



**ADL 418997**

**RIGHT-OF-WAY LEASE  
FOR  
THE ALASKA STAND ALONE GAS PIPELINE/ASAP**

**BY AND  
BETWEEN  
THE STATE OF ALASKA  
AND  
THE ALASKA GASLINE DEVELOPMENT CORPORATION**

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**RIGHT-OF-WAY LEASE**

This Right-of-Way Lease (hereinafter "Lease") is entered into this 25<sup>th</sup> day of July, 2011 (hereinafter "Effective Date"), by the State of Alaska (hereinafter "State"), acting through the Commissioner of the Department of Natural Resources (hereinafter "Commissioner"), and by the Alaska Gasline Development Corporation (hereinafter "AGDC" or "Lessee").

WHEREAS the AGDC was created pursuant to Alaska Statutes 38.34.030(a) and 18.56.086;

WHEREAS AGDC is required by AS 38.34.040(e)(3) to apply for and obtain rights-of-way and other permits for the project route;

WHEREAS AS 38.34.050(c) provides the Commissioner shall grant AGDC a right-of-way lease under AS 38.35 for the gas pipeline transportation corridor if AGDC submits a complete right-of-way lease application under AS 38.35.050, the lease application is made the subject of notice and other reasonable and appropriate publication requirements under AS 38.35.070, and (3) AGDC agrees to be bound by certain right-of-way lease covenants set out in AS 38.35.120; and

WHEREAS AGDC submitted a complete right-of-way lease application, and the lease application was noticed for public comment on March 21, 2011.

Now, in consideration of Lessee's covenants and agreements described hereinafter, and subject to the provisions of this Lease, the State and Lessee agree as follows:

**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 covenants and conditions contained herein and the Stipulations incorporated by reference and attached as Exhibit A, the State hereby grants to the Lessee, for a limited duration described in Section 2, a non-exclusive right-of-way Lease only for the purposes described in Subsection (c) of this section, across, through, and upon those State Lands and those lands now owned or hereafter acquired, each as shown and described in the incorporated alignment and site locations attached hereto as Exhibit B. If needed upon completion of a title report on the lands listed in Exhibit B, Exhibit B shall be amended.

(b) This Lease conveys a right-of-way interest only in lands in which the State holds or obtains a property interest, including lands selected by the State pursuant to Section 906 of the Alaska National Interest Lands Conservation Act. This Lease does not convey land or interest in lands owned or administered by the University of Alaska, the Alaska Mental Health Trust Authority, or the Alaska Railroad Corporation. Although this Lease applies to State Lands in which the Alaska Department of Transportation and Public Facilities has an interest or which the Alaska Department of Transportation and Public Facilities administers, the Lessee must also secure the written permission of the Alaska Department of Transportation and Public Facilities to enter upon and use such lands through an Highway Use Agreement to be entered into pursuant to Exhibit A Stipulation 4.

(c) This Lease is granted for the purpose of the Construction, Operation, Maintenance, and Termination of a Natural Gas transportation Pipeline, consisting of one 24-inch diameter Pipeline, one 12-inch diameter Pipeline and Related Facilities in compliance with the terms of this Lease and all applicable State laws and regulations.

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

## **2. Duration**

(a) This Lease shall expire on the 25<sup>th</sup> day of July, 2041, at 12 noon (Alaska Time), unless prior thereto it is released, abandoned, or otherwise terminated pursuant to the provisions of this Lease or any applicable law or regulation.

(b) The Lessee shall give written notice to the Commissioner of its intent to seek renewal of this Lease no later than one-hundred eighty (180) days before expiration. The Commissioner shall, upon request of the Lessee, renew the Lease for additional terms of up to thirty (30) years each, but not less than ten (10) years each, so long as the Pipeline is in commercial operation and Lessee is in compliance with:

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

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

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

## **3. Rental**

- (a) Construction Leasehold:

(1) The Lessee shall pay to the State annual rental payments in the amount of \$188,600.00 during the period of Pipeline Construction. However, this rental amount shall be adjusted on the basis of a formal appraisal conducted on or before one (1) year after the Effective Date of this Lease.

(2) The first payment is due on or before the Effective Date of this Lease and all subsequent payments are due on or before each Lease Anniversary Date.

(3) The annual rental payments made during Construction under this subsection shall be adjusted by an amount which reflects any overpayment for the period from the date of the Commissioner's approval of all the requirements under Section 23(e) of this Lease to the next Lease Anniversary Date following the re-appraisal of the Operation and Maintenance Leasehold. The amount of difference shall be calculated on a pro rata acreage basis.

(b) Operation and Maintenance Leasehold:

(1) Upon receipt of the Commissioner's approval of all of the requirements under Section 23(e) of this Lease, and for the remainder of the term of this Lease and any subsequent renewals, Lessee shall pay to the State annual rental payments in the amount of the annual fair market rental of the Leasehold based on the appraised fair market rental value of the Leasehold.

