ADL 415932

RIGHT-OF-WAY LEASE FOR THE ALPINE DIESEL PIPELINE

BY AND

BETWEEN

THE STATE OF ALASKA

AND

ATLANTIC RICHFIELD COMPANY

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RIGHT-OF-WAY LEASE FOR THE
ALPINE DIESEL PIPELINE
ADL 415932

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RIGHT-OF-WAY LEASE FOR THE ALPINE DIESEL PIPELINE

ADL 415932

This Right-of-Way Lease for the Alpine Diesel Pipeline (herein "this lease") is entered into this 15th day of December 1998, by and between the State of Alaska (herein the "State"), acting through the Commissioner of the Alaska Department of Natural Resources (herein "Commissioner"), and Atlantic Richfield Company (herein "Lessee"), a Delaware corporation, whose address is 700 G Street, P.O. Box 100360, Anchorage, Alaska 99510-0360. The State and the Lessee are sometimes collectively referred to herein as "the parties."

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 the conditions contained herein and the stipulations attached hereto in Exhibit A and incorporated by reference herein, the State hereby grants by lease to Lessee, for the term described in section 2 of this lease and only for the purposes described in subsection (b) of this section, the right to enter on, occupy, and use for the purposes described herein certain lands within the following described State Lands within the Barrow Recording District:

Umiat Meridian, Alaska

Township 11 North, Range 5 East, Sections 5, 6, 7, 18.

Township 10 North, Range 5 East, Section 3, between the ordinary high water line of the east and west banks of the Colville River.

Township 10 North, Range 6 East, Sections 8, 9, 10, 11, 12, 17.

Township 10 North, Range 7 East, Sections 1, 2, 7, 8, 9, 10, 11.

Township 10 North, Range 8 East, Sections 5, 6.

Township 11 North, Range 8 East, Sections 25, 32, 33, 34, 35, 36.

Township 11 North, Range 9 East, Sections 20, 21, 29, 30.

The right-of-way is more particularly described in Exhibit B attached hereto. 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 purposes of conducting Pipeline Activities in compliance with the terms and conditions of this lease. Lessee shall not use the Leasehold for any other purpose

and shall not locate or construct any other pipelines, including looping lines, or other improvements in, on or over the Leasehold without meeting all statutory and regulatory requirements and obtaining the prior written approval from the Commissioner. The Pipeline System must be used only for the transportation of Diesel Fuel, and it must not be used for any other purpose without meeting all statutory and regulatory requirements and obtaining the prior written approval of the Commissioner.

Except as provided otherwise herein, the Lessee shall not allow any other person or business entity to use the Leasehold for carrying on Pipeline Activities which are not part of 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 preclude the Lessee from employing agents or Contractors to perform Pipeline Activities.

(c) All Pipeline Activities authorized by this lease must be limited to the area described in Exhibit B of this lease and other areas authorized by the State.

2. Duration of Right-of-Way Lease (a) This lease shall expire on December 14, 2018, 12:00 noon, Alaska Standard Time [20 years from date of execution], unless before that date it is released, abandoned, or otherwise terminated pursuant to the provisions of this lease or any applicable law or regulation.

(b) Upon the expiration of the initial term or any subsequent term pursuant to subsection (c) herein, or earlier forfeiture, relinquishment, abandonment, or other termination, the provisions of this lease, to the extent applicable, will continue in effect and will be binding on the parties, their successors or assigns, until they have fully performed their respective obligations and liabilities accruing under this lease before or on account of the expiration, forfeiture, relinquishment, abandonment or other termination of this 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 interests will 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(a)(9) and section 11 herein.

(c) The Commissioner shall, upon request of the Lessee, renew this lease for additional periods of up to ten years each, so long as the Lessee is in commercial operation and the Lessee is in full compliance with all the terms of this lease and all state, federal, and local laws including but

not limited to state law pertaining to regulation and taxation of the Pipeline System. The Lessee shall give notice of its intent to seek renewal of this lease no later than six months before expiration.

3. Rental (a) Construction Phase. The Lessee shall pay to the State equal annual rental payments in the amount of $14,400 during the period of Pipeline Construction. This rental amount, however, shall be adjusted based on a formal appraisal conducted on or before June 1, 1999. The first payment is due on or before the Effective Date of this lease. Subsequent payments are due on or before each Lease Anniversary Date during the period of Pipeline Construction.

(b) Operation and Maintenance Phase. Upon receipt of the Commissioner's approval of all of the requirements under section 29(e) of this lease, and for the duration of the term of this lease and any subsequent renewals, Lessee shall pay to the State equal annual rental payments in the amount of the annual fair market rental of the land included in the Leasehold based on the appraised fair market rental value of the land. All reasonable costs of the appraisal will be borne by the Lessee. The appraisal shall be carried out by an independent appraiser selected by the Lessee from a list of appraisers provided by the Division of Land, Department of Natural Resources, and in accordance with Division of Land appraisal instructions and standards. Payment of the rental under this subsection is due on or before the Lease Anniversary Date following receipt of the Commissioner's approval of all the requirements under section 29(e) of this lease. Subsequent annual rental payments are due on each subsequent Lease Anniversary Date.

(c) Termination Phase. The Lessee's rental obligations described in subsection (b) shall survive the expiration, forfeiture, relinquishment, abandonment, or other termination of this lease and shall continue until all of Lessee's obligations described in sections 26 or 27 of this lease, whichever is applicable, have been performed.

(d) The annual rental payment is subject to adjustment by the State five years from the first payment date as set out in (a) of this section and every fifth Lease Anniversary Date thereafter. The new rental payment shall be based on the appraised fair market rental value of the land included in the Leasehold. The appraisal shall be carried out by an independent appraiser selected by the Lessee from a list of appraisers provided by the Division of Land, Department of Natural Resources, and in accordance with Division of Land appraisal instructions and standards. The new 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. All reasonable costs of the adjustment, including reappraisal, will be borne by the Lessee.

4. Payment (a) All payments to the State under this lease must 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: Revenue Unit
3601 C Street, Suite 1230
Anchorage, Alaska 99503-5921

or to any other depository designated by the State. If the State changes the designated depository, it shall give at least 60 days written notice to the Lessee as described in section 34 herein.

(b) 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 received by 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 State Lands subject to this lease. The State is not liable to the Lessee for any deficiency of title to or difficulty in securing access to the State Lands subject to this lease. 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 State Lands included in 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 State Lands included in the Leasehold granted herein for any use. The Lessee represents that the Lessee has inspected the State Lands included in the Leasehold granted herein and determined that the State Lands are 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 will have a continuing and reasonable right of access to any part of the State Lands (including the subsurface

of, and the air space above, such lands) that are subject to this lease, and a continuing right of physical entry to any part of the Leasehold for any purpose or reason that is reasonably consistent with any right or obligation of the State, including but not limited to, inspection or monitoring.

(b) The right of access and entry reserved in subsection (a) of this section will extend to and be enjoyed by any Contractor of the State as well as such other persons as may be designated by the Commissioner.

(c) Upon request by the State, the Lessee shall provide the State and its Contractors reasonable access to those portions of the Pipeline System situated on other lands in the State for reasonable purposes, including but not limited to, inspection and monitoring. Lessee does not represent that it has the right to provide unaccompanied access and physical entry to lands in the State other than the Leasehold for any purpose.

(d) There is reserved to the State the 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 State Lands subject to the right-of-way; provided that such grant shall not unreasonably interfere with the rights under this lease. Before the State grants additional rights-of-way under AS 38.35 for State Lands subject to the right-of-way, the State will notify Lessee of its intentions.

(e) This lease is subject to the reservations set forth in AS 38.05.125 and the rights and obligations contained in AS 38.05.130 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. Lessee will not petition to vacate, abandon, or extinguish any public easement without the prior written approval of the Commissioner.

8. Covenants of Lessee (a) The Lessee expressly covenants, in consideration of the rights acquired by it pursuant to this lease, that:

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

(2) Lessee will 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, or inspection of its property, and of examination and copying of records;

(3) Lessee will construct and operate the Pipeline System in accordance with applicable state laws and lawful regulations and orders of the Alaska Public Utilities Commission;

(4) Lessee will, at its own expense, during the term of this lease

(A) maintain the Leasehold and Pipeline System in good repair;

(B) promptly repair or remedy any damage to the Leasehold;

(C) 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 System;

(5) As more fully set out in section 25 of this lease, Lessee will not transfer, assign, sublease 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 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 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 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, sublease or disposal;

(6) Lessee will 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;

(7) The applicable law of the state of Alaska will be used in resolving questions of interpretation of this lease;

(8) 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, 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 System for the full and safe utilization of the Pipeline System, for necessary operations incident to land management, administration, or disposal;

(9) As more fully set out in section 11 of this lease, Lessee will be liable to the State for damages or injury incurred by the State caused by Pipeline Activities and Lessee will indemnify the State for liabilities or damages;

(10) Lessee will 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 Pipeline Activities; and

(11) Should Lessee obtain a delegation of the power of eminent domain from the Commissioner under AS 38.35.130, such land as is acquired under such delegation shall be incorporated into the Leasehold described herein.

