



ADL 419237

RIGHT-OF-WAY LEASE
FOR
POLAR NATURAL GAS PIPELINE

BY AND
BETWEEN
THE STATE OF ALASKA
AND
POLAR LNG, LLC

**POLAR LNG PIPELINE
RIGHT-OF-WAY LEASE
ADL 419237**

Table of Contents

1. Lease of Right-of-Way 4

2. Duration 4

3. Rental 5

4. Payment 6

5. Denial of Warranty 6

6. Reservation of Certain Rights to the State 6

7. Access to Navigable and Public Waters 7

8. Covenants of Lessee 7

9. Indemnity 9

10. Lessee’s Contractors, Agents and Employees 10

11. Liability Insurance and Security Payments 11

12. Timely Construction and Operation 11

13. Conduct of Operations 12

14. Protection of Private and Public Property Interests 12

15. Taxes on Liens and Leasehold 12

16. Permits 12

17. Orders by the Commissioner 12

18. Right of the State to Perform 13

19. Modification 13

20. Temporary Suspension 14

21. Commissioner’s Decisions 16

22. Reimbursement of State Expenses 16

23. Liability of the State 18

24. Transfer, Assignment, or Other Disposition 18

| | | |
|-----|--|----|
| 25. | Release of Interests | 18 |
| 26. | Default, Remedies and Forfeiture | 19 |
| 27. | Lessee’s Obligations Upon Termination Not Resulting From Forfeiture..... | 20 |
| 28. | Correspondence | 21 |
| 29. | Authorized Representatives | 22 |
| 30. | Waiver Not Continuing..... | 23 |
| 31. | No Third Party Beneficiaries | 23 |
| 32. | Local Hire | 23 |
| 33. | Nondiscrimination..... | 23 |
| 34. | Rights and Remedies Cumulative..... | 23 |
| 35. | Authority to Enter into Lease..... | 23 |
| 36. | Delegation of Authority | 24 |
| 37. | Interpretation of Lease | 24 |
| 38. | Compliance with Law and Regulation..... | 24 |
| 39. | Venue | 24 |
| 40. | Recording..... | 24 |
| 41. | Severability | 25 |
| 42. | Amendments in Writing..... | 25 |
| 43. | Exhibits | 25 |
| 44. | Merger Clause..... | 25 |
| 45. | Section Headings | 25 |
| 46. | Definition of Terms..... | 25 |

Attachments

Exhibit A: Stipulations

Exhibit B: Right-of-Way

Exhibit C: Financial Assurances Agreement

Exhibit D: Definitions

ADL 419237
POLAR LNG PIPELINE
RIGHT-OF-WAY LEASE

This Right-of-Way Lease (hereinafter "Lease") is effective this ____ day of _____ 2013, (hereinafter "Effective Date"), by the State of Alaska (hereinafter "State"), acting through the Commissioner of the Alaska Department of Natural Resources (hereinafter "Commissioner"), and by Polar LNG, LLC. (hereinafter "Lessee").

1. Lease of Right-of-Way

(a) Pursuant to the provisions of AS 38.35, the Alaska Right-of-Way Leasing Act, as amended, and for and in consideration of the annual rental fee described in Section 3 of this Lease and subject to the covenants and conditions contained herein and the Stipulations attached hereto in Exhibit A and incorporated by reference herein, the State hereby grants by Lease to the Lessee, for a limited duration described in Section 2, a non-exclusive Right-of-Way Lease, only for the purposes described in Subsection (b) of this section, across, through, and upon the following State Lands, and those lands now owned or hereafter acquired (hereinafter "Leasehold"):

Township 11 North, Range 14 East: Sections 36;
Township 11 North, Range 15 East: Sections 31;
Township 10 North, Range 14 East: Sections 1; and
Township 10 North, Range 15 East: Sections 6, 7, 8, 17 & 18

The Leasehold is more specifically shown and described in the incorporated alignment and site locations attached hereto as Exhibit B. The width and total acreage of the Leasehold will vary over the term of this Lease as described in Exhibit B.

(b) This Lease is granted for the purpose of conducting the Pipeline Activities for a Natural Gas Pipeline in compliance with the terms of this Lease and all applicable State laws and regulations.

(c) Except as otherwise provided herein, the Lessee shall not allow or suffer any other Person or entity to use the Leasehold for carrying on activities which are not part of the Lessee's authorized operations pursuant to this Lease. Nothing in this subsection is intended to excuse or preclude the Lessee from complying with its obligations under this Lease, or employing agents, employees, or Contractors to effect Pipeline Activities. This Lease is subject to any valid existing rights.

2. Duration

(a) This Lease shall expire on the ____ day of _____, 20__, at 12 noon (Alaska Time) [**30 years from Effective Date**], unless prior thereto it is released, abandoned, or otherwise terminated pursuant to the provisions of this Lease or any applicable law or regulation.

(b) The Lessee shall give written notice to the Commissioner of its intent to seek renewal of this Lease no later than two (2) years before expiration. The Commissioner shall, upon request of the Lessee, renew the Lease for additional terms of up to thirty (30) years, so long as the Pipeline is in commercial operation and Lessee is in compliance with:

- (1) all terms of the Lease;
- (2) all State, federal and local laws, including but not limited to State laws pertaining to regulation and taxation of the Pipeline; and
- (3) any agreement(s) between the State and the Lessee pertaining to regulation and taxation of the Pipeline.

(c) Following the beginning of construction, the Lessee shall provide three hundred sixty-five (365) days notice to the Commissioner prior to any relinquishment, abandonment or other Termination of this Lease.

(d) Upon the expiration of the Lease term (including any renewal thereof), or upon its earlier forfeiture, relinquishment, abandonment, or other Termination, the provisions of this Lease, to the extent applicable, shall continue in effect and shall be binding on the Lessee, its successors, and assigns, until they have fully performed their respective obligations and liabilities resulting from that Lessee's tenure as the leaseholder or on account of the expiration, or prior Termination, of the Lease. At any time following the expiration, forfeiture, relinquishment, abandonment, or other Termination of this Lease, upon a determination in writing that the State's best interest shall be served, the Commissioner may release the Lessee from all or a portion of such continuing obligations and liabilities, with the exception of those contained in Section 8(m) and Section 9 herein.

3. Rental

(a) The Lessee shall pay to the State annual rental payments in the amount of \$To be Determined. This rental amount shall be adjusted based on a formal appraisal conducted on or before one (1) year after the Effective Date of this Lease.

