANS-ALASKA GAS SYSTEM

ADL 413342

This CONDITIONAL LEASE is entered into and made effective this 10 day of December, 1988,

by the STATE OF ALASKA
acting through the Commissioner of the
Department of Natural Resources,

and by YUKON PACIFIC CORPORATION
whose address is
900 West Fifth Avenue, Suite 730,
Anchorage, Alaska 99501.

Note: Terms having special meaning are capitalized and are defined in Section 10 of this CONDITIONAL LEASE as well as incorporated by reference to Exhibit A, "Right-of-Way Lease for the Trans-Alaska Gas System, ADL 413342" (LEASE).

Section 1. CONDITIONAL LEASE.

Pursuant to AS 38.35 and the regulations promulgated thereunder, the COMMISSIONER has determined that the proposed CONDITIONAL Right-of-Way LEASE by the applicant, Yukon Pacific Corporation, is in the public interest provided that the terms and conditions of the CONDITIONAL LEASE are met. The requisite determinations required by the aforesaid statutes and regulations are contained in the administrative record of ADL 413342.

If the terms and conditions set forth in this CONDITIONAL LEASE are met within the specified time limits and prior to termination or revocation of this CONDITIONAL LEASE, it is the COMMISSIONER's decision that the LEASE attached as Exhibit A would be consistent with the public interest and will be granted subject to the provisions of AS 38.35.100.

Therefore, the application for a CONDITIONAL Right-of-Way LEASE is granted subject to the conditions listed in Section 2. Evidentiary Requirements to Proceed to Final Lease.

Section 2. Evidentiary Requirements to Proceed to Final Lease

A. The CONDITIONAL LESSEE shall provide PIPELINE alignment location and RELATED FACILITY site locations plotted on available large scale maps, where feasible, or on large scale (1 inch = 1,000 feet or greater) aerial photographs for review and approval of the COMMISSIONER for the purpose of locating and describing the Right-of-Way on STATE LAND. In addition, where required by the COMMISSIONER, the CONDITIONAL LESSEE shall field stake specific portions of the PIPELINE alignment or RELATED FACILITY site locations to the satisfaction of the COMMISSIONER. This information shall be submitted by the COMMISSIONER to the owners or agents of the TRANS-ALASKA PIPELINE SYSTEM, other authorized OIL or GAS transportation pipeline(s), or other existing or proposed FACILITIES pursuant to AS 38.05.945 and AS 38.05.035(e) for the purpose of identifying what portions of the PIPELINE or RELATED FACILITIES are PROXIMATE to existing or proposed FACILITIES. Those portions identified by such owners as being PROXIMATE to the PIPELINE and RELATED FACILITIES shall be reviewed and approved by the COMMISSIONER.

B. The CONDITIONAL LESSEE shall submit evidence of financial commitment to the COMMISSIONER sufficient to design and construct the proposed Trans-Alaska Gas System project. Such evidence shall include letters of intent for GAS sales, letters of intent for GAS purchase, and written preliminary commitments for construction financing. Additional evidence may include financial plans, a summary of project economics, and any other financial information as may be required by the COMMISSIONER.

C. The CONDITIONAL LESSEE shall submit the following technical information relating to the Trans-Alaska Gas System project:

(1) Project Development Schedule.

a. The CONDITIONAL LESSEE shall submit a Project Development Schedule to the COMMISSIONER for review. The Project Development Schedule shall address, at a minimum, the following:

1. sequence and approximate timing of all PRECONSTRUCTION activities;
2. submission of AUTHORIZATION-TO-PROCEED applications;
3. submission of all other permit applications;
4. environmental constraints on PRECONSTRUCTION scheduling; and,
5. submission of the items in Section 2. Evidentiary Requirements to Proceed to Final Lease.

b. The Project Development Schedule, required by Section 2.C.(1)a., shall be submitted with the scope and content to be MUTUALLY AGREED to by the COMMISSIONER and the CONDITIONAL LESSEE annually prior to September 1st for the purpose of preparing the State's budget for the subsequent fiscal year (July 1-June 30).

(2) Project Performance Standards. The CONDITIONAL LESSEE shall prepare and submit TAGS Project Performance Standards, to the COMMISSIONER for review and written approval, which shall define the envelope of constraints within which the DESIGN CRITERIA, FINAL DESIGN, CONSTRUCTION, OPERATION, and TERMINATION activities of the project will occur. The

COMMISSIONER and the CONDITIONAL LESSEE shall MUTUALLY AGREE upon the scope, content and schedule for submission of the Project Performance Standards.

(3) **Project Plans and Programs**

a. The CONDITIONAL LESSEE shall submit the following Project Plans and Programs to the COMMISSIONER for review and approval (such plans and programs may be combined and/or cross-referenced where appropriate):

1. Air Quality Permit Identification
2. Blasting
3. Camps
4. Cultural Resource Preservation
5. Environmental Briefings
6. Erosion and Sedimentation Control
7. Fire Control
8. Liquid Waste Management
9. Material Exploration and Extraction
10. OIL and HAZARDOUS SUBSTANCES Control, Cleanup, Disposal
11. Pesticides, Herbicides, Chemicals
12. Quality Assurance/Quality Control
13. RESTORATION
14. Solid Waste Management
15. Stream, River and Floodplain Crossings
16. Human-Carnivore Interaction
17. ACCESS ROADS, including Snow/Ice
18. Compressor Station Siting
19. Equipment and Material Storage
20. Water Quality
21. Noise
22. Road Proximity/Crossing
23. Pipeline Proximity/Crossing
24. Subsistence Resource Protection
25. Public Health, Safety, Welfare
26. Local Hire, Manpower Training, Alaska Business Utilization
27. Socioeconomic Impacts

b. The COMMISSIONER will review for approval the scope, content and schedule for submission of the Project Plans and Programs required in Section 2.C.(3).a.

c. The Project Plans and Programs listed in Section 2.C.(3).a. may be updated at intervals MUTUALLY AGREED upon by the CONDITIONAL LESSEE and the COMMISSIONER.

d. The Project Plan addressing, in part, local hire and manpower training, as required by Section 2.C.(3).a.26, shall include, at a minimum, job identification, job classes, training programs, job certification, where appropriate, and assurances of local hiring opportunities for qualified persons.

e. The Project Plans and Programs or specific Project Performance Standards listed in Sections 2.C.(2) and 2.C.(3) that may affect FACILITIES that are PROXIMATE to the proposed Trans-Alaska Gas System alignment, such as the TRANS-ALASKA PIPELINE SYSTEM , other authorized OIL or GAS transportation pipeline(s), PUBLIC

ROADS/HIGHWAYS, or the FACILITIES of other third party owners with valid existing rights on STATE LAND, shall be coordinated by the LESSEE with the respective owners. Evidence of coordination with such owners shall accompany the submission of applicable Project Performance Standards and the Project Plans and Programs.

(4) **CONCEPTUAL DESIGN.** Prior to being granted a LEASE, the CONDITIONAL LESSEE shall provide CONCEPTUAL DESIGN for the PIPELINE and RELATED FACILITIES for review and written approval of the COMMISSIONER. The COMMISSIONER and the CONDITIONAL LESSEE shall MUTUALLY AGREE upon the scope, content and schedule for submission of the CONCEPTUAL DESIGN.

(5) Lease Amendments Required for Project Definition

a. Gas Conditioning Facility. The CONDITIONAL LESSEE shall determine the means by which it will obtain GAS for transport. The CONDITIONAL LESSEE will provide letters of intent for GAS purchase agreements if the CONDITIONAL LESSEE will not be constructing and operating a Gas Conditioning Facility. If the CONDITIONAL LESSEE has determined that it will construct and operate a Gas Conditioning Facility, the CONDITIONAL LESSEE shall submit the following:

1. an application for amendment to the CONDITIONAL LEASE as a RELATED FACILITY authorized by AS 38.35;
2. suitable Project Performance Standards, as required by Section 2.C.(2);
3. a Gas Conditioning Facility project plan;
4. a CONCEPTUAL DESIGN as required by Section 2.C.(4);
5. location of the Gas Conditioning Facility site as required by Section 2.A.

b. ACCESS ROADS. The CONDITIONAL LESSEE shall determine the location of ACCESS ROADS required for the project and shall submit the following:

1. an application for amendment to the CONDITIONAL LEASE as a RELATED FACILITY authorized by AS 38.35;
2. suitable Project Performance Standards as required by Section 2.C.(2);
3. an ACCESS ROADS plan as required by Section 2.C.(3)a.17;
4. a CONCEPTUAL DESIGN as required by Section 2.C.(4);
5. location of the proposed ACCESS ROADS as required by Section 2.A.

c. Other Amendment. The addition of other RELATED FACILITIES, the locations of which are not identified yet, including but not limited to communication sites and spoil and WASTE disposal sites, or any substantial re-locations of any RELATED FACILITIES or substantial re-alignments of the PIPELINE shall require amendment to this CONDITIONAL LEASE.

(6) Specific Reports for Protection of the Public Interest

a. Yukon River Bridge. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval that addresses, at a minimum, the basis for siting and impacts and alternatives related to CONSTRUCTION of a new bridge or use of the existing Yukon River bridge. The scope and content of the report shall be approved by the COMMISSIONER. Additionally, the CONDITIONAL LESSEE shall submit a CONCEPTUAL DESIGN for the Yukon River crossing.

b. Salcha River/Compressor Station #7 Siting. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval that addresses, at a minimum, Compressor Station #7 siting, access to the PIPELINE and RELATED FACILITIES, material requirements, and identification of peregrine falcon nest sites in the Salcha River area. With respect to Compressor Station #7, the CONDITIONAL LESSEE shall address the basis for siting, alternative siting, noise levels anticipated on and adjacent to the Salcha River (including noise levels expected during winter conditions to -40 degrees F) that may impact recreation or private property, and mitigation of any impacts. The CONDITIONAL LESSEE shall address the identification of peregrine falcon nest sites with respect to Compressor Station #7 for consistency with federal protection measures for siting of permanent FACILITIES or with the Alaska Peregrine Falcon Recovery Plan. The scope and content of the report shall be approved by the COMMISSIONER.

c. Summit/Fielding Lakes--Phelan Creek to One Mile Creek. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval that addresses, at a minimum, the basis for siting, alternative routing along the east side of Summit Lake, negative versus positive impacts of the PIPELINE route on the west side of Summit Lake from Phelan Creek to the proposed Richardson Highway crossing south of One Mile Creek, and the upper Gulkana River crossing. With respect to the Gulkana River, the CONDITIONAL LESSEE shall demonstrate protection of fisheries resources including minimization of siltation, protection of water supply for the fish incubation facility, and minimization of altered groundwater or surface flow or altered temperature of such flows. The scope and content of the report shall be approved by the COMMISSIONER. Additionally, the CONDITIONAL LESSEE shall submit CONCEPTUAL DESIGN for the PIPELINE from, and including, the upper Gulkana River crossing south to the proposed Richardson Highway crossing.

d. Hogan Hill/Compressor Station #9/Sourdough Creek Construction Camp Siting. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval that addresses, at a minimum, the basis for siting, alternative siting of FACILITIES, and identification of impacts and proposed mitigation, including scheduling of PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION activities, relating to movements of the Nelchina Caribou Herd. The scope and content of the report shall be approved by the COMMISSIONER.

e. Lowe River/Canyon Slough Complex. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval that addresses, at a minimum, the basis for siting, alternative routing, the specific impacts of crossing the Canyon Slough complex, and specific mitigation measures to be incorporated into planning and design.

f. Lowe River/Keystone Canyon. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval addressing, at a minimum, geologic hazards present in Keystone Canyon (including outburst floods from Sheep Creek), the proximity of

the Richardson Highway, the basis for siting, alternative routing and proposed mitigation. The scope and content of the report shall be approved by the COMMISSIONER. Additionally, the CONDITIONAL LESSEE shall submit CONCEPTUAL DESIGN for the PIPELINE route through Keystone Canyon.

g. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval that addresses the Marine Terminal and public marine access within Anderson Bay.

h. The CONDITIONAL LESSEE shall submit a report to the COMMISSIONER for review and approval addressing the impact of PRECONSTRUCTION and CONSTRUCTION activities on tourism in the Valdez area, including a consideration of the impact such activities would have on highway travel through Keystone Canyon.

(7) **Specific Agreements for Protection of the Public Interest**

a. PUBLIC ROADS/HIGHWAYS. The CONDITIONAL LESSEE shall agree to reimburse the STATE for damages to PUBLIC ROADS/HIGHWAYS or airports due to construction and/or overweight loads utilized by the CONDITIONAL LESSEE during PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM.

Section 3. Nature of Interest.

A. This CONDITIONAL LEASE conveys no interest in land, property or resources of the STATE, or any preference or priority rights to a particular right-of-way or alignment. The issuance of a CONDITIONAL LEASE does not prevent the COMMISSIONER from issuing other conditional or final leases for the same Right-of-Way. No CONSTRUCTION activities are authorized by this CONDITIONAL LEASE. Upon receiving an application for any other conditional right-of-way lease or authorization that would vest a property right, for the same right-of-way, the Department of Natural Resources shall consult with the CONDITIONAL LESSEE and offer an opportunity to comment. Such comments shall be given due deference to the same degree as a State agency in the Department of Natural Resources' deliberations as to whether that application is in the best interest of the STATE .

B. Any future administrative decision made by the State of Alaska that affects the title to the property described by this CONDITIONAL LEASE is subject to administrative and legal appeal made pursuant to State statutes.

C. This CONDITIONAL LEASE applies to the proposed Right-of-Way on STATE LAND for a PIPELINE and RELATED FACILITIES as generally located and described by the documents listed in Exhibit C of the LEASE (Exhibit A) the purpose of which is for the PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of one (1) 36-inch diameter natural GAS transportation PIPELINE and RELATED FACILITIES. The width of the proposed Right-of-Way shall not exceed 1,000 feet, 500 feet on either side of the proposed centerline, except where the dimensions of the Right-of-Way shall accommodate the LNG Plant and Marine Terminal, and compressor stations, and shall accommodate any other RELATED FACILITIES outside the boundaries of the proposed Right-of-Way that are authorized by amendment to this LEASE. Subsequent to submission of the alignment/location maps and aerial photographs required by Section 2.A of the CONDITIONAL LEASE, the Right-of-Way boundaries shall be 500 feet on either side of the proposed PIPELINE centerline and the proposed boundaries established for the RELATED FACILITIES.

D. PRECONSTRUCTION activities may be authorized under this CONDITIONAL LEASE. Prior to initiating any field activity on STATE LAND pursuant to this CONDITIONAL LEASE, the CONDITIONAL LESSEE must possess a valid AUTHORIZATION-TO-PROCEED issued by the COMMISSIONER. Each AUTHORIZATION-TO-PROCEED shall authorize only PRECONSTRUCTION field activities specific to that permit. An AUTHORIZATION-TO-PROCEED may contain such site-specific terms and conditions as the COMMISSIONER finds necessary to implement the provisions of this CONDITIONAL LEASE, and the CONDITIONAL LESSEE shall comply in all respects with the provisions of the AUTHORIZATION-TO-PROCEED. Each application for an AUTHORIZATION-TO-PROCEED shall be accompanied by the following:

(1) a description of the proposed activity and its location, including access routes;

(2) scaled maps or drawings depicting the exact location of the proposed activities, PROXIMATE existing FACILITIES of third party owners with valid existing rights on STATE LAND, including the TRANS-ALASKA PIPELINE SYSTEM, drainages, trails, or other access routes, and other pertinent information sufficient for identification of potential conflicts with existing land uses and state and private property interests;

(3) proposed measures for prevention of significant adverse environmental impact;

(4) proposed RESTORATION procedures for areas of surface disturbance;

(5) proposed measures for protecting subsistence resources and their uses in the vicinity of the proposed activity;

(6) a separate analysis of the effects of the proposed activity and written evidence of coordination with any third party owners with valid existing rights on STATE LAND, including the TRANS-ALASKA PIPELINE SYSTEM, or other authorized OIL or GAS transportation pipeline whose FACILITIES are PROXIMATE to such PRECONSTRUCTION activities.

Section 4. Duration of CONDITIONAL LEASE.

A. This CONDITIONAL LEASE and all rights associated with this CONDITIONAL LEASE or with the COMMISSIONER's finding pursuant to AS 38.35.100(b) shall automatically terminate at midnight on the first day following ten (10) years from the date of signature of this CONDITIONAL LEASE, or unless prior to that date it is relinquished, abandoned or otherwise terminated pursuant to the provisions of this CONDITIONAL LEASE or any applicable laws or regulations, or unless by that time the COMMISSIONER has determined in a written finding that the CONDITIONAL LESSEE is fit, willing and able to perform the transportation or other acts proposed in a manner that will be required by the present and future public interest, in a manner consistent with the conditions set out herein and with the applicable laws which are then in effect.

B. Upon request of the CONDITIONAL LESSEE, the COMMISSIONER may renew the CONDITIONAL LEASE as long as the CONDITIONAL LESSEE is in full compliance with the provisions of this CONDITIONAL LEASE and State and Federal laws.

C. This CONDITIONAL LEASE may be revoked by order of the COMMISSIONER, without compensation, at any time the COMMISSIONER determines that the applicant or CONDITIONAL LESSEE will not be fit, willing and able to perform during the ten (10) year term of this lease or whenever another applicant or conditional lessee is determined to be fit, willing, and able to perform under an application or lease of all or part of the Right-of-Way.

D. Upon expiration, relinquishment, abandonment, or other TERMINATION, the provisions of this CONDITIONAL LEASE, intended for the benefit of the STATE and the public, shall continue in effect and shall be binding on the CONDITIONAL LESSEE, or the CONDITIONAL LESSEE's successors and assigns, until the CONDITIONAL LESSEE has fully performed its respective obligations and liabilities accruing before or on account of the expiration, relinquishment, abandonment, or other TERMINATION of the CONDITIONAL LEASE.

E. Prior to expiration, relinquishment, abandonment, or other TERMINATION of the CONDITIONAL LEASE, the CONDITIONAL LESSEE shall remove all temporary and permanent improvements from STATE LAND and shall RESTORE such land, unless otherwise approved by the COMMISSIONER, within a time period specified by the COMMISSIONER.

Section 5. Transfer, Assignment or other Disposition.

A. The CONDITIONAL LESSEE will not transfer, assign, pledge, or dispose of in any manner, directly or indirectly, or by transfer of control of the CONDITIONAL LESSEE, its interest in this CONDITIONAL LEASE, or any rights under this CONDITIONAL LEASE or any rights to the PIPELINE SYSTEM subject to this CONDITIONAL LEASE to any person, except to the extent that the COMMISSIONER authorizes, in a written finding substantiating a decision to allow the transfer, after consideration of protection of the public interest. The CONDITIONAL LESSEE shall not allow the transfer of control of or redistribution of interests in the CONDITIONAL LESSEE without the approval of the COMMISSIONER; as used in this Subsection "transfer of control of the CONDITIONAL LESSEE" means 30 percent or more, in aggregate, of ownership interest in the CONDITIONAL LESSEE in one or more transactions, to one or more persons, by one or more persons. The COMMISSIONER shall not unreasonably withhold consent to the transfer, assignment or disposal. An unapproved transfer does not relieve the CONDITIONAL LESSEE of an obligation assumed under the CONDITIONAL LEASE, is ineffective to transfer interests in and obligations under the CONDITIONAL LEASE, and constitutes a default under the CONDITIONAL LEASE.

B. With respect to any request for transfer under Section 5.A., the COMMISSIONER shall consider whether the proposed transferee will be fit, willing and able to perform the transportation of natural GAS proposed under the terms and conditions established in the CONDITIONAL LEASE and whether the transfer is in the public interest. The COMMISSIONER may impose additional terms and conditions on the transferee that the COMMISSIONER considers in the public interest.