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

(d) 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 Leasehold. Except as set forth in Subsection (a)(3), 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.

(e) The Lessee's rental obligations described in this section shall expire upon the expiration, forfeiture, relinquishment, abandonment, or other Termination of this Lease, subject only to the completion of all of Lessee's obligations described in Section 25 of this Lease.

(f) Except as provided in AS 38.34.040(f) and (g), any interest in land acquired under the provisions of AS 38.35.130 for the Pipeline shall become part of the Leasehold, and the costs for the acquisition thereof shall be borne by the Lessee. Rental shall not be charged for any land acquired under AS 38.35.130 and conveyed without cost to the State.

#### **4. Payment**

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

(b) All payments to the State under this Lease 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  
550 West 7th Avenue, Suite 1410  
Anchorage, Alaska 99501-3561

or to any other depository designated by the State. If the State changes the designated depository, it shall give at least sixty (60) days written notice to the Lessee in the manner provided in Section 26 herein.

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

#### **5. Denial of Warranty**

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

(b) The State makes no warranty, express or implied, and assumes no liability whatsoever, regarding the social, economic, or environmental aspects of the Leasehold granted herein, including, without limitation, the soil conditions, water drainage, access, natural or artificial hazards that may exist, or the profitability or fitness of the Leasehold granted herein for any use. The Lessee represents that the Lessee has inspected the Leasehold granted herein and determined that the Leasehold is suitable for the use intended, or has voluntarily declined to do so, and accepts the State Lands included in the Leasehold granted herein "as is" and "where is," subject to Section 13 of this Lease.

#### **6. Reservation of Certain Rights to the State**

(a) The State reserves and shall have a continuing and reasonable right of access to any part of the Leasehold (including the subsurface of, and the air space above, such Leasehold) and a continuing and reasonable right of physical entry to any part of the Pipeline, including federal and private lands, for inspection or monitoring purposes and for any other purpose or reason that is consistent with any right or obligation of the State.

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

(c) 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 that include lands subject to the Leasehold; provided that such grant shall not unreasonably interfere with the Lessee's rights under this Lease.

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

**7. Access to Navigable and Public Waters**

The State reserves a public access easement to and along all public or navigable water bodies or waterways that border on or are included in the State Lands included in the Leasehold. The State shall make the determinations and provisions required in AS 38.05.127(a) before the first formal appraisal. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. The Lessee shall not petition to vacate, abandon, or extinguish any public access easement without the prior written approval of the Commissioner.

**8. Covenants of Lessee**

Unless specifically exempted by law, the Lessee expressly covenants, in consideration of the rights acquired by it pursuant to this Lease, that:

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

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

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

(d) Lessee shall accord at all reasonable times to the State and its authorized agents and auditors the right of access to its property and records, of inspection of its property, and of examination and copying of records at Lessee's offices or other location chosen by Lessee;

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

(f) Lessee shall, notwithstanding any other provision, provide connections and interchange facilities at State expense at such places the State considers necessary, if the State determines to take a portion of its royalty or taxes in Natural Gas;

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

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

(1) maintain the Leasehold and Pipeline in good repair;

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

(3) promptly compensate for any damage to or destruction of property for which the Lessee is liable resulting from damage to or destruction of the Leasehold or Pipeline;

(i) As more fully set out in Section 22 of this Lease, Lessee shall not transfer, assign, or dispose of in any manner, directly or indirectly, or by transfer of control of the Lessee, its interest in this Lease, or any rights under this Lease or any Pipeline subject to this Lease to any person other than another owner of the Pipeline (including subsidiaries, parents and affiliates of the owners), except to the extent that the Commissioner, after consideration of the protection of the public interest (including whether the proposed transferee is fit, willing and able to perform the transportation or other acts proposed in a manner that shall reasonably protect the lives, property and general welfare of the people of Alaska), authorizes; the Commissioner shall not unreasonably withhold consent to the transfer, assignment, or disposal;

(j) Lessee shall file with the Commissioner a written appointment of a named permanent resident of the State of Alaska to be its registered agent in Alaska and to receive service of notices, regulations, decisions and orders of the Commissioner; if Lessee fails to appoint an agent for service, service may be made by posting a copy in the office of the Commissioner and filing a copy of it in the Office of the Lieutenant Governor and by mailing a copy to the Lessee's last known address;

(k) the applicable law of the State of Alaska shall be used in resolving questions of interpretation of this Lease;

(l) the granting of this Lease is subject to the express condition that the exercise of the rights and privileges granted under this Lease shall not unduly interfere with the management, administration, or disposal by the State of the State Land affected by this Lease, and that Lessee agrees and consents to the occupancy and use by the State, its grantees, permittees, or other Lessees of any part of the Leasehold not actually occupied or required by the Pipeline for the full and safe utilization of the Pipeline, for necessary operations incident to land management, administration, or disposal;

(m) as more fully set out in Section 9 of this Lease, Lessee shall be liable to the State for damages or injury incurred by the State caused by the Construction, Operation or Maintenance of the Pipeline and Lessee shall indemnify the State for the liabilities or damages;

(n) Lessee shall procure and furnish liability and property damage insurance from a company licensed to do business in the State or furnish other security or undertaking upon the terms and conditions the Commissioner considers necessary if the Commissioner finds that the net assets of the Lessee are insufficient to protect the public from damage for which the Lessee may be liable arising out of the Construction or Operation of the Pipeline.