(b) The annual rental payment is subject to adjustment by the State five years from the Effective Date of the Lease, as set out in Section 4(a) of this Lease, and every fifth Lease Anniversary Date thereafter. The adjusted rental payment shall be based on the appraised fair market rental value of the Leasehold. The adjusted annual rental payment takes effect on the applicable Lease Anniversary Date, regardless of whether the adjustment determination occurs before or after the applicable Lease Anniversary Date.

(c) The initial formal appraisal, and all subsequent reappraisals, shall be carried out by an independent appraiser selected by the Lessee from a list of appraisers provided by the Department of Natural Resources. All costs of the initial formal appraisal, and of all subsequent reappraisals, shall be borne by the Lessee.

(d) To relinquish, abandon or terminate any right or interest in the Leasehold prior to expiration of this Lease the Lessee shall refer to Section 25 of this Lease. Upon receipt of the Commissioner's approval of all of the requirements under Section 25(e) of this Lease, and for the remainder of the term of this Lease and any subsequent renewals, Lessee shall pay to the State annual rental payments in the amount of the annual fair market rental of the Leasehold based on the appraised fair market rental value of the Leasehold.

(e) The Lessee's rental obligations described in this section shall survive the expiration, forfeiture, relinquishment, abandonment, or other Termination of this Lease, and shall continue until all of

the Lessee's obligations described in Section 26 and Section 27 of this Lease, whichever is applicable, have been approved by the Commissioner.

(f) Any interest in land acquired under the provisions of AS 38.35.130 for the Pipeline shall become part of the Leasehold, and the costs for the acquisition thereof shall be borne by the Lessee. Rental shall not be charged for any land acquired under AS 38.35.130 and conveyed without cost to the State.

4. Payment

(a) The initial rental payment is due and shall be tendered on or before the Effective Date of the Lease. Subsequent rental payments shall be due annually on or before each Lease Anniversary Date.

(b) All payments to the State under this Lease shall be made payable to the State in the manner directed by the State, and unless otherwise specified, shall be tendered to the State at:

Alaska Department of Natural Resources
Attention: Financial Services
550 West 7th Avenue, Suite 1410
Anchorage, Alaska 99501-3561

or to any other depository designated by the State. If the State changes the designated depository, it shall give at least sixty (60) days written notice to the Lessee in the manner provided in Section 28 herein.

(c) The Lessee shall pay the fee set forth in 11 AAC 05.010 for any late payment or returned check issued by the Lessee. Interest at the rate set by AS 45.45.010(a) shall be assessed on all past due amounts until payment is tendered to the State.

5. Denial of Warranty

(a) The State makes no representations or warranties, express or implied, as to title to, access to, or quiet enjoyment of the Leasehold. The State is not liable to the Lessee for any deficiency of title to or difficulty in securing access to the Leasehold. The Lessee or any successor in interest to the Lessee is not entitled to any refund of prior rentals paid under this Lease due to deficiency of title.

(b) The State makes no warranty, express or implied, and assumes no liability whatsoever, regarding the social, economic, or environmental aspects of the Leasehold granted herein, including, without limitation, the soil conditions, water drainage, access, natural or artificial hazards that may exist, or the profitability or fitness of the Leasehold granted herein for any use. The Lessee represents that the Lessee has inspected the Leasehold granted herein and determined that the Leasehold is suitable for the use intended, or has voluntarily declined to do so, and accepts the State Lands included in the Leasehold granted herein "as is" and "where is."

6. 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 Leasehold (including the subsurface of, and the air space above, such Leasehold) and a continuing and reasonable right of physical entry to any part of the Pipeline, including federal and private lands, for

inspection or monitoring purposes and for any other purpose or reason that is consistent with any right or obligation of the State.

(b) The right of access and entry reserved in Subsection (a) of this section shall extend to and be enjoyed by any Contractor of the State designated by the Commissioner in writing. Such written designation shall be provided to the Lessee. The Commissioner and the Lessee may mutually develop additional procedures to implement this subsection.

(c) 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 occupied or required by the Pipeline for the full and safe utilization of the Pipeline, for necessary operations incident to land management, administration, or disposal.

(d) The State reserves the right to grant additional permits, leases or easements for rights-of-way or other uses to third parties that include lands subject to the Leasehold; provided that such grant shall not unreasonably interfere with the Lessee's rights under this Lease.

(e) This Lease is subject to the reservations set forth in AS 38.05.125 as such statutes exist on the Effective Date of this Lease.

7. Access to Navigable and Public Waters

The State reserves a public access easement to and along all public or navigable water bodies or waterways that border on or are included in the State Lands included in the Leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. The Lessee shall not petition to vacate, abandon, or extinguish any public access easement without the prior written approval of the Commissioner.

8. Covenants of Lessee

The Lessee expressly covenants, in consideration of the rights acquired by it pursuant to this Lease, that:

(a) Lessee shall assume the status of and shall perform all of its functions undertaken under this Lease as a common carrier and shall accept, convey, and transport without discrimination Natural Gas delivered to it for transportation from fields in the vicinity of the Pipeline throughout its route on State Land obtained under this Lease and on other land; Lessee shall accept, convey, and transport Natural Gas without unjust or unreasonable discrimination in favor of one producer or Person, including itself, as against another but shall take the Natural Gas delivered or offered, without unreasonable discrimination, that the Regulatory Commission of Alaska or its successor with jurisdiction over common carrier pipelines shall, after a full hearing with due notice to the interested parties and a proper finding of facts, determine to be reasonable in the performance of its duties as a common carrier;

(1) subject to regulation either under the Natural Gas Act (15 U.S.C. 717 et seq.) of the United States or by the 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;

(2) that is a North Slope natural gas pipeline

(i) is required to operate as a common carrier only with respect to the intrastate transportation of North Slope natural gas, as that term is defined in AS 42.06.630 , and

(ii) is not required to operate as a common carrier as to a liquefied natural gas facility or a marine terminal facility associated with the pipeline, and is not otherwise required to perform its functions under the lease as a common carrier; for purposes of this subparagraph, "North Slope natural gas pipeline" means all the facilities of a total system of pipe, whether owned or operated under a contract, agreement, or lease, used by a carrier for transportation of North Slope natural gas, as defined by AS 42.06.630 , for delivery, for storage, or for further transportation, and including all pipe, pump, or compressor stations, station equipment, tanks, valves, access roads, bridges, airfields, terminals and terminal facilities, including docks and tanker loading facilities, operations control centers for both the upstream part of the pipeline and the terminal, tanker ballast treatment facilities, fire protection system, communication system, and all other facilities used or necessary for an integral line of pipe, taken as a whole, to carry out transportation, including an extension or enlargement of the line;