C. A transfer, pursuant to Section 5.A., in whole or in part, of the CONDITIONAL LESSEE's right, title and interest in the Right-of-Way and this CONDITIONAL LEASE shall constitute a release of the CONDITIONAL LESSEE's liabilities and obligations (accrued, contingent or otherwise) to the STATE under this CONDITIONAL LEASE only to the extent and limit that the transferee unconditionally assumes with permission of the COMMISSIONER the performance and observance of each such liability and obligation, and provides bonding and insurance to assure such performance and observance of such liabilities and obligation.

Section 6. Indemnification and Liability

A. The indemnification and liability terms and conditions in Sections 7 and 8 of the LEASE (Exhibit A) are hereby incorporated into and made part of the CONDITIONAL LEASE.

Section 7. Bonding

A. Initially, the CONDITIONAL LESSEE shall furnish the STATE a surety bond or other security of such type and on such terms and conditions as are acceptable to the COMMISSIONER, in the principal amount of one hundred fifty thousand dollars ($150,000). Prior to issuance of the first AUTHORIZATION-TO- PROCEED, the CONDITIONAL LESSEE shall furnish such bonding to the STATE, as acceptable to the COMMISSIONER, in the principal amount of one million dollars ($1,000,000). Said bond or other security shall be maintained in force and effect in the full principal amount, or in such reduced amount as may be approved by the COMMISSIONER, at all times during the term of the CONDITIONAL LEASE and until released in writing by the COMMISSIONER. Such release will not be unreasonably withheld upon expiration of the terms of this CONDITIONAL LEASE, including any renewals of this CONDITIONAL LEASE, and completion of the CONDITIONAL LESSEE's obligations under this CONDITIONAL LEASE and applicable law.

B. Said bond or other security shall be security for payment of any sums owing to the STATE pursuant to the provisions of Section 12, Right of the STATE to Perform, of the LEASE (Exhibit A).

C. These requirements are in addition to all other requirements of law, and are not intended to affect, nor are they intended to limit in any way, the CONDITIONAL LESSEE's liability under any provisions of law.

D. The COMMISSIONER reserves the right to require additional security from the CONDITIONAL LESSEE if at any time the COMMISSIONER determines it necessary in connection with the CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE SYSTEM.

Section 8. Insurance

A. Without limiting CONDITIONAL LESSEE's indemnification, the CONDITIONAL LESSEE hereby agrees to provide and maintain in force throughout the term of this CONDITIONAL LEASE liability and property damage insurance from a company licensed to do business in the state or furnish other security or undertaking upon the terms and conditions the COMMISSIONER considers necessary if the COMMISSIONER finds that the net assets of the CONDITIONAL LESSEE are insufficient to protect the public from damage for which the CONDITIONAL LESSEE may be liable arising out of the PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE, such as: comprehensive general liability including premises, operations, independent contractors, products and completed operations liability including contractual liability covering the CONDITIONAL LESSEE's indemnification obligation under Section 7 of the LEASE (Exhibit A), broad form property damage, pollution liability, explosion, collapse and underground (XCU), and fire legal liability endorsements, owned and non-owned (leased or hired) automobile, aircraft and watercraft liability, and architect and engineer professional errors and omissions. Coverage shall, to the reasonable satisfaction of the COMMISSIONER, insure the CONDITIONAL LESSEE's liabilities for accidental occurrences imposed on it by operation of the requirement for indemnification of the STATE contained in this CONDITIONAL LEASE. Coverage shall be obtained from a carrier with a rating acceptable to the COMMISSIONER and shall be on an "occurrence" basis. The STATE shall be added to the above-described policies as an additional insured with respect to such liabilities. Initially, coverage shall be in the minimal amount of five million dollars ($5,000,000) per occurrence. Prior to the issuance of the first AUTHORIZATION-TO-PROCEED, coverage shall be in the minimal amount of $150 million ($150,000,000) combined single limit per occurrence.

B. In addition, the CONDITIONAL LESSEE shall provide and maintain, for all employees of the CONDITIONAL LESSEE engaged in work under this CONDITIONAL LEASE, Workers' Compensation Insurance as required by AS 23.30. The CONDITIONAL LESSEE shall be responsible for Workers' Compensation Insurance for any contractor or subcontractor who directly or indirectly provides services under

this CONDITIONAL LEASE. This coverage must include employer's liability protection not less than $1,000,000 per occurrence. The insurer shall agree to waive all rights of subrogation against the STATE, its officers, agents, and employees for losses arising from the leased premises.

C. Certificates of insurance must be furnished to the COMMISSIONER. The required insurance is subject to annual review and adjustment by the COMMISSIONER, who may require reasonable increases based on increased risk.

D. The CONDITIONAL LESSEE's insurance coverage shall be primary insurance as respects the STATE, its officers, agents and employees. Any insurance or self insurance maintained by the STATE shall be excess of the CONDITIONAL LESSEE's insurance and shall not contribute with it.

Section 9. Incorporation by Reference of Terms and Conditions; Changes in Conditions

A. The terms and conditions as referenced below that are to be imposed on the LESSEE in the LEASE are hereby imposed on the CONDITIONAL LESSEE and are incorporated into and made a part of the CONDITIONAL LEASE. Where the terms and conditions reference LESSEE and LEASE in the "Right-of-Way Lease for the Trans-Alaska Gas System" (Exhibit A), they mean CONDITIONAL LESSEE and CONDITIONAL LEASE in the CONDITIONAL LEASE.

(1)	Section 5	Reservation of Certain Rights to the STATE
(2)	Section 12	Right of the STATE to Perform
(3)	Section 13	Books, Accounts and Records; Access to Property and Records
(4)	Section 14	Appointment of Agent for Service of Process
(5)	Section 15	Reimbursement of STATE Expenses
(6)	Section 16	Prevention and Abatement
(7)	Section 18	Orders, Notices and Other Documents
(8)	Section 19	Compliance with ATP/NTP AUTHORIZATIONS
(9)	Section 20	Temporary Suspension Orders
(10)	Section 21	Appeal Procedure
(11)	Section 23	Involuntary termination of Lease; Breaches, excluding Section 23.A.
(12)	Section 24	Prevalence of Law
(13)	Section 25	Remedies Cumulative; Equitable Relief
(14)	Section 26	Waiver Not Continuing
(15)	Section 27	Rights of Third Parties
(16)	Section 28	LEASE Not a Waiver of Any State Statutory Regulatory Power
(17)	Section 29	Section Headings
(18)	Section 32	Partial Invalidity
(19)	STIPULATION 1.1	Definitions
(20)	STIPULATION 1.2	Responsibilities
(21)	STIPULATION 1.3	Authority of Representatives of the COMMISSIONER and of Agent of the LESSEE
(22)	STIPULATION 1.4	Field Activities
(23)	STIPULATION 1.11	Quality Assurance and Control
(24)	STIPULATION 1.12	Surveillance and Maintenance
(25)	STIPULATION 1.13	Public and Private Improvements
(26)	STIPULATION 1.14	Health and Safety
(27)	STIPULATION 1.15	Survey Requirements
(28)	STIPULATION 1.16.1	Public Access
(29)	STIPULATION 1.17	Fire Prevention and Suppression
(30)	STIPULATION 1.18	Communications

(31) STIPULATION 1.19 Cultural Resources
(32) STIPULATION 1.20 Hunting, Fishing, Trapping
(33) STIPULATION 1.21 Changes in Conditions
(34) All of Section 2, Environmental STIPULATIONS
(35) All of Section 3, Technical STIPULATIONS

B. If there is a significant change in the conditions which necessitates additional terms to protect the public interest, the COMMISSIONER may require the CONDITIONAL LESSEE to agree to additional terms that the COMMISSIONER finds to be in the public interest prior to conversion to a LEASE.

Section 10. Definition of Terms

Terms having special meaning in this CONDITIONAL LEASE document and in those provisions of the LEASE document that are incorporated into and made part of the CONDITIONAL LEASE as referenced in Section 10 are capitalized and are defined in this Section and in STIPULATION 1.1, "Definitions" (Exhibit A of the LEASE).

A. COMMISSIONER means the Commissioner of the Department of Natural Resources, State of Alaska, or the Commissioner's appointed designee(s).

B. CONDITIONAL LEASE means the instrument conditionally granting a Right-of-Way for pipeline purposes pursuant to AS 38.35 to the CONDITIONAL LESSEE, but granting no rights, including preference or priority.

C. CONDITIONAL LESSEE means Yukon Pacific Corporation or its respective successors or assigns as authorized pursuant to Section 5 of the CONDITIONAL LEASE.

D. LEASE means (1) an instrument granting a leasehold interest in the Right-of-Way for the Trans-Alaska Gas System to Yukon Pacific Corporation for the purpose of PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE pursuant to AS 38.35, and (2) Exhibit A, "Right-of-Way Lease for the Trans-Alaska Gas System, ADL 413342 (unsigned).

Section 11. Exhibits

Exhibit A: Right-of-Way Lease for the Trans-Alaska Gas System, ADL 413342 (LEASE--unsigned).

Section 12. Authority to Enter Agreement

The CONDITIONAL LESSEE represents and warrants to the STATE that it is duly authorized and empowered under the applicable laws of the State of Alaska to enter into and perform this CONDITIONAL LEASE in accordance with the provisions of this CONDITIONAL LEASE.

Section 13. Partial Invalidity

If any part of this CONDITIONAL LEASE is held invalid or unenforceable, the remainder of this CONDITIONAL LEASE shall not be affected and shall be valid and enforced to the fullest extent permitted by law.

Section 14. Acceptance of LEASE

The CONDITIONAL LESSEE's execution of this CONDITIONAL LEASE signifies acceptance of the terms and conditions contained herein. Such acceptance constitutes an agreement between the CONDITIONAL LESSEE and the STATE that the LESSEE, together with the CONDITIONAL LESSEE's respective agents, employees, contractors and subcontractors (at any tier), shall comply with all terms and conditions contained in the CONDITIONAL LEASE and all applicable laws and regulations.

IN WITNESS WHEREOF, the parties hereto have duly executed this CONDITIONAL LEASE as of the first written date.

STATE OF ALASKA

By: Judith M. Brady
Judith M. Brady
COMMISSIONER
Department of Natural Resources

Date: Dec. 10, 1988

YUKON PACIFIC CORPORATION

By: Howard D. Griffith
Howard D. Griffith
President and Chief Executive Officer
YUKON PACIFIC CORPORATION

Date: Dec 10, 1988

Attested by:

Steve Cowper
Governor
State of Alaska

State of Alaska)
) ss
)

The foregoing instrument was acknowledged before me this 10th day of December, 1988, by Howard D Griffith, President of YUKON PACIFIC CORPORATION.

Betty D. Adkison
Notary Public in and for the State of Alaska
My Commission Expires: February 23rd, 1991

STATE OF ALASKA)
) ss
Third Judicial District)

THIS IS TO CERTIFY that on this 10th day of December, 1988, before me personally appeared Judith M Brady, the COMMISSIONER of the Department of Natural Resources of the State of Alaska, who executed the foregoing instrument and acknowledged voluntarily signing the same.

Betty D. Adkison
Notary Public in and for the State of Alaska
My Commission Expires: February 23rd, 1991

TAGS Lease
ADL 413342
December 10, 1988

RIGHT-OF-WAY LEASE

FOR THE

TRANS-ALASKA GAS SYSTEM

State of Alaska
Department of Natural Resources
Division of Land and Water Management
State Pipeline Office

TABLE OF CONTENTS

Section 1. Grant of Right-of-Way 1

Section 2. Duration of Right-of-Way 3

Section 3. Transfer, Assignment, or Other Disposition 3

Section 4. Right-of-Way Rental 4

Section 5. Reservation of Certain Rights to the STATE 4

Section 6. Common Carrier Covenants 5

Section 7. Indemnification of the STATE 6

Section 8. Liability 6

Section 9. Bonding 7

Section 10. Insurance 7

Section 11. Additional Security, Undertaking or Guarantee 8

Section 12. Right of the STATE to Perform 9

Section 13. Books, Accounts and Records; Access to Property and Records 9

Section 14. Appointment of Agent for Service of Process 10

Section 15. Reimbursement of STATE Expenses 10

Section 16. Prevention and Abatement 12

Section 17. Release of Right-of-Way Interest 12

Section 18. Orders, Notices and Other Documents 13

Section 19. Compliance with ATP/NTP AUTHORIZATIONS 13

Section 20. Temporary Suspension Orders 14

Section 21. Appeal Procedure 15

Section 22. TERMINATION Plans 16

Section 23. Involuntary Termination of LEASE; Breaches 16

Section 24. Prevalence of Law 16

Section 25. Remedies Cumulativee; Equitable Relief 17

Section 26. Waiver Not Continuing 17

Section 27. Rights of Third Parties 17

Section 28. Lease Not a Waiver of Any STATE Statutory or Regulatory Power 17

Section 29. Section Headings 17

Section 30. Exhibits 17

Section 31. Authority to Enter Agreement 18

Section 32. Partial Invalidity 18

Section 33. Acceptance of LEASE 18

Exhibits 20

RIGHT-OF-WAY LEASE FOR THE TRANS-ALASKA GAS SYSTEM

ADL 413342

This LEASE is entered into and made effective
this _____ day of _____, 19___,
by the STATE OF ALASKA
acting through the Commissioner of the
Department of Natural Resources,

and by YUKON PACIFIC CORPORATION
whose address is
900 West Fifth Avenue, Suite 730
Anchorage, Alaska 99501.

Note: Terms having special meaning in this LEASE are capitalized and are defined in, Exhibit A, "Right-of-Way Lease Stipulations for the Trans-Alaska Gas System".

Section 1. Grant of Right-of-Way

A. Pursuant to the provisions of AS 38.35, the Alaska Right-of-Way Leasing Act, and for and in consideration of the annual rental fee prescribed in Section 4 hereof, and other considerations, and the covenants herein contained to be kept and performed on the part of the LESSEE and subject to the conditions and requirements of this LEASE document herein contained, the STATE hereby grants, subject to valid existing rights, to the LESSEE for the period of limited duration prescribed in Section 2 hereof and for the purpose prescribed in Section 1.C., a Right-of-Way for a PIPELINE and its RELATED FACILITIES, the width and location being subject to the provisions of Section 1.D. hereof, across, through and upon STATE LAND, including any interest owned or hereafter acquired, along the general route of the PIPELINE and RELATED FACILITY site locations as shown in Exhibit C hereof. The LEASE shall convey a Right-of-Way interest only in lands in which the STATE holds a property interest, including land selected by the STATE pursuant to Section 906 of the Alaska National Interest Lands Conservation Act. This Lease does not convey land or interests in land owned or administered by the University of Alaska or the Alaska Railroad. Although this LEASE applies to STATE LAND in which the Alaska Department of Transportation and Public Facilities has a interest or administers, the LESSEE must also secure the written permission of the Alaska Department of Transportation and Public Facilities to enter upon or use such lands.

B. The COMMISSIONER may, on a case-by-case basis, to the extent authorized by AS 38.35.130, delegate to the LESSEE the power to condemn real property and acquire leases, easements or rights-of-way on lands in the State required for right-of-way purposes for a pipeline subject to this LEASE. In applying for such authority, the LESSEE shall demonstrate that it has made good faith efforts to negotiate with the owner of the land or interest in land for acquisition or shall demonstrate that there is a good faith dispute as to whether a claimant of an interest in real property actually has an interest. In the event the delegation to condemn is issued, the

LESSEE shall acquire the real property or interests therein at its own expense, and shall immediately convey to the STATE without cost such interest as is acquired. The land, right-of-way or easement acquired under this Section, will form part of the land leased to the LESSEE, but rental may not be charged to the LESSEE by the STATE for interests acquired at the expense of the LESSEE.

C. The Right-of-Way shall be granted for the purpose of PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of one (1) 36-inch-diameter natural GAS transportation PIPELINE and its RELATED FACILITIES. The LESSEE shall not use the Right-of-Way or the land subject thereto for any other purpose and shall not locate or construct any other pipelines or other improvements within the Right-of-Way without prior written approval of the COMMISSIONER. The PIPELINE shall be used for only the transportation of natural GAS, and it shall not be used for any other purpose without the prior written approval of the COMMISSIONER. LESSEE shall not allow any person, or business entity, to use the Right-of-Way for the purpose set forth in this Subsection. Nothing in this Subsection is intended to excuse or preclude the LESSEE from complying with the provisions of this LEASE or to preclude the LESSEE from employing agents or contractors to effect PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION of all or any part of the PIPELINE SYSTEM.

D. During the term of this LEASE, and prior to the submission of the survey required by this Subsection, the Right-of-Way boundaries shall be those boundaries established by Section 3.C. and the requirements of Section 2.A of the "Conditional Right-of-Way Lease for the Trans-Alaska Gas System, ADL 413342" (Exhibit B). Prior to submission of the first NOTICE-TO-PROCEED application, during the term of this LEASE and prior to the execution of the Release of Right-of-Way Interest required by Section 1.F., the Right-of-Way boundaries shall be established by a survey of the PIPELINE and RELATED FACILITIES conducted by the LESSEE to the standards required by the Department of Natural Resources and in consideration of industry practice.

E. All CONSTRUCTION activities shall be limited to a zone within the Right-of-Way which shall be specified by the COMMISSIONER and approved in writing concurrently with the issuance of specific NOTICE-TO-PROCEED AUTHORIZATIONS.

F. Within one year following the COMMISSIONING of the PIPELINE SYSTEM, the LESSEE shall execute and deliver to the STATE a Release of Right-of-Way Interest as specified in Section 17 for 1) those portions of the PIPELINE Right-of-Way that are not required for OPERATION of the PIPELINE SYSTEM that exceed fifty (50) feet on either side of the centerline of the PIPELINE, except at such locations where LESSEE has requested to retain a wider Right-of-Way from the COMMISSIONER, and 2) those portions of the RELATED FACILITIES which are not required for OPERATION of the PIPELINE SYSTEM shall be released as approved by the COMMISSIONER. The width of the Right-of-Way may exceed the limits set forth in this Subsection if approved by the COMMISSIONER in a written finding.

G. Within one year following the COMMISSIONING of the PIPELINE SYSTEM, the LESSEE shall provide an "as-built" survey and provide adequate monumentation of the PIPELINE and RELATED FACILITIES which has been conducted to standards required by the Department of Natural Resources for the purpose of locating and describing the Right-of-Way on STATE LAND. The LESSEE shall provide a final survey, approved by the COMMISSIONER, showing the final "as-built" location of the completed PIPELINE and RELATED FACILITIES, including the final locations of all buried and above-ground improvements, the cover depth to buried improvements, the centerline of the Right-of-Way, the boundaries of the Right-of-Way, and the relationship of the Right-of-Way to authorized pipelines and other FACILITIES or structures.

H. This LEASE is made subject to all applicable State and Federal laws and regulations, and those laws and regulations will be used in resolving questions of interpretation of this LEASE. This LEASE is subject to applicable and valid State laws and regulations regarding the hiring of residents in the State. Any conveyance, transfer or other disposition by the STATE of any right, title, or interest in STATE LAND or any part thereof,

burdened by and subservient to this LEASE, will, to the extent allowed, be subject to this Right-of-Way and the provisions of this LEASE, including the LESSEE's right to renew this LEASE under Section 2.B.

I. The terms and conditions imposed on the LESSEE by the "Conditional Right-of-Way Lease for the Trans-Alaska Gas System" (Exhibit B) are incorporated into and made part of this LEASE, including by reference Sections 2.C.(2), 2.C.(3), 2.C.(4), and 2.C.(7)a.

Section 2. Duration of Right-of-Way Grant

A. This LEASE shall come to an end and expire at 12:00 noon (Alaska Standard Time) thirty (30) years from the date of signature of this LEASE, unless prior to that date it is renewed, released, abandoned, or otherwise terminated pursuant to the provisions of this LEASE or any applicable laws or regulations.