(b) The State reserves the right to require conversion of the Pipeline from a private carrier to a common carrier. Upon making a determination to exercise this right, the Commissioner shall notify Lessee, in the manner provided for in section 34, of the State's decision to require conversion of the Pipeline from a private carrier to a common carrier. Within 60 days following receipt of the Commissioner's decision, the Lessee shall file an application with the Alaska Public Utilities Commission for a certificate of public convenience and necessity under AS 42.06. Upon issuance of the certificate of public convenience and necessity by the Alaska Public Utilities Commission, the following additional lease covenants shall become operative:

(1) Lessee assumes the status of and will perform all of its functions undertaken under this lease as a common carrier and will accept, convey, and transport without discrimination Diesel Fuel delivered to it for transportation from fields in the vicinity of the Pipeline System throughout its route on State Land obtained under this lease and on other land; Lessee will accept, convey, and transport Diesel Fuel without unjust or unreasonable discrimination in favor of one

producer or person, including itself, as against another, but will take the Diesel Fuel delivered or offered, without unreasonable discrimination, that the Alaska Public Utilities Commission 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;

(2) Lessee will interchange Diesel Fuel with each like common carrier and provide connections and facilities for the interchange of Diesel Fuel 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; and

(3) Lessee will provide connections, as determined by the Alaska Public Utilities Commission, under AS 42.06.340, to facilities on the Pipeline System subject to this lease, both on State Land and other land in the State, for the purpose of delivering Diesel Fuel to persons (including the State and its political subdivisions) contracting for the purchase at wholesale of Diesel Fuel transported by the Pipeline System when required by the public interest.

9. Lessee's Contractors, Agents and Employees (a) Lessee shall require that all of its Contractors conducting Pipeline Activities on the Leasehold:

(1) extend all 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, Contractors, and employees of each of them. The Lessee shall ensure compliance with this lease by its agents, employees and Contractors, and the employees of each of them.

10. Workers' Compensation Insurance Lessee shall provide and maintain, for all employees of the Lessee engaged in work on the Leasehold, workers' compensation insurance as required by state and federal law. Lessee shall ensure that all of its Contractors have obtained workers' compensation insurance as required by state and federal law. All workers' compensation

insurance policies required herein shall waive rights of subrogation against the State of Alaska, its agents, and employees.

11. Indemnity 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.

The Lessee shall immediately accept the tender by the State of any such cause of action, lawsuit, or other proceeding brought against the State. Any reasonable attorneys' fees or costs incurred by the State prior to such tender of defense shall be the complete and sole responsibility, without limitations, of Lessee. If the State tenders such cause of action, lawsuit, or other proceeding later than 20 days after service on the State, and the Lessee informs the State that the delay in tendering will 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.

The obligations of the Lessee to indemnify the State under the terms of this lease shall survive the transfer, assignment, sublease or other disposition of an interest in this lease as well as the expiration, forfeiture, relinquishment, abandonment or other termination of this lease.

12. State as Additional Insured If the Lessee, at its option, obtains commercially available insurance coverage for the Leasehold and the Lessee's activities in, on or related to the Leasehold, the Lessee shall name the State as an additional insured on all such insurance policies obtained and maintained by the Lessee, except that such insurance coverage shall not cover or apply where the sole proximate cause of the injury or damage is the willful misconduct by the State or anyone acting on behalf of the State. Any commercially available insurance purchased by Lessee under this section will not be construed to limit in any way the Lessee's liabilities or responsibilities under this lease.

13. Timely Construction and Operation Lessee shall begin construction of the Pipeline System within four (4) years of the Effective Date of this lease and shall begin operation of the Pipeline System as a private carrier within five (5) years of the Effective Date of this lease. Failure to begin construction and operation of the Pipeline System within these time periods for reasons within the control of the Lessee shall be grounds for forfeiture of the right-of-way interest of the Lessee.

14. Plans and Permitting (a) An approved Quality Assurance Program shall be the basis for monitoring commitments made by the Lessee concerning all Pipeline Activities.

(b) Before any Pipeline Activities may commence, except those otherwise authorized by the Commissioner, the Lessee shall submit a construction plan and other related documents as required by the Commissioner or as required by the stipulations attached hereto as Exhibit A for review by the Commissioner. The construction plan must be approved by the Commissioner prior to the commencement of any Pipeline Activities.

(c) Before Diesel Fuel may be transported through the Pipeline, the Lessee shall submit a surveillance and monitoring program and other related documents as required by the Commissioner or as required by the stipulations attached hereto as Exhibit A for review by the Commissioner. The surveillance and monitoring program must be approved by the Commissioner prior to Diesel Fuel being transported through the Pipeline.

(d) 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 must 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.

15. Conduct of Operations (a) The Lessee assumes all responsibility, risk, and liability for its Pipeline Activities and use of or contact with the Leasehold. The Lessee shall perform all Pipeline Activities under this lease in a lawful, prudent, and skillful manner in compliance with the terms and conditions of this lease and all required permits. 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. If the Lessee fails to carry out these orders and requirements, the State has the right to enter the Leasehold and at the Lessee's expense 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.

This right is not exclusive of any other right the State has under this lease and the State may take such other actions and pursue such other remedies as may be available to it under this lease and under applicable law.

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 30 days of receipt of the statement with interest accruing from the date of the statement. Such interest shall accrue at the legal rate of interest set forth in AS 45.45.010(a).

(b) The Lessee shall prevent or, if the procedure, activity, event or condition already exists or has occurred, shall abate, as completely as practicable, using the Best Practicable Technology Available, any physical or mechanical procedure, activity, event or condition:

(1) that is susceptible to prevention or abatement;

(2) that arises out of, or could adversely affect, Pipeline Activities; and

(3) that causes or threatens to cause

(A) a hazard to the safety of workers or to the public health or safety (including but not limited to personal injury or loss of life with respect to any person or persons); or

(B) immediate, serious, or irreparable harm or 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).

(c) The Lessee shall provide reasonable protection to public or private improvements on State Land, 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 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.

16. Environmental Compliance (a) Nothing in this lease authorizes the discharge or disposal of any petroleum products, gasoline, hazardous chemicals, or Hazardous Materials into the atmosphere, ground, or any body of water within the Leasehold.

(b) No provision in this lease in any way alters the State's powers and rights or the Lessee's duties and liabilities under Title 46 (or its successor) of the Alaska Statutes or other state, federal, or municipal statutes, regulations, or ordinances.

17. Taxes and Liens on Leasehold (a) 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.

(b) During the term of this lease, Lessee shall pay for all labor and services performed upon or materials furnished to the Leasehold by, for, or at the request of Lessee. Lessee shall keep its

interest in the Leasehold granted by this lease and the State's title to and interest in the Leasehold free and clear of any and all liens, including but not limited to, mechanic's, mining, labor, or materialmen's liens, arising out of or resulting from the performance of labor or services upon or the furnishing of materials to the Leasehold by, for, or at the request of Lessee, except those liens arising by operation of law for which payment is not yet due. Lessee shall have the right to contest, in the courts or otherwise, the validity or amount of any such lien that may be filed. The Lessee shall post and record notices of nonresponsibility for the benefit of the State pursuant to AS 34.35.065 and AS 34.35.150 and any other similar applicable laws.

(c) During the term of this lease, Lessee shall not allow the State's title to or interest in the Leasehold to be encumbered by any judgments entered by a court of law against Lessee or Lessee's Contractors. If a lis pendens is filed arising from pending or actual litigation against Lessee or its Contractors that encumbers or purports to encumber the State's title to or interest in any lands within the Leasehold lands, Lessee shall diligently and with best efforts seek to effect immediate removal of that lis pendens.

18. Orders by the Commissioner (a) The Commissioner may issue any order necessary to enforce or implement any provision of this lease.

19. Formal Enforcement (a) The State, in a proper action instituted by it, may seek a decree against the Lessee for specific performance or other equitable relief, as may be appropriate. This section shall not be construed to limit any remedy, legal, equitable, or otherwise, available to the State under this lease, the laws of the State of Alaska or the laws of the United States.

(b) In the event that the State prevails, all costs and attorneys' fees reasonably incurred by the State for the enforcement of this lease shall be added to the obligations due and payable by the Lessee and submitted with the statement of expenditures under section 24.

20. Information The Commissioner may order the Lessee at any time to furnish any and all information related to Pipeline Activities as may be reasonably relevant to the Commissioner's responsibilities and duties to implement and enforce this lease. If the Lessee desires that records submitted to the State be kept confidential, the Lessee shall submit a request for confidentiality in writing to the Commissioner along with the basis for its claim of confidentiality. The Commissioner

shall retain such records as confidential pursuant to the Commissioner's authority to do so under applicable State statutes.

21. Modification The Commissioner may, by written order, require the Lessee to make such modification of the Pipeline System as the Commissioner determines is necessary to:

(a) protect or maintain stability of the foundation and other earth materials;

(b) protect or maintain integrity of the Pipeline System;

(c) 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

(d) remove hazards to public health and safety, including the activities of Lessee's agents, employees, Contractors, and the employees of each of them.

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.

22. Temporary Suspension (a) The Commissioner may at any time 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:

(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, serious or irreparable harm or damage (including, but not limited to harm or damage to 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

(A) any provision of this lease intended to protect public health, safety or the environment; or

(B) any order of the Commissioner implementing any provision of this lease or any agreement, plan, permit, or authorization approved, issued or granted by the Commissioner in connection with all or any part of the Pipeline System.

(b) A temporary suspension order will specify:

(1) the activity or activities which must 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 an activity or activities;

(3) the name of the person issuing the order;

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

(5) the time and date of the order.

(c) When a temporary suspension order is issued by any delegate of the Commissioner other than the State Pipeline Coordinator, a copy of the written delegation of authority from the Commissioner must accompany the order. A copy of the temporary suspension order must be provided to the Lessee in a manner specified by section 34(b) herein.