**9. Indemnity**

(a) If and when the Lessee is no longer a State entity, then the Lessee shall assume all responsibility, risk, and liability for its Pipeline activities and its use of or contact with the Leasehold. If and when the Lessee is no longer a State entity, 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, but subject to the limitations on Lessee's liabilities expressly provided under Section 13 of this Lease), 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 Construction, Operation or Maintenance of the Pipeline or use of or contact with the Leasehold, except to the extent the proximate cause of the injury or damage is due to the action or omission of the State, including any negligence, gross negligence, or reckless or willful misconduct of the State or anyone acting on the State's behalf.

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

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

**10. Lessee's Contractors, Agents and Employees**

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

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

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

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

(b) Unless clearly inapplicable, the requirements and prohibitions imposed upon the Lessee by this Lease are also imposed upon the company's agents, employees, 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.

**11. Guaranty and State as Additional Insured**

(a) The Commissioner shall not issue a Notice To Proceed for the Lessee to initiate any Construction under this Lease prior to the Commissioner's receipt from the Lessee of an unconditional guaranty, meeting all requirements of this section, guaranteeing the performance of all of Lessee's duties and obligations under and by virtue of this Lease; except that the State shall not require a guaranty from a State entity.

(b) The guarantor's unconditional guaranty shall be in a form approved by the Commissioner, and shall be attached to this Lease as Exhibit C. If the Commissioner determines at any time that the guaranty is insufficient to satisfactorily guarantee the performance of all the Lessee's duties, obligations, and potential liabilities under and by virtue of this Lease, the Commissioner may require the substitution and delivery of a supplementary guaranty or other security from Lessee or from a substitute guarantor or insurer, with any provisions the Commissioner reasonably finds necessary. Lessee shall submit, on an annual basis, guarantor's annual financial statement and balance sheet, or such financial documentation of any required substitute guarantor, that the Commissioner requests.

(c) The Lessee shall procure and furnish liability and property damage insurance from a company licensed to do business in the State or furnish other security or undertaking upon the terms and conditions the Commissioner considers necessary if the Commissioner finds that the net assets of the Lessee are insufficient to protect the public from damage for which the Lessee may be liable arising out of the Construction or Operation of the Pipeline. If the Lessee, at its option or as required by the Commissioner under this section, obtains commercially available insurance coverage for the Leasehold and the Lessee's activities in, on or related to the Leasehold, the Lessee shall cause the State to be named 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 proximate cause of the injury or damage is the gross negligence or reckless or willful misconduct of the State or anyone acting on behalf of the State. Any commercially available insurance purchased by Lessee under this section shall not be construed to limit in any way the Lessee's liabilities or responsibilities under this Lease.

**12. Conduct of Operations**

(a) 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, its incorporated exhibits and all required permits.

(b) Except as set forth in Section 13, the Lessee shall prevent or, if the procedure, activity, event or condition already exists or has occurred, shall abate, as completely as practicable, 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 soil, sediments, 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 reasonably satisfactory to the owner, but which does not exceed the improvements' condition prior to damage. This section does not limit in any way the legal or equitable remedies that may be available to a public or private owner of improvements on State Land.

**13. Use of Previously Disturbed Lands**

(a) The Commissioner and the Lessee agree that, where possible, the use of previously disturbed lands is desired to reduce impacts to the environment. Both parties recognize that certain sites authorized for use under the Lease may contain releases or threatened releases of Hazardous Substances that are the result of activities prior to the use of such sites by the Lessee. For the purposes of this section, the term "Site" shall mean a specific area of the Leasehold selected for a particular operation or use by the Lessee in accordance with the terms of this Lease, and the term "Existing Contamination" shall mean Hazardous Substances present at the Site prior to Lessee's initial Field Activity on the Site.

(b) The Lessee, the Department of Natural Resources, and the Department of Environmental Conservation will enter into good faith negotiations to reach an agreement that will limit Lessee's liability for Existing Contamination. That agreement may contain additional conditions governing Lessee's activity on Sites where Existing Contamination may be present and/or provide for alternate Site selection in the event that Existing Contamination makes use of a Site undesirable to the Lessee. If, before the start of Field Activity at a Site, there is Existing

Contamination or there is a reasonable possibility that there is Existing Contamination at a Site, the Lessee, in its sole discretion, may choose to work with the Commissioner to amend the Lease to:

- (1) remove the Site from the Leasehold, without any further obligation or liability to remove, remediate, minimize or control Existing Contamination, and
- (2) identify and add any necessary alternative State Lands to the Leasehold in replacement of the removed Site.