B. Upon request of the LESSEE, the COMMISSIONER shall renew this LEASE for additional periods of up to ten (10) years each, as long as the PIPELINE SYSTEM is in commercial operation and the LESSEE is in full compliance with State and Federal laws, including but not limited to State laws pertaining to regulation and taxation of the PIPELINE and the terms and conditions of the LEASE.

C. Upon expiration, relinquishment, abandonment, or other TERMINATION, the provisions of this LEASE, intended for the benefit of the State and the public, shall continue in effect and shall be binding on the LESSEE, or the LESSEE's successors and assigns, until the LESSEE has fully performed its respective obligations and liabilities accruing before or on account of the expiration, relinquishment, abandonment, or other TERMINATION of the LEASE.

D. Prior to expiration, relinquishment, abandonment, or other TERMINATION of the LEASE, the LESSEE shall remove those improvements from STATE LAND and shall RESTORE such land as specified in Section 22 of this LEASE, unless otherwise approved by the COMMISSIONER, within a time period specified by the COMMISSIONER.

Section 3. Transfer, Assignment, or Other Disposition

A. The LESSEE will not transfer, assign, or dispose of in any manner, directly or indirectly, or by transfer of control of the LESSEE, its interest in this LEASE, or any rights under this LEASE or any rights to the PIPELINE SYSTEM subject to this LEASE to any person other than another owner of the PIPELINE SYSTEM (including subsidiaries, parents and affiliates of the owners), except to the extent that the COMMISSIONER, after consideration of protection of the public interest (including whether the proposed transferee is fit, willing, and able to perform the transportation or other acts proposed in a manner that will reasonably protect the lives, property and general welfare of the people of Alaska), authorizes; the COMMISSIONER shall not unreasonably withhold consent to the transfer, assignment or disposal.

B. A transfer, pursuant to Section 3.A, in whole or in part, of the LESSEE's right, title and interest in the Right-of-Way and this LEASE shall constitute a release of the LESSEE's liabilities and obligations (accrued, contingent or otherwise) to the STATE under this LEASE only to the extent and limit that the transferee unconditionally assumes with permission of the COMMISSIONER the performance and observance of each such liability and obligation and provides bonding and insurance to assure such performance and observance of such liabilities and obligation.

Section 4. Right-of-Way Rental

A. The LESSEE shall pay to the STATE annually and in advance a rental value for the Right-of-Way based upon an appraisal of the fair market rental value of the lands described in this LEASE, including tentatively approved and patented STATE LAND which shall conform to the standards of the Department of Natural Resources and shall be completed and approved by the COMMISSIONER within six (6) months of issuance of this LEASE. Subsequent to approval by the COMMISSIONER, the LESSEE shall pay to the STATE within 30 days the fair market value rent due. The first year's rent shall be calculated from the date of LEASE issuance which shall be the Anniversary Date in this Section.

B. Subsequent to new transfer of land from Federal to State ownership, the LESSEE shall pay to the State an annual rental value for the Right-of-Way based upon the new total acreage and the most current fair market value appraisal of the lands described by this LEASE, including tentatively approved and patented STATE LAND. The first annual rental payment under this Subsection shall commence on the next Anniversary Date. An additional payment is due on that Anniversary Date for the prorated rent payable for any lease year in which acreage is added to the LEASE.

C. Subsequent to the approval of a Release of Right-of-Way Interest as specified in Section 1.F and the required "as-built" survey as specified in Section 1.G, the LESSEE shall pay to the STATE an annual rental value for the Right-of-Way based upon the new total acreage and the most current appraisal of the fair market value of the lands described by this LEASE, including tentatively approved and patented STATE LAND. The first annual rental payment under this Subsection shall commence on the next Anniversary Date. In any lease year where a reduction in acreage occurs, the next year's payment will be reduced by the prorated rent of the lands released to the State for the lease year in which the release of right-of-way interest was approved. The LESSEE's subsequent rental payment obligations shall not commence until overpayments have been fully credited. LEASE rental overpayment in the last year of this LEASE will be prorated and refunded after expiration or termination of this LEASE.

D. The annual rental payment set forth in Sections 4.A, 4.B and 4.C is subject to adjustment at five-year intervals and changes or adjustments shall be based upon a reappraised fair market rental value of the land.

E. Rental payment due as required by this Section shall be tendered to the Department of Natural Resources, Division of Land and Water Management, 3700 Airport Way, Fairbanks, Alaska 99709. Checks or other payment shall be made payable to the Department of Revenue.

Section 5. Reservation of Certain Rights to the STATE

A. The STATE reserves and shall have a continuing and reasonable right of access to any part of the lands (including the subsurface of, and the air space above, such lands) that are subject to this LEASE, and a continuing and reasonable right of physical entry to any part of the PIPELINE SYSTEM, for inspection or monitoring purposes and for any other purpose or reason that is consistent with any right or obligation of the STATE under any law or regulation, this LEASE, or any other agreement, permit or authorization relating in whole or in part to all or any part of the PIPELINE SYSTEM. The right of access and entry shall extend to and be enjoyed by any authorized representative, contractor or subcontractor of the STATE (at any tier), and other persons as may be designated from time to time in writing by the COMMISSIONER.

B. The granting of this LEASE is subject to the express condition that the exercise of the rights and privileges granted under this LEASE will not unduly interfere with the management, administration, or disposal by the STATE of the land affected by this LEASE. The LESSEE agrees and consents to the occupancy and use by the STATE, its grantees, permittees, or other lessees of any part of the Right-of-Way not actually and necessarily occupied or required by the PIPELINE or RELATED FACILITIES for the full and safe utilization of the

PIPELINE and RELATED FACILITIES, for operations incident to land management, administration, or disposal.

C. The State of Alaska, hereby expressly saves, excepts and reserves out of the LEASE hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal waters, and fossils of every name, kind, or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times, for the purpose of opening, developing, drilling, and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved. No rights shall be exercised by the STATE under this section until it complies with the provisions of AS 38.05.130.

D. There is reserved to the STATE the exclusive right to grant additional permits, leases or easements for rights-of-way or other uses to third parties for compatible uses on, or adjacent to, the lands subject to the Right-of-Way provided that such grants will not unreasonably interfere with the rights under this LEASE.

E. Before the STATE grants an additional right-of-way permit or lease for a compatible use as specified in Section 5.B and 5.D, the STATE will notify the LESSEE of its intentions and shall consult with LESSEE before taking final action in that regard. However, the decision to grant additional permits, leases, or easements for rights-of-way rests exclusively with the STATE.

Section 6. Common Carrier Covenants

A. The LESSEE will assume the status of and will perform all of its functions undertaken under the LEASE as a common carrier and will accept, convey, and transport without discrimination LNG quality GAS delivered to it for transportation from fields in the vicinity of the PIPELINE subject to the LEASE throughout its route both on STATE LAND obtained under the LEASE and on the other land in the State; however, a lessee who owns or operates a natural GAS pipeline subject to regulation either (1) under the Natural Gas Act (15 U.S.C. 717 et seq.) of the United States, or (2) by appropriate State or political subdivisions with respect to rates and charges for the sale of natural GAS, is, to the extent of that regulation, exempt from the common carrier requirement in this paragraph; it will accept, convey, and transport natural GAS in the pipeline without unjust or unreasonable discrimination in favor of one producer or person, including itself, as against another but will take the LNG quality GAS, delivered or offered, without unreasonable discrimination, as such issues may be duly determined by the Alaska Public Utilities Commission in accordance with its procedures.

B. (1) The LESSEE agrees to interchange LNG quality GAS with other intrastate carriers and provide connections and facilities for the interchange of LNG quality GAS at every locality reached by both pipelines when the necessity exists, subject to rates or regulations made by the appropriate State or Federal agency.

(2) The LESSEE shall comply with all applicable laws and regulations and orders of the Alaska Public Utilities Commission and shall: (a) obtain a certificate of public convenience and necessity from the Alaska Public Utilities Commission prior to beginning CONSTRUCTION of the PIPELINE SYSTEM and (b) shall maintain its books in accordance with the Uniform System of Accounts for Class A natural GAS pipelines (USOA).

C. (1) The LESSEE shall provide connections, as determined by the Alaska Public Utilities Commission under AS 42.06.340, to facilities on the PIPELINE subject to the LEASE, both on STATE LAND and on other land in the State, for the purpose of delivering LNG quality GAS to persons (including the STATE and its political subdivisions) contracting for the purchase, including the purchase at wholesale rates of LNG quality GAS transported by the PIPELINE when required by the public interest.

(2) The LESSEE shall be required to provide connections, as determined by the APUC pursuant to AS 42.06.340 and other applicable state law, in reasonable, accessible locations for the purpose of delivering LNG quality GAS to persons in the Stevens Village, Fairbanks, North Pole, Delta Junction, Glennallen, Copper Center and Valdez areas if the residents request such connection pursuant to applicable law or regulation.

D. The LESSEE shall, notwithstanding any other provisions, provide connections and interchange facilities at STATE expense at such places the STATE considers necessary, if the STATE determines to take a portion of its royalty GAS or taxes in kind subject to approval of any appropriate State or Federal regulatory agency. Transportation charges for royalty natural GAS taken by the STATE for the benefit of the communities listed in Section 6.C.(2) will be at rates which will compensate the LESSEE for appropriate PIPELINE SYSTEM capital costs and a proportional amount of the operating costs and a reasonable rate of return for only those portions of the PIPELINE SYSTEM utilized, as more specifically determined by the Alaska Public Utilities Commission.

Section 7. Indemnification of the STATE

A. The LESSEE shall indemnify, hold harmless, and defend the STATE, its employees and agents, against all claims or liabilities arising out of or connected with the application for or administration of this LEASE or out of the PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE SYSTEM, or activities associated therewith.

B. The LESSEE further agrees that neither the STATE nor any of its officials, employees, agents or contractors will be liable for any damages, losses or expenses caused by reason of decisions made in respect to the application and administration of this LEASE.

C. The LESSEE will indemnify and hold the STATE harmless for any and all costs or obligations incurred by the STATE in performing any obligation of the LESSEE under this LEASE.

D. Section 7.A., 7.B., and 7.C. of this LEASE will not be interpreted to excuse the STATE, its officials, employees, agents or contractors from liability for damages or injuries resulting from acts of gross negligence or acts of willful misconduct.

Section 8. Liability

A. The LESSEE shall be liable for any and all loss, damage, injury, death, or expense resulting from its negligence or arising out of or connected with any procedures, activities, events, or conditions of the

PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of the PIPELINE SYSTEM.

B. LESSEE shall be jointly and severally liable with all of its agents, contractors, or subcontractors.

Section 9. Bonding

A. The LESSEE shall furnish the State of Alaska a surety bond or other security of such type and on such terms and conditions as are acceptable to the COMMISSIONER, in the principal amount of one million dollars ($1,000,000). Said bond or other security shall be maintained in force and effect in the full principal amount, or in such reduced amount as may be approved by the COMMISSIONER, at all times during the term of the LEASE and until released in writing by the COMMISSIONER. Such release will not be unreasonably withheld upon expiration of the terms of this LEASE, including any renewals of this LEASE, and completion of the LESSEE's obligations under this LEASE and applicable law.

B. Said bond or other security shall be security for payment of any sums owing to the STATE pursuant to the provisions of Section 12, Right of the STATE to Perform, of this LEASE.

C. These requirements are in addition to all other requirements of law, and are not intended to affect, nor are they intended to limit in any way, the LESSEE's liability under any provisions of law.

D. Prior to beginning any CONSTRUCTION activity, the LESSEE shall furnish additional security in the amount of four million dollars ($4,000,000) of such type and on such terms and conditions as are acceptable to the COMMISSIONER. The requirement for such additional security shall be released in writing by the COMMISSIONER after completion of CONSTRUCTION and commencement of initial operation of the PIPELINE SYSTEM. Such release will not be unreasonably withheld.

E. The COMMISSIONER reserves the right to require additional security from the LESSEE if at any time the COMMISSIONER determines it necessary in connection with the CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE SYSTEM.

F. Prior to initiating any TERMINATION activities, the LESSEE shall furnish a surety bond in the amount of four million dollars ($4,000,000) of such type and on such terms and conditions as are acceptable to the COMMISSIONER. The COMMISSIONER is authorized to review the bond amount specified in this Subsection and to increase the amount to reflect changed economic factors and conditions. The requirements for such added security shall be released in writing by the COMMISSIONER after completion of TERMINATION activities of the PIPELINE SYSTEM. Such release will not be unreasonably withheld.

Section 10. Insurance

A. Pursuant to AS 38.35.120(a)(14), without limiting LESSEE's indemnification, the LESSEE hereby agrees to provide and maintain in force throughout the term of this LEASE liability and property damage insurance from a company licensed to do business in the state or furnish other security or undertaking upon the terms and conditions the COMMISSIONER considers necessary if the COMMISSIONER finds that the net assets of the LESSEE are insufficient to protect the public from damage for which the LESSEE may be liable arising out of the PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE, such as: comprehensive general liability including premises, operations, independent contractors, products and completed operations liability including contractual liability covering the LESSEE's indemnification obligation under Section 7 of the LEASE (Exhibit A), broad form property damage, pollution liability, explosion, collapse and underground (XCU), and fire legal liability endorsements, owned and non-owned (leased or hired) automobile, aircraft and watercraft liability, and architect and engineer professional errors and omissions.

Coverage shall, to the reasonable satisfaction of the COMMISSIONER, insure the LESSEE's liabilities for accidental occurrences imposed on it by operation of the requirement for indemnification of the STATE contained in this LEASE. Coverage shall be obtained from a carrier with a rating acceptable to the COMMISSIONER and shall be on an "occurrence" basis. The STATE shall be added to the above-described policies as an additional insured with respect to such liabilities. Initially, coverage shall be in the minimal amount of five million dollars ($5,000,000) per occurrence. Prior to the issuance of the first AUTHORIZATION-TO-PROCEED, coverage shall be in the minimal amount of $150 million ($150,000,000) combined single limit per occurrence. Subsequent to approval of the FINAL DESIGN for PIPELINE CONSTRUCTION, and when the LESSEE commences field activities pursuant to the first NOTICE-TO-PROCEED for such CONSTRUCTION, such insurance shall be in the minimum amount of $250 million per occurrence. When the PIPELINE SYSTEM has been placed into OPERATION and provided that the LESSEE can demonstrate to the COMMISSIONER net worth of $500 million as evidenced by appropriate financial statement of the LESSEE in its latest annual report such coverage shall then be required solely for the purpose of insuring the LESSEE's aforesaid obligations to the State of Alaska, and the minimum amount shall be $50 million per occurrence.

B. In addition, the LESSEE shall provide and maintain, for all employees of the LESSEE engaged in work under this LEASE, Workers' Compensation Insurance as required by AS 23.30. The LESSEE shall be responsible for Workers' Compensation Insurance for any contractor or subcontractor who directly or indirectly provides services under this LEASE. This coverage must include employer's liability protection not less than $1,000,000 per occurrence. The insurer shall agree to waive all rights of subrogation against the STATE, its officers, agents, and employees for losses arising from the leased premises.

C. Certificates of insurance must be furnished to the COMMISSIONER. The required insurance is subject to annual review and adjustment by the COMMISSIONER, who may require reasonable increases based on increased risk.

D. The LESSEE's insurance coverage shall be primary insurance as respects the STATE, its officers, agents and employees. Any insurance or self insurance maintained by the STATE shall be excess of the LESSEE's insurance and shall not contribute with it.

Section 11. Additional Security, Undertaking or Guarantee

A. The LESSEE shall furnish other security, undertaking or guarantee and such terms and conditions as the COMMISSIONER considers necessary if the COMMISSIONER finds that the net assets of the LESSEE are or may become insufficient to protect the public from damage for which such LESSEE may be liable arising from the CONSTRUCTION or OPERATION of the PIPELINE SYSTEM.

B. **(1)** If the COMMISSIONER finds that the net assets of the LESSEE are or may become insufficient to protect the public from damage for which the LESSEE may be liable arising from the CONSTRUCTION or OPERATION of the PIPELINE SYSTEM, the COMMISSIONER may require such LESSEE to deliver to the COMMISSIONER a valid and unconditional guaranty of the full and timely payment of all liabilities and obligations of the LESSEE to the STATE under or in connection with this LEASE.

(2) It is recognized that a proposed guarantor of the LESSEE may be a corporation (or an individual stockholder thereof), an association that is authorized and empowered to sue and be sued and to hold the title to property in its own name (or an individual associate thereof), a joint stock company that is authorized and empowered to sue and to be sued and to hold the title to property in its own name (or any individual participant therein), or a business trust (or any individual settlor thereof), and may or may not directly or indirectly own a legal or beneficial interest in the LESSEE whose liabilities and

obligations are sought to be guaranteed. In the case of multiple guarantors that are acceptable to the COMMISSIONER, each shall be severally liable for only its proportionate share of any sum or payment covered by the guaranty.

(3) Each guaranty shall be satisfactory to the COMMISSIONER in all respects including, without limitation, the form and substance of the guaranty, the financial capability of a proposed guarantor, the availability of such guarantor to service of process, the availability of the assets of such guarantor with respect to the enforcement of judgements against the guarantor, and the number of guarantors that will be necessary to guarantee all of the liabilities and obligations which will be covered by a particular guaranty; provided, however, that the COMMISSIONER shall not unreasonably withhold approval with respect to a guaranty or guarantor.

(4) The COMMISSIONER shall have the right at any time, and from time to time, to require the substitution and delivery of a new form of guaranty in the event either that an outstanding guaranty is held to be invalid or unenforceable, in whole or in part, by a court of competent jurisdiction or that the controlling law is, by statue or judicial decision, so altered as to impair, prevent or nullify the enforcement or exercise of any right or option of the STATE under an outstanding guaranty; provided, however, that the outstanding guaranty (to the extent of its validity or enforceability, if any) shall continue in full force and effect with respect to any claim, suit, accrued liability or defense thereunder that exists at the time of substitution; provided, further, that the new form of guaranty, in each such case, shall be required as to all LESSEES that at the time of substitution have delivered, or are required to deliver, a guaranty.

(5) Each guaranty shall be accompanied by such certificates and opinions of legal counsel as the COMMISSIONER may require to establish its validity. The guarantee shall include an appointment of an agent for service of process that is satisfactory to the COMMISSIONER.

Section 12. Right of the STATE to Perform

If, after thirty (30) days, or in an emergency such shorter period as shall not be unreasonable, following the making of a demand therefor by the COMMISSIONER, the LESSEE (or its agents, employees, contractors, or subcontractors) shall fail or refuse to perform any of the actions required by the provisions of this LEASE, the STIPULATIONS or applicable regulations, the STATE shall have the right, but not the obligation, to perform any or all of such actions at the sole expense of the LESSEE. Prior to the delivery of any such demand, the COMMISSIONER shall confer with the LESSEE, unless the COMMISSIONER deems it impracticable to do so, regarding the required action or actions that are included in the demand. The COMMISSIONER shall submit to the LESSEE a statement of the expenses reasonably incurred by the STATE during the preceding quarter in the performance by the STATE of any required action and the amount shown to be due on each such statement shall be paid by the LESSEE.

Section 13. Books, Accounts and Records; Access to Property and Records

A. The LESSEE and the LESSEE's agents, contractors, or subcontractors (at any tier) shall maintain and preserve books, accounts and records in accordance with the Uniform System of Accounts for Class A natural gas pipelines, and make those reports that the STATE prescribes or may prescribe by regulation or law as necessary and appropriate for the purposes of administering AS 38.35 and other applicable State laws. The LESSEE shall accord at all reasonable times the STATE and its authorized agents and auditors the right of access to its property and records, of inspection of its property, and of examination and copying of those records both in Alaska and at all other locations outside the State.

B. The LESSEE agrees that it shall submit to the COMMISSIONER, on request, any information or documents or other materials which are submitted to the Secretary of the Interior, the Authorized Officer or Federal Inspector, under the "Agreement and Grant of Right-of-Way and Stipulations for the TRANS-ALASKA GAS SYSTEM" between the United States and the LESSEE, and which the COMMISSIONER determines may be relevant to the enforcement of the rights of the STATE under this LEASE.