(b) Lessee shall interchange Natural Gas with each like common carrier and provide connections and facilities for the interchange of Natural Gas at every locality reached by both pipelines when the necessity exists, subject to rates and regulations made by the appropriate State or federal regulatory agency;

(c) Lessee shall maintain and preserve books, accounts, and records and shall make those reports that the State may prescribe by regulation or law as necessary and appropriate for the purposes of administering AS 38.35;

(d) Lessee shall accord at all reasonable times and places to 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 records;

(e) Lessee shall provide connections, as determined by the Regulatory Commission of Alaska or its successor with jurisdiction over common carrier pipelines, under AS 42.06.340, to facilities on the Pipeline subject to this Lease, both on State Lands and other land in the State, for the purpose of delivering Natural Gas to Persons (including the State and its political subdivisions) contracting for the purchase at wholesale of Natural Gas transported by the Pipeline when required by the public interest;

(f) Lessee shall, notwithstanding any other provision, 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 or taxes in Natural Gas;

(g) Lessee shall construct and operate the Pipeline in accordance with applicable State laws and lawful regulations and orders of the Regulatory Commission of Alaska or its successor with jurisdiction over common carrier pipelines;

(h) Lessee shall, at its own expense, during the term of this Lease

- (1) maintain the Leasehold and Pipeline in good repair;
- (2) promptly repair or remedy any damage to the Leasehold;
- (3) promptly compensate for any damage to or destruction of property for which the Lessee is liable resulting from damage to or destruction of the Leasehold or Pipeline;
 - (i) As more fully set out in Section 24 of this Lease, Lessee shall 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 Pipeline subject to this Lease to any Person other than another owner of the Pipeline (including subsidiaries, parents and affiliates of the owners), except to the extent that the Commissioner, after consideration of the 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 shall 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;
 - (j) Lessee shall file with the Commissioner a written appointment of a named permanent resident of the State of Alaska to be its registered agent in Alaska and to receive service of notices, regulations, decisions and orders of the Commissioner; if it fails to appoint an agent for service, service may be made by posting a copy in the office of the Commissioner and filing a copy of it in the Office of the Lieutenant Governor and by mailing a copy to the Lessee's last known address;
 - (k) The applicable law of the State of Alaska shall be used in resolving questions of interpretation of this Lease;
 - (l) The granting of this Lease is subject to the express condition that the exercise of the rights and privileges granted under this Lease shall not unduly interfere with the management, administration, or disposal by the State of the land affected by this Lease, and that Lessee agrees and consents to the occupancy and use by the State, its grantees, permittees, or other Lessees of any part of the Leasehold not actually occupied or required by the Pipeline for the full and safe utilization of the Pipeline, for necessary operations incident to land management, administration, or disposal;
 - (m) As more fully set out in Section 9 of this Lease, Lessee shall be liable to the State for damages or injury incurred by the State caused by the Construction, Operation or Maintenance of the Pipeline and Lessee shall indemnify the State for liabilities or damages;
 - (n) Lessee shall procure and furnish 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 Construction or Operation of the Pipeline.

9. Indemnity

- (a) The Lessee assumes all responsibility, risk, and liability for its Pipeline Activities and use of or contact with the Leasehold. The Lessee shall defend, indemnify, and hold harmless the State, its agents and employees, from and against any and all demands, causes of action (whether in the nature of an action for damages, indemnity, contribution, government cost recovery or otherwise), fines, judgments,

suits, claims, actions, proceedings, losses, costs (including reasonable attorneys' fees and costs), expenses, charges, forfeitures, liens, liabilities, settlements, penalties, and damages of any kind or nature whatsoever, including, but not limited to those alleging personal injury, wrongful death, nuisance property damage, environmental contamination (including any disposal, release, spill or discharge or any threatened disposal, release, spill, or discharge of or contamination by Hazardous Materials), and environmental noncompliance (including the Lessee's failure to provide all information, make all submissions, and take all steps required by the authority under the environmental laws or any other law concerning any spill, discharge, or contamination), arising out of, in connection with, directly or indirectly from, or otherwise incident to, Lessee's Pipeline Activities or use of or contact with the Leasehold, except to the extent the sole legal cause of the injury or damage is the negligence or willful misconduct of the State or anyone acting on the State's behalf.

(b) The State shall tender, and the Lessee shall accept the tender by the State of any such cause of action, lawsuit, or other proceeding brought against the State which is covered by Subsection (a) of this section. Subject to the last sentence in this subsection, any reasonable attorneys' fees or costs incurred by the State prior to such tender of defense shall be the complete and sole responsibility of Lessee, so long as the tender is covered by Subsection (a) of this section. If the State tenders such cause of action, lawsuit, or other proceeding later than twenty (20) days after service on the State, and the Lessee informs the State that the delay in tendering shall require Lessee to incur additional costs in order to respond in a competent and timely manner, and the State is unable to obtain an extension of time sufficient to provide Lessee with at least one-half of the number of days which the State originally had to respond, then the State shall reimburse Lessee for documented, reasonable costs incurred by the Lessee that are directly related to the delay in tendering and the State shall bear its attorneys' fees and costs prior to the tender.

(c) The obligations of the Lessee to indemnify the State under the terms of this Lease shall survive the transfer, assignment, or other disposition of the Lessee's interest in this Lease as well as the expiration, forfeiture, relinquishment, abandonment or other Termination of this Lease to the extent the obligation(s) arose during that Lessee's tenure as the leaseholder.

10. Lessee's Contractors, Agents and Employees

(a) Lessee shall require that all of its Contractors conducting Pipeline Activities on the Leasehold:

(1) indemnify the State and extend all its Contractors' indemnities to include the State as an additional named indemnitee;

(2) name the State of Alaska as additional insured on all liability insurance policies maintained under their contracts with Lessee; and

(3) obtain an appropriate waiver of subrogation in favor of the State with respect to all other insurance policies.

(b) Unless clearly inapplicable, the requirements and prohibitions imposed upon the Lessee by this Lease are also imposed upon the company's agents, employees, and Contractors. The Lessee shall ensure compliance with this Lease by its agents, employees and Contractors.

(c) Any failure or refusal of the Lessee's agents, employees, or Contractors to comply with the Lease or Stipulations shall be deemed to be the failure or refusal of the Lessee, unless promptly corrected by the Lessee.