**14. Permits**

Before any particular activity requiring any federal, State, or municipal permits or authorizations occurs under this Lease, all required federal, State, and municipal permits and other authorizations for that particular activity 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. Orders by the Commissioner**

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

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

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

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

**16. Information**

The Commissioner may order the Lessee at any time to furnish any and all information related to Pipeline Activities to the extent necessary to enforce a provision of this Lease or a provision of AS 38.35. 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 statutory basis for its claim of confidentiality. The Commissioner shall retain records as confidential to the extent consistent with the Commissioner's authority to do so under applicable State statutes.

**17. Right of the State to Perform**

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

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

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

**18. Temporary Suspension**

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

- (1) an immediate temporary suspension of the activity or the activities is necessary to protect:
  - 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 soil, sediments, water and air quality, areas of vegetation, fish or other wildlife population or their habitats, or any other natural resource); or
- (2) the Lessee, its agents, employees, or Contractors are failing or refusing, or have failed or refused to comply with or observe:

- 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 Notice to Proceed, plan or agreement approved, issued or granted by the Commissioner in connection with all or any part of the Pipeline.

(b) A temporary suspension order shall specify:

- (1) the specific activity or activities which 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 the specific activity or activities;
- (3) any Notice to Proceed or other Written Authorizations affected by the order;
- (4) the name of the Person issuing the order;
- (5) the name of the Lessee's representative to whom the order is issued; and
- (6) the time and date of the order.

(c) When a temporary suspension order is issued by any delegate of the Commissioner a copy of the written delegation of authority from the Commissioner must accompany the order. A copy of the temporary suspension order must be provided to the Lessee in a manner specified by Section 26 herein.

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

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

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

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

(g) After a temporary suspension order has been given by the Commissioner, the Lessee shall promptly comply with all of the provisions of the order and shall not resume any activity suspended or curtailed thereby except as provided in this Lease, a subsequent order of the Commissioner, or a court order.

(h) When the Commissioner is satisfied that:

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

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

- (1) appeal directly to the Commissioner for review of any temporary suspension order issued by a Commissioner's delegate under this section; or
- (2) request reconsideration from the Commissioner of
  - a) any temporary suspension order issued by the Commissioner; or
  - b) any denial by the Commissioner of a request for resumption of activities suspended under such temporary suspension order.

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

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

**19. Commissioner's Decisions**

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

(b) Decisions of a Commissioner's delegate shall not constitute final agency decisions and are subject to the procedures for appeal and reconsideration as set forth in 11 AAC 02, except as otherwise provided in Section 18(i).

**20. Reimbursement of State Expenses**

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

(b) Reimbursement provided for in this section must be made for each quarter ending on the last day of March, June, September, and December. On or before the ninetieth (90th) day after the close of each quarter, the Commissioner shall submit to the Lessee a written statement describing any reimbursable costs incurred by the State during that quarter. This statement may be supplemented within ninety (90) days after the end of a fiscal year for costs incurred in the State's fiscal year but which, because of reasonable mistake, inadvertence, or unavailability, were not previously submitted. The State shall submit invoices to Lessee in accordance with Section 26.

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

(d) The Lessee may conduct, at its own expense, and by auditors or accountants designated by the Lessee, reasonable audits of the books, records and documents of the State relating to a statement submitted under Subsection (b) of this section, at the places where such

books, records and documents are usually maintained and at reasonable times. Written notice of intent to conduct an audit must be given to the Commissioner:

(1) at least fifteen (15) days prior to the audit and

(2) not later than the ninetieth (90th) day after the date that the State submits the statement, or supplemental statement, as applicable, under Subsection (b) of this section.

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

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

## **21. Liability of the State**

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

## **22. Transfer, Assignment, or Other Disposition**

(a) The State may convey all or a portion of its ownership of the Leasehold at any time to any entity allowed by law. Any conveyance, transfer or other disposition, subsequent to the execution of this Lease, of any right, title, or interest in any of the Leasehold shall be subject

to this Lease and the Lessee's rights hereunder, including the Lessee's right to renew the Lease under Section 2(b) herein.

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

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

### **23. Release of Interest**

(a) In connection with the relinquishment, abandonment or other Termination before the expiration of this Lease, of any right or interest in the Leasehold, or in the use of all or any part of the Leasehold, the Lessee shall promptly execute and deliver to the State, through the Commissioner, a valid instrument of release in recordable form, which must be executed and acknowledged with the same formalities as a deed. The instrument of release must contain, among other things, appropriate recitals, a description of the pertinent rights and interests, and for the benefit of the State and its grantees or assigns, express representations and warranties by the Lessee that it is the sole owner and holder of the Lease rights or interests described therein and that such Lease rights or interests are free and clear of all liens, equities or claims of any kind, except for such liens, equities or claims that arose before the Effective Date of this Lease. The form and substantive content of each instrument of release must be approved by the Commissioner, but except as otherwise provided for in this subsection; in no event shall any such instrument operate to increase the then-existing liabilities and obligations of the Lessee furnishing the release.