(d) A temporary suspension order is effective as of the date and time given, unless it specifies otherwise. A written temporary suspension order will 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 Lessee or a Field Representative. If an oral temporary suspension order is given, a written order consistent with the requirements of subsection (b) shall be issued no later than 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 will give the Lessee prior notice of any temporary suspension order. If circumstances permit, the Commissioner will 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, or (2) the Lessee has effected, or is ready, willing and able to effect, compliance with the provisions of the temporary suspension order, whichever is applicable, the Commissioner will promptly authorize in writing the resumption of the suspended activity or activities. The Commissioner shall render a decision within three days of the date that the request from the Lessee to resume suspended activities is received by the Commissioner. The decision will state whether the request is granted or denied, and the basis for the decision.

(i) (1) Without limiting any other rights available under 11 AAC 02 or any other law, the Lessee may bring appeals from temporary suspension orders of the Commissioner's delegates, requests for reconsideration from 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:

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

(B) 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.

(2) The Lessee shall file a notice of appeal or a request for reconsideration brought pursuant to this subsection within 10 days after the effective date of the order or denial being appealed. The notice must set forth with particularity the order or denial being appealed 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.

(3) The Commissioner shall decide an appeal or a request for reconsideration within 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 will be considered to have been denied by the Commissioner, and that denial will constitute a final agency decision, appealable within 30 days to superior court pursuant to the Alaska Rules of Appellate Procedure.

23. Commissioner's Decisions (a) Except as set forth in subsection (b), any decision of the Commissioner as to any matter arising out of this lease will constitute the final agency decision appealable in accordance with the Alaska Rules of Appellate Procedure. The Commissioner will 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 which may be filed by the Lessee with the Commissioner will 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. Except as otherwise provided in section 22(e), 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 disapproval by the Commissioner will 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 22(i).

24. Reimbursement of State Expenses (a) Lessee shall reimburse the State for all reasonable costs incurred by the State in the oversight of Pipeline Activities and the design review of all or any part of the Pipeline System. The Commissioner will administer this lease to reasonably assure that unnecessary employment of personnel and needless expenditure of funds are avoided.

(b) Reimbursement provided for in this section must be made for each quarter ending on the last day of March, June, September, and December. On or before the 90th day after the close of each quarter, the Commissioner will submit to the Lessee a written statement describing any reimbursable costs incurred by the State during that quarter. This statement may be supplemented within 180 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.

(c) Lessee shall pay to the State the total amount shown on each statement submitted under subsection (b), less any item that Lessee disputes, by not later than the 30th day following the date Lessee receives the statement. 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, and the Lessee shall pay the State those amounts for the items that are not disputed. The Commissioner shall provide a written decision regarding Lessee's objections within 30 days of receipt of Lessee's objections. Lessee shall then immediately pay any unpaid items determined by the Commissioner to be payable.

(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 must be given to the Commissioner (1) at least 15 days prior to the audit and (2) not later than the 60th day after the date that the State submits the statement under subsection (b) of this section. An audit under this subsection must be completed within 180 days after receipt by the State of the notice of intent to conduct an audit. 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 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 30 days after the date of the Commissioner's written decision.

(e) 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 must be preserved for a period of at least two years after the State submits a statement for reimbursement based on such books, records and documents. The Lessee and auditors or accountants designated by the Lessee will be given reasonable access to, and the right to copy, at Lessee's expense, all such books, records and documents.

25. Transfers of Interest (a) The State may convey all or a portion of its ownership of the State Lands subject to this lease 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 State Lands subject to this lease shall be subject to this lease, including the Lessee's right to renew the lease under section 2(c) herein.

(b) The Lessee may not transfer, assign, sublease 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 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 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 will reasonably protect the lives, property and general welfare of the people of Alaska), issues a written finding that the transferee, assignee, or sublessee meets the requirements of AS 38.35.100(a). The Commissioner shall not unreasonably withhold consent to such transfer, assignment, sublease or other disposal. An unapproved transfer, assignment, sublease or other disposal does not relieve Lessee of any obligation assumed under this lease, is ineffective to transfer interests in and obligations assumed under this lease, and constitutes a default under this lease.

The Lessee must guarantee and remain capable of guaranteeing the performance of all of the duties, liabilities and obligations of any transferee, assignee, or sublessee under and by virtue of this lease, unless the Commissioner determines that another equivalent guaranty or security sufficient to protect the public interest has been provided. Lessee's guaranty shall extend to guaranty the duties, liabilities and obligations of any subsequent transferee, assignee, or sublessee of a transferee, assignee or sublessee under and by virtue of this lease, unless the Commissioner determines that another equivalent guaranty or security sufficient to protect the public interest has been provided. The required form of guaranty is attached to this lease as Exhibit C. If the Commissioner determines

at any time that Lessee's guaranty is insufficient, the Commissioner may require the substitution and delivery of a new form of guaranty with any provisions the Commissioner finds necessary.

(c) A transferee, assignee, or sublessee of any approved transfer, assignment, sublease or other disposal under subsection (b) is subject to the same rights, duties, liabilities and obligations set forth herein as is Lessee.

(d) Lessee may not transfer, assign, sublease or otherwise dispose of any interest in, to, or under this lease that purports to cover less than all of the State Lands subject to this lease.

(e) Any transfer of 30 percent or more of an ownership interest in a transferee, assignee or sublessee which is not a publicly-held corporation to a third party or parties in one or more transactions must be approved by the Commissioner. Transfers of less than 30 percent of an ownership interest in a transferee or assignee which is not a publicly-held corporation to a third party or parties must be reported to the Commissioner.

(f) Upon application for approval of a transfer, assignment, sublease or disposal of interests under this lease which results in there being more than one party with an interest in the Leasehold or in the Pipeline System, the Commissioner will in the Commissioner's discretion establish the limit of the obligations and liabilities of each party arising under this lease. Such limitation, if any, shall have no limiting effect whatsoever on Lessee's guaranty. If the Commissioner does not establish the limit of the obligations and liabilities of each party, the obligations and liabilities will be joint and several.

(g) In the event of a transfer, assignment, sublease or other disposal of less than the entire undivided interest granted in, to or under this lease to the Lessee, the Lessee and its transferee or transferees must appoint one party to comply with section 8(a)(6) of this lease.

26. Default 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 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) No earlier than 120 days before 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 System 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 System, if any, must remain on the Leasehold following the expiration, relinquishment, abandonment or termination of this lease, and (2) resolve issues pertaining to title to such components of the Pipeline System.

(c) No later than 60 days after receipt of the Commissioner's determination under subsection (b), 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 System described in the Commissioner's determination under subsection (b).

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

Should Lessee fail to comply with the requirements of this subsection, then section 26(c)(1) and (2) shall govern the expiration, relinquishment, abandonment or termination of this lease.

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

(e) Following completion of the time period for plan implementation under subsection (d) 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, 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.

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

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

(2) 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.

(g) In the event the Commissioner makes a determination under subsection (b) that all or a portion of the Pipeline System 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 System 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, with the exception of obligations under sections 8(a)(9) and 11 herein, which cannot be released. Such release will not discharge Lessee from performance obligations and other liabilities which have accrued prior to the expiration, relinquishment, abandonment or termination of this lease.

28. State Not Liable The State is not liable for any expenditures made or undertaken by the Lessee under this lease.

29. 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 State Lands subject to this lease, the Lessee shall promptly execute and deliver to the State 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 rights or interests described therein and that such right or interest is free of all liens, equities or claims of any kind requiring or that may require the consent of a third party, claiming in whole or in part by, through or under the Lessee, for the valid release or extinguishment thereof, except for such that are owned or claims by third parties that have joined in the execution of the release. 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 will any such instrument operate to increase the existing liabilities and obligations of the Lessee furnishing the release.

(b) A release under this section must 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 will 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 whether accrued or contingent.

(d) Lessee may relinquish to the State at any time any or all of the State Lands subject to this lease that the Lessee determines are 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 arising under this lease.

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

(1) file with the Commissioner a map or maps of survey, approved by the Commissioner, showing the final As Built location of the Pipeline as proof of construction of the Pipeline; and

(2) execute and deliver to the State for the Commissioner's approval a release of interests for all of Lessee's interests in the Leasehold other than the Operation and Maintenance Right-of-Way, which right-of-way is described in Exhibit B.

Effective on the first Lease Anniversary Date following the approval by the Commissioner of the requirements in this subsection, all interests of Lessee in the Leasehold other than the Lessee's interests in the Operation and Maintenance Right-of-Way, described in Exhibit B, shall be released, subject to the right of the Commissioner to approve, at the request of the Lessee, an increase in the width and total acreage of the Leasehold as is necessary to carry out Termination Activities, in compliance with a plan approved by the Commissioner, which approval shall not be unreasonably withheld.

30. Authorized Representatives 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(a)(6) 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 34 below. Additionally, a Field Representative must at all times be available in the immediate area of the Leasehold and must be designated by the Lessee by notice to the State. Notwithstanding the designation of Field Representatives, if any, notices or orders delivered to Lessee's authorized representative shall control.

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 is encouraged to hire and employ local and Alaska residents and companies, to the extent they are available and qualified, for work performed pursuant to this lease. The Lessee is encouraged to coordinate with employment services offered by the State and local communities and to recruit employees from local communities.