11. Liability Insurance and Security Payments

(a) Liability insurance

(1) On or before the Effective Date of this Lease, the Lessee shall procure and furnish a liability and property damage insurance policy ("Insurance Policy") acceptable to the Commissioner from a company licensed to do business in the State and with a liability limit of not less than thirty million dollars. The State shall be named as an additional insured.

(2) The Insurance Policy shall be kept current and any changes to the Insurance Policy shall be submitted to the Commissioner for approval in advance.

(3) The requirement to furnish and maintain the Insurance Policy does not and shall not be construed to limit any liability of the Lessee under this lease.

(b) Additional Security Payment

(1) The Lessee shall make the additional payments required and meet the other security commitments as set out in Exhibit C, which is attached to and made part of this Lease. These additional payments shall be held in an Escrow Account for the benefit of the State. The Escrow account must at all times meet or exceed the Current Required Balance as that phrase is used in Exhibit C.

(2) The Commissioner shall have the right, without further legal proceedings, to draw upon the funds in escrow to cover the costs of performance any time the State has the right to perform under this Lease. Use of funds pursuant to this subsection does not limit and shall not be construed to limit any liability of the Lessee under this Lease. Use, by the Commissioner, of funds pursuant to this subsection does not reduce or limit the obligation of the Lessee to maintain in the Escrow Account the Current Required Balance.

(c) The Lessee acknowledges that the insurance commitments and additional security payments required in this section were material to the Commissioner's decision to approve this lease and that any failure to fully comply with the terms of this section of the Lease or with the terms of Exhibit C constitute failure of the Lessee to substantially comply with the terms of this lease as that phrase is used in Section 26 of this Lease.

(d) The Commissioner reserves the right to require additional or approve alternate security in the event an interest in this Lease is transferred pursuant to Section 24 or pursuant to Section 8(i) of this Lease.

12. Timely Construction and Operation

Lessee shall begin Construction of the Pipeline within three (3) years of the Effective Date of this Lease and shall begin operation of the Pipeline as a common carrier within four (4) years of the Effective Date of this Lease unless otherwise approved by the Commissioner in writing.

13. Conduct of Operations

The Lessee shall perform all Pipeline Activities in a prudent, safe and workmanlike manner so as to ensure the safety and integrity of the Pipeline, and shall at all times employ and maintain personnel and equipment sufficient for that purpose. The Lessee shall immediately notify the Pipeline Coordinator of any condition, problem, malfunction, or other occurrence which in any way threatens the integrity of the Pipeline.

14. Protection of Private and Public Property Interests

The Lessee shall provide reasonable protection to public or private interests, which may be adversely affected by Pipeline Activities. If the Commissioner determines that the Lessee has caused damage to such public or private improvements, and if the owner of such improvements so requires, then the Lessee shall promptly repair or reimburse the owner for reasonable costs in repairing such improvements to a condition which is reasonably satisfactory to the owner, but which does not exceed the improvements' condition prior to damage. This section does not limit in any way the legal or equitable remedies that may be available to a public or private owner of improvements on State Land.

15. Taxes on Liens and Leasehold

During the term of this Lease, Lessee shall pay any and all real property taxes, assessments, and similar charges levied by the State, any municipality, or any other governmental entity upon the interest in the Leasehold granted to Lessee by this Lease, subject to any rights Lessee may have to appeal or protest such taxes, assessments or charges. In no event shall Lessee permit or allow its interest in the Leasehold granted by this Lease to be lost or the State's title to the Leasehold to be clouded or encumbered as a result of the nonpayment of any such taxes, assessments, or charges.

16. Permits

Before any particular activity requiring any federal, State, or municipal permits or authorizations occurs under this Lease, all required federal, State, and municipal permits and other authorizations for that particular activity shall be issued to the Lessee. The Lessee shall maintain any such required permits in good standing for so long as such permits are required for activities carried on pursuant to rights granted under this Lease during the term of this Lease.

17. Orders by the Commissioner

(a) The Commissioner may issue any order necessary to enforce or implement any provision of this Lease.

(b) Before delivery of any such order, the Commissioner shall confer with Lessee, if practicable to do so, regarding the required action or actions included in the order. Any such order shall state in detail what is demanded of Lessee and the reasons and basis for such demand.

(c) All decisions, determinations, authorizations, approvals, consents, demands or directions that shall be made or given by the Commissioner to Lessee in connection with the enforcement or administration of this Lease, or in connection with any other agreement, permit or authorization relating in whole or in part to all or any part of the Pipeline shall, except as otherwise provided in Subsection (d) of this section, be in the form of a written order or notice.

(d) All orders, approvals, or notices of the Commissioner shall be in writing; provided, however, that if, in the judgment of the Commissioner, there is an emergency that necessitates the immediate issuance to the Lessee of an order, approval, or notice, such order, approval, or notice may be given orally with subsequent confirmation in writing as soon as possible thereafter, but not later than forty-eight (48) hours.

18. Right of the State to Perform

(a) The Lessee shall carry out, at the Lessee's expense, all lawful orders and requirements of the State relative to the Lessee's occupation and use of the Leasehold within a reasonable time period under the circumstances. If, after thirty (30) days following the making of a demand by the Commissioner in the manner that is provided in this Lease, the Lessee, or its respective agents, employees, or Contractors, shall fail or refuse to perform any action required by this Lease or by the Commissioner under this Lease, the State shall have the right, but not the obligation, to enter the Leasehold and at the Lessee's expense, consistent with all applicable State and federal laws and regulations, perform any or all of the following:

- (1) repair damage;
- (2) prevent imminent harm to workers;
- (3) protect public health or safety; and
- (4) prevent immediate, serious or irreparable harm or damage to the environment.

(b) The Commissioner shall submit to the Lessee a statement of the expenses reasonably incurred by the State of any required action taken pursuant to this section. The Lessee shall pay the amount shown within thirty (30) days of receipt of the statement.

19. Modification

(a) The Commissioner may, by written order, require the Lessee to make such modification of the design of the Pipeline and Related Facilities as the Commissioner determines is necessary to:

- (1) protect or maintain stability of the foundation and other earth materials;
- (2) protect or maintain integrity of the Pipeline and Related Facilities;
- (3) control or prevent significant damage to the environment (including but not limited to water and air quality, areas of vegetation, fish or other wildlife populations or their habitats, or any other natural resource); or
- (4) remove hazards to public health and safety, including the activities of Lessee's agents, employees, and Contractors.