(b) A release under this section must be accompanied by such resolutions and certifications as the Commissioner may reasonably require, including the power or the authority of the Lessee, or of any officer or agent acting on its behalf, to execute, acknowledge or deliver the release.

(c) Notwithstanding any language or provision in the release that operates or could operate to the contrary, neither the tender, nor approval and acceptance, of any such release shall operate as an estoppel or waiver of any claim or judgment against the Lessee or as a relief or discharge, in whole or in part, of the Lessee from any of its then existing liabilities or obligations which accrued during that Lessee's tenure as the leaseholder.

(d) Lessee may relinquish to the State at any time any or all of the Leasehold that the Lessee determines 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 that arose under this Lease during that Lessee's tenure as the leaseholder.

(e) No later than one year following the date that Natural Gas is first transported through the Pipeline, the Lessee shall execute and deliver to the State a release of interest for all of the Lessee's interest in the Leasehold other than the Operation and Maintenance Leasehold, which is fully described in Exhibit B.

(f) Within one-hundred eighty (180) days of delivery of the release required by Subsection (e) of this section, Lessee shall:

(1) complete the installation of monumentation of the Pipeline to standards required by the Department of Natural Resources for the purposes of locating and describing rights-of-way on State Lands; and

(2) provide a final survey, approved by the Commissioner, showing the final "as built" location of the completed Pipeline, including the final locations and elevations of all buried and above-ground improvements, the centerline of the Operation and Maintenance Leasehold, the boundaries of the Operation and Maintenance Leasehold, and its relationship to existing pipelines and other structures pursuant to survey instructions issued by the Department of Natural Resources.

(g) The State shall have ninety (90) calendar days after delivery of the final survey required by Subsection (f)(2) of this section to record the survey and reduce the rental amount as set forth in Section 3 for that year and all subsequent years by the same proportion as the released acreage bears to the original Lease acreage.

#### **24. Default, Remedies and Forfeiture**

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

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

(c) After forfeiture, any new right-of-way lease for the Leasehold shall have no effect on the Lessee's rights or on any obligations under this Lease which accrued prior to or as a result of the forfeiture.

#### **25. 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 24.

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

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

- (1) describe which components of the Pipeline, if any, 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.

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

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

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

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

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

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

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

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

**26. Correspondence**

(a) Any notice or demand by the Lessee to the State shall be made in writing and must be given by hand delivery, by email or facsimile during normal business hours, or by registered or certified mail, postage paid, return receipt requested, addressed as follows (or to any new address that the Commissioner designates in writing):

State Pipeline Coordinator's Office  
411 W. 4th Avenue, Suite 2  
Anchorage, Alaska 99501-2343  
Facsimile Number: (907) 272-0690  
mike.thompson@alaska.gov

(b) Delivery to the State occurs:

(1) if by hand delivery, email or facsimile, when received by the addressee,  
and

(2) if by registered or certified mail, when the notice or demand is signed for  
by the State or State's agent.

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

Alaska Gasline Development Corporation  
P.O. Box 101020  
Anchorage, AK 99510  
Facsimile Number: (907) 277-4484  
dfauske@ahfc.us

(d) Delivery to the Lessee occurs:

(1) if by hand delivery, email or facsimile, when received by the addressee,  
and

(2) if by registered or certified mail, when the notice or demand is signed for  
by the Lessee or Lessee's agent.

(e) Other correspondence may be made by email, mail, hand delivery or facsimile  
during normal business hours.

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

**27. 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(j) herein. The Commissioner 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 26.

**28. Waiver not Continuing**

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

**29. 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.

**30. Local Hire**

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

**31. Nondiscrimination**

The Lessee and its Contractors may not discriminate against any employee or applicant  
for employment 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.

**32. 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.

**33. Authority to Enter into Lease**

The Lessee represents and warrants to the State that:

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

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

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

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

**34. Delegation of Authority**

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

**35. Interpretation of Lease**

(a) 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.

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

**36. Compliance with Law and Regulation**

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

**37. Venue**

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

**38. Recording**

Upon execution, acknowledgment, and delivery of this Lease, the Lessee shall at its sole expense cause this Lease to be recorded in all applicable Recording Districts.

**39. 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.

**40. Amendments in Writing**

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

**41. Exhibits**

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

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

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

(c) parental guaranty attached as Exhibit C (only for non-State entities); and

(d) definitions attached as Exhibit D.