33. Nondiscrimination The Lessee and the Lessee's Contractors may not discriminate against any employee or applicant because of race, religion, marital status, change in 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. Correspondence (a) Any notice or demand by the Lessee will be made in writing and must be given personally by hand delivery to the State, or by certified mail, postage prepaid, return receipt requested, addressed as follows (or to any new address that the State designates in writing):

To the State: State Pipeline Coordinator's Office
411 W. 4th Avenue, Suite 2
Anchorage, Alaska 99501-2343

Delivery to the State occurs (1) if by hand delivery, when personally received by the addressee, and (2) if by certified mail, when the notice or demand is signed for by the State or State's agent.

(b) Except as provided for in section 22 of this lease, any notice or demand by the State will be made in writing and must be given personally by hand delivery to the Lessee, or by certified mail, postage prepaid, return receipt requested, addressed as follows (or to any new address that the Lessee designates in writing):

To the Lessee: Atlantic Richfield Company
c/o ARCO Alaska Pipelines
700 G Street
P.O. Box 100360
Anchorage, Alaska 99510-0360

Delivery to the Lessee occurs (1) if by hand delivery, when personally received by the addressee, and (2) if by certified mail, when the notice or demand is signed for by the Lessee or Lessee's agent.

(c) Other correspondence may be made by delivery, hand delivery, or faxed with original to follow in the mail.

35. Waiver Not Continuing The waiver by the State of any breach of any provision of this lease, whether express or implied, will 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, will not be construed to be a continuing waiver or a waiver of or consent to any subsequent or prior breach by the State.

36. 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.

37. 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 of Alaska 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.

38. 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.

39. Interpretation of Lease (a) Any interpretation of this lease must 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, will 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 no other common carrier pipeline lease may be used to assist in resolving any disputes arising from the interpretation of this lease, unless such language is identical to the language in this lease.

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

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

42. Recording Upon execution, acknowledgment, and delivery of this lease, the Lessee shall at its sole expense cause this lease to be recorded in the Barrow Recording District, State of Alaska.

43. 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.

44. Amendments in Writing No amendment to this lease is effective until agreed to in writing by the parties.

45. 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 general route of the right-of-way attached as Exhibit B;

(c) the form of guaranty attached as Exhibit C; and

(d) a list of documents submitted by Lessee attached as Exhibit D.

46. Merger Clause This lease, including all Exhibits hereto, documents that are required to be approved by the Commissioner by this lease, and the documents listed in Exhibit D, contains the entire agreement between the parties, and is binding upon the parties.

47. Section Headings The section headings in this lease are for convenience only and have no other significance.

48. Definitions The following words have the following meanings unless the context unavoidably requires otherwise:

(a) As Built means an engineering diagram that depicts the centerline location of the Pipeline and the improvements as constructed.

(b) Best Practicable Technology Available means the best technology commercially available that is proven to be successful for the purpose to which it is proposed to be used and is determined to be economic under the facts of the situation for which it is proposed to be used.

(c) Commissioner means the Commissioner of the Alaska Department of Natural Resources and includes the Commissioner's delegates, when a delegation of power to administer all or a portion of the provisions of this lease is made.

(d) Contractor means any contractor or subcontractor at any tier, and the employees, representatives, and agents of such a contractor.

(e) Diesel Fuel means a fuel of the light gas-oil range of refinery products.

(f) Effective Date of the lease means the day the lease is executed as set forth on page one of this lease.

(g) Field Representative means an employee, Contractor, agent, or representative of the Lessee, appointed in writing by the Lessee, with notice to the State, to receive notices and orders at any location not part of the Lessee's urban administrative offices, from the Commissioner's authorized representative.

(h) Hazardous Material means any hazardous or toxic substance, material, or Waste that is or becomes regulated by any municipal governmental authority, the State, or the United States government.

(i) Lease Anniversary Date means the same day and month as the date this lease is effective, in each subsequent year that this lease is in effect.

(j) Leasehold means the State Lands subject to this lease as those lands are identified in Exhibit B of this lease and any subsequent renewals.

(k) Lessee means Atlantic Richfield Company.

(l) Pipeline means that 2 inch diameter Diesel Fuel pipeline and all parts of those physical facilities located in, on or over State Lands subject to this lease and other lands in the State, through which Diesel Fuel is transported.

(m) Pipeline Activities means activities involving and related to construction, operation, maintenance, and termination of the Pipeline System or any part of the Pipeline System.

(n) Pipeline Construction means that period from the date this lease is effective until the date that all requirements imposed by section 29(e) of this lease are approved by the Commissioner.

(o) Pipeline Support means all facilities in, on, or over State Lands subject to this lease and other lands in the State which are constructed or used by the Lessee in connection with the construction, operation, maintenance, and termination of the Pipeline. It does not include facilities, such as urban administrative offices, which are only indirectly involved in the transportation of Diesel Fuel, nor does it include facilities used by others in the production or gathering of Diesel Fuel.

(p) Pipeline System means the Pipeline, Pipeline Support, Roads, and Related Facilities taken as a whole.

(q) Quality Assurance Program means all those documented, planned, and systematic actions necessary to provide evidence that the Lessee is satisfying lease commitments and requirements for integrity of the Pipeline System, health, safety, and environment.

(r) Related Facilities means those structures, devices, improvements, and sites located in, on, or over State Lands subject to this lease and other lands in the State, other than the Pipeline, the substantially continuous use of which is necessary for the operation and maintenance of the Pipeline. Related Facilities includes, but is not limited to: pump or compressor stations, station equipment, tanks, valves, access roads, bridges, airfields, terminals and terminal facilities, including docks and tanker loading facilities, operations control center for both the upstream part of the pipeline and the terminal, tanker ballast treatment facilities, fire protection systems, and communication systems. Related Facilities does not include any equipment upstream of the shipping pumps, except where such equipment constitutes the portions of the operations control center necessary to operate the Pipeline System, or equipment not owned by the Lessee.

(s) Restore means returning a disturbed site to a physical and biological condition acceptable to the Commissioner. Restoration includes but is not limited to stabilization, erosion and sedimentation control, visual amelioration, habitat reconstruction, and revegetation.

(t) Revegetate means establishing plant cover, preferably with native plant species, on disturbed lands. Revegetation includes but is not limited to surface protection and preparation; seeding, planting, or transplanting; fertilizing; mulching; and watering.

(u) Roads means roads or ice roads on State Lands and other lands in the State, other than state or public highways, that are constructed or used by the Lessee in connection with the construction, operation, maintenance, and termination of the Pipeline System.

(v) State Lands has the same meaning as given in AS 38.35.230(9).

(w) State Pipeline Coordinator means that officer operating under written delegation of authority from the Commissioner with the authority and responsibility of administering a portion or all of the provisions of this lease.

(x) Termination Activities means all activities connected with the expiration, forfeiture, relinquishment, abandonment, termination or completion of use of the State Lands subject to this

lease, including fulfillment of all obligations incurred under this lease including, but not limited to, those described in section 26 and 27, whichever is applicable.

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

STATE OF ALASKA

By: _____
John T. Shively
Commissioner
Department of Natural Resources

ATLANTIC RICHFIELD COMPANY

By: Margaret A. Yaege
Margaret A. Yaege
Attorney in Fact

EXHIBITS:

Exhibit A:	Stipulations
Exhibit B:	Right-of-Way Description
Exhibit C:	Form of Guaranty
Exhibit D:	List of Documents Submitted By Atlantic Richfield Company Which are Incorporated and Made a Part of This Lease

STATE OF ALASKA)
) ss.
Third Judicial District)

THIS IS TO CERTIFY that on this 15th day of December 1998, before me personally appeared Margaret A. Yaege, the Attorney in Fact of Atlantic Richfield Company, a Delaware corporation, who executed the foregoing on behalf of said corporation, and acknowledged voluntarily signing same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

Marietta Houston
Notary Public in and for the State of Alaska
My Commission Expires: 07/10/02

STATE OF ALASKA)
) ss
Third Judicial District)

THIS IS TO CERTIFY that on this 15th day of December 1998, before me personally appeared John T. Shively, the Commissioner of the Department of Natural Resources of the State of Alaska, who executed the foregoing on behalf of the Department of Natural Resources of the State of Alaska and acknowledged voluntarily signing the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

Marietta Houston
Notary Public in and for the State of Alaska
My Commission Expires: 07/10/02

EXHIBIT A

Stipulations

1. GENERAL STIPULATIONS

1.1. Definitions

The following definitions apply to terms used in these stipulations. They shall also apply to terms used in documents to which these stipulations are attached unless specifically provided otherwise in such documents.

1.1.1. DESIGN CRITERIA means approved project criteria identified in Exhibit D (i.e., construction, including design and operational concepts) necessary to delineate the project to be constructed. At a minimum, it includes the following: criteria and commitments including appendices, recommendations, conclusions, and monitoring program discussions contained in the submitted "Detailed Engineering Plan" to be used for the Final Design and project concepts; evaluation of data used to establish the design criteria; drawings showing functional and technical requirements; reports of all test data compiled during the data collection and design criteria evaluation; standard drawings (if applicable) or drawings to support structural design concepts of each typical facility or structure; proposed construction modes; outline of project specifications; sample computations to support the design; and concepts and bases for project siting.

1.1.2. FINAL DESIGN means completed design documents suitable for construction including plans and specifications; construction modes; operational requirements necessary to justify designs; design analysis as required; all appropriate engineering criteria; and other considerations pertinent to design.

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

1.1.4. FISH SPAWNING BEDS means those areas where anadromous and resident fish deposit their eggs.

1.1.5. OVERWINTERING AREAS means those areas inhabited by fish between freeze up and breakup.

1.1.6. WASTE means all discarded matter other than excess excavated material. It includes, but is not limited to, human waste, trash, garbage, refuse, and equipment.