C. Within thirty (30) days of issuance of this LEASE, the LESSEE shall advise the STATE of a single central location in Alaska where all books, accounts, records and reports, etc., are stored.

D. The LESSEE shall enter into an agreement with each agent, contractor, or subcontractor (at any tier) providing for inspection of property and records and copying of such documents by the COMMISSIONER in accordance with the above provisions.

E. The LESSEE may request that certain records or files, or records and files of contractors or subcontractors, which are maintained by the LESSEE or their contractors or subcontractors, provided to the STATE be held confidential pursuant to AS 38.05.035(a) or pursuant to any other provision of State law providing for confidentiality. Such request shall be made at the time the material is provided to the STATE or at the time of inspection and copying and each request shall specify the nature of the material and shall indicate which, if any, parts of the files and records are not subject to the request. The LESSEE shall accompany any such request with a citation to the applicable State law, and an explanation of the LESSEE's reasons for believing the material falls within that category of materials required or permitted to be kept confidential. In the event the COMMISSIONER determines at any time such request is not valid, or that the public interest in disclosure outweighs the LESSEE's interest in confidentiality, the COMMISSIONER shall advise the LESSEE or LESSEE's contractors or subcontractors, in writing, of place and date, not sooner than five days from date of the notice, when the STATE intends to release the subject records or files.

Section 14. Appointment of Agent for Service of Process

A. If the LESSEE appoints an agent for the PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM under and pursuant to this LEASE, the LESSEE shall file a Power of Attorney with the COMMISSIONER appointing such agent as their true and lawful agent and attorney-in-fact on behalf of the LESSEE with full power and authority to execute and deliver any and all instruments in connection with the PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the PIPELINE SYSTEM. Within the scope of such contractual authority, such agent shall represent the LESSEE with respect to this LEASE. Such agent shall be empowered on behalf of the LESSEE to accept service of any process, pleadings or other documents in connection with court of administrative proceedings relating in whole or in part to this LEASE or to all or any part of the PIPELINE SYSTEM and to which the STATE shall be a party.

B. If the LESSEE maintains an agent for the PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the PIPELINE SYSTEM such agent shall be a permanent resident of the State, or if a corporation, shall be authorized to conduct business in Alaska. The LESSEE shall cause such agent to maintain at all times during this LEASE an office in the State of Alaska for the delivery of all documents, orders, notices and other written communications as provided for in Section 18 of the LEASE. The LESSEE may, by written notice, reappoint an agent for service of process.

Section 15. Reimbursement of STATE Expenses

A. The LESSEE shall reimburse the STATE for all reasonable costs incurred by the STATE pursuant to AS 38.35 and AS 38.05 including, but not limited to, costs incurred in processing this LEASE and all other costs

incurred related to administration or enforcement of PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION activities for all or any part of the PIPELINE SYSTEM.

B. Reimbursement provided for in this section shall be made for each quarter ending on the last day of March, June, September and December. On or before the sixtieth (60th) day after the close of each quarter, the COMMISSIONER shall submit to the LESSEE a written statement of any costs incurred by the STATE during that quarter which are reimbursable. This statement may be supplemented within sixty (60) days after the end of a fiscal year for costs incurred in that year but by neglect, not previously submitted.

C. The LESSEE shall have the right to conduct, at its own expense, reasonable audits by auditors or accountants designated by the LESSEE, of the books, records and documents of the STATE relating to the items on any particular quarterly statement that must be submitted in accordance with Section 15.B, at the places where such books, records and documents are usually maintained and at reasonable times; provided, however, that written notice of a desire to conduct such an audit must be given to the COMMISSIONER (1) at least fifteen (15) days prior to such audit, and (2) by not later than the seventy-fifth (75th) day after the close of the quarter for which the books, records and documents are sought to be audited; and provided, further, that any such audits shall be completed within ninety (90) days after receipt by the LESSEE of the statement containing the items to be audited.

D. Nothing herein requires the STATE to maintain books, records or documents other than those usually maintained by it, provided such books, records, and documents reasonably segregate and identify the costs for which reimbursement is required by this section. Such books, records and documents shall be preserved or caused to be preserved for a period of at least two (2) years after the STATE submits a statement for reimbursement based on such books, records and documents. The auditors or accountants designated by the LESSEE shall have reasonable access to, and the right to copy, at their expense, all such books, records and documents.

E. The LESSEE shall pay to the STATE the total amount shown on each statement but not later than the ninetieth (90th) day following the close of the quarter to which the statement relates; provided, however, that if the LESSEE decides to dispute any item of a statement for reimbursement, the LESSEE, on or before the date on which the statement is due and payable, shall give the COMMISSIONER written notice of each item that is disputed, accompanied by a detailed explanation of its objection, or written notice of each item to be audited, and shall pay the STATE those amounts for the items that are not disputed or are not to be audited. The LESSEE shall give the COMMISSIONER prompt written notice of the completion of the audit of all items of a statement being audited. On a date fixed by the COMMISSIONER but not more than thirty (30) days after notice of a disputed statement or after notice of the completion of the audit, the COMMISSIONER and the LESSEE shall meet to discuss and attempt to resolve, all items which are disputed or which have not been resolved by the audit. Any items resolved as being payable to the STATE shall be paid within thirty (30) days after being resolved together with interest thereon, up to the date of payment, at a total annual percentage rate equal to the discount rate of the Federal Reserve Bank for District Twelve (San Francisco) in effect on the original due date of the statement. Any items left unresolved shall be the subject of a written decision by the COMMISSIONER. If the COMMISSIONER has delegated authority for administrative review, any final decision shall be appealed to the COMMISSIONER before resort to judicial review. Judicial review may be had pursuant to AS 44.62.560.

F. In addition to the right to audit quarterly statements as provided in Section 15.C., if the LESSEE believes that unnecessary employment of personnel or needless expenditure of funds has occurred or is likely to occur, the LESSEE may request the approval of the COMMISSIONER for the LESSEE to conduct promptly, and at their own expense, a full and complete audit by auditors or accountants designated by the LESSEE, of the books, records and documents concerning the matters to be audited, at the places where the books, records and documents to be audited are usually maintained and at reasonable times. Such request shall be in writing, shall specify the matters to be audited and shall state the information available to the LESSEE upon which the

request is based. The COMMISSIONER shall approve or deny such request and a decision on any such request shall not be unreasonably withheld. Any complaint which the LESSEE may have as a result of such audit shall be made to the COMMISSIONER and shall be governed by the procedure set forth in Section 15.E. to the extent applicable.

Section 16. Prevention and Abatement

A. The LESSEE shall prevent or, if the procedure, activity, event or condition already exists or has occurred, abate, as completely and as quickly as practicable, using the best available technology economically feasible, any physical or mechanical procedure, activity, event or condition that is susceptible to prevention or abatement that arises out of the PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of all or any part of the PIPELINE SYSTEM, whenever such procedure, activity, event or condition causes or threatens to cause (1) a hazard to public health, welfare or safety (including but not limited to personal injury or loss of life with respect to any person or persons); or (2) SIGNIFICANT DAMAGE to the environment (including but not limited to water and air quality, areas of vegetation or timber, fish or wildlife populations or their habitats, or the availability of an area's fish or wildlife populations, or any other natural resource); or (3) any damage to or destruction of public or private improvements or any part thereof; or (4) a hazard to PIPELINE SYSTEM integrity.

B. The LESSEE shall immediately notify the COMMISSIONER of any procedure, activity, event or condition that may occur or has occurred, which has caused or threatens to cause a hazard to public health or safety, SIGNIFICANT DAMAGE to the environment, or damage to or destruction of any public or private improvements on STATE LAND or other land in the State, including but not limited to the Right-of-Way.

Section 17. Release of Right-of-Way Interest

A. The LESSEE shall promptly execute and deliver to the STATE, through the COMMISSIONER, a valid instrument of release in recordable form for the relinquishment, abandonment or other TERMINATION of any right or interest in the Right-of-Way, and/or in the use of all or any part of the lands subject to the Right-of-Way during the term of this LEASE. The release of right-of-way interest shall contain, among other things, appropriate recitals, a description of the pertinent rights and interests, and for the benefit of the STATE and its grantees or assigns, express representations and warranties by the LESSEE that it is the sole owner and holder of the rights or interests described therein and that such rights or interests are free and clear of all liens, equities or claims of any kind requiring or that may require the consent of a third party, claiming through, under or due to any act or inaction of the LESSEE, and provide for the release or extinguishment of any such claims which may subsequently arise. The form and substantive content of each instrument of release shall be approved by the COMMISSIONER, but except as otherwise expressly provided for in this Subsection, in no event shall any such instrument operate to increase the then-existing liabilities and obligations of the LESSEE furnishing the release.

B. Each release shall be accompanied by such resolutions and certifications as the COMMISSIONER may require in connection with the power or the authority of the LESSEE, or of any officer or agent acting on its behalf, to execute, acknowledge or deliver the release.

C. Neither the tender, nor the approval and acceptance, of any such release shall operate as an estoppel or waiver of any claim or judgment against a LESSEE or as a relief or discharge, in whole or in part, of any LESSEE from any of its then-existing liabilities or obligations (accrued, contingent or otherwise); and notwithstanding any such tender or delivery, or any approval of the COMMISSIONER, if a release shall contain any provision that operates, or that by implication might operate to discharge or relieve, in whole or in part, the LESSEE of and from any of its liabilities or obligations (accrued, contingent or otherwise) or that operates or

might operate as an estoppel or waiver of any claim or judgment against the LESSEE or as a covenant not to sue, such provision shall be, and shall be deemed to be, void and of no effect whatsoever insofar as it would have the effect of so discharging or relieving a LESSEE or operating as an estoppel, waiver or covenant not to sue.

Section 18. Orders, Notices and Other Documents

A. All decisions, determinations, authorizations, approvals, consents, demands or directions that shall be made or given by the COMMISSIONER to the LESSEE in connection with the enforcement or administration of this LEASE, or of any other PIPELINE SYSTEM-related agreement, permit, lease or other authorization shall, except as otherwise provided in Section 18.B, be in the form of a written order or notice.

B. If, in the judgment of the COMMISSIONER, there is an emergency that necessitates the immediate issuance of an order or notice to the LESSEE, such order or notice may be given orally; provided, however, that subsequent confirmation of the order or notice shall be given in writing as rapidly as is practicable under the circumstances.

C. The absence of any comment by the COMMISSIONER on any order, notice, or any other document shall not be deemed to represent an approval of the document or concurrence with any action proposed by the document. Any written approval or concurrence issued by the COMMISSIONER may be relied upon by the LESSEE unless and until rescinded in writing, except as provided in Section 18.B.

D. The COMMISSIONER will act in writing upon each submission by the LESSEE in accordance with any applicable schedules developed pursuant to STIPULATIONS 1.5, 1.6, and 1.10.

E. All written orders, notices or other communications, including telegrams, of the COMMISSIONER's that are addressed to the LESSEE shall be deemed to have been delivered to and received by the LESSEE when the order, notice or other communication has been delivered: (1) either by messenger during normal business hours or by means of registered or certified United States mail, postage prepaid, return receipt requested, to the office of the agent of the LESSEE in Alaska, or (2) personally to an authorized representative of the LESSEE or agent.

F. All written notices and communications, including telegrams, of the LESSEE's that are addressed to the COMMISSIONER shall be deemed to have been delivered to and received by the COMMISSIONER when the notice or communication has been delivered, either by messenger during normal business hours or by means of registered or certified United States mail, postage prepaid, return receipt requested, to the COMMISSIONER, or personally to the office of the designated State Pipeline Officer, or an authorized representative of the State Pipeline Officer.

G. Any disapproving action related to an order, notice or any other document by the COMMISSIONER, including any requests for additional information, shall state what additional action is necessary to gain approval and may be appealed as provided in Section 21 of this LEASE. Additionally, any revocation of an order, notice or other document may be appealed as provided in Section 21 of this LEASE. Temporary Suspension Orders are subject to the provisions of Sections 20 and 21 of this LEASE.

Section 19. Compliance with ATP/NTP AUTHORIZATIONS

All PRECONSTRUCTION and CONSTRUCTION activities conducted on STATE LAND that are undertaken by the LESSEE, its agents, employees, contractors and subcontractors (at any tier) shall comply in all respects with the provisions of the specific ATP/NTP AUTHORIZATIONS that are issued by the

COMMISSIONER as provided by STIPULATIONS 1.5 and 1.10 (Exhibit A). A specific ATP/NTP AUTHORIZATION may be disapproved, revoked, or work may be temporarily suspended by written order of the COMMISSIONER. No approval of a construction plan or issuance of an authorization shall relieve the LESSEE, its agents, employees, contractors and subcontractors of responsibility for any activity or of responsibility for the means and methods of accomplishing the work.

Section 20. TEMPORARY SUSPENSION ORDERS; Requests to Resume

A. The COMMISSIONER may at any time order the temporary suspension of any or all PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION activities of the LESSEE, its agents, employees, contractors or subcontractors (at any tier) in connection with the PIPELINE SYSTEM, including but not limited to the transportation of GAS, if

(1) An immediate temporary suspension of such activities is necessary to protect (a) public health or safety (including, but not limited to, personal injury or loss of life with respect to any person or persons), or (b) the environment from immediate or irreparable, unexpected harm or damage (including, but not limited to, harm or damage to water and air quality, areas of vegetation or timber, fish or other wildlife populations, or their habitats, or any other natural resource), or (c) public or private property from immediate or irreparable damage; or

(2) The LESSEE, its agents, employees, contractors and subcontractors (at any tier), fail or refuse, or have failed or refused, to comply with any provision of this LEASE or any order or notice of the COMMISSIONER related to enforcement or administration of the LEASE, or the provisions of all other PIPELINE SYSTEM related agreements, leases, permits or authorizations.

B. The COMMISSIONER shall give the LESSEE prior notice of any temporary suspension order as deemed practicable. If circumstances permit, prior to issuing the order, the COMMISSIONER shall discuss with the LESSEE appropriate measures to (1) immediately abate or avoid the harm or damage or threatened harm or damage that is the reason for the issuance of the order, or (2) effect compliance with the provision or order, whichever is applicable.

C. After a temporary suspension order has been given by the COMMISSIONER, the LESSEE shall promptly comply with all of the provisions of the order and shall not resume any activity suspended or curtailed thereby except as provided in this LEASE or under court order.

D. Any temporary suspension order which, in any emergency, is given orally, shall be confirmed in writing. Each temporary suspension order shall be limited, insofar as is practicable, to the particular area or activity that is or may be affected by the activities or conditions that are the basis for the order. Each order shall remain in full force and effect until modified or revoked in writing by the COMMISSIONER.

E. Resumption of any suspended activity shall be promptly authorized by the COMMISSIONER, in writing, as provided in Section 20.F of this LEASE, when it is determined by the COMMISSIONER that (1) the harm or damage or threatened harm or damage has been abated or remedied, or (2) the LESSEE has effected , or is ready, willing and able to effect compliance with the provision or order whichever is applicable.

F. If the COMMISSIONER has ordered the temporary suspension of an activity of the LESSEE pursuant to Sections 20.A of this LEASE, the LESSEE may at any time thereafter file with the COMMISSIONER a written request for permission to resume that activity on the ground that the reason for the suspension no longer exists. The request to resume shall contain a statement which, in the LESSEE's view, supports resumption of the suspended activity. If it is determined by the COMMISSIONER that the reason for the suspension of activity remains valid and the request to resume is denied, the LESSEE may file subsequent requests to resume.

G. The COMMISSIONER, acting with due diligence, shall render a decision, either granting or denying the request, within three (3) days of the date that the request to resume was received by the COMMISSIONER. If the COMMISSIONER does not render a decision within that time, the request to resume shall be considered denied and the LESSEE may appeal as provided in Section 21.

Section 21. Appeal Procedure

A. All decisions rendered by the COMMISSIONER's designee(s) relating to the enforcement or administration of this LEASE and any other PIPELINE SYSTEM related agreements, leases, permits or authorizations may be appealed to the COMMISSIONER if a notice of appeal is filed within thirty (30) days after issuance of the decision, except as provided in Sections 21.B, 21.C and 21.D. Any decision rendered by the COMMISSIONER constitutes a final administrative decision and may be appealed as provided by AS 44.62.560. COMMISSIONER in this Section means the COMMISSIONER of the Department of Natural Resources and does not mean the COMMISSIONER's appointed designee(s) as defined in STIPULATION 1.1.1.6.

B. Appeals from temporary suspension orders; appeals from denials of requests to resume:

(1) The LESSEE may appeal to the COMMISSIONER for review of (a) any temporary suspension order issued pursuant to Section 20 of this LEASE; and (b) any denial of a request to resume which has been issued pursuant to Section 20 of this LEASE. The LESSEE shall file a notice of appeal for review promptly after the effective date of the order or denial being appealed.

(2) The COMMISSIONER, acting with due diligence, shall render a decision on an appeal provided for in this Subsection within three (3) days of the date the appeal notice is received by the COMMISSIONER. If the COMMISSIONER does not render a decision within that time, the appeal shall be considered denied, and such denial shall constitute the final administrative decision of the COMMISSIONER.

C. Appeals with respect to NOTICES-TO-PROCEED

(1) The LESSEE may appeal to the COMMISSIONER if

(a) the COMMISSIONER's designee has issued a NOTICE-TO-PROCEED not substantially in accord with the application therefor, or

(b) the COMMISSIONER's designee has construed the applicable terms and conditions of the LEASE erroneously, or

(c) the COMMISSIONER's designee has imposed arbitrary and capricious requirements to enforce the terms and conditions of the LEASE, or

(d) the LESSEE has made a bonafide effort to meet the requirements of the COMMISSIONER's designee, but with the best practicable technology available, is unable to comply, or

(e) the COMMISSIONER's designee fails to act on a requested NOTICE-TO-PROCEED within the time prescribed by STIPULATION 1.10.6.

(2) The COMMISSIONER, acting with due diligence, shall render a decision on an appeal provided for in this Subsection within three (3) days of the date the appeal notice is received by the

COMMISSIONER. If the COMMISSIONER does not render a decision within that time, the appeal shall be considered denied, and such denial shall constitute the final administrative decision of the COMMISSIONER.

D. The COMMISSIONER, acting with due diligence, shall render any other decisions on appeals that relate to CONSTRUCTION activities within three (3) days of the date the appeal notice is received by the COMMISSIONER. If the COMMISSIONER does not render a decision in that time, the appeal shall be considered denied, and such denial shall constitute the final administrative decision of the COMMISSIONER.

E. The COMMISSIONER, acting with due diligence, shall render all other decisions on appeals that relate to enforcement and administration of this LEASE and any other PIPELINE SYSTEM agreements, leases, permits or authorizations within thirty (30) days of the date the appeal notice is received by the COMMISSIONER. If the COMMISSIONER does not render a decision in that time, the appeal shall be considered denied, and such denial shall constitute the final administrative decision of the COMMISSIONER.

F. Any future administrative decision made by the State of Alaska that affects the title to the property described by this LEASE is subject to administrative and legal appeal made pursuant to State Statutes.

Section 22. TERMINATION PLANS

Within two years of the planned TERMINATION of the PIPELINE SYSTEM, the LESSEE shall submit TERMINATION plans to the COMMISSIONER. TERMINATION plans shall include such information as the COMMISSIONER may require, and no TERMINATION activity may begin until written approval has been received from the COMMISSIONER.

Section 23. Involuntary Termination of LEASE; Breaches

A. Failure of the LESSEE to begin CONSTRUCTION of the PIPELINE SYSTEM within an five (5) years of granting of the LEASE for reasons within control of the LESSEE shall be grounds for involuntary termination of the LEASE by order of the Superior Court.

B. Failure of the LESSEE to comply with the terms of the LEASE shall be grounds for involuntary termination of the LEASE by order of the Superior Court.