**42. Merger Clause**

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

**43. Section Headings**

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



**MARY KAY RYCKMAN**  
**COMM. #113030**  
**Notary Public - State of Alaska**  
**My Comm. Expires "with office"**

STATE OF ALASKA            )  
  ) ss.  
THIRD JUDICIAL DISTRICT )

*25th MKR*

THIS IS TO CERTIFY that on this 1<sup>st</sup> day of July, 2011, before me personally appeared Daniel S. Sullivan, 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.

*Mary Kay Ryckman*  
\_\_\_\_\_  
Notary Public in and for the State of Alaska  
My Commission Expires: with office

**ADL 418997  
ALASKA STAND ALONE GAS PIPELINE/ASAP  
RIGHT-OF-WAY LEASE**

**EXHIBIT A  
STIPULATIONS**

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**ADL 418997  
ALASKA STAND ALONE GAS PIPELINE/ASAP  
RIGHT-OF-WAY LEASE**

**EXHIBIT A  
STIPULATIONS**

**1. GENERAL**

**1.1 Responsibilities**

1.1.1 Except where the approval of the Pipeline Coordinator is required before the Lessee may commence a particular operation, neither the State nor any of its agents or employees is in any way obligated to examine or review any plan, design, specification, or other document which may be filed with the Pipeline Coordinator by the Lessee pursuant to these Stipulations.

1.1.2 The absence of any comment by the Pipeline Coordinator or any other agent or employee or Contractor of the State with respect to any plan, design, specification, or other document which may be filed by the Lessee with the Pipeline Coordinator shall not be deemed to represent in any way whatever, assent to, approval of, or concurrence in such plan, design, specification, or other document or of any action proposed therein.

1.1.3 With regard to the Construction, Operation, Maintenance, and Termination of the Pipeline:

- (1) The Lessee shall ensure full compliance with the provisions of this Lease, including these Stipulations, by its agents, employees, Contractors, and the employees of each of them;
- (2) Unless clearly inapplicable, the requirements and prohibitions imposed upon the Lessee by these Stipulations are also imposed upon the Lessee's agents, employees, Contractors, and the employees of each of them;
- (3) Failure or refusal of the Lessee's agents, employees, Contractors, or the employees of each of them to comply with the Stipulations shall be deemed to be the failure or refusal of the Lessee; and
- (4) The Lessee shall require its agents and Contractors to include the Stipulations in all contracts and subcontracts which are entered into by any of them for work on the Leasehold, together with a provision that the other contracting party, together with its agents, employees, Contractors, and the employees of each of them, shall likewise be bound to comply with the Stipulations.

**1.2 Authority of Representatives of the Pipeline Coordinator and Lessee**

1.2.1 No order or notice given to the Lessee on behalf of the Pipeline Coordinator or any other Person shall be effective as to the Lessee unless prior written notice of the delegation of authority to issue such order or notice has been given to the Lessee in the manner provided in Section 26 of the Lease.

1.2.2 The Lessee shall comply with each and every lawful order directed to the Lessee by the Pipeline Coordinator or by any duly authorized representative of the Pipeline Coordinator.

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

### **1.3 Notices to Proceed for Initial Construction of the Pipeline**

#### **1.3.1 Permission to Construct**

1.3.1.1 The Lessee shall not initiate any Construction on State Land without prior written permission of the Pipeline Coordinator. Such permission shall be given solely by means of a written Notice to Proceed issued by the Pipeline Coordinator. Each Notice to Proceed shall authorize Construction only as therein expressly stated and only for the particular Construction Segment therein described.

#### **1.3.2 Schedule for Notice to Proceed Applications**

1.3.2.1 Prior to submission of any Preliminary Design or application for any Notice to Proceed for any Construction Segment on State Land, the Lessee and the Pipeline Coordinator shall agree to a schedule for the time, scope, and quantity of such submissions and applications. The purpose of such schedule is to assure that the Lessee's submissions and applications shall be reasonable in scope, and filed in a reasonable time frame. Submittals and applications shall be filed in accordance with said schedule, and the Pipeline Coordinator may refuse to consider any that are not so filed. The schedule may be reviewed and revised from time to time as may be agreed upon by the Lessee and the Pipeline Coordinator.

### **1.4 Submissions Required Before First Notice to Proceed Application**

1.4.1 Prior to submission of any application for any Notice to Proceed for any Construction Segment on State Land, the Lessee shall submit to the Pipeline Coordinator the documents identified in Stipulations 1.4.2 through 1.4.5 below. These documents shall form the basis for the individual Notice to Proceed applications submitted for specific Construction Segments on State Land.

#### **1.4.2 Design Documents**

1.4.2.1 The Lessee shall develop a Design Basis and Criteria document as defined in Stipulation 3.2.1 for acceptance by the Pipeline Coordinator.

1.4.2.2 A Corrosion Plan for corrosion-resistant design and methods for early detection of corrosion, as required by Stipulation 3.6.2, shall be provided to the Pipeline Coordinator.

1.4.2.3 The Lessee shall submit to the Pipeline Coordinator an Engineering Analysis and Report on the Seismic Design of the Pipeline, as required by Stipulation 3.8.2.