1.1.7. WETLANDS means those areas that are inundated or saturated by surface or ground water at the 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. Communications

1.2.1. The Lessee shall provide a communication capability that ensures the transmission of information required for safe Pipeline Activities.

1.2.2. Documents pertaining to the Leasehold and required by statute or regulation to be filed with a state agency other than the Department of Natural Resources must be filed as so required, with a copy concurrently provided to the Commissioner.

1.3. Construction Plan

1.3.1. The Lessee shall not initiate any Pipeline Activities unless otherwise authorized by the Commissioner, until a construction plan is reviewed and approved by the Commissioner as required by section 14 of this lease. The Lessee shall submit a construction plan that includes all work schedules, permits, or authorizations required and their interrelationship, construction sequencing, a map or maps depicting the boundaries of the construction zone, and, at a minimum, discussions of the following sections:

(1) blasting;

(2) erosion and sedimentation control;

(3) stream, river, and flood plain crossing;

(4) sanitation;

(5) waste management, including disposal;

(6) overburden and excess material disposal;

(7) cultural resource preservation;

(8) groundwater control;

(9) restoration and rehabilitation;

(10) fish and wildlife avoidance and interaction;

(11) access;

(12) safety and hazard prevention;

(13) equipment and material storage areas; and

(14) housekeeping.

1.4. Quality Assurance

1.4.1. The Lessee (including its agents, employees, Contractors, and the employees of each of them) shall comply with the approved Quality Assurance Program during Pipeline Activities. Any amendments to the Quality Assurance Program must be approved by the Commissioner prior to the amendment being implemented. The Quality Assurance Program shall document the Lessee's compliance with this lease.

1.5. Conduct of Operations

1.5.1. The Lessee shall be required to maintain the Pipeline System to the approved Design Criteria. Any changes from the approved Design Criteria must be approved by the Commissioner.

1.5.2. The Lessee shall ensure that the electrical cable and the fiber-optic conduit does not drop below the bottom of the pipe at any point along the Pipeline.

1.5.3. Unless the Commissioner approves otherwise, the Lessee shall ensure that wind vibration dampers installed on the Pipeline allow for a minimum of 5 feet clearance from the bottom of the damper to the tundra surface except within an area of existing pipeline that is elevated less than 5 feet.

1.6. Surveillance and Monitoring

1.6.1. The Lessee shall develop and submit a surveillance and monitoring program to detect and abate situations that endanger health, safety, environment, or the integrity of the Pipeline. The surveillance and monitoring program shall be approved by the Commissioner prior to Diesel Fuel being transported through the Pipeline. The Lessee shall implement the surveillance and monitoring program during maintenance, operation, and termination of the Pipeline System, at a minimum, on the following:

(1) river, stream, and flood plain crossings;

(2) valve pads;

(3) frost heave or thaw settlement/pipeline vertical movement;

(4) corrosion

(5) restoration and rehabilitation;

(6) fish and wildlife protection;

(7) zones of restricted activity; and

(8) public access and safety.

1.7. Health and Safety

1.7.1. The Lessee shall notify the Commissioner of all accidents which occur on the Leasehold.

1.7.2. The Lessee shall install and maintain reflector devices on the Pipeline System as required by the Commissioner.

1.8. Survey Monuments

1.8.1. The Lessee shall mark and protect all survey monuments encountered during Pipeline Activities. These monuments are not to be disturbed; however, if disturbance of a monument or any of its accessories becomes necessary, the Lessee will notify the Commissioner in writing before such disturbance occurs, and the Commissioner will provide instructions. A written report to the Commissioner will also be made immediately by the Lessee in the event that any monuments or accessories are inadvertently damaged.

1.8.2. If any public land survey monuments, corners, or accessories (excluding geodetic survey monuments) of the United States or survey monuments of others, are destroyed or damaged during Pipeline Activities, the Lessee shall employ a qualified land surveyor to reestablish or restore them in accordance with the *Manual of Instructions for the Survey of Public Lands* of the Bureau of Land Management and shall record such survey in the appropriate records. Additional requirements for the protection of monuments and corners on state lands may be prescribed by the Commissioner.

1.9. Fire Prevention and Suppression

1.9.1. The Lessee shall promptly notify the Commissioner of any fires on, or which may threaten any portion of, the Pipeline System and shall take all measures necessary or appropriate for the prevention and suppression of fires in accordance with applicable law. The Lessee shall

comply with the instructions and directions of the Commissioner concerning the use, prevention, and suppression of fires on state lands. Use of open fires in connection with Pipeline Activities is prohibited on state land unless approved by the Commissioner and performed in accordance with 18 AAC 50.030.

1.10. Electronically Operated Devices

1.10.1. The Lessee shall 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 the communications systems.

1.11. Regulation of Access

1.11.1. During construction, the Lessee may regulate or limit public access in the immediate vicinity of the Pipeline System and Related Facilities. The Lessee shall provide appropriate warnings, flagging, barricades, and other safety measures when the Lessee is regulating public access.

1.11.2. Except as provided in paragraph 1.11.1 herein, Pipeline Activities may not interfere with the public's free and unrestricted access to and upon the Leasehold, except that, with the Commissioner's approval, the Lessee may regulate or limit access to and upon the Leasehold to the extent necessary to facilitate Pipeline Activities or to protect the public and wildlife from hazards associated with Pipeline Activities.

1.12. Use of Existing Facilities

1.12.1. Subject to existing rights vested in other parties the Lessee shall use existing facilities, to the maximum extent feasible, in all Pipeline Activities.

1.13. Storage

1.13.1. The Lessee shall seek and obtain authorization from the Commissioner before storing any machinery, equipment, tools, materials, and structures, that are not being used, on the Leasehold.

1.13.2. The Lessee shall not store any Waste or Hazardous Materials on the Leasehold.

1.14. Reporting

1.14.1. On or before January 31 of every year this lease is in effect following the first Lease Anniversary Date, the Lessee must submit an annual comprehensive report to the Commissioner on the state of the Pipeline System and its Pipeline Activities. The report shall address, at a minimum:

(1) the results of the Lessee's surveillance and monitoring program during the preceding year, including annual and cumulative changes in facilities and operations, the effects of the changes, and proposed actions to be taken as a result of the noted changes;

(2) the state of, changes to, and results in the last year from the Lessee's risk management program, Quality Assurance Program, and internal and external safety programs;

(3) Lessee's performance under the lease stipulations; and

(4) other information on construction, operations, maintenance, and termination activities necessary to provide a complete and accurate representation of the state of the Pipeline System and Lessee's Pipeline Activities.

2. Environmental

2.1. Environmental Briefings

2.1.1. The Lessee shall develop and provide environmental briefings for supervisory, field personnel, and field representatives. The briefings shall communicate, at a minimum, right-of-way lease and environmental permit requirements.

2.2. Thermal Pollution

2.2.1. The temperature of natural surface or ground water must not be significantly changed by the Pipeline System or by any construction related activities so as to adversely affect the natural surface or ground water unless approved by the Commissioner.

2.3. Erosion and Sedimentation Control

2.3.1. General

2.3.1.1. The Lessee shall perform all Pipeline Activities in a manner to minimize disturbance to all surface areas.

2.3.1.1.1. Construction of ice roads, snow/ice ramps, and ice work pads during operation, maintenance, and termination of the Pipeline System must be approved by the Commissioner.

2.3.1.2. Erosion control measures on state lands shall be maintained to limit induced and accelerated erosion, limit sediment production and transport, and lessen the possibility of forming new drainage channels during operation, maintenance and termination of the Pipeline System.

2.3.2. Crossings of Streams, Rivers, Flood Plains, and Wetlands

2.3.2.1. The Lessee shall minimize erosion and sedimentation at stream, river, and wetland crossings, and at flood plains.

2.3.2.2. Temporary access over stream banks prior to and following construction must be made through the use of snow/ice fill ramps rather than by cutting through stream banks, unless otherwise approved by the Commissioner after consultation with the Alaska Department of Fish and Game (ADF&G). If the Lessee obtains approval by the Commissioner to construct fill ramps, the Lessee shall remove such ramps upon termination of the activity. Ramp materials shall be disposed of in a manner approved by the Commissioner after consultation with the ADF&G.

2.3.3. Excavated Material

2.3.3.1. Excess excavated material must be disposed of in accordance with the approved construction plan during construction and as approved by the Commissioner during operation, maintenance, and termination of the Pipeline System.

2.4. Fish and Wildlife Protection

2.4.1. The Lessee shall conduct Pipeline Activities so as to assure free passage and movement of fish in streams designated by the Commissioner. Temporary blockages of fish necessitated by in stream activities must be approved by the Commissioner. The construction plan must include the time and place that such temporary blockages may occur.

2.4.2. Pump intakes must be screened to prevent harm to fish. Screening specification must be approved by the Commissioner.

2.4.3. When abandoned, water diversion structures shall be removed or plugged and stabilized unless otherwise approved by the Commissioner.

2.4.4. Fish Spawning Beds, Fish Rearing Areas, and Overwintering Areas

2.4.4.1. The Lessee shall avoid disturbance to Fish Spawning Beds, Fish Rearing Areas, and Overwintering Areas designated by the Commissioner. However, where disturbances cannot be avoided, proposed modifications and appropriate mitigation measures must be designed by the company and approved by the Commissioner.