(b) Before delivery of any such order, the Commissioner shall confer with Lessee, if practicable to do so in the sole discretion of the Commissioner, regarding the required action or actions

included in the order. Any such order shall state in detail what is demanded of Lessee and the reasons and basis for such demand.

20. Temporary Suspension

(a) The Commissioner may, consistent with applicable State and Federal law, order the temporary suspension of any or all Pipeline Activities, if:

(1) an immediate temporary suspension of the activity or the activities is necessary to protect:

i) public health or safety (including but not limited to personal injury or loss of life with respect to any Person or Persons); or

ii) the environment from immediate, serious or irreparable harm or damage (including, but not limited to harm or damage to soil, sediments, water and air quality, areas of vegetation, fish or other wildlife population or their habitats, or any other natural resource); or

(2) the Lessee, its agents, employees, or Contractors are failing or refusing, or have failed or refused to comply with or observe:

i) any provision of this Lease intended to protect public health, safety or the environment; or

ii) any order of the Commissioner implementing any provision of this Lease or authorization, plan or agreement approved, issued or granted by the Commissioner in connection with all or any part of the Pipeline.

(b) A temporary suspension order shall specify:

(1) the specific activity or activities which shall be stopped and the site of such activities;

(2) the reason for the issuance of the order, including a description of the immediate, serious or irreparable harm sought to be avoided that requires suspension of the specific activity or activities;

(3) any Written Authorization or other authorization affected by the order;

(4) the name of the Person issuing the order;

(5) the name of the Lessee's representative to whom the order is issued; and

(6) the time and date of the order.

(c) When a temporary suspension order is issued by any delegate of the Commissioner a copy of the written delegation of authority from the Commissioner shall accompany the order. A copy of

the temporary suspension order shall be provided to the Lessee in a manner specified by Section 28 herein.

(d) A temporary suspension order is effective as of the date and time given, unless it specifies otherwise. A written temporary suspension order shall remain in full force and effect until modified or revoked in writing by the Commissioner.

(e) If the Commissioner finds that an emergency exists, a temporary suspension order may be given orally to the Lessee or a Field Representative of Lessee. If an oral temporary suspension order is given, a written order consistent with the requirements of Subsection (b) shall be issued as soon as possible, but no later than seventy-two (72) hours, after the oral order is given. An oral temporary suspension order that is not confirmed with a written order within the specified time is vacated.

(f) To the extent practicable, the Commissioner shall give the Lessee prior notice of any temporary suspension order. If circumstances permit, the Commissioner shall discuss with the Lessee, before issuing the order, measures that would:

- (1) immediately abate or avoid the harm or threatened harm that is the reason for the issuance of the order; or
- (2) effect compliance with the provision or order, whichever is applicable.

(g) 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, a subsequent order of the Commissioner, or a court order.

(h) When the Commissioner is satisfied that:

- (1) the harm or threatened harm has been abated or remedied,
- (2) the Lessee has effected, or is ready, willing and able to effect, compliance with the provisions of the temporary suspension order, or
- (3) the Lessee has implemented, or is ready, willing and able to implement, mitigating, corrective, or alternative measures approved by the Commissioner, the Commissioner shall promptly authorize in writing the resumption of the suspended activity or activities. The Commissioner shall render a decision within three (3) days of the date that the request from the Lessee to resume suspended activities is received by the Commissioner. The decision shall state whether the request is granted or denied, and the basis for the decision.

(i) Without limiting any other rights available under 11 AAC 02 or any other law, the Lessee may bring to the Commissioner appeals from temporary suspension orders of the Commissioner's delegates, requests for reconsideration of temporary suspension orders of the Commissioner, and requests for reconsideration of denials of requests to resume suspended activities under the provisions of this section. The Lessee may:

- (1) appeal directly to the Commissioner for review of any temporary suspension order issued by a Commissioner's delegate under this section; or

- (2) request reconsideration from the Commissioner of:
- i) any temporary suspension order issued by the Commissioner; or
 - ii) any denial by the Commissioner of a request for resumption of activities suspended under such temporary suspension order.

(j) The Lessee shall file with the Commissioner a notice of appeal or a request for reconsideration brought pursuant to this subsection within ten (10) days after the effective date of the order or denial being appealed or being asked to be reconsidered. The notice must set forth with particularity the order or denial being appealed or being asked to be reconsidered and must contain a statement of facts and points of law the Lessee wishes to present to justify modification or reversal of the order or denial. All statements of fact must be under oath.

(k) The Commissioner shall decide an appeal or a request for reconsideration within ten (10) days from the date the Commissioner received the notice of appeal or request for reconsideration from the Lessee. If the Commissioner does not render a decision within that time, the appeal or request for reconsideration shall be considered to have been denied by the Commissioner, and that denial shall constitute a final decision appealable in accordance with the rules of the court, and to the extent permitted by applicable law.

21. Commissioner's Decisions

(a) Except as set forth in Subsection (b) of this section, any decision of the Commissioner as to any matter arising out of this Lease shall constitute the final agency decision appealable in accordance with the rules of the court. The Commissioner shall act in writing upon each required submission for approval of an action by the Lessee. The absence of any comment by the Commissioner on any plan, design, specification, or other document that may be filed by the Lessee with the Commissioner shall not represent in any way whatsoever any assent to, approval of, or concurrence in such plan, design, specification, or other document, or any action proposed therein. Any written approval, instruction or order remains in effect unless, and until, written notice of the withdrawal or modification of the approval, instruction or order is provided to Lessee. Any written approval or instruction by the Commissioner may be relied upon by the Lessee unless, and until, rescinded in writing. Any disapproval by the Commissioner, including any requests for additional information, shall state what additional action is necessary to gain approval.

(b) Decisions of a Commissioner's delegate shall not constitute final agency decisions and are subject to the procedures for appeal and reconsideration as set forth in 11 AAC 02, except as otherwise provided in Section 20(i).

22. Reimbursement of State Expenses

(a) Lessee shall reimburse the State for all reasonable costs incurred by the State in the oversight of Pipeline Activities in compliance with AS 38.35.140. The Commissioner shall administer this Lease to reasonably assure that unnecessary employment of personnel and needless expenditure of funds by the State are avoided. The Commissioner shall provide Lessee with an annual estimate of the projected costs and scope of the work.