1.4.2.4 The Lessee shall identify seismic faults and assess the results of fault movement and ground deformation as required in Stipulation 3.9.2, to the reasonable satisfaction of the Pipeline Coordinator.

1.4.2.5 The Lessee shall submit a Seismic Analysis of Pipeline Communication Systems, as required by Stipulation 3.5.5.

**1.4.3 Plans for Construction, Operation, Maintenance, and Termination**

1.4.3.1 The Lessee shall submit for approval the following plans, each of which shall cover Construction, Operation, Maintenance, and Termination activities:

- (a) Proximity to the Trans Alaska Pipeline System (TAPS) and Other Existing Infrastructure (Stipulation 3.4)
- (b) Blasting and Use of Explosives;
- (c) Camps;
- (d) Timber Clearing, Salvage and Utilization;
- (e) Work Pads (Stipulation 3.15);
- (f) Erosion and Sedimentation Control;
- (g) Fire Control;
- (h) Stream, River, and Floodplain Crossings (Stipulation 3.13);
- (i) Disposal of Sanitation and Hazardous Waste;
- (j) Pipeline Trench Backfill Methods
- (k) Disposal of Overburden, and Excess and Excavated Material;
- (l) Cultural Resource Preservation;
- (m) Groundwater Control;
- (n) Restoration and Revegetation of Disturbed Areas;
- (o) Fish and Wildlife Protection;
- (p) Access to the Pipeline and Methods for Access Road Construction (Stipulation 3.14);
- (q) Control, Cleanup, and Disposal of Hazardous Substances;
- (r) Use of Pesticides, Herbicides, Preservatives, and Other Chemicals;
- (s) River Training Structures;
- (t) Construction in Wetlands;
- (u) Handling of Solid and Liquid Waste; and

(v) Managing Human/Carnivore Interaction.

1.4.3.2 These plans shall provide sufficient detail and scope to allow the Pipeline Coordinator to determine if they are consistent with the requirements of this Lease. All applicable State and federal requirements shall be incorporated into the plans and programs of this Lease.

1.4.3.3 Any amendments to these plans must be approved by the Pipeline Coordinator before the amendment is implemented.

#### **1.4.4 Quality Assurance Program**

1.4.4.1 The Lessee shall submit a Quality Assurance Program for review and approval by the Pipeline Coordinator. The Lessee must have an approved Quality Assurance Program in effect during all phases of Construction, Operation, Maintenance, and Termination activities related to the Pipeline. The Quality Assurance Program shall document the Lessee's compliance with the Lease.

1.4.4.2 The Quality Assurance Program shall be comprehensive and designed to assure safety, Pipeline integrity, and compliance with all Stipulations.

1.4.4.3 Any amendments to the Quality Assurance Program must be approved by the Pipeline Coordinator before the amendment is implemented.

1.4.4.4 The Lessee, including its agents, employees, Contractors, and the employees of each of them, shall comply with the approved Quality Assurance Program.

#### **1.4.5 Project Management Schedule**

1.4.5.1 The Lessee shall submit a Project Management Schedule for the entire project to the Pipeline Coordinator. This schedule shall be time-scaled and shall include all activities and contingencies which may reasonably be anticipated in connection with the project. The Project Management Schedule shall include:

- (a) Data collection activities;
- (b) Submittal and approval activities; and
- (c) Pre-Construction, Construction, and post-Construction activities.

1.4.5.2 The Project Management Schedule shall be updated at thirty (30) day intervals, as significant changes occur, or as otherwise approved by the Pipeline Coordinator.

### **1.5 Submissions Required Before Notice to Proceed Application for a Construction Segment**

1.5.1 Prior to submission of an application for a Notice to Proceed for a Construction Segment on State Land, the Lessee shall submit to the Pipeline Coordinator the documents identified in Stipulations 1.5.1 and 1.5.2 below.

#### **1.5.1 Preliminary Design Submissions**

1.5.1.1 Prior to applying for a Notice to Proceed for a Construction Segment on State Land, the Lessee shall submit the Preliminary Design for that Segment to the Pipeline

Coordinator for acceptance. The Pipeline Coordinator shall expeditiously review each submission and shall do so within thirty (30) days from the date of his/her receipt of the submission. The Pipeline Coordinator may request additional information if he/she reasonably determines it is necessary.

- 1.5.1.2 In appropriate cases, the Pipeline Coordinator may waive the requirement that a Preliminary Design be submitted.

## **1.5.2 Survey**

- 1.5.2.1 Before applying for a Notice to Proceed for a Construction Segment, the Lessee shall, in a manner acceptable to the Pipeline Coordinator, by survey, locate and clearly mark on the ground the proposed centerline of the pipe and the location of all Related Facilities proposed to be constructed.