2.4.4.2. The Lessee shall protect Fish Spawning Beds, Fish Rearing Areas, and Overwintering Areas from sediment where soil material is expected to be suspended in water as a result of Pipeline Activities. Settling basins or other sediment control structures shall be constructed and maintained to intercept sediment before it reaches rivers, streams, lakes, or Wetlands.

2.4.4.3. The Lessee shall comply with site-specific terms and conditions imposed by the Commissioner to protect Fish Spawning Beds, Fish Rearing Areas, and Overwintering Areas from the effects of Pipeline Activities. The Commissioner may require the Lessee to construct levees or berms or to employ other suitable means to protect fish and fish passage and to protect or minimize sedimentation. The Lessee shall repair damage caused by Pipeline Activities to the approval of the Commissioner.

2.4.4.4. The Lessee shall not take water from Fish Spawning Beds, Fish Rearing Areas, and Overwintering Areas or waters that directly replenish those areas during critical periods that will be defined by the Commissioner, unless approved by the Commissioner.

2.5. Zones of Restricted Activities

2.5.1. The Commissioner may restrict Pipeline Activities in fish and wildlife areas and in specific areas where threatened or endangered species of animals are found breeding, nesting, spawning, and calving, overwintering or during major migrations of fish and wildlife.

2.5.2. Pipeline Activities must avoid grizzly bear dens by one-half mile unless alternative mitigative measures to minimize disturbances are approved by the Commissioner and ADF&G. Known bear den locations shall be obtained from the ADF&G Division of Wildlife Conservation (Fairbanks @ 459-7213) or ADF&G Division of Habitat and Restoration (Fairbanks @ 459-7289) prior to starting operations. Occupied dens encountered in the field must be reported to the ADF&G Division of Wildlife Conservation at the above telephone numbers and must be subsequently avoided.

2.5.3. Pipeline Activities must avoid polar bear dens by one mile unless alternative measures are approved by the Commissioner and U.S. Fish and Wildlife Service. Known den locations shall be obtained from the U.S. Fish and Wildlife Service (786-3800 or (800) 362-5145) prior to starting operations. New dens encountered in the field shall be immediately reported to the U.S. Fish and Wildlife Service at the above telephone number and must be subsequently avoided by one mile.

2.6. Big Game Movements

2.6.1. The Pipeline System shall be maintained to avoid significant alteration of caribou and other ungulate movement patterns. The Commissioner may require additional measures to mitigate impacts to ungulate movement.

2.7. Disturbance or Use of Natural Waters

2.7.1. Pipeline Activities that may create new lakes, drain existing lakes, significantly divert natural drainage and surface runoff, permanently alter stream or ground water hydrology, or disturb significant areas of stream beds are prohibited unless such activities and necessary mitigation measures are approved by the Commissioner.

2.8. Right-of-Way Traffic

2.8.1. The Lessee shall not operate mobile ground equipment on State Lands in the Leasehold, unless approved by the Commissioner, except in an emergency that threatens any person or property; or if there is a need to prevent immediate harm to any person or property.

2.9. Use of Explosives

2.9.1. No blasting is allowed except as provided in the construction plan. No blasting may be done under water or within one-quarter (1/4) mile of streams or lakes with identified fisheries or wildlife resources without the approval of the Commissioner.

2.9.2. Timing and location of any blasting except as already approved in the construction plan must be approved by the Commissioner.

2.10. Lessee Shall Stabilize, Revegetate and Restore Disturbed Areas

2.10.1. The Lessee shall immediately stabilize all disturbed areas of State Lands so that erosion in excess of natural rates will be minimized. Such stabilization shall be maintained by

Lessee until the disturbed areas are Restored. The results of Lessee's stabilization efforts must be approved by the Commissioner.

2.10.2. The Lessee shall, as soon as practicable, Revegetate all disturbed areas of State Lands. The results of Lessee's revegetation efforts must be approved by the Commissioner.

2.10.3. Upon completion of use of all or a portion of the Leasehold, the Lessee shall Restore all disturbed State Lands, in accordance with a plan and schedules approved by the Commissioner. The results of Lessee's restoration efforts must be approved by the Commissioner.

2.11. Reporting, Prevention, Control, Cleanup, and Disposal of Oil and Hazardous Substances Discharges

2.11.1. The Lessee shall give notice in accordance with applicable law of any spill, leakage, or discharge of Diesel Fuel or other Hazardous Material in connection with Pipeline Activities to state officials who are required by law to be given such notice and to the Commissioner.

2.12. Cultural Resources

2.12.1. The Lessee shall require its employees, agents, Contractors and their employees to comply with the Alaska Historic Preservation Act AS 41.35.200 while conducting Pipeline Activities. Should any sites be discovered during the course of field operations, activities that may damage the site must cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (269-8715) and the appropriate coastal district must be notified immediately.

2.13. Hunting, Fishing, and Trapping

2.13.1. The Lessee shall inform its employees, agents, Contractors and their employees, of applicable laws and regulations relating to hunting, fishing and trapping.

2.14. Waste Removal

2.14.1. All Waste generated in connection with Pipeline Activities shall be removed or otherwise disposed of in a manner acceptable to the Commissioner. All applicable standards and guidelines of the Alaska Department of Environmental Conservation and other agencies shall be adhered to by Lessee. All incinerators shall meet the requirements of applicable State laws and regulations and shall be used with maximum precautions to prevent tundra fires.

3. Technical

3.1. Pipeline System Standards

3.1.1. General Standards

3.1.1.1. All design, including selection of material, and construction, operation, maintenance, monitoring, and termination practices employed with respect to the Pipeline System must be in accordance with sound engineering practice, Design Criteria and, with regard to the Pipeline, must meet or exceed the Department of Transportation Regulations, 49 CFR, and the application and supporting documents as approved by the Commissioner listed in Exhibit D.

3.1.1.2. Modifications to the Pipeline System and Pipeline Activities as described in Exhibit D shall require approval by the Commissioner.

3.1.2. Specific Standards

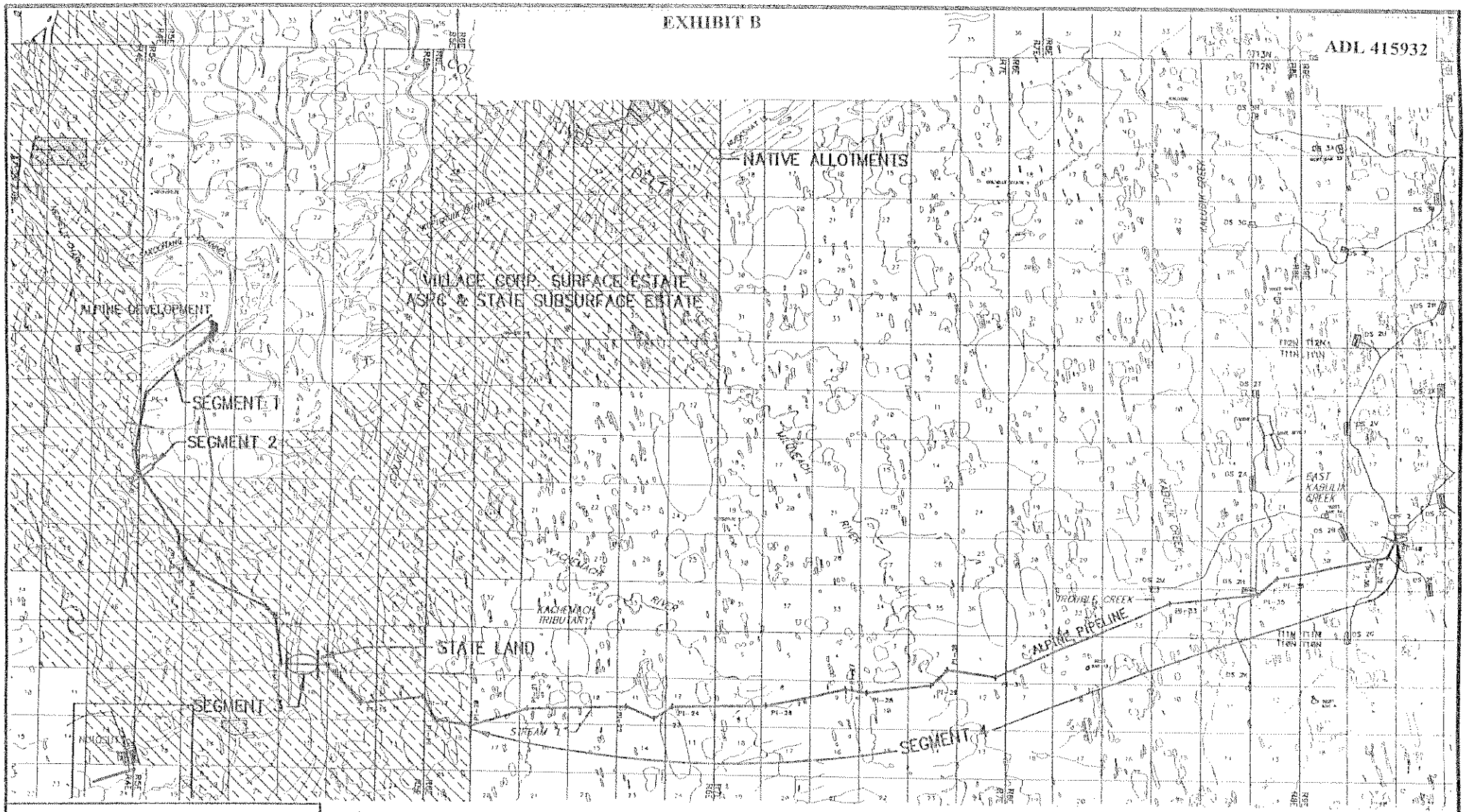
3.1.2.1. All Pipeline Activities must be conducted so as to minimize surface modifications and must be planned and executed in such a way that any resulting alteration of permafrost will not jeopardize pipeline integrity or the surrounding environment.