C. Before the commencement of an action for involuntary termination of an interest in the Right-of-Way under this section, the COMMISSIONER shall give the LESSEE notice in writing of the alleged breach and shall not commence action in Superior Court unless LESSEE has failed to cure the breach within sixty (60) days of the notice of the alleged breach.

D. Any such breaches of this Right-of-Way LEASE shall upon written order signed by the COMMISSIONER, be subject to a contract penalty in the amount of $10,000 per day for each breach of contract.

E. Termination of this LEASE shall not relieve the LESSEE of any obligations under this LEASE.

Section 24. Prevalence of Law

If a valid State or Federal law is in direct conflict with a term or condition of this LEASE, then the State or Federal law shall prevail.

Section 25. Remedies Cumulative; Equitable Relief

No remedy conferred by this LEASE upon or reserved to the STATE or the LESSEE is intended to be exclusive of any other remedy provided for by this LEASE or by law, but each shall be cumulative and shall be in addition to every other remedy given in this LEASE or now or hereafter existing in equity or at law; and the STATE, in a proper action instituted by it, may seek a decree against LESSEE for specific performance and injunctive or other equitable relief, as may be appropriate.

Section 26. Waiver not Continuing

The waiver by any party of any breach of any provision of this lease by any other party, whether such waiver is expressed or implied, will not be construed to be a continuing waiver or a waiver of, or consent to, any subsequent or prior breach on the part of such other party, of the same or any other provision of this LEASE.

Section 27. Rights of Third Parties

Except for the liability to third parties created pursuant to Section 8 and the insurance requirements of Section 10, the parties to this LEASE do not intend to create any rights under this LEASE that may be enforced by third parties for their own benefit or for the benefit of others.

Section 28. LEASE not a Waiver of any State Statutory or Regulatory Power

This LEASE and the covenants contained herein shall not be interpreted as a limitation on the exercise by the State of Alaska or by the United States of America of any power conferred by valid existing or future statutes or regulations which may affect, directly or indirectly, the activities of the LESSEE in connection with this LEASE and which protect the environment, health, safety, general welfare, lives, or property of the people of the State of Alaska.

Section 29. Section Headings

The section headings in this LEASE are for convenience only and have no other significance.

Section 30. Exhibits

A. Exhibits A and B, as referenced in this section, are attached hereto and made a part hereof.

(1) Exhibit A: Right-of-Way Lease Stipulations for the Trans-Alaska Gas System

(2) Exhibit B: Conditional Right-of-Way Lease for the Trans-Alaska Gas System, ADL 413342.

B. Exhibit C, as referenced in this section, is incorporated into and made a part of this LEASE as if set forth in its entirety.

(1) Exhibit C: Right-of-Way Lease Application Documents for the Trans-Alaska Gas System dated March 12, 1987 (accepted May 7, 1987).

a. Right-of-Way Lease Application

b. Project Description

c. Responses to the Bureau of Land Management's Request for Additional Information

d. Trans-Alaska Gas System Alignment Maps (31 sheets, Drawing Series TAGS-01, Revision 1, dated November 1, 1988)

Section 31. Authority to Enter Agreement

The LESSEE represents and warrants to the STATE that it is duly authorized and empowered under the applicable laws of the State of Alaska to enter into and perform this LEASE in accordance with the provisions of this LEASE.

Section 32. Partial Invalidity

If any part of this LEASE is held invalid or unenforceable, the remainder of this LEASE shall not be affected and shall be valid and enforced to the fullest extent permitted by law.

Section 33. Acceptance of LEASE

The LESSEE's execution of this Right-of-Way LEASE signifies acceptance of the terms and conditions contained herein. Such acceptance constitutes an agreement between the LESSEE and the STATE that, in consideration of the right to use STATE LAND, the LESSEE, together with the LESSEE's respective agents, employees, contractors and subcontractors (at any tier), shall comply with all terms and conditions contained in the LEASE and all applicable laws and regulations.

IN WITNESS WHEREOF, the parties hereto have duly executed this LEASE as of the first written date.

STATE OF ALASKA

By: _____
Judith M. Brady
COMMISSIONER
Department of Natural Resources

Date: _____

YUKON PACIFIC CORPORATION

By: _____
Howard D. Griffith
President and Chief Executive Officer
YUKON PACIFIC CORPORATION

Date: _____

State of)
) ss
)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____, President of YUKON PACIFIC CORPORATION.

_____
Notary Public in and for the State of _____
My Commission Expires: _____

STATE OF ALASKA)
) ss
Third Judicial District)

THIS IS TO CERTIFY that on this _____ day of _____, 19 ___, before me personally appeared _____, the COMMISSIONER of the Department of Natural Resources of the State of Alaska, who executed the foregoing instrument and acknowledged voluntarily signing the same.

_____
Notary Public in and for the State of Alaska
My Commission Expires: _____

EXHIBITS

TO THE

RIGHT-OF-WAY LEASE

FOR THE

TRANS-ALASKA GAS SYSTEM

TAGS Lease
ADL 413342
December 10, 1988

EXHIBIT A

RIGHT-OF-WAY LEASE STIPULATIONS

FOR THE

TRANS-ALASKA GAS SYSTEM

State of Alaska
Department of Natural Resources
Division of Land and Water Management
State Pipeline Office

TABLE OF CONTENTS

SECTION 1. GENERAL STIPULATIONS

1.1. Definitions 1

1.2. Responsibilities 5

1.3. Authority of Representatives of the COMMISSIONER and of Agent of the LESSEE 6

1.4. Field Activities 6

1.5. AUTHORIZATION TO PROCEED 7

1.6. Summary Network Analysis Diagram 7

1.7. Project Performance Standards; DESIGN CRITERIA; Project Plans and Programs 8

1.8. CONCEPTUAL DESIGN 9

1.9. FINAL DESIGN 9

1.10. NOTICE-TO-PROCEED; Application 10

1.11. Quality Assurance and Control 12

1.12. Surveillance and Maintenance 13

1.13. Public and Private Improvements 14

1.14. Health and Safety 14

1.15. Survey Requirements 14

1.16. Public Access 15

1.17. Fire Prevention and Suppression 15

1.18. Communications 16

1.19. Cultural Resources 16

1.20. Hunting, Fishing, Trapping 16

1.21. Changes in Conditions 16

SECTION 2. ENVIRONMENTAL STIPULATIONS

2.1. Environmental Briefings 17

2.2. Pollution Control 17

2.3. Buffer Strips 19

2.4. Erosion and Sedimentation Control 19

2.5. Fish and Wildlife Protection 20

2.6. Material Sites 22

2.7. Clearing 22

2.8. Disturbance of Natural Drainage and Water Use 23

2.9. Off Right-of-Way Travel 23

2.10. Visual Resources 23

2.11. Use of Explosives 23

2.12. RESTORATION 24

2.13. PIPELINE Contingency Plan 24

SECTION 3. TECHNICAL STIPULATIONS

3.1. PIPELINE SYSTEM Standards 25

3.2. Special Standards 25

3.3. Standards for ACCESS ROADS 26

3.4. CONSTRUCTION MODE Requirements 26

3.5. Earthquakes and Fault Displacements 26

3.6. Slope Stability 27

3.7. Stream, River, Floodplain and WETLAND Crossings 28

3.8. PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION 29

3.9. Containment of Spills of OIL or Other HAZARDOUS SUBSTANCES 30

SECTION 1. GENERAL STIPULATIONS

1.1 Definitions

1.1.1. Terms having special meaning in this LEASE document and in the STIPULATIONS are capitalized and are defined in this Subsection.

1.1.1.1. ACCESS ROAD(S) means a road or roads other than a PUBLIC ROAD/HIGHWAY, that is constructed and/or used by the LESSEE for ingress or egress to any PIPELINE SYSTEM FACILITY in connection with all PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION activities.

1.1.1.2. ATP/NTP AUTHORIZATION means either (1) AUTHORIZATION-TO-PROCEED issued for PRECONSTRUCTION activities as defined in STIPULATION 1.1.1.3, or (2) NOTICE-TO-PROCEED issued for CONSTRUCTION activities as defined in STIPULATION 1.1.1.23.

1.1.1.3. AUTHORIZATION(S)-TO-PROCEED means a written order authorizing PRECONSTRUCTION activities in accordance with STIPULATION 1.5.

1.1.1.4. COMMISSIONING means a written order, issued by the COMMISSIONER subsequent to completion of CONSTRUCTION of the PIPELINE and RELATED FACILITIES, which authorizes operational start-up of the PIPELINE SYSTEM.

1.1.1.5. CONCEPTUAL DESIGN means (1) standard drawings showing functional and technical requirements of each typical FACILITIES or structure, including CONSTRUCTION MODE; and (2) written criteria in the form of design manuals, outlines of project specifications and other typical engineering drawings that will guide the FINAL DESIGN, CONSTRUCTION, OPERATION, and TERMINATION of the project.

1.1.1.6. COMMISSIONER means the COMMISSIONER of the Department of Natural Resources, State of Alaska, or the COMMISSIONER's appointed designee(s).

1.1.1.7. CONSTRUCTION means all activities associated with building all components of the PIPELINE SYSTEM from issuance of any NOTICE-TO-PROCEED authorizations to COMMISSIONING of the PIPELINE SYSTEM. PRECONSTRUCTION activities are not included in this definition.

1.1.1.8. CONSTRUCTION MODE means the type of CONSTRUCTION to be employed, generally with regard to the PIPELINE and with respect to specific engineering, geotechnical and environmental parameters and operational concepts.

1.1.1.9. CONSTRUCTION SEGMENT means a physical portion of the PIPELINE SYSTEM, as agreed upon by the LESSEE and the COMMISSIONER, that constitutes a complete portion or stage, in and of itself, which can be constructed independently of any other portion or stage of the PIPELINE SYSTEM in a designated geographical area.

1.1.1.10. CONSTRUCTION ZONE means an area within the Right-of-Way, specified and approved in writing by the COMMISSIONER, to which all CONSTRUCTION activities, not including PRECONSTRUCTION activities, shall be limited.

1.1.1.11. DESIGN CRITERIA means the engineering, geotechnical, and environmental parameters, and operational concepts, necessary to: (1) delineate the project and (2) define the envelope of constraints within which FINAL DESIGN, CONSTRUCTION, OPERATION and TERMINATION of the project will occur. DESIGN CRITERIA include but are not limited to: (1) all engineering, geotechnical, and environmental data collected in support of project design and concepts, including alignment and FACILITY siting, and reports or other evaluations of such data; and (2) written criteria in the form of project plans and programs, and concepts that will guide FINAL DESIGN, CONSTRUCTION, OPERATION, and TERMINATION of the project.

1.1.1.12. FACILITY/FACILITIES means an improvement, temporary or permanent, such as a building, road, airstrip, workpad area, or utility which is/are built or installed to perform some particular function.

1.1.1.13. FIELD TURN-ON means any appropriate written field authorization issued by the COMMISSIONER to allow initiation of a field activity.

1.1.1.14. FINAL DESIGN means completed design documents suitable for bid solicitation, including: (1) contract plans and specifications; (2) proposed CONSTRUCTION MODES; (3) operational requirements necessary to justify designs; (3) design analysis, including calculations for each particular design feature and summaries of applicable engineering tests conducted and their results; (4) all functional, engineering, geotechnical, and environmental criteria; and (5) other considerations pertinent to design.

1.1.1.15. FISH OVERWINTERING AREAS means those areas inhabited by fish between freeze-up and breakup.

1.1.1.16. FISH REARING AREAS means those areas inhabited by fish during any life stage.

1.1.1.17. FISH SPAWNING AREAS means those areas where anadromous and resident fish deposit their eggs.

1.1.1.18. GAS means a gaseous mixture, principally of methane and other paraffinic hydrocarbons, suitably conditioned to an acceptable specification of the LESSEE and appropriate regulatory agencies for transportation by the PIPELINE.

1.1.1.19. HAZARDOUS SUBSTANCE(S) means HAZARDOUS SUBSTANCES as defined by the State Department of Environmental Conservation, Environmental Protection Agency, the U.S. Department of Transportation or as specified in writing by the COMMISSIONER in consultation with the State Department of Environmental Conservation during the review of the LESSEE's HAZARDOUS SUBSTANCES control, cleanup and disposal plan.

1.1.1.20. LEASE means an instrument granting a leasehold interest in the Right-of-Way for the Trans-Alaska Gas System to Yukon Pacific Corporation for the purpose of PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the PIPELINE pursuant to AS 38.35.

1.1.1.21. LESSEE means Yukon Pacific Corporation or its respective successors or assigns.

1.1.1.22. MUTUALLY AGREE(D) means concurrence between the LESSEE and the COMMISSIONER's designee. Impasses are subject to appeal to the Commissioner of the Department of Natural Resources of the State of Alaska.

1.1.1.23. NOTICE(S)-TO-PROCEED means a written order authorizing CONSTRUCTION activities in accordance with STIPULATION 1.10.

1.1.1.24. OIL means oil of any kind or form, including but not limited to petroleum, fuel oil, sludge, oil refuse, and oil mixed with WASTE other than dredged spoil.

1.1.1.25. OPERATION means all activities related to the act of transporting natural GAS, including maintenance and repair of the Right-of-Way and all the improvements thereon, and the fulfillment of all obligations incurred under this LEASE.

1.1.1.26. PIPELINE means the line of pipe traversing STATE LAND for the transportation of GAS as authorized by this LEASE.

1.1.1.27. PIPELINE SYSTEM means all the FACILITIES on STATE LAND which are constructed or used by the LESSEE in connection with PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION activities of the Trans-Alaska Gas System. The term includes the PIPELINE AND RELATED FACILITIES, temporary or permanent, and includes temporary or permanent pipeline-related FACILITIES that may be authorized by other instruments pursuant to AS 38.05, which are constructed or used by the LESSEE in connection with the PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the Trans-Alaska Gas System.

1.1.1.28. PRECONSTRUCTION means all activities, including field activities, associated with planning and designing the PIPELINE SYSTEM prior to the issuance of any NOTICE-TO-PROCEED authorizations.

1.1.1.29. PROXIMATE/PROXIMITY means those portions of the PIPELINE and RELATED FACILITIES that will have a direct impact on the FACILITIES of third party owners with valid existing rights on STATE LAND, including crossings, as identified by such owners and reviewed and approved by the COMMISSIONER.

1.1.1.30. PUBLIC ROAD(S)/HIGHWAY(S) means an improved route on land that is open to common use and enjoyment of all persons, which provides access to certain land and which is under the control of and maintained by public authorities for use by the general public.

1.1.1.31. RELATED FACILITIES in this LEASE includes compressor stations, the Liquefied Natural Gas (LNG) plant, marine terminal, airstrips, access roads,

CONSTRUCTION camps, storage yards, fiber optic communication system, valves and other control devices, cathodic protection devices, bridges, culverts and low-water crossings, retaining walls, berms, dikes, ditches, cuts and fills, hydraulic and erosion control structures, and other structures or FACILITIES of a similar nature as the COMMISSIONER may determine after consultation with the LESSEE.

1.1.1.32. RESTORE/RESTORATION means to return a disturbed area to a natural or near natural condition, unless otherwise approved by the COMMISSIONER. RESTORATION includes, where appropriate, erosion and sedimentation controls, stream rehabilitation, REVEGETATION, re-establishment of native species, visual amelioration and stabilization.

1.1.1.33. REVEGETATION means the establishment of plant cover on disturbed lands through techniques including, but not limited to, seedbed preparation, seeding, planting, fertilizing, mulching, and watering, or, where appropriate, natural revegetation.

1.1.1.34. SIGNIFICANT DAMAGE means a measurable and persistent adverse change, not attributable to natural fluctuation, in the environment, or in the size, productivity or distribution of a fish, bird or mammal population, in an area's carrying capacity for such a population, or in the availability of such a population for human use.

1.1.1.35. STATE means the State of Alaska.

1.1.1.36. STATE LAND is defined by AS 38.35.230(A)-(C) as (1) all land, including shore, tide and submerged land, or resources belonging to or acquired by the STATE as defined by 38.05.965(19); (2) any interest owned or hereafter acquired by the STATE in land; (3) public land of the United States selected by the STATE under Sec. 6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat 399), as amended, and real property of the United States transferred to the STATE under secs. 2l, 35, and 45 of the Alaska Omnibus Act of 1959 (PL 86-70, 73 Stat 141), as amended.

1.1.1.37. STIPULATION(S) means "Right-of-Way Lease Stipulations for the Trans-Alaska Gas System (Exhibit A)".

1.1.1.38. TEMPORARY SUSPENSION ORDER means a stop work order issued by the COMMISSIONER for any activity related to PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE SYSTEM.

1.1.1.39. TERMINATION means all activities connected with the expiration, relinquishment or completion of use of the Right-of-Way, including fulfillment of all obligations incurred under this LEASE.

1.1.1.40. TRANS-ALASKA PIPELINE SYSTEM means the right-of-way lease authorized pursuant to AS 38.35 and other related improvements authorized pursuant to AS 38.05.

1.1.1.41. WASTE means all discarded matter other than construction spoil. It includes, but is not limited to, human waste, trash, garbage, refuse, oil drums, petroleum products, ashes and equipment.

1.1.1.42. WETLAND(S) means those areas that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. WETLANDS generally include swamps, marshes, bogs, and similar areas.

1.2. Responsibilities

1.2.1. Except where COMMISSIONER approval is required before the LESSEE may commence a particular activity, neither the STATE nor any of its employees or agents agrees, or is in any way obligated, to examine or review any plan, design, specification or other document which may be filed with the COMMISSIONER by the LESSEE pursuant to these STIPULATIONS.

1.2.2. With regard to the PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of the PIPELINE SYSTEM:

A. the LESSEE shall ensure full compliance with the provisions of this LEASE, including these STIPULATIONS, by the LESSEE's employees, agents, contractors, or subcontractors (at any tier) and the employees of each of them;

B. unless clearly inapplicable, the requirements and prohibitions imposed upon the LESSEE by these STIPULATIONS are also imposed upon the LESSEE's agents, employees, contractors and subcontractors (at any tier) and the employees of each of them.

C. failure or refusal of the LESSEE's agents, employees, contractors or subcontractors and the employees of each of them, to comply with these STIPULATIONS shall be deemed to be the failure or refusal of the LESSEE.

D. the LESSEE shall require its agents, contractors and subcontractors to include these STIPULATIONS in all contracts and subcontracts which are entered into by any of them, together with a provisions that the other contracting party, together with its agents, employees, contractors and subcontractors, and the employees if each of them, shall likewise be bound to comply with these STIPULATIONS.

1.2.3. In the implementation of STIPULATION 1.2.2, the LESSEE shall furnish all supervisory-level employees with copies of these STIPULATIONS and will provide explanation of the limitations imposed by these STIPULATIONS.

1.2.4. For the purpose of information and review, the COMMISSIONER may call upon the LESSEE at any time to furnish any or all data related to PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION activities undertaken in connection with the PIPELINE SYSTEM.

1.2.5. The LESSEE shall not interfere with the operations of the TRANS-ALASKA PIPELINE SYSTEM or other existing FACILITIES of third party owners with valid existing rights of STATE LAND pursuant to any permits, leases, or easements for rights-of-way, or with the activities of employees, contractors, or subcontractors and agents of the TRANS-ALASKA PIPELINE SYSTEM or any other authorized entity, except as approved in writing by the COMMISSIONER.

1.2.6. The LESSEE and its agents, employees, contractors and subcontractors (at any tier) shall perform all PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION activities of the PIPELINE SYSTEM in a safe, workmanlike manner for the purpose of ensuring protection of PIPELINE SYSTEM integrity, public health and safety, the environment, and existing public and private improvements, and shall at all times employ and maintain personnel and equipment sufficient for that purpose. The LESSEE shall immediately notify the COMMISSIONER as specified in Section 16.B of this LEASE, and any owner of existing public or private improvements, if applicable, of any procedure, activity, event, or condition which causes or threatens to cause a hazard to PIPELINE SYSTEM integrity, public health and safety, the environment, and existing public and private improvements.