## **1.6 Application for Notice to Proceed**

- 1.6.1 The Lessee may apply for a Notice to Proceed on State Land for only those Construction Segments for which the Preliminary Design has been accepted in writing by the Pipeline Coordinator or for which a waiver pursuant to Stipulation 1.5.1.2 has been issued in writing by the Pipeline Coordinator.

- 1.6.2 Each application for a Notice to Proceed shall be supported by:

- (a) A Final Design;
- (b) Approved plans as required by Stipulation 1.4.3;
- (c) All reports and results of environmental studies conducted or considered by the Lessee;
- (d) All data reasonably necessary to demonstrate compliance with the terms and conditions of these Stipulations with respect to that particular Construction Segment.
- (e) A Project Management Schedule for the Construction Segment, including: the Lessee's work schedules; consents, permits, or authorizations required by State and federal agencies and their interrelationships; design and review periods; data collection activities; and Construction sequencing.
- (f) A map or maps, prepared in a manner acceptable to the Pipeline Coordinator, depicting the proposed location of the Construction Segment, including: (1) the boundaries of all contiguous temporary use areas and (2) all improvements, buried or above-ground, that are to be constructed. The Pipeline Coordinator shall not issue a Notice to Proceed for Construction until he/she has approved all appropriate locations on the ground and the Lessee has set temporary boundary markers to the satisfaction of the Pipeline Coordinator; and
- (g) Such other data relevant to the application as may be requested by the Pipeline Coordinator either before submission of the application for a Notice to Proceed or at any time during the review period.

- 1.6.3 Within ninety (90) days of submittal of an application for a Notice to Proceed, the Pipeline Coordinator shall review such application and all data submitted in connection therewith. Said ninety (90) day period shall begin from the later of the following dates:
- (a) Date of receipt by the Pipeline Coordinator of an application for a Notice to Proceed.
  - (b) Date of receipt by the Pipeline Coordinator of the last submittal of additional data pursuant to this Stipulation.
- 1.6.4 During review of an application for a Notice to Proceed, discrete portions of the route of the Pipeline may be modified by the Pipeline Coordinator and relocated to another position within the general route if in his/her reasonable judgment the modification is necessary to achieve any of the objectives listed below. Any such modification shall be made without liability or expense to the State.
- (a) Protect or maintain stability of geologic materials;
  - (b) Protect or maintain integrity of the Pipeline;
  - (c) Prevent serious and irreparable harm to the environment (including but not limited to water and air quality, fish or wildlife populations, or their habitats);
  - (d) Remove hazards to public health and safety; or
  - (e) Protect existing infrastructure including TAPS.
- 1.6.5 If, during Construction, adverse physical conditions are encountered that were not known to exist, or that were known to exist but their significance was not fully appreciated when the Pipeline Coordinator issued a Notice to Proceed for the portion of the Construction Segment in which the physical conditions are encountered, the Pipeline Coordinator may authorize deviations from the initially approved location of the Pipeline to another location within the general route of the Pipeline at the point or points where the physical conditions are encountered, including adequate room for structurally sound transition. Any such modification shall be made without liability or expense to the State in order to achieve any of the objectives listed in Stipulation 1.6.4. A deviation shall not be constructed without the prior approval of the Pipeline Coordinator and, if so approved, shall conform in all respects to the provisions of the approval.

## **1.7 Written Authorizations**

- 1.7.1 After Initial Construction of the Pipeline, the Pipeline Coordinator may require a Written Authorization for a major activity or significant modification to the Pipeline. Required information shall be project-specific and provided to the Lessee in writing.
- 1.7.2 Once all project information is received from the Lessee, the Pipeline Coordinator shall have thirty (30) days for review of each complete request, unless the Pipeline Coordinator states, in written notice, that more time is needed.
- 1.7.3 Any Written Authorization may contain site-specific terms and conditions as deemed reasonably necessary by the Pipeline Coordinator.

## **1.8 Surveillance and Monitoring**

- 1.8.1 A Surveillance and Monitoring Program for the Pipeline shall be approved by the Pipeline Coordinator prior to start-up of the Pipeline. The program shall be designed to at a minimum:
- (a) Provide for and protect public health and safety;
  - (b) Prevent and mitigate damage to natural resources;
  - (c) Prevent and mitigate erosion;
  - (d) Maintain Pipeline integrity and monitor any Pipeline movement that may affect integrity (Stipulation 3.11); and
  - (e) Protect public and private property.

## **1.9 Incident Reporting**

- 1.9.1 The Lessee shall give immediate notice in accordance with applicable law of any spill, leakage, or discharge of Natural Gas or other Hazardous Materials in connection with Pipeline Activities to the Pipeline Coordinator.
- 1.9.2 The Pipeline Coordinator may require notice of events or incidents in addition to those identified in Stipulation 1.9.1. The Pipeline Coordinator shall give the Lessee written notice of such reporting requirements.
- 1.9.3 The Lessee shall promptly notify the Alyeska Pipeline Service Company of incidents that may threaten