3.2. Pipeline Corrosion

3.2.1. The Lessee shall provide for early detection of corrosion in accordance with the application, state requirements, and 49 CFR 195.

EXHIBIT B

ADL 415932



Baker — Michael Baker Jr., Inc.

N

ALPINE DEVELOPMENT
SCALE: 1" = 15,000'

NOTE: THE UMIAT MERIDIAN IS THE BASIS OF TOWNSHIP AND RANGE.

FORM: ASIZEL

REV.	CUST APP		REVISIONS	BY	CHK	JOB ENGR	PROJ ENGR
Ø		8/	JED FOR RIGHT-OF-WAY PERMIT	RFH			

ARCO Alaska, Inc.

APPROVAL:

DATE: 8/31/98

DR 2 | NO. 20

MODULE: ALPINE DEVELOPMENT VICINITY MAP

UNIT:

SHEET:

REV: Ø

EXHIBIT B

ALPINE DIESEL PIPELINE
RIGHT-OF-WAY APPLICATION ADL 415932
CONSTRUCTION LEGAL DESCRIPTION

During construction, the width of the right-of-way shall be:

Segment 1: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the flange where the diesel fuel pipeline exits the Alpine Production Facility (point of origin) within Section 5, Township 11 North, Range 5 East, Umiat Meridian; then in a southwesterly and southerly direction along the route as generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, and ending at the point of intersection between the right-of-way and the west township boundary in Section 7 and 18, Township 11 North, Range 5 East, Umiat Meridian. The right-of-way configuration is shown on Figure 1, Diesel Fuel Pipeline Construction Right-of-Way, attached hereto and incorporated herein. Segment 1 contains 13.4 acres, more or less.

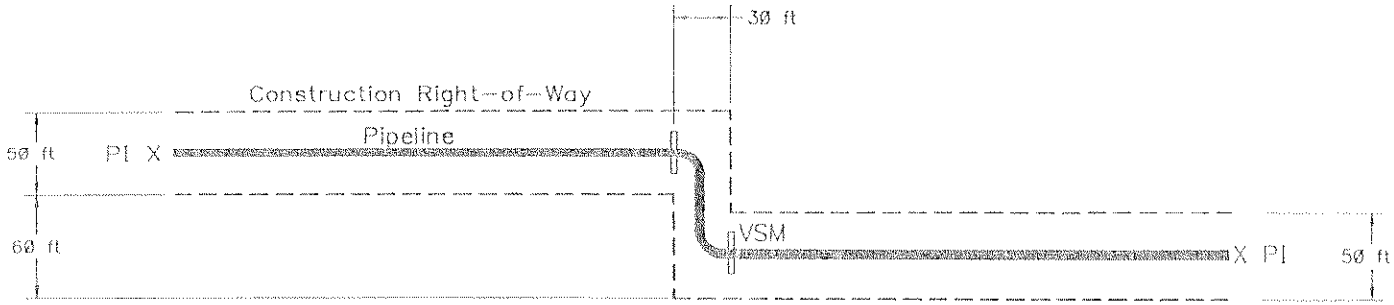
Segment 2: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the point of intersection between the right-of-way and the west township boundary line in Section 18, Township 11 North, Range 5 East, Umiat Meridian where the diesel fuel pipeline re-enters the township (approximately at PI 06) and then in a southeasterly direction along the route as generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, and ending at the point of intersection between the right-of-way and the south boundary of Section 18, Township 11 North, Range 5 East, Umiat Meridian, containing 0.6 acres, more or less.

Segment 3: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the point of intersection between the right-of-way and the ordinary high water mark on the west bank of the Colville River East Channel within Section 3, Township 10 North, Range 5 East, Umiat Meridian, and then in a easterly direction across the river channel along the route as generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, and ending at the point of intersection between the right-of-way and the ordinary high water mark on the east bank of the Colville River East Channel within Section 3, Township 10 North, Range 5 East, Umiat Meridian, and containing 7.8 acres, more or less.

Segment 4: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the point of intersection between the right-of-way and the west section boundary line in Section 17, Township 10 North, Range 6 East, Umiat Meridian and then in an easterly and northeasterly direction along the route as

generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, to the point of termination at the flange where the diesel fuel pipeline enters the Central Processing Facility No. 2 in the Kuparuk River Unit in Section 21, Township 11 North, Range 9 East, Umiat Meridian. Segment 4 contains 121.5 acres, more or less.

Aggregating 143.3 acres, more or less. All within the Barrow Recording District.



Plan View

Figure 1
Diesel Fuel Pipeline Construction Right-of-Way

EXHIBIT B

ALPINE DIESEL PIPELINE
RIGHT-OF-WAY APPLICATION ADL 415932
OPERATIONS LEGAL DESCRIPTION

During operations, the width of the right-of-way shall be:

Segment 1: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the flange where the diesel fuel pipeline exits the Alpine Production Facility (point of origin) within Section 5, Township 11 North, Range 5 East, Umiat Meridian; then in a southwesterly and southerly direction along the route as generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, and ending at the point of intersection between the right-of-way and the west township boundary in Section 7 and 18, Township 11 North, Range 5 East, Umiat Meridian. The right-of-way configuration is shown on Figure 1, Diesel Fuel Pipeline Operations Right-of-Way, attached hereto and incorporated herein. Segment 1 contains 13.4 acres, more or less.

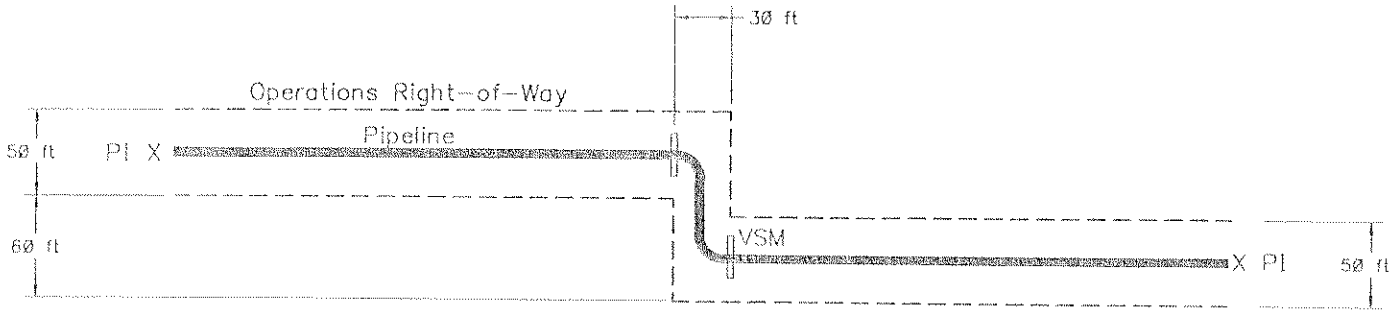
Segment 2: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the point of intersection between the right-of-way and the west township boundary line in Section 18, Township 11 North, Range 5 East, Umiat Meridian where the diesel fuel pipeline re-enters the township (approximately at PI 06) and then in a southeasterly direction along the route as generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, and ending at the point of intersection between the right-of-way and the south boundary of Section 18, Township 11 North, Range 5 East, Umiat Meridian, containing 0.6 acres, more or less.

Segment 3: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the point of intersection between the right-of-way and the ordinary high water mark on the west bank of the Colville River East Channel within Section 3, Township 10 North, Range 5 East, Umiat Meridian, and then in a easterly direction across the river channel along the route as generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, and ending at the point of intersection between the right-of-way and the ordinary high water mark on the east bank of the Colville River East Channel within Section 3, Township 10 North, Range 5 East, Umiat Meridian, and containing 7.8 acres, more or less.

Segment 4: A 50 foot right-of-way, 25 feet on either side of the right-of-way centerline, beginning at the point of intersection between the right-of-way and the west section boundary line in Section 17, Township 10 North, Range 6 East, Umiat Meridian and then in an easterly and northeasterly direction along the route as generally depicted in ARCO Alaska, Inc. Drawing Number 23100020, Rev 0, dated 08/31/98, to the point of termination

at the flange where the diesel fuel pipeline enters the Central Processing Facility No. 2 in the Kuparuk River Unit in Section 21, Township 11 North, Range 9 East, Umiat Meridian. Segment 4 contains 121.5 acres, more or less.

Aggregating 143.3 acres, more or less. All within the Barrow Recording District.



Plan View

Figure 1
Diesel Fuel Pipeline Operations Right-of-Way

EXHIBIT C

GUARANTY OF ATLANTIC RICHFIELD COMPANY

ADL NO. 415932

THIS GUARANTY is given by ATLANTIC RICHFIELD COMPANY, a Delaware corporation, whose address is 700 G Street, P.O. Box 100360, Anchorage, Alaska 99510-0360 (the "Guarantor"), to the State of Alaska ("the State"), acting by and through the Commissioner of the Alaska Department of Natural Resources (herein "the Commissioner"), on this ___ day of _____, _____.

WHEREAS, at the request of the Guarantor, the State has permitted the Guarantor to transfer an interest in the Alpine Pipeline right-of-way lease, ADL No. 415932 (the "Lease") on the date above written to _____, whose address is _____ (the "Transferee").