1.3. Authority of Representatives of the COMMISSIONER and of Agent of the LESSEE

1.3.1. No order or notice given, pursuant to Section 18 of the LEASE, to the LESSEE by the COMMISSIONER or by an authorized representative of the COMMISSIONER shall be effective as to the LESSEE unless prior written notice of the delegation of authority to issue such an order or notice has been given to the LESSEE.

1.3.2. The LESSEE shall comply with each and every lawful order that is directed to them and that is issued by the COMMISSIONER or by an authorized representative of the COMMISSIONER.

1.3.3. During PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the PIPELINE SYSTEM, the LESSEE or its agent shall appoint a sufficient number of authorized representatives to allow for the prompt delivery to the LESSEE of all notices, orders and other communications, written or oral, of the COMMISSIONER. Each of the agent's authorized representatives shall be registered with the COMMISSIONER and shall be appropriately identified in such a manner and on such terms as the COMMISSIONER shall prescribe. The LESSEE shall cause its agent to consult with the COMMISSIONER at any time regarding the number and location of such representatives of the agent.

1.4 Field Activities

1.4.1. The STATE or its authorized representatives, employees, contractors or subcontractors shall have a continuing and reasonable right of access to the Right-of-Way and to any part of the PIPELINE SYSTEM on STATE LAND or other land in the State for official business upon presentation of a valid STATE identification card.

1.4.2. During the PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM, the LESSEE shall furnish without cost to the STATE, its authorized representatives, employees, contractors or subcontractors and the employees of each of them involved in field activities, meals, living quarters and office space, comparable to those of YPC peers, reasonable use of the LESSEE's communication systems, reasonable surface and air transportation, and vehicle maintenance. For purposes of this STIPULATION only, the eligibility for logistic support of individuals involved in field surveillance will be determined by the COMMISSIONER. Whenever possible, the COMMISSIONER will issue advance written notification to the LESSEE of the need for such services and FACILITIES, including the number of persons to be accommodated.

1.5. AUTHORIZATION-TO-PROCEED

1.5.1. Prior to initiating any PRECONSTRUCTION activities on STATE LAND, the LESSEE must possess a valid AUTHORIZATION-TO-PROCEED, or other written authorization, issued by the COMMISSIONER. Each AUTHORIZATION-TO-PROCEED shall authorize only PRECONSTRUCTION activities specific to that permit. An AUTHORIZATION-TO-PROCEED may contain such site-specific terms and conditions as the COMMISSIONER finds necessary to implement the provisions of this LEASE, and the LESSEE shall comply in all respects with the provisions of the AUTHORIZATION-TO-PROCEED.

1.5.2. Each application for an AUTHORIZATION-TO-PROCEED shall be accompanied by the following:

A. a description of the proposed activity and its location, including access routes;

B. scaled maps or drawings depicting exact location of the proposed activities, PROXIMATE existing FACILITIES of third party owners with valid existing rights on STATE LAND, including the TRANS-ALASKA PIPELINE SYSTEM, drainages, trails, or other access routes, and other pertinent information sufficient to identify potential conflicts with existing land uses and state and private property interests;

C. proposed measures for prevention of significant adverse environmental impact;

D. proposed RESTORATION procedures for areas of surface disturbance;

E. proposed measures for protecting subsistence resources and their uses in the vicinity of the proposed activity;

F. separate analysis of the effects of the proposed activity and written evidence of coordination with any third party owners with valid existing rights on STATE LAND, including the TRANS-ALASKA PIPELINE SYSTEM, or other authorized OIL or GAS transportation pipeline(s) whose FACILITIES are PROXIMATE to such PRECONSTRUCTION activities.

1.5.3. Prior to the submission of any applications for AUTHORIZATIONS-TO-PROCEED, the LESSEE and the COMMISSIONER shall agree to a schedule for the submission, review and approval of such applications. The schedule shall be revised at intervals MUTUALLY AGREED upon by the LESSEE and the COMMISSIONER.

1.6. Summary Network Analysis Diagram

1.6.1. The LESSEE shall submit a Summary Network Analysis Diagram to the COMMISSIONER for review and approval, prior to or concurrently with the submission of Design Criteria. Until the Summary Network Analysis Diagram is approved by the COMMISSIONER, the Project Development Schedule required by Section 2.C.(1) of the "Conditional Right-of-Way Lease for the Trans-Alaska Gas System" (Exhibit B) is to be submitted annually. The Summary Network Analysis Diagram shall include all PRECONSTRUCTION and CONSTRUCTION related activities or contingencies which reasonably may be anticipated in connection with the project. The Summary Network Analysis Diagram shall include or address:

A. timing of all PRECONSTRUCTION and CONSTRUCTION activities;
B. submission of AUTHORIZATION-TO-PROCEED and NOTICE-TO-PROCEED applications;
C. submission of all other permit applications;
D. environmental constraints on PRECONSTRUCTION and CONSTRUCTION scheduling;
E. submission of DESIGN CRITERIA, Project Plans and Programs and FINAL DESIGN;
F. schedule control techniques;
G. other pertinent data.

1.6.2. The Summary Network Analysis Diagram shall be prepared employing techniques normal to the industry in sufficient detail and scope to permit the COMMISSIONER to determine if the management approach shown or inferred by the network analysis will facilitate the cost-effective, environmentally sound, and timely CONSTRUCTION of the project consistent with the protection of public health and safety.

1.6.3. The Summary Network Analysis Diagram shall be updated to indicate current and planned activities at intervals MUTUALLY AGREED upon by the LESSEE and the COMMISSIONER.

1.7. Project Performance Standards; DESIGN CRITERIA; Project Plans and Programs

1.7.1. The LESSEE shall comply with the Project Performance Standards and the Project Plans and Programs completed pursuant to Section 2.C.(2) and Section 2.C.(3) of the "Conditional Right-of-Way Lease for the Trans-Alaska Gas System" (Exhibit B). Specific Project Plans or Programs may be updated at intervals MUTUALLY AGREED upon by the LESSEE and the COMMISSIONER.

1.7.2 DESIGN CRITERIA. The Lessee shall prepare and submit DESIGN CRITERIA for the PIPELINE and RELATED FACILITIES to the COMMISSIONER for review and written approval. The COMMISSIONER shall approve the scope, content and schedule for submission of the DESIGN CRITERIA.

1.7.3. The LESSEE shall submit the following Project Plans and Programs to the COMMISSIONER for review and approval (such plans and programs may be combined and/or cross-referenced where appropriate):

1. Air Quality
2. Blasting
3. Clearing
4. Overburden and Excess Material Disposal
5. River Training Structures
6. Surveillance and Maintenance
7. Visual Impact
8. Wetland CONSTRUCTION
9. Workpads, including Snow/Ice
10. Geologic Hazards
11. PIPELINE Safety Contingency
12. Corrosion Control
13. Mainline Pipeline
14. Groundwater

15. Pipe Ditch Excavation, Installation, Backfill
16. Pipeline Welding
17. Transportation
18. Communications
19. Liquified Natural Gas (LNG) Plant

The COMMISSIONER shall approve the scope, content and schedule for submission of the Project Plans and Programs required by this STIPULATION.

1.7.4. The Project Plans and Programs required by STIPULATION 1.7.3 may be updated at intervals MUTUALLY AGREED upon by the LESSEE and the COMMISSIONER. Additional or supplementary plans and programs may be required as specified by the COMMISSIONER if the plans or programs listed in either Section 2.C.(3) of the "Conditional Right-of-Way Lease for the Trans-Alaska Gas System" (Exhibit B) or STIPULATION 1.7.3 do not provide support for the FINAL DESIGN or do not adequately guide the conduct of PIPELINE SYSTEM activities.

1.7.5. The project plan addressing transportation as required by STIPULATION 1.7.2.17 shall include, at a minimum, identification of the CONDITIONAL LESSEE's planned utilization of the existing transportation infrastructure (such as PUBLIC ROADS/HIGHWAYS, airports, and bridges), assessment of the negative impacts of the project on public transportation, proposed mitigation including use of specific CONSTRUCTION techniques to mitigate adverse impacts, and the development of transportation impact monitoring programs to be employed during CONSTRUCTION of the PIPELINE SYSTEM.

1.7.6. Subject to existing rights vested in other parties, the LESSEE shall plan for and utilize existing FACILITIES, to the maximum extent feasible, in all PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION activities associated with the PIPELINE SYSTEM.

1.7.7. The Project Plans and Programs listed in STIPULATION 1.7.3 or any additional or supplementary plans or programs that may be required pursuant to STIPULATION 1.7.4 that may affect FACILITIES that are PROXIMATE to the proposed Trans-Alaska Gas System alignment, such as the TRANS-ALASKA PIPELINE SYSTEM, other authorized OIL or GAS transportation pipeline(s), PUBLIC ROADS/HIGHWAYS, or the FACILITIES of other third party owners with valid existing rights on STATE LAND, shall be coordinated by the LESSEE with the respective owners. Evidence of coordination with such owners shall accompany the submission of applicable DESIGN CRITERIA or Project Plans or Programs.

1.8. CONCEPTUAL DESIGN

1.8.1. The CONCEPTUAL DESIGN as required by Section 2.C.(4) of the "Conditional Right-of-Way Lease for the Trans-Alaska Gas System" (Exhibit B) to be completed prior to issuance of this LEASE shall be complied with as provided by this LEASE.

1.9. FINAL DESIGN

1.9.1. Prior to or with the submission of any NOTICE-TO-PROCEED application, the LESSEE shall submit the appropriate FINAL DESIGN for review and approval by the COMMISSIONER. The COMMISSIONER and the LESSEE shall MUTUALLY AGREE upon the scope, content and schedule for submission of the FINAL DESIGN. The FINAL DESIGN shall be complied with as provided by this LEASE.

1.10. **NOTICE-TO-PROCEED**; Application

1.10.1. Prior to initiating any CONSTRUCTION activity on STATE LAND pursuant to this LEASE, the LESSEE must possess a valid NOTICE-TO-PROCEED, or other written authorization, issued by the COMMISSIONER. Each NOTICE-TO-PROCEED shall authorize only CONSTRUCTION activities specific to that permit. A NOTICE-TO-PROCEED may contain such site specific terms and conditions as the COMMISSIONER finds necessary to implement the provisions of this LEASE, and the LESSEE shall comply in all respects with the provisions of the NOTICE-TO-PROCEED. All NOTICES-TO-PROCEED will contain a provision requiring FIELD TURN-ON prior to initiation of activities.

1.10.2. The COMMISSIONER may issue a NOTICE-TO-PROCEED only when the COMMISSIONER has approved the FINAL DESIGN as required by STIPULATION 1.9 and the NOTICE-TO PROCEED application requirements have been appropriately reviewed.

1.10.3. The COMMISSIONER may by written order, following consultation with the LESSEE, revoke or temporarily suspend, in whole or in part, any NOTICE-TO-PROCEED which has been issued, when the LESSEE has failed to comply with the provisions of this LEASE, or when the COMMISSIONER has determined that subsequent unforeseen conditions arising out of the LESSEE`s activities require amendment of the NOTICE-TO-PROCEED to ensure: (1) protection of PIPELINE SYSTEM integrity; (2) prevention of SIGNIFICANT DAMAGE to the environment; (3) protection of public health and safety; and (4) protection of public or private property from damage.

1.10.4. Prior to submission of any NOTICE-TO-PROCEED application, the LESSEE shall locate by survey and shall clearly mark on the ground the boundaries of the CONSTRUCTION ZONE as specified in Section 1.E. of this LEASE, the proposed centerline of the PIPELINE and the location of all other RELATED FACILITIES, and the clearing limits within the CONSTRUCTION ZONE in a manner acceptable to the COMMISSIONER.

1.10.5. The LESSEE will coordinate with all the owners of any PROXIMATE FACILITIES, including the TRANS-ALASKA PIPELINE SYSTEM and other authorized OIL or GAS transportation pipeline(s), to survey and/or clearly mark on the ground any relevant parts of such FACILITIES that are PROXIMATE to the proposed Trans-Alaska Gas System alignment or when any CONSTRUCTION activities could pose a threat to the integrity of such FACILITIES or their respective rights-of-way.

1.10.6. Prior to submission of any NOTICE-TO-PROCEED applications, the COMMISSIONER and the LESSEE shall MUTUALLY AGREE upon a schedule for submission, review and approval of such applications. The schedule shall allow the COMMISSIONER 60 days for review of each complete NOTICE-TO-PROCEED application, unless the COMMISSIONER gives written notice that more time is required. The schedule shall be revised at intervals MUTUALLY AGREED upon by the LESSEE and the COMMISSIONER.

1.10.7. Each application for a NOTICE-TO-PROCEED shall be accompanied by the following:

A. a detailed network analysis diagram including work schedules, permits or authorizations required and their interrelationships, design and review periods, data collection activities and CONSTRUCTION sequencing, which shall be updated to reflect current status of the activity;

B. applicable FINAL DESIGN;

C. all data necessary to demonstrate compliance with the terms and conditions of this LEASE with respect to the proposed activity including permits or authorizations required by appropriate Federal or State agencies;

D. all reports and results of environmental analysis including subsistence issues, conducted or considered by the LESSEE;

E. a scaled site plan, map(s) or drawings, acceptable to the COMMISSIONER, depicting:

(1) the proposed location of all PIPELINE and/or RELATED FACILITIES components to be constructed;

(2) the boundaries of the CONSTRUCTION ZONE;

(3) the boundaries of the clearing limits and temporary use areas;

(4) the relative location of all existing FACILITIES of third party owners with valid existing rights on STATE LAND, including the TRANS-ALASKA PIPELINE SYSTEM, that are PROXIMATE to the PIPELINE and RELATED FACILITIES;

(5) all drainages;

(6) trails and other access routes;

(7) other pertinent information sufficient to identify potential conflicts with existing land uses and state and private property interests;

F. a separate analysis which addresses and evaluates the effects of the PIPELINE SYSTEM and proposed activity on the TRANS-ALASKA PIPELINE SYSTEM, or other authorized OIL or GAS transportation pipeline(s);

G. an analysis which describes systems designed to ensure protection of the Trans-Alaska Pipeline System, other OIL or GAS transportation pipeline(s), or other existing FACILITIES that are PROXIMATE to the PIPELINE SYSTEM from damage arising from CONSTRUCTION, OPERATION and TERMINATION activities of the PIPELINE SYSTEM;

H. evidence that the LESSEE has coordinated with the owners, agents and /or operators of the TRANS-ALASKA PIPELINE SYSTEM, other OIL or GAS

transportation pipeline, or any other existing or proposed FACILITIES as may be required by the COMMISSIONER;

I. the specific quality control program for all activities included in the application for a NOTICE-TO-PROCEED including what special precautions the LESSEE will execute when conducting activities in PROXIMITY to existing FACILITIES of the TRANS-ALASKA PIPELINE SYSTEM and other authorized OIL or GAS transportation systems; and,

J. other pertinent data as may be requested by the COMMISSIONER either prior to submission of the application for an NOTICE-TO-PROCEED or at any time during the review period.

1.10.7. A NOTICE-TO-PROCEED shall not be issued until the COMMISSIONER has approved

A. all relevant locations on the ground and temporary boundary markers have been set by the LESSEE to the satisfaction of the COMMISSIONER; and,

B. all the submittals required by STIPULATION 1.7, 1.8, and 1.9.

1.11. Quality Assurance and Control

1.11.1. The approved quality assurance and quality control program as required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3 shall be comprehensive and designed to ensure that the applicable requirements of 49 CFR Part 192 and the provisions of this LEASE will be complied with during PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM. The LESSEE shall provide for continuous inspection during PRECONSTRUCTION and CONSTRUCTION of the PIPELINE SYSTEM to ensure compliance. The term "continuous inspection" as used in this STIPULATION means that at least one inspector shall observe each PRECONSTRUCTION or CONSTRUCTION activity at all times where PIPELINE SYSTEM integrity is involved while that PRECONSTRUCTION or CONSTRUCTION activity is being performed, or where such activities are PROXIMATE to the TRANS-ALASKA PIPELINE SYSTEM, or other constructed OIL or GAS transportation pipeline(s).

1.11.2. At a minimum, the following shall be included in the quality assurance program:

A. Procedures for the detection and prompt abatement of any actual or potential procedure, activity, event or condition, of an adverse nature that:

(1) is susceptible to abatement by the LESSEE;

(2) could reasonably be expected to arise out of, or affect adversely, the PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of all or any part of the PIPELINE SYSTEM; and

(3) that at any time may cause or threaten to cause:

(a) hazard to the safety and health of workers or to public health or safety, including but not limited to personal injury or loss of life of any person;

(b) SIGNIFICANT DAMAGE to the environment, including but not limited to areas of vegetation or timber, fish or other wildlife populations or their habitats, subsistence use, or any other natural resource;

(c) damage to or destruction of existing private or public improvements on or in the general vicinity of the Right-of-Way area;

B. Procedures for the relocation, repair or replacement of improved or tangible property and the rehabilitation of natural resources (including but not limited to REVEGETATION, restocking fish or other wildlife populations, and reestablishing their habitats) seriously damaged or destroyed if the immediate cause of the damage or destruction results from PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of any part of the PIPELINE SYSTEM;

C. Methods and procedures for achieving component and subsystems quality through proper design specification;

D. Methods for applying quality assurance and quality control criteria in the selection of the LESSEE's contractors and subcontractors, and contract purchases of materials and services;

E. A plan for collecting, recording, storing, retrieving, and reviewing data to assure that quality has been attained, including procedures for initiating and maintaining adequate records of inspections, identification of deviations and completion of corrective actions;

F. Specific methods of detecting deviations from designs, plans, regulations, specifications and LEASE and permit terms and conditions (including establishing effective procedures for timely evaluation and correction of field nonconformance problems) as the basis for initiating corrective action to preclude or rectify the hazards, harm or damage referenced in STIPULATION 1.11.2(A)(3);

G. Inspection, testing and acceptance of components, subsystems and subassemblies;

H. A plan for conducting surveys and field inspections of all FACILITIES, processes and procedures of the LESSEE, its contractors, subcontractors, vendors and suppliers critical to the achievement of quality.

1.11.3. The LESSEE, its agents, employees, contractors and subcontractors (at any tier) shall comply with the quality assurance and quality control programs as approved and the LESSEE shall submit quarterly reports to the COMMISSIONER, unless otherwise requested by the COMMISSIONER.

1.12. Surveillance and Maintenance

1.12.1. During the PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM, the LESSEE shall develop and implement a surveillance and maintenance program as required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. At minimum, this program shall, with respect to the LESSEE's

activities, be designed to maintain PIPELINE SYSTEM integrity, protect public health and safety, protect the environment, and public and private property and improvements.

1.12.2. The LESSEE shall maintain complete updated records on PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION activities performed in connection with the PIPELINE SYSTEM. Such records shall include surveillance data, leak and failure records, necessary operational data, modification records, and such other data as may be required by 49 CFR, 191 and 192 and other applicable State and Federal laws and regulations.

1.13. Public and Private Improvements

1.13.1. The LESSEE shall provide reasonable protection to existing public or private improvements which may be adversely affected by its activities or those of its agents, employees, contractors or subcontractors (at any tier) during PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM. The LESSEE shall, specifically, take all reasonable precautions to protect the TRANS-ALASKA PIPELINE SYSTEM, or any other authorized OIL or GAS transportation pipeline(s), or PUBLIC ROADS/HIGHWAYS from damage or destruction caused by the LESSEE during PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the PIPELINE SYSTEM. The LESSEE shall notify the COMMISSIONER and the owner(s) of such FACILITIES of any procedure, activity, event, or condition which causes or threatens to cause damage to or destruction of such FACILITIES. If it is determined that the LESSEE has caused damage to such public and private improvements, and if the owners require, then the LESSEE shall promptly repair, or reimburse the owner for reasonable costs in repairing the property to a condition which is satisfactory to the owner, but need not exceed its condition prior to damage.