(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 ninetieth (90th) day after the close of each quarter, the Commissioner shall submit to the Lessee a written statement describing any reimbursable costs incurred by the State during that quarter. This statement may be supplemented within ninety (90) days after the end of a fiscal year for costs incurred in the State's fiscal year but which, because of reasonable mistake, inadvertence, or unavailability, were not previously submitted. The State shall submit invoices to Lessee in accordance with Section 28.

(c) The Lessee shall pay to the State the total amount shown on each statement submitted under Subsection (b), within thirty (30) days of receipt. If the Lessee disputes any item of a statement for reimbursement, the Lessee shall, on or before the date on which the statement is due and payable, deliver to the Commissioner written notice of each item that is disputed, accompanied by a detailed explanation of its objection. The Commissioner shall provide a written decision regarding the Lessee's objections within thirty (30) days of receipt of the Lessee's objections, and any items determined by the Commissioner to have been in error, improper, unnecessary, or needless shall be reimbursed within thirty (30) days after the date of the Commissioner's written decision.

(d) The Lessee may conduct, at its own expense, and by auditors or accountants designated by the Lessee, reasonable audits of the books, records and documents of the State relating to a statement submitted under Subsection (b) of this section, at the places where such books, records and documents are usually maintained and at reasonable times. Written notice of intent to conduct an audit shall be given to the Commissioner:

- (1) at least fifteen (15) days prior to the audit and
- (2) not later than the ninetieth (90th) day after the date that the State submits the statement, or supplemental statement, as applicable, under Subsection (b) of this section.

(e) An audit under this subsection shall be completed within one hundred eighty (180) days after receipt by the Commissioner of the notice of intent to conduct an audit; provided, however, that if the Commissioner fails to provide the Lessee with reasonably timely access to the relevant books, records and documents necessary to complete the audit, such period shall be extended by an appropriate number of days to be mutually agreed to in writing by the Commissioner and the Lessee. The Lessee may present the results of an audit to the Commissioner in a written notice requesting a timely review by the Commissioner of errors, omissions, or discrepancies noted in the audit, including unnecessary employment of personnel or needless expenditures of funds. The Commissioner shall meet with the Lessee within thirty (30) days of receipt of the notice of results of the audit to discuss and attempt to resolve all items listed in the notice of results. The Commissioner shall promptly provide a written decision to the Lessee setting forth the results of the meeting between the Lessee and the Commissioner. Any items previously reimbursed to the State but found during the audit and concurred in by the Commissioner in the written decision setting forth the results of the meeting to have been in error, improper, unnecessary, or needless shall be reimbursed within thirty (30) days after the date of the Commissioner's written decision.

(f) 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 for a period of at least two (2) years after the Commissioner submits a statement for reimbursement based on such books, records and documents. The Lessee and auditors or

accountants designated by the Lessee shall be given reasonable access to, and the right to copy, at the Lessee's expense, all such books, records and documents.

23. Liability of the State

The Lessee agrees that neither the State nor any of its officials, employees, agents or Contractors shall be liable for money damages for any loss caused to the Lessee, its agents or Contractors, by reason of decisions made in respect to the application and administration of this Lease; provided, however, this section does not excuse the State, its officials, employees, agents or Contractors from liability for damages or injuries resulting from acts (or omissions) of the State officials, employees, agents or Contractors that are negligent, grossly negligent, reckless or willful.

24. Transfer, Assignment, or Other Disposition

(a) The State may convey all or a portion of its ownership of the Leasehold at any time to any entity allowed by law. Any conveyance, transfer or other disposition, subsequent to the execution of this Lease, of any right, title, or interest in any of the Leasehold shall be subject to this Lease and the Lessee's rights hereunder, including the Lessee's right to renew the Lease under Section 2(b) herein.

(b) Except as set forth in Section 8(i) herein, the Lessee may assign, sublease, or transfer this Lease, or any interest in or rights under this Lease only upon a written finding by the Commissioner that the transferee meets the requirements of AS 38.35.100.

(c) In making the determination whether the proposed transferee is fit, willing, and able under this paragraph, the Commissioner shall not consider the existence of the guaranty by the guarantor, unless specifically requested by the Lessee in the Lessee's request for transfer or assignment. If the Commissioner determines that a guaranty or other security is required to guarantee the performance of all of the duties, obligations, and potential liabilities under and by virtue of this Lease by the proposed assignee, transferee, or other receiving party, the proposed assignee, transferee, or other receiving party shall secure a guaranty or other security satisfactory to the Commissioner, in substantially such form as the Commissioner required from the Lessee under Section 11 of this Lease, as a condition to the Commissioner's approval of the transfer, assignment, or other disposal.

25. Release of Interests

(a) In connection with the relinquishment, abandonment or other Termination before the expiration of this Lease, of any right or interest in the Leasehold, or in the use of all or any part of the Leasehold, the Lessee shall promptly execute and deliver to the State, through the Commissioner, a valid instrument of release in recordable form, which must be executed and acknowledged with the same formalities as a deed. The instrument of release must 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 Lease rights or interests described therein and that such Lease rights or interests are free and clear of all liens, equities or claims of any kind, except for such liens, equities or claims that arose before the Effective Date of this Lease. The form and substantive content of each instrument of release must be approved by the Commissioner, but except as otherwise 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) A release under this section shall be accompanied by such resolutions and certifications as the Commissioner may require, including 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) Notwithstanding any language or provision in the release that operates or could operate to the contrary, neither the tender, nor approval and acceptance, of any such release shall operate as an estoppel or waiver of any claim or judgment against the Lessee or as a relief or discharge, in whole or in part, of the Lessee from any of its then existing liabilities or obligations which accrued during that Lessee's tenure as the leaseholder.

(d) Lessee may relinquish to the State at any time any or all of the Leasehold that the Lessee determines is no longer necessary for the Lessee's Pipeline Activities by filing a release as provided for above. The release shall be effective as of the date the release is approved by the Commissioner, subject to the continued obligations of the Lessee to fulfill all obligations and resolve all liabilities that arose under this Lease during that Lessee's tenure as the leaseholder.

(e) No later than one year following the date that Natural Gas is first transported through the Pipeline, the Lessee shall:

(1) provide a final survey, approved by the Commissioner, showing the final As-Built location of the completed Pipeline pursuant to survey instructions issued by the Department of Natural Resources.

(2) execute and deliver to the State, for the Commissioner's approval, a release of interest for all of Lessee's interests in the Leasehold other than the Operation and Maintenance Right-of-Way as depicted in the final As-Built required under Subsection (e)(1) of this section.