NOW THEREFORE, in consideration of the State permitting such transfer of interest in the Lease to the Transferee, the Guarantor agrees as follows:

1. Guaranty The Guarantor guaranties the prompt payment when due, or whenever payment may become due under the terms of the Lease, of all payments of rent and all other charges, expenses, penalties and costs of every kind and nature, which are or may be due now or in the future under the terms of the Lease, any agreements or documents related to the Lease, or any transaction between the State and the Transferee directly or indirectly related to the Lease. The Guarantor further guaranties the complete and timely performance, fulfillment and satisfaction of all of the duties, obligations and liabilities of the Transferee arising under or pursuant to the Lease.

2. Conditions (a) Prior to seeking relief under this guaranty for the failure of the Transferee to perform, fulfill, or satisfy any duty, obligation or liability under the Lease, the State must first make demand upon the Transferee before making any demand on Guarantor.

(b) If the Transferee in good faith denies that under the Lease a duty, obligation, or liability exists or has not been performed, fulfilled, or satisfied by the Transferee within the time or in the manner required, the Transferee may exhaust any and all appeal rights available under the Lease, 11 AAC 02, the applicable rules of court, and any applicable law before the State may demand performance, fulfillment, or satisfaction from Guarantor, provided, further, that Guarantor shall be entitled to the benefit of any stay obtained by the Transferee under Alaska law, including but not limited to a stay obtained under 11 AAC 02 or any Alaska rule of court but specifically excluding a stay imposed under bankruptcy law.

(c) Guarantor shall be entitled to any and all benefits arising by virtue of any defense, set-off, counterclaim, or cross-claim available to the Transferee except failure of consideration or bankruptcy of the Transferee (collectively hereinafter referred to as "defense") except that Guarantor shall be bound by any prior judicial determination, if any, concerning any such defense asserted by the Transferee.

3. Extent of Guaranty This guaranty extends to any and all duties, obligations and liabilities which the Transferee has or may have to the State by reason of matters occurring before or after the transfer of interest in ADL No. 415932 to the Transferee or by reason of matters occurring after the expiration, forfeiture, relinquishment, abandonment or other termination of the Lease. This guaranty extends to any assignee, sublessee, or transferee of the Transferee, to any extensions or renewals of the Lease, and to any term established by reason of the holdover of the Transferee, or its assignees, sublessees, or transferees and to any term established by reason of the holdover of the Transferee, or its assignees, sublessees, or transferees, unless the Commissioner determines that another equivalent guaranty or security sufficient to protect the public interest has been provided.

Guarantor agrees that this guaranty shall not be discharged, limited, or reduced except by complete performance of the duties, obligations, and liabilities of the Transferee guaranteed hereby or upon the full and complete replacement hereof with a guaranty in substantially the

same form executed by a guarantor accepted by the Commissioner pursuant to the terms of the Lease.

4. Performance Guaranty In the event that the Transferee fails to perform, fulfill, or satisfy any duty, obligation or liability under the Lease, the Guarantor, on demand by the State and subject to the conditions of section 2 of this guaranty, will promptly and fully perform, fulfill and satisfy such duty, obligation or liability in the place of the Transferee. The Guarantor shall pay, reimburse or indemnify the State for any and all damages, costs, expenses, losses and other liabilities arising or resulting from the failure of the Transferee to perform, fulfill, or satisfy any of the duties, obligations, or liabilities of the Lease.

5. Waiver of Notices The provisions of the Lease and other state authorizations identified therein may be changed as allowed by law without the consent of or notice to Guarantor and this guaranty shall guarantee all of the duties, obligations and liabilities of the Transferee as changed. Guarantor warrants that it has adequate means to obtain from the Transferee on a continuing basis information concerning the Lease and other authorizations identified therein and that it is not relying upon the State to provide such information, now or in the future. The Guarantor assumes all responsibility for being and keeping itself informed of Transferee's financial condition and assets, and of all other circumstances bearing upon the risk of non-performance by the Transferee under the Lease. The Guarantor agrees that the State shall have no duty to advise the Guarantor of information known to it regarding such circumstances or risks.

6. Unconditional Obligations The liability of the Guarantor is direct, immediate, absolute, continuing and unlimited. The Guarantor shall not be discharged or released by reason of the discharge of the Transferee in bankruptcy, receivership or other proceedings, a disaffirmation or rejection of the Lease by a trustee, custodian, or other representative in bankruptcy, a stay or other enforcement restriction, or any other reduction, modification, impairment or limitations of the liability of the Transferee or any remedy of the State.

7. State Delay This guaranty shall not be affected by the State's delay or failure to enforce any of its rights except to the extent such delay or failure gives rise to a successful defense asserted by the Transferee.

8. Subordination of Subrogation Rights The Guarantor subordinates any and all claims which the Guarantor has or may have against the Transferee by reason of subrogation for payments or performances under this guaranty or claims for any other reason or cause. The Guarantor agrees not to assert any claim which it has or may have against the Transferee, including claims by reason of subordination under this guaranty, until such time as the payment and other obligations of the Transferee to the State are fully satisfied and discharged.

9. Waiver Guarantor waives any right it may have to require the State to proceed against or exhaust any bond or other security that the State holds or may hold from the Transferee or pursue any other remedy in the State's power. Guarantor waives all presentments, notices of dishonor, notices of nonperformance, demands for performance except as specified herein, protests, notices of protest, and notices of acceptance of this guaranty.

10. Choice of Law and Venue This guaranty shall be interpreted, construed, and enforced in accordance with the laws of the State of Alaska. Venue for any civil action relating to this guaranty shall be in the Third Judicial District, State of Alaska.

11. Binding Guaranty This guaranty shall be binding upon the Guarantor and the successors and assigns of the Guarantor and shall inure to the benefit of the State and its successors and assigns. No assignment or delegation by the Guarantor shall release the Guarantor of its obligations under this guaranty. The term "Transferee" used in this guaranty includes also the first and any successive assignee, sublessee, or transferee of the Transferee.

12. Notices All notices required or permitted to be given pursuant to this guaranty shall be in writing and shall be addressed respectively as follows:

Guarantor: Atlantic Richfield Company
700 G Street
P.O. Box 100360
Anchorage, Alaska 99510-0360

The State: State Pipeline Coordinator's Office
411 W. 4th Avenue, Suite 2
Anchorage, Alaska 99501-2343

All notices shall be given (a) by personal delivery to the addressee, (b) by electronic communication, with a confirmation sent by registered or certified mail return receipt requested, or (c) by registered or certified mail return receipt requested. All notices shall be effective and shall be deemed delivered (a) if by personal delivery, on the date of delivery if delivered during normal business hours or on the next business day following delivery if not delivered during normal business hours, (b) if by electronic communication, on the next business day following the day of receipt (said day of receipt being the day of receipt at the office of the recipient) of the electronic communication, and (c) if solely by mail, on the next business day after actual receipt.

13. Merger Clause This writing is intended by the parties to be the final expression of this guaranty, and is intended as a complete and exclusive statement of the terms of this guaranty. There are no conditions to the full effectiveness of this guaranty other than those contained herein.

14. Modifications This guaranty may not be modified orally, but only by a writing signed by both the Guarantor and the State. Modifications include any waiver, change, discharge, modification, or termination.

EXECUTED this ___ day of _____, _____, but effective for all purposes as of the effective date of the transfer of interest in the Lease to the Transferee.

ATTEST

By:_____

Title:_____

ATLANTIC RICHFIELD COMPANY

By:_____

Title:_____

STATE OF ALASKA)

) ss.

_____ JUDICIAL DISTRICT)

THIS CERTIFIES that on the _____ day of _____, 1998, at _____ _____, the foregoing instrument was acknowledged before me by _____ _____, _____ of ATLANTIC RICHFIELD COMPANY, a _____ corporation, on behalf of said corporation.

GIVEN UNDER MY HAND and official seal the day and year last above written.

_____

Notary Public in and for:_____

My commission expires:_____

Exhibit D

Alpine Diesel Pipeline
ADL 415932

Document Description	To	From	Document Date	Receipt Date
Application for Alpine Diesel Pipeline Right-of-Way Lease	SPCO	AAI	3/31/97	4/1/97
Coastal Project Questionnaire and Certification Statement	SPCO	AAI	3/25/97	9/23/97
Additional information on Alpine right-of-way applications--Response to SPCO letter no. 97-053--GD, dated March 5, 1997	SPCO	AAI	3/31/97	4/1/97
Additional information on Alpine right-of-way applications--Response to SPCO letter no. 97-104--GD, dated May 16,1997	SPCO	AAI	6/17/97	6/18/97
Alpine Development Project: Environmental Evaluation Document--Revised September 1997*(*only those sections that pertain to the pipeline rights-of-way)	SPCO	AAI	10/13/97	10/15/97
Letter clarifying that applicant is Atlantic Richfield Company (ARCO) and the agent is ARCO Alaska, Inc. (AAI)	SPCO	AAI	10/27/97	10/28/97
Alpine Diesel Pipeline Route Update Letter	SPCO	AAI	7/9/98	7/10/98
Mechanical Analysis of Aboveground Pipeline & Aboveground River Crossings, Revision 2, September 21, 1998	SPCO	AAI	9/22/98	9/23/98
Colville River Crossing Design Report, Revision 2, September 1998	SPCO	AAI	9/22/98	9/23/98
Letter with Clarification of Vertical Offset Height for Spill Isolation Strategy	SPCO	AAI	12/9/98	12/9/98