1.14. Health and Safety

1.14.1. The LESSEE shall take measures necessary to protect the health and safety of all persons directly affected by activities performed by the LESSEE in connection with PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of the PIPELINE SYSTEM, and immediately abate any health or safety hazards. The LESSEE shall promptly notify the COMMISSIONER of all serious accidents which occur in connection with PIPELINE SYSTEM activities.

1.15. Survey Requirements

1.15.1. LESSEE shall not disturb any survey monuments encountered during PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM, unless otherwise approved in writing by the COMMISSIONER.

1.15.2. In the event that any monuments or accessories are inadvertently damaged or destroyed during the PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE SYSTEM, the LESSEE shall immediately notify the COMMISSIONER, and shall employ a qualified land surveyor to reestablish or restore same in accordance with the standards of the STATE, the Bureau of Land Management, or other standards.

1.16. Public Access

1.16.1. The LESSEE shall not block or restrict public access to existing airstrips, landing areas, roads, trails, or waterways in any way on STATE LAND, except as provided in this Section. Specifically, the LESSEE shall not block or restrict public marine access in any way in Anderson Bay or elsewhere offshore of the Liquefied Natural Gas Plant/Marine Terminal site except within the boundaries of the Right-of-Way.

1.16.2. During CONSTRUCTION or TERMINATION activities, the LESSEE may regulate or prohibit public access to or upon any ACCESS ROAD or workpad area being used for such activity. At all other times, LESSEE shall permit free and unrestricted public access to and upon ACCESS ROADS, workpad areas, and all other areas within the Right-of-Way, except that with the written consent of the COMMISSIONER, the LESSEE may regulate or prohibit public access and vehicular traffic on ACCESS ROADS or workpad areas as specified in STIPULATION 1.7.3. The LESSEE shall provide appropriate warnings, flagmen, barricades and other safety measures or otherwise ensure public safety when using ACCESS ROADS or regulating or prohibiting public access to or upon ACCESS ROADS.

1.16.3. During CONSTRUCTION of the PIPELINE SYSTEM, the LESSEE shall provide alternative routes for existing roads and trails at locations and to standards as determined by the COMMISSIONER, whether or not these roads or trails are recorded. These roads and trails shall be restored to their original location and to their previous condition upon completion of all CONSTRUCTION activities. In addition, the LESSEE shall make provisions for suitable permanent crossings for the public at locations and to standards approved in writing by the COMMISSIONER, where the Right-of-Way crosses existing roads, foot-trails, winter trails, or other existing rights-of-way, including those validly established pursuant to 43 U.S.C. 932 prior to October 21, 1976. In addition, the LESSEE shall plan for, and consider in design, any primary and secondary highway crossings proposed by the State of Alaska Department of Transportation and Public Facilities which have received funding for construction.

1.16.4. After completion of CONSTRUCTION of the PIPELINE SYSTEM, the LESSEE may request to designate certain areas of the Right-of-Way to which the public will not have free and unrestricted access. The LESSEE may request to regulate or prohibit public access and vehicular traffic on such areas of the Right-of-Way to facilitate operations or to protect the public, wildlife or livestock from hazards associated with OPERATION of the PIPELINE SYSTEM. The LESSEE shall post, gate, fence or otherwise restrict public access as directed by the COMMISSIONER.

1.17. Fire Prevention and Suppression

1.17.1. The LESSEE shall promptly notify the COMMISSIONER and the owners of the TRANS-ALASKA PIPELINE SYSTEM of any fires which may threaten any portion of the PIPELINE SYSTEM, the TRANS-ALASKA PIPELINE SYSTEM, or any other authorized OIL or GAS transportation pipeline, and shall take all measures necessary or appropriate for the prevention and suppression of fires in accordance with applicable law and the approved fire control plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. The LESSEE shall comply with the instructions and directions of the COMMISSIONER concerning the use, prevention and suppression of fires on STATE LAND. Use of open fires in connection with the PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM is prohibited on STATE LAND unless

authorized in writing by the COMMISSIONER. The LESSEE shall assume full liability for any damages to the STATE resulting from fires caused by the LESSEE's activities.

1.18. Communications

1.18.1. The LESSEE shall provide a communication capability that ensures the transmission of information required for the safe CONSTRUCTION, OPERATION and TERMINATION of the PIPELINE SYSTEM in accordance with the approved communication plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

1.18.2. The LESSEE shall, as necessary, screen, filter, or otherwise suppress any electronically operated devices installed as part of the PIPELINE SYSTEM which are capable of producing electromagnetic interference radiations so that such devices will not adversely affect the functioning of existing communications systems, navigational aids, or similar systems. The LESSEE shall not obstruct radiation patterns of existing line-of-sight communications systems, navigational aids, or similar systems.

1.19. Cultural Resources

1.19.1. The LESSEE shall undertake the affirmative responsibility to identify, protect and preserve cultural, historic, prehistoric and archaeological resources that may be impacted by its activities in the overall construction project in the State of Alaska on both Federal and non-Federal lands consistent with the National Historic Preservation Act of 1966, as amended, 16 U.S.C. 470, et seq., and the implementing procedures of the Advisory Council on Historic Preservation, 36 CFR Part 800. This responsibility will be executed in a manner consistent with the terms of a Memorandum of Agreement, under Section 106 of the National Historic Preservation Act of 1966, 16 U.S.C. 470f, as amended, between the Advisory Council on Historic Preservation, the State Historic Preservation Officer, and the appropriate Federal and State officials, and developed in consultation with the LESSEE. The terms of such Memorandum of Agreement, except as otherwise mandated by law, shall not compel a change in the basic nature and general route of the approved transportation system or otherwise prevent or impair in any significant respect the expeditious CONSTRUCTION and initial OPERATION of the transportation system.

1.20. Hunting, Fishing, Trapping

1.20.1. The LESSEE shall inform its employees, agents, contractors, subcontractors and their employees of the applicable laws and regulations relating to hunting, fishing, trapping, feeding and harassment of wildlife.

1.21. Changes in Conditions

1.21.1. The COMMISSIONER may require the LESSEE to make such modification of the PIPELINE SYSTEM during PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION without liability or expense to the STATE as deemed necessary to:

A. protect or maintain stability of foundation and geologic materials;

B. protect or maintain integrity of the PIPELINE SYSTEM;

C. prevent SIGNIFICANT DAMAGE to the environment (including, but not limited to fish and wildlife populations or their habitats);

D. protect or maintain subsistence resources;

E. remove hazards to public health and safety; protect the TRANS-ALASKA PIPELINE SYSTEM, or any authorized OIL or GAS transportation pipeline, or other FACILITIES of third party owner with valid existing rights on STATE LAND from the adverse effects of the LESSEE's activities, including the activities of the LESSEE's agents, employees, contractors, subcontractors and the employees of each of them.

1.21.2. Unforeseen conditions arising during PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION of the PIPELINE SYSTEM may make it necessary to revise or amend these STIPULATIONS to control or prevent damage to the environment (including fish and wildlife and/or their habitats), to protect or maintain subsistence use or prevent hazards to public health and safety. In that event, the LESSEE and the COMMISSIONER shall MUTUALLY AGREE as to what revisions or amendments shall be made.

SECTION 2. ENVIRONMENTAL STIPULATIONS

2.1. Environmental Briefings

2.1.1. The LESSEE shall develop and provide environmental briefings pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3, for all supervisory employees, and all employees, agents, contractors or subcontractors and their employees that will be engaged in field activities.

2.2. Pollution Control

2.2.1. The LESSEE shall ensure that degradation of air, land and water quality is minimized or avoided when conducting PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION activities related to the PIPELINE SYSTEM; the LESSEE shall comply with applicable State of Alaska air and water quality standards, as promulgated by the State of Alaska Department of Environmental Conservation and with the requirements of the Environmental Protection Agency's National Pollutants Discharge Elimination System discharge permit program, and all other Federal and State laws and regulations relating to pollution control or prevention, in accordance with the approved environmental plans required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.2.2. Air and Water Pollution

2.2.2.1. The LESSEE shall utilize and operate all FACILITIES and devices used in connection with the PIPELINE SYSTEM so as to avoid or minimize ice fog. FACILITIES or devices which cannot be prevented from producing ice fog shall be located so as to minimize interference with airfields, communities or roads.

2.2.2.2. All activities employing wheeled or tracked vehicles or other equipment are prohibited in lakes, WETLANDS, streams or rivers unless such activity is approved in writing by the COMMISSIONER.

2.2.2.3. Natural ground temperature or natural surface water/groundwater temperature shall not be changed significantly by the PIPELINE SYSTEM or by any CONSTRUCTION related activity unless authorized by permit from the State of Alaska Department of Environmental Conservation.

2.2.2.4. The LESSEE shall comply with thermal pollution standards pursuant to State of Alaska water quality standards as promulgated by the State of Alaska Department of Environmental Conservation.

2.2.3. Pesticides, Herbicides and Other Chemicals

2.2.3.1. Where possible LESSEE shall use non persistent and immobile types of pesticides, herbicides and other chemicals in accordance with the approved pesticides, herbicides, chemicals plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. Only those pesticides and herbicides currently registered by the Environmental Protection Agency pursuant to the Federal Insecticide, Fungicide and Rodenticide Act shall be applied. Applications of pesticides and herbicides shall be in accordance with label directions approved by the Environmental Protection Agency. Each chemical to be used and its application constraints shall be authorized by permit from the State of Alaska Department of Environmental Conservation.

2.2.4. WASTE Disposal

2.2.4.1. All WASTE generated in PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the of the PIPELINE SYSTEM shall be removed or otherwise disposed of in a manner acceptable to the COMMISSIONER. All applicable Federal and State requirements shall be incorporated into the approved solid and liquid WASTE management plans required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.2.5. HAZARDOUS SUBSTANCES Discharge--Reporting, Prevention, Control, Cleanup and Disposal

2.2.5.1. The LESSEE shall give notice in accordance with applicable law of any spill, leakage, or discharge of a HAZARDOUS SUBSTANCE in connection with the PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION of the PIPELINE SYSTEM to 1) the COMMISSIONER and 2) such other Federal or State officials as are required by law to be given such notice.

2.2.5.2. Any oral notice shall be confirmed in writing within 24 hours. The LESSEE may group small spills on STATE LAND in accordance with State of Alaska Department of Environmental Conservation requirements and shall report them on a weekly basis to the COMMISSIONER.

2.2.5.3. The LESSEE shall develop a HAZARDOUS SUBSTANCES control, cleanup and disposal plan to the COMMISSIONER pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3., and where applicable, in accordance with 40 CFR, Part 112. The plan shall, at a minimum, identify all areas where HAZARDOUS SUBSTANCES are stored, utilized, transported or distributed. The plan shall address fuel distribution systems, storage and containment, containerized products, leak detection systems, handling procedures, training programs, provisions

for collection, storage and ultimate disposal of waste oil, cleanup methods, and disposal sites. The plan shall be approved in writing by the COMMISSIONER and the LESSEE shall demonstrate its capability and readiness to execute the plan to the satisfaction of the COMMISSIONER.

2.3. **Buffer Strips**

2.3.1. No CONSTRUCTION activity in connection with the PIPELINE SYSTEM shall be conducted within one-half (1/2) mile of any officially designated Federal, State, Borough or Municipal park, wildlife refuge, wildlife range, critical habitat area, game sanctuary, research natural area, recreation area or site, wilderness area, wild and/or scenic river or any registered National Historic Site, National Landmark or Natural Landmark unless such activity is approved in writing by the COMMISSIONER.

2.3.2. All components of the PIPELINE SYSTEM shall be located so as to provide buffer strips of undisturbed land at least 500 feet wide between those PIPELINE SYSTEM components and any streams, rivers or lakes, unless otherwise approved in writing by the COMMISSIONER.

2.3.3. Undisturbed buffer strips at least 500 feet wide shall be maintained between material sites and PUBLIC ROADS/HIGHWAYS unless otherwise approved in writing by the COMMISSIONER.

2.4. **Erosion and Sedimentation Control**

2.4.1. General

2.4.1.1. The LESSEE shall minimize surface disturbance within the Right-of-Way and on STATE LAND adjacent to the Right-of-Way when conducting all PIPELINE SYSTEM activities; the LESSEE shall minimize damage to vegetation, including the organic mat, in an effort to prevent thermal degradation and hydraulic erosion.

2.4.1.2. Erosion and sedimentation control measures to be utilized shall be determined in the appropriate plans required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. Site-specific measures shall be determined in the field prior to submission of the FINAL DESIGN as required by STIPULATION 1.9. Such measures shall include, but shall not be limited to erosion control structures, REVEGETATION, placement of mat binders, soil binders, rock or gravel blankets, or other structures.

2.4.1.3. The use of temporary and permanent erosion control structures shall be implemented in accordance with the appropriate plan required pursuant to Section 1.I. of the LEASE and STIPULATION 1.7.3. for the purpose of limiting induced and accelerated erosion, limiting sedimentation and reducing the possible formation of new drainage channels. The design of such erosion control structures shall be based on the rainfall rate/snowmelt combination characteristic of the region, the effects of thawing produced by flowing or ponded water on permafrost, and the effects of ice. Permanent erosion control structures shall be designed to accommodate a 50-year flood.

2.4.2. Stream, River, Floodplain and WETLAND Crossings

2.4.2.1. The LESSEE shall minimize the number of stream, river, floodplain or WETLAND crossings as a PIPELINE SYSTEM design criterion in accordance with the approved stream, river, floodplain and WETLAND crossing plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.4.2.2. The LESSEE shall minimize erosion and sedimentation at and downstream from all stream, river and WETLAND crossings and those portions of PIPELINE SYSTEM components that are located within floodplains.

2.4.2.3. Temporary access over streambanks prior to and following ditch excavation shall be made through use of fill ramps rather than by cutting through streambanks, unless otherwise approved in writing by the COMMISSIONER. The LESSEE shall remove such ramps upon termination of seasonal or final use. Ramp materials shall be disposed of in a manner approved in writing by the COMMISSIONER.

2.4.2.4. The LESSEE shall plan the timing and location of stream, river, floodplain or WETLAND crossings during CONSTRUCTION of the PIPELINE SYSTEM so as to minimize impacts to fish and wildlife populations, habitats and uses.

2.4.3. Excavated Material

2.4.3.1. Excavated material in excess of that required to backfill around any structure, including the PIPELINE, or unsuitable for backfill or for RESTORATION purposes, shall be disposed of in accordance with the approved overburden and excess material disposal plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.4.3.2. Surface materials taken from disturbed areas shall be stockpiled and utilized for RESTORATION activities unless unsuitable for such purposes, or unless otherwise approved by the COMMISSIONER.

2.4.3.3. Excavated materials shall not be stockpiled in rivers, streams, on floodplains, in WETLANDS or on ice unless approved in writing by the COMMISSIONER. Stockpiling in WETLANDS shall be conducted in accordance with the approved stream, river, floodplain and WETLAND crossing plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.5. Fish and Wildlife Protection

2.5.1. Fish

2.5.1.1. During PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM, the LESSEE shall ensure that there exists free passage and movement of fish in streams designated by the COMMISSIONER. Temporary blockages of fish necessitated by instream activities may be approved. PRECONSTRUCTION and CONSTRUCTION planning required by the Network Analysis Diagrams and NOTICE-TO-PROCEED applications as provided in STIPULATION 1.10 shall include the time and place that such temporary blockages may occur.

2.5.1.2. Pump intakes shall be screened to prevent harm to fish. Screening specifications shall be approved by the COMMISSIONER.

2.5.1.3. When abandoned, water diversion structures shall be removed or plugged and stabilized, unless otherwise approved in writing by the COMMISSIONER.

2.5.1.4. The LESSEE shall avoid disturbances to those FISH SPAWNING AREAS, FISH REARING AREAS, and FISH OVERWINTERING AREAS designated by the COMMISSIONER. However, where disturbances cannot be avoided, proposed modifications and appropriate mitigation measures shall be designed by the LESSEE and approved in writing by the COMMISSIONER.

2.5.1.5. The LESSEE shall protect FISH SPAWNING AREAS, FISH REARING AREAS, and FISH OVERWINTERING AREAS from sediment where soil material is expected to be suspended in water as a result of PRECONSTRUCTION or CONSTRUCTION activities. Settling basins or other sediment control structures shall be constructed and maintained to intercept such sediment before it reaches rivers, streams, lakes or WETLANDS.

2.5.1.6. The LESSEE shall comply with any site-specific terms and conditions imposed by the COMMISSIONER pursuant to any PIPELINE SYSTEM related authorization to protect FISH SPAWNING AREAS, FISH REARING AREAS, and FISH OVERWINTERING AREAS from the effects of LESSEE's activities. If material sites are approved adjacent to or in lakes, rivers, streams, WETLANDS, or floodplains, the COMMISSIONER may require the LESSEE to construct levees or berms or employ other suitable means to protect fish and fish passage and to prevent or minimize sedimentation. The LESSEE shall repair damage to such areas caused by PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of the PIPELINE SYSTEM to the satisfaction of the COMMISSIONER as stated in writing.

2.5.1.7. The LESSEE shall not take water from FISH SPAWNING AREAS, FISH REARING AREAS, and FISH OVERWINTERING AREAS or waters that directly replenish those areas during critical periods that will be defined by the COMMISSIONER, unless otherwise approved by the COMMISSIONER.

2.5.2. Big Game Movements

2.5.2.1. The LESSEE shall design, construct and operate both the buried and above ground sections of the PIPELINE so as to assure free passage and movement of big game animals.

2.5.3. Zones of Restricted Activities

2.5.3.1. Activities of the LESSEE in connection with PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION of the PIPELINE SYSTEM in key fish and wildlife areas and in specific areas where threatened or endangered species of animals are found may be restricted by the COMMISSIONER during periods of fish and wildlife breeding, nesting, spawning, lambing and calving activity, overwintering, and during major migrations of fish and wildlife. The COMMISSIONER shall provide the LESSEE written notice of such restrictive action. At least annually and as far in advance of such restrictions as is possible, the

COMMISSIONER shall furnish the LESSEE an updated list of those areas where such actions may be required, together with anticipated dates of restriction.

2.5.3.2. The COMMISSIONER may identify a zone of restricted activity near the Franklin Bluffs airstrip where the LESSEE may be required to use flight paths that avoid disturbance to peregrine falcons during nesting season.

2.6. Material Sites

2.6.1. Material sites are not authorized by this LEASE, but may be authorized by other instruments pursuant to AS 38.05. A full and complete mining plan will be required for submission with each material site application. The material site plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. shall address, at a minimum, the availability of materials, extraction impacts, proposed mitigation, and restoration.

2.7. Clearing

2.7.1. Boundaries

2.7.1.2. The LESSEE shall clearly identify clearing boundaries on the ground within the CONSTRUCTION ZONE and such boundaries shall be approved by the COMMISSIONER prior to initiating any clearing activities as specified by STIPULATION 1.10.4. All timber and other vegetative material outside the clearing boundaries and all blazed, painted or posted trees which are on or mark clearing boundaries shall be reserved from cutting and removal with the exception of trees or snags designated by LESSEE and approved by the COMMISSIONER.

2.7.2. Timber

2.7.2.1. Prior to initiating clearing activities, the LESSEE shall notify the COMMISSIONER in writing of the location of any merchantable timber which will be disposed of in the CONSTRUCTION, OPERATION, or TERMINATION activities of the PIPELINE SYSTEM and the LESSEE shall pay to the STATE in advance of removal activity, such sum of money as the COMMISSIONER determines to be the full stumpage value of the timber to be disposed of.

2.7.2.2. All nonmerchantable timber, slash or other vegetative material removed during clearing shall be disposed of in accordance with the approved clearing plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. and to the satisfaction of the COMMISSIONER.

2.7.2.3. All trees, snags and other wood material cut in connection with clearing activities shall be cut so that the resulting stumps will not be higher than six (6) inches measured from the ground on the uphill side.