(f) The State shall have ninety (90) calendar days after approval of the final As-Built survey required by Subsection (e)(1) of this section to record the survey and reduce the rental amount as set forth in Section 3 for that year and all subsequent years by the same proportion as the released acreage bears to the original Lease acreage.

26. Default, Remedies and Forfeiture

(a) Failure of the Lessee to substantially comply with the terms of this lease shall be grounds for forfeiture of the right-of-way interest of the Lessee in an action brought by the Commissioner in the Superior Court. Before the commencement of any action for forfeiture of an interest in the right-of-way under this section, the Commissioner shall give the Lessee notice in writing of the alleged default and shall not commence the proceeding unless the Lessee has failed to initiate good faith efforts to cure the default within sixty (60) days of the notice of the alleged default or fails to diligently continue the same until cured.

(b) No items on the Leasehold, including but not limited to, improvements, structures, machinery, equipment, tools, or materials, may be removed from it by the Lessee while the Lessee is in default except with the Commissioner's prior approval.

(c) Upon forfeiture of the interest of the Lessee in this lease by a court of competent jurisdiction:

(1) The State shall have an immediate right to possession of the Leasehold and to all items found thereon, including but not limited to, improvements, structures, machinery, equipment, tools, and materials, and any possession by the Lessee shall be unlawful. Subject to the State's best interests, the Commissioner shall order in writing the disposition of all such improvements, structures, machinery, equipment, tools, materials, and any other item on the Leasehold. The Commissioner's options with respect to any disposition under this subsection include, but are not limited to: sale, transfer, lease, auction, destruction, repair and abandonment, and removal. The Commissioner may order the Lessee to perform disposition work required under this subsection. The Lessee is responsible for all disposition costs incurred by the State under this subsection.

(2) The Lessee shall be obligated to Restore, rehabilitate and Revegetate the Leasehold to the condition ordered by the Commissioner.

(d) The Commissioner shall have up to one year following entry of judgment of forfeiture by a court of competent jurisdiction to issue his disposition order or orders under Subsection (c).

(e) In the event of a forfeiture of this lease under Subsection (c), the Lessee shall be liable for any obligations due and payable and for all costs, expenses, and fees incurred by the State arising out of the State's efforts to grant a new right-of-way lease for this Leasehold.

(f) After forfeiture, any new right-of-way lease for the Leasehold will have no effect on the Lessee's continuing rights and obligations under this lease.

27. Lessee's Obligations Upon Termination Not Resulting From Forfeiture

(a) This section shall apply to all terminations of this Lease, whether from expiration, relinquishment, abandonment or otherwise, with the exception of a forfeiture under Section 26.

(b) The deadlines provided for in this section apply only when the Lessee has provided the three hundred and sixty-five (365) day notice required by Section 2(c) of this Lease. If the Lessee fails to provide the notice required by Section 2(c), the Commissioner may reasonably alter the deadlines in this section.

(c) Prior to the expiration, relinquishment, abandonment or Termination of this Lease, the Commissioner shall determine in writing whether a public interest exists which requires that all or a portion of the Pipeline be left in place following the expiration, relinquishment, abandonment or Termination of this Lease. The Commissioner's written determination shall:

(1) describe which components of the Pipeline, if any, shall remain on the Leasehold following the expiration, relinquishment, abandonment or Termination of this Lease, and,

(2) resolve issues pertaining to title and value of such components of the Pipeline.

(d) No later than sixty (60) days after receipt of the Commissioner's determination under Subsection (c), the Lessee shall submit the following to the Commissioner for the Commissioner's approval:

(1) A plan for the removal of all items found on the Leasehold, including but not limited to, improvements, structures, machinery, equipment, tools and materials, but excluding those components of the Pipeline described in the Commissioner's determination under Subsection (c); and

(2) A plan to Restore and Revegetate the Leasehold.

(e) The Commissioner shall set a reasonable time, which may be extended, during which the Lessee shall implement the plans in Subsection (d). The Lessee shall be responsible for all costs of implementation of the plans required by this section.

(f) Following completion of the time period for plan implementation under Subsection (e) and any extensions, the Commissioner shall order the disposition of all improvements, structures, machinery, equipment, tools, and materials, if any, that the Lessee failed to remove. The Commissioner's options with respect to any disposition under this subsection include, but are not limited to: sale, transfer, Lease, auction, destruction, repair and abandonment in place, retention in State ownership for a public or State use, and removal. The Commissioner may order the Lessee to perform disposition work required under this subsection. The Lessee is responsible for all disposition costs incurred by the State under this subsection.

(g) If the Lessee fails to submit or fully implement the plans required by this section, the State's options include any of the following:

(1) The Commissioner may order the Lessee to submit and fully implement the plans required by this subsection.

(2) The Commissioner may develop the plans required under this section and order the Lessee to fully implement them. The Lessee shall be responsible for all costs incurred by the State in developing such plans.

(3) The State may complete the required work under such plans. The Lessee shall be responsible for all costs incurred by the State for such work.

(h) In the event the Commissioner makes a determination under Subsection (c) that all or a portion of the Pipeline shall remain on the Leasehold following the expiration, relinquishment, abandonment or Termination of this Lease, then Lessee shall be released from all future obligation or liability for the portion of the Pipeline the Commissioner determined shall remain on the Leasehold, including but not limited to, abandonment or removal liability, and from any obligation to Restore and Revegetate the Leasehold after completion of the plan approved under Subsection (c) herein. Upon release, the State or its assignee shall immediately assume all responsibility and obligation for the Pipeline or any part thereof remaining on the State Lands formerly subject to this Lease. Such release shall not discharge Lessee from performance of obligations and other liabilities which arose during that Lessee's tenure as the leaseholder and which accrued prior to the expiration, relinquishment, abandonment or Termination of this Lease.

28. Correspondence

(a) Any notice or demand by the Lessee to the State shall be made in writing and must be given by hand delivery, by email or facsimile during normal business hours, or by registered or certified

mail, postage paid, return receipt requested, addressed as follows (or to any new address that the Commissioner designates in writing):

State Pipeline Coordinator's Office
411 W. 4th Avenue, Suite 2
Anchorage, Alaska 99501-2343
Facsimile Number: (907) 269-6880
Email: spco.records@alaska.gov

(b) Delivery to the State occurs:

- (1) if by hand delivery, email or facsimile, when received by the addressee, and
- (2) if by registered or certified mail, when the notice or demand is signed for by the State or State's agent.

(c) Except as provided for in Section 20 of this Lease, any order, notice or demand by the Commissioner to the Lessee shall be made in writing and shall be given by hand delivery, by email or by facsimile during normal business hours with the original to follow in the mail, or by registered or certified mail, postage paid, return receipt requested, addressed as follows (or to any new address that the Lessee designates in writing):

Polar LNG, LLC
3408 International Way
Fairbanks, AK 99701

(d) Delivery to the Lessee occurs:

- (1) if by hand delivery, email or facsimile, when received by the addressee, and
- (2) if by registered or certified mail, when the notice or demand is signed for by the Lessee or Lessee's agent.

(e) Other correspondence may be made by email, mail, or by hand delivery or facsimile during normal business hours with original to follow in the mail.

(f) The Commissioner or Lessee, by written notice to the other, may change the office address to which written notices, orders, or other written communications may be addressed and delivered thereafter, subject, however, to the provisions of this Lease.

29. Authorized Representatives

(a) The State Pipeline Coordinator and the Person executing this Lease on behalf of the Lessee shall be the authorized representatives for their respective principals for the purposes of administering this Lease. This authorized representative is in addition to the registered agent required to be appointed pursuant to Section 8(j) herein. The State or the Lessee may change the designation of its authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with Section 28 of this Lease.

(b) The Lessee shall maintain a sufficient number of duly authorized Field Representatives to allow prompt delivery to the Lessee of all notices, orders, and other communications, written or oral, of the Pipeline Coordinator. The Lessee shall notify the Pipeline Coordinator and each of his/her duly authorized representatives of the Lessee's Field Representatives, who shall be appropriately identified in such a manner as the Pipeline Coordinator shall prescribe. The Lessee shall consult with the Pipeline Coordinator regarding the number and location of such representatives.

30. Waiver Not Continuing

The waiver by the State of any breach of any provision of this Lease, whether express or implied, shall not be construed to be a continuing waiver or a waiver of, or consent to, any subsequent or prior breach by the Lessee. The waiver by the Lessee of any breach of any provision of this Lease, whether express or implied, shall not be construed to be a continuing waiver or a waiver of, or consent to, any subsequent or prior breach by the State.

31. No Third Party Beneficiaries

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.

32. Local Hire

The Lessee shall, during Pipeline Activities, comply with, and require its Contractors to comply with applicable and valid laws and regulations regarding the hiring of residents of the State then in effect or that take effect subsequently.

33. Nondiscrimination

The Lessee and its Contractors may not discriminate against any employee or applicant for employment because of race, religion, marital status, pregnancy, parenthood, physical handicap, color, sex, age, or national origin as set out in AS 18.80.220. The Lessee and its Contractors, on beginning any Pipeline Activities, must post in a conspicuous place notices setting out this nondiscrimination provision.

34. Rights and Remedies Cumulative

No right or remedy conferred by this Lease upon or reserved to the State or the Lessee is intended to be exclusive of any other right or remedy provided for by this Lease or by law, and each and every right and remedy set forth herein shall be cumulative.

35. Authority to Enter into Lease

The Lessee represents and warrants to the State that:

(a) It is authorized and empowered under the applicable laws of the State and its jurisdiction of formation to enter into and perform this Lease in accordance with the Lease and its provisions;

(b) The Lessee has approved and authorized the execution, delivery and performance of this Lease insofar as it pertains to the obligations of the Lessee;

(c) All action that may be necessary to the approval, execution, and delivery of this Lease by the Lessee, has been taken; and

(d) All of the required and necessary approvals, authorizations, and actions are in effect at the time of the execution and delivery of the Lease.

36. Delegation of Authority

The Commissioner may make delegations of authority and changes to delegations of authority to administer all or a portion of the provisions of this Lease, consistent with AS 38.35.210, at any time. The Commissioner shall notify Lessee in writing of any such delegation of authority or change in delegation of authority that affects this Lease.

37. Interpretation of Lease

(a) Any interpretation of this Lease shall take into account the parties' intent and understanding that the protection and preservation of the Leasehold's environment are high priorities, and the nature of the environment, including permafrost and seismic areas, shall require special consideration and a high degree of care.

(b) The parties acknowledge that this Lease is an "arm's length" agreement, and that each party has had an adequate opportunity to consult with counsel, and has consulted with counsel with respect to this Lease. The parties agree that ambiguities in this Lease shall not be construed either for or against any party.

(c) The language of the terms and conditions of any other pipeline lease may not be used to assist in resolving any disputes arising from the interpretation of this Lease.

38. Compliance with Law and Regulation

Lessee shall conduct all Pipeline Activities in compliance with all applicable federal, State and local laws and regulations.

39. Venue

The venue for any appeal or civil action relating to this Lease shall be in the Third Judicial District, State of Alaska.

40. Recording

Upon execution, acknowledgment, and delivery of this Lease, the SPCO will record this Lease in the Barrow Recording District, State of Alaska.

41. Severability

A judicial finding that any term or condition of this Lease is unlawful or invalid may not operate to invalidate this Lease or any other term or condition of the Lease.

42. Amendments in Writing

No amendment to this Lease is effective until agreed to in writing by the parties.

43. Exhibits

The following exhibits are attached to this Lease and are, by this reference, incorporated into this Lease as if they were set out in their entirety:

(a) Stipulations for this Lease attached hereto as Exhibit A included pursuant to AS 38.35.120(c) and (d);

(b) A description of the land included in the Construction Leasehold and the Operation and Maintenance Leasehold attached as Exhibit B;

(c) Financial Assurances Agreement attached as Exhibit C; and

(d) Definitions attached as Exhibit D.

44. Merger Clause

This Lease, including all exhibits hereto, contains the entire agreement between the parties, and is binding upon the parties.

45. Section Headings

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

46. Definition of Terms

Terms having specific meaning in regard to this Lease and incorporated documents are indicated by capitalization. These definitions are incorporated into this Lease as and can be found attached to the Exhibit D. In the absence of a definition in Exhibit D terms shall be defined in accordance with definitions found in any applicable State statute or regulation, and otherwise in accordance with common usage.

IN WITNESS WHEREOF, the parties have executed this lease as of the date first above written.

STATE OF ALASKA

POLAR LNG, LLC

By: _____
Joseph Balash
Acting Commissioner
Department of Natural Resources

By: _____
Daniel Britton
President/CEO

EXHIBITS:

- Exhibit A: Stipulations
- Exhibit B: Right-of-Way Description
- Exhibit C: Guaranty
- Exhibit D: Definitions

DRAFT