2.7.2.4. All trees, snags and other wood materials cut in connection with clearing operations shall be felled into the area within the clearing boundaries and away from all watercourses.

2.7.2.5. Hand clearing shall be used in areas where the COMMISSIONER determines that use of heavy equipment would be detrimental to existing conditions.

2.7.2.6. Any debris resulting from clearing operations that may block stream flow, delay or block fish passage, contribute to flood damage or result in streambed scouring or erosion shall be removed within 48 hours unless otherwise directed by the COMMISSIONER.

2.7.2.7. Logs shall not be skidded or yarded across any stream without the written approval of the COMMISSIONER.

2.7.2.8. To prevent the spreading of spruce bark beetles, all spruce slash shall be disposed of prior to the start of the thaw season following the cutting of the slash, to the satisfaction of the COMMISSIONER.

2.8. Disturbance of Natural Drainage and Water Use

2.8.1. All PIPELINE SYSTEM activities of the LESSEE that may create new lakes, drain existing lakes, significantly divert natural drainages and surface runoff, permanently alter stream or groundwater hydrology, or disturb significant areas of stream beds are prohibited unless such activities, along with necessary mitigative measures, are approved in writing by the COMMISSIONER.

2.8.2. The LESSEE shall not develop any wells or surface water sources on State or Federal land for use during PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of the PIPELINE SYSTEM without prior application to and approval by the COMMISSIONER in accordance with A.S. 46.15.

2.9. Off Right-of-Way Travel

2.9.1. All activities employing wheeled or tracked vehicles or other equipment on STATE LAND off the Right-of-Way, or off any roads or trails or off any other authorized areas are prohibited unless approved in writing by the COMMISSIONER, or when necessary to prevent immediate harm to any person or property.

2.9.2. Where such activities are authorized, existing roads and trails shall be used whenever possible to minimize surface disturbance (including damage to the vegetation and resulting erosion) during all PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION activities within the Right-of-Way or within other authorized areas adjacent to the Right-of-Way.

2.10. Visual Resources

2.10.1. The LESSEE shall assess the visual impacts of the PIPELINE SYSTEM and shall provide mitigative measures that ameliorate those identified impacts in planning all PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION activities of the PIPELINE SYSTEM. The LESSEE shall submit a visual impact plan for the PIPELINE SYSTEM pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.11. Use of Explosives

2.11.1. The LESSEE shall prepare a blasting plan for storage and use, including blasting techniques, of explosives pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.11.2. No blasting shall be conducted in streams, rivers or lakes, or within one quarter (1/4) mile of identified fish or wildlife resources without written approval of the COMMISSIONER.

2.11.3. Timing and location of blasting shall be approved by the COMMISSIONER.

2.12. RESTORATION

2.12.1. Upon completion of any PRECONSTRUCTION, CONSTRUCTION, OPERATION or TERMINATION activities of the PIPELINE SYSTEM, the LESSEE shall remove all improvements, equipment and/or materials from the Right-of-Way, or any part thereof, and shall RESTORE all disturbed areas on STATE LAND in accordance with the approved schedules developed pursuant to STIPULATION 1.6. and the approved RESTORATION plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. RESTORATION performed by the LESSEE shall be inspected and approved in writing by the COMMISSIONER subsequent to completion of RESTORATION activities. All RESTORATION measures shall be accomplished as soon as practicable after completion of PRECONSTRUCTION and CONSTRUCTION activities.

2.12.2. Unless otherwise directed by the COMMISSIONER, all disturbed areas on STATE LAND pending RESTORATION shall be left in such stabilized condition that erosion will be minimized through such means as adequately designed and constructed waterbars, REVEGETATION and chemical surface control; culverts and bridges shall be removed; and slopes shall be RESTORED by the LESSEE in a manner satisfactory to the COMMISSIONER.

2.12.3. Where the PIPELINE Right-of-Way crosses streams or rivers, or crosses or is PROXIMATE to PUBLIC ROADS/HIGHWAYS, the PIPELINE Right-of-Way shall be screened with native plant species which have been established over the disturbed area for the purpose of ameliorating visual impact, unless otherwise approved in writing by the COMMISSIONER; where the PIPELINE crosses PUBLIC ROADS/HIGHWAYS and other roads designated by the COMMISSIONER, the PIPELINE shall be clearly marked as required in 49 CFR 192.707.

2.12.4. REVEGETATION of disturbed areas of STATE LANDS shall be accomplished as soon as practicable in accordance with approved schedules developed pursuant to STIPULATION 1.6 and the approved RESTORATION plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. REVEGETATION performed by the LESSEE shall be inspected and approved in writing by the COMMISSIONER subsequent to completion of REVEGETATION activities.

2.12.5. The LESSEE shall maintain all restored areas of STATE LAND in accordance with the approved RESTORATION plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

2.13. PIPELINE Contingency Plan

2.13.1. The LESSEE shall develop a PIPELINE contingency plan pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3. The plan shall conform to the requirements of 49 CFR, Sections 192.605 and 192.615 and shall outline the steps to be taken in the event of a failure, leak or explosion in the PIPELINE. The LESSEE shall demonstrate its capability and readiness to execute the plan to the satisfaction of the COMMISSIONER.

2.13.2. The LESSEE shall, as appropriate, update the plan and methods of implementation thereof, which shall be submitted annually to the COMMISSIONER.

SECTION 3. TECHNICAL STIPULATIONS

3.1. PIPELINE SYSTEM Standards

3.1.1. All design, material, CONSTRUCTION, inspection, initial testing, OPERATION, maintenance, and TERMINATION practices employed in the PIPELINE and RELATED FACILITIES shall be in accordance with safe and proven engineering practice and shall meet or exceed the following standards:

A. U.S. Department of Transportation regulations, 49 CFR Part 192, "Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards";

B. American National Standards Institute Code B 31.8, Gas Transmission and Distribution Piping Systems; and

C. ASME Gas Piping Standard Committee, latest edition: "Guide for gas Transmission and Distribution Piping System";

D. U.S. Department of Transportation regulations, 49 CFR Part 191, "Transportation of Natural and Other Gas by Pipeline; Annual Reports and Incident Reports";

E. U.S. Department of Transportation regulations, 49 CFR Part 193, "Liquefied Natural Gas Facilities: Federal Safety Standards".

3.1.2. Requirements in addition to those set forth in STIPULATION 3.1.1. may be imposed by the COMMISSIONER as necessary to reflect the impact of arctic and subarctic environments. If any standard contains a provision which is inconsistent with a provision in another standard, the more stringent standard shall apply. The COMMISSIONER shall make every effort to identify such additional requirements during the design phase.

3.2. Special Standards

3.2.1. The PIPELINE design for CONSTRUCTION in environmentally sensitive areas designated by the COMMISSIONER, shall provide for minimum maintenance needs to reduce reentry requirements.

3.2.2. All practicable means shall be utilized to avoid undue and unnecessary degradation to the ground organic layer.

3.2.3. PIPELINE design shall include special design to avoid or limit pipe crack propagation.

3.2.4. The LESSEE shall inspect 100 percent where practicable, but not less than 90 percent of the main line girth welds using radiographic or other nondestructive inspection techniques to assure compliance with the defect acceptability standards in 49 CFR Part 192. Where radiography is used, x-ray radiography will be used, unless otherwise approved by the COMMISSIONER.

3.2.5. Welder qualification tests shall be by destructive means, in accordance with Section 3 of API 1104, except that operators of automatic welding equipment may be qualified by radiography. Welder qualification tests for station piping FACILITIES may alternately be in accordance with ASME Boiler and Pressure Vessel Code, Section 9.

3.2.6. The PIPELINE design shall provide for sectionalizing block valves, protective devices to prevent overpressuring, and other safety devices installed at locations required by 49 CFR Part 192, or as may be designated by the COMMISSIONER during the DESIGN CRITERIA reviews to accommodate potentially hazardous areas, other FACILITIES, and environmental values.

3.3. Standards for ACCESS ROADS

3.3.1. ACCESS ROADS shall be designed, constructed, maintained and restored in accordance with safe and proven engineering practice, in accordance with the principles of construction for secondary roads for the arctic and subarctic environments, and in accordance with the approved ACCESS ROAD plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

3.3.2. ACCESS ROADS shall (1) be constructed to widths suitable for safe operation of equipment at the travel speeds proposed by the LESSEE; (2) have a maximum allowable grade of twelve (12) percent unless otherwise approved in writing by the COMMISSIONER; (3) shall be crowned, if non-paved, with windrows of surface material removed from the road edges.

3.4. CONSTRUCTION MODE Requirements

3.4.1. The selection of the CONSTRUCTION MODE shall be governed by the results of adequate geotechnical field exploration and field and laboratory testing programs. Comprehensive analyses of the data obtained shall be made to assure that PIPELINE integrity will be maintained and that CONSTRUCTION or OPERATION of the PIPELINE will not cause or exacerbate major terrain disturbances. Analyses shall consider stress and strain on the PIPELINE by internal and external loading and shall include, but not be limited to, total and differential heaving, permafrost (especially liquefaction and differential settlement after thawing), frost action, seismic loading, slope stability, active faults, swelling soils, subsidence, erosion, flooding, icings, and differential temperature stress. The FINAL DESIGN for the CONSTRUCTION MODE shall be submitted to the COMMISSIONER for written approval in accordance with STIPULATION 1.9.

3.5. Earthquakes and Fault Displacements

3.5.1. Earthquakes

3.5.1.1. The PIPELINE SYSTEM shall be designed by appropriate application of modern, state-of-the-art seismic design procedures to protect the PIPELINE SYSTEM from the effects (including seismic shaking, ground deformation, and earthquake-induced mass movements) of earthquakes distributed along its route.

3.5.1.2. The LESSEE shall provide a seismic monitoring system, which shall be approved in writing by the COMMISSIONER, and shall ensure there are adequate procedures for the safe shutdown of the PIPELINE SYSTEM under seismic

conditions that may affect PIPELINE SYSTEM integrity. Such procedures shall be developed in accordance with the approved geologic hazards plan required pursuant to STIPULATION 1.7.3. To be considered adequate, they shall include but not necessarily be limited to:

A. a communication capability with all key operating control points on the PIPELINE SYSTEM, the GAS conditioning FACILITY, the terminal including the Liquified Natural GAS (LNG) plant, the marine terminal and other parties with seismic monitoring capabilities, as appropriate;

B. a control center for the PIPELINE SYSTEM;

C. operating procedures establishing the actions to be taken in the event of seismic conditions that may affect PIPELINE SYSTEM integrity; and

D. seismic sensors as necessary to supplement existing monitoring capabilities.

3.5.2. Fault Displacements

3.5.2.1. Prior to applying for any NOTICE-TO-PROCEED, the LESSEE shall satisfy the COMMISSIONER that all recognizable or reasonably inferred active faults or fault zones along the alignment have been identified and delineated and any risk of major PIPELINE SYSTEM damage resulting from fault movement and ground deformation has been adequately assessed and provided for in the design of the PIPELINE SYSTEM in accordance with the approved geologic hazards plan required pursuant to STIPULATION 1.7.3. Evaluation of said risk shall be based on geologic, geomorphic, geodetic, seismic, and other appropriate scientific evidence of past or present fault behavior and shall be compatible with the design earthquakes and with observed relationships between earthquake magnitude and extent and amount of deformation and fault slip within the fault zone.

3.5.2.2. Minimum DESIGN CRITERIA as required pursuant STIPULATION 1.7.2 for any portion of the PIPELINE SYSTEM traversing a fault zone that is interpreted by the COMMISSIONER as active shall be:

A. that the PIPELINE SYSTEM resist failure resulting in line rupture from maximum anticipated horizontal and/or vertical displacement in the foundation material anywhere within the fault zone during the life of the PIPELINE SYSTEM; and

B. that no storage tank or compressor station be located within the fault zone unless otherwise approved by the COMMISSIONER.

3.6. Slope Stability

3.6.1. Areas subject to mudflows, landslides, avalanches, rock falls, and other types of mass movements shall be avoided where practicable in locating the PIPELINE SYSTEM. Where such avoidance is not practicable, the PIPELINE SYSTEM design, based upon detailed field investigations and analysis, shall provide measures to prevent the occurrence of, or protect the PIPELINE SYSTEM against the effects of mass movements in accordance with the approved geologic hazards plan required pursuant to STIPULATION 1.7.3. The PIPELINE shall be designed to protect existing FACILITIES, including the TRANS-ALASKA PIPELINE

SYSTEM, from the effects of mass movement caused by the LESSEE's activities, or the activities of the LESSEE's employees, agents, contractors, and subcontractors, and the employees of each of them, and shall not adversely affect slope stability protection measures of existing structures.

3.7. Stream, River, Floodplain and WETLAND Crossings

3.7.1. General

3.7.1.1. The PIPELINE SYSTEM shall be designed so as to minimize the number of river, stream, floodplain and WETLAND crossings and to include, but not be limited to, consideration of blockage of surface drainage, blockage of groundwater flow resulting from a chilled buried PIPELINE, aufeis development, erosion and sedimentation, restriction of natural meanders or alteration of the physical or chemical nature of the waterbodies as well as the effect of any alteration in these factors caused by the LESSEE's activities, or the activities of the LESSEE's agents, employees, contractors, or subcontractors, and the employees of each of them, upon existing FACILITIES, including the TRANS-ALASKA PIPELINE SYSTEM.

3.7.1.2. The PIPELINE SYSTEM shall be designed to withstand or accommodate the effects (including runoff, stream and floodplain erosion, meander cutoffs, lateral migration, ice-jams, and icings) of those meteorologic, hydrologic (including surface and subsurface) and hydraulic conditions considered reasonably possible for the region. The following standards shall apply to PIPELINE design:

A. the PIPELINE shall cross streams below ground unless another means of crossing is approved in writing by the COMMISSIONER;

B. the PIPELINE design flood shall be based on the concept of the standard project flood;

C. the depth of channel scour shall be established by appropriate hydraulic field investigations and theoretical calculations using those combinations of water velocity and depth that yield the maximum value and at the point of maximum scour, the cover over the pipe shall be at least twenty (20) percent of the computed scour, but not less than four (4) feet;

D. for approved aerial crossings of streams, an analysis shall be made to ensure that support structures are adequately protected from the effects of scour, channel migration, undercutting, ice forces, degradation of permafrost, and other internal and external loads;

E. to avoid channelization along the pipe, appropriate design and CONSTRUCTION procedures will be included in the approved plans required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3 and shall be used wherever there is potential for such channelization;

F. all pipe ditch excavation shall stop an adequate distance from water crossings to leave a protective plug of unexcavated material at each bank until the stream bed excavation is complete and the pipe laying operation is begun. The pipe ditch shall be backfilled with stable material as soon as the pipe is laid.

3.7.1.3. Low water crossings (armored fords across streams where vehicles are moved on the streambed) shall be designed, constructed, maintained, and restored to standards approved in writing by the COMMISSIONER.

3.7.2. Culverts and Bridges

3.7.2.1. Permanent PIPELINE SYSTEM culverts and bridges shall be designed at a minimum to accommodate a fifty (50) year flood in accordance with criteria established by the American Association of State Highway Officials and the Federal Highway Administration and endorsed by the Alaska Department of Transportation and Public Facilities. On waterways where a United States Coast Guard bridge permit is required, permanent bridges shall be designed to accommodate a one hundred (100) year flood in accordance with U.S. Department of Transportation and Public Facilities Order 5650.2.

3.7.2.2. PIPELINE SYSTEM culverts shall be designed in accordance with the DESIGN CRITERIA required by STIPULATION 1.7.2.

3.7.3. Erosion

3.7.3.1. Erosion control shall be performed in accordance with the approved plan required pursuant to Section 1.I of the LEASE and STIPULATION 1.7.3.

3.7.3.2. To prevent erosion, the COMMISSIONER may direct the LESSEE to stabilize the culvert inlet and outlet areas by appropriate methods, such as the use of stilling basins or riprap and/or armor.

3.7.3.3. Slopes of cuts through stream banks shall be designed and constructed to minimize erosion and prevent slides.

3.7.3.4. Erosion control procedures shall accommodate and be based on the runoff produced by the maximum rainfall rate and snowmelt rate combination reasonably characteristic of the region. The procedures shall also accommodate effects that result from thawing produced by flowing or ponded water on permafrost terrain and the effects of ice.

3.8. PRECONSTRUCTION, CONSTRUCTION, OPERATION and TERMINATION

3.8.1. All PRECONSTRUCTION, CONSTRUCTION, OPERATION, and TERMINATION activities in connection with the PIPELINE shall be conducted so as to avoid or minimize thermal and other environmental changes and to provide maximum protection to the environment (including fish and wildlife and their habitats), subsistence use, and public health and safety. All working platforms, pads, fills, and other surface modifications shall be planned and executed in such a way that any resulting degradation of permafrost will not jeopardize the surrounding environment, including foreign pipelines and other structures.

3.8.2. A monitoring program shall be developed by LESSEE as part of the surveillance and maintenance plan required pursuant to STIPULATION 1.7.3 which shall identify any PIPELINE movement, that may affect PIPELINE integrity, resulting from frost heave, settlement or seismic forces. This program, including baseline data, shall be finalized and operational prior to transmission of GAS through the PIPELINE.

3.8.3. The LESSEE shall provide plans for corrosion resistant design and methods for early detection of corrosion in accordance with 49 CFR Part 192. This shall include consideration of:

A. pipeline material to be used and information on its particular suitability for the environment involved;

B. details on the external pipe protection to be provided (coating, wrapping, etc.), including information on variations of the coating process to cope with variations in environmental factors along the PIPELINE SYSTEM route;

C. plans for cathodic protection including details of impressed current sources and controls to ensure continuous maintenance of adequate protection over the entire surface of the pipe;

D. details of plans for monitoring cathodic protection current, including spacing of current monitors;

E. provision for periodic intensive surveys of trouble spots, regular preventive maintenance surveys, and special provisions for abnormal potential patterns, especially those resulting from other pipelines or cables;

F. information on any precautions that may be required to prevent internal corrosion of the PIPELINE SYSTEM.

3.9. Containment of Spills of OIL or Other HAZARDOUS SUBSTANCES

3.9.1. The LESSEE shall construct containment dikes or other suitable structures around all temporary and permanent PIPELINE SYSTEM storage FACILITIES for OIL or other HAZARDOUS SUBSTANCES or WASTES. The volume of the containment structures shall be at least:

A. one-hundred and ten (110) percent of the total storage volume of the storage tanks in the relevant area; plus

B. an additional volume sufficient to contain the maximum trapped precipitation and runoff which might be impounded at the time of failure of the storage FACILITY. Such containment structures shall be constructed to provide seepage-free storage until disposal of their contents can be safely made without contamination of the surrounding area.

3.9.2. All OIL, HAZARDOUS SUBSTANCES, or HAZARDOUS WASTES utilized or produced during the PRECONSTRUCTION, CONSTRUCTION, OPERATION, or TERMINATION of the PIPELINE SYSTEM, shall be stored in above ground containers surrounded by such containment structures described in STIPULATION 3.9.1 until utilized or disposed of in compliance with applicable Federal and State laws and regulations. Unless otherwise approved in writing by the COMMISSIONER, all inlet and outlet piping from storage FACILITIES for OIL, HAZARDOUS SUBSTANCES, or HAZARDOUS WASTES shall be above ground (or buried in utilidors approved by the COMMISSIONER) and all pipe joints shall be welded.

TAGS Lease
ADL 413342
December 10, 1988

EXHIBIT B

CONDITIONAL RIGHT-OF-WAY LEASE

FOR THE

TRANS-ALASKA GAS SYSTEM

State of Alaska
Department of Natural Resources
Division of Land and Water Management
State Pipeline Office

Exhibit B has been intentionally left blank as it will contain the signed "Conditional Right-of-Way Lease for the Trans-Alaska Gas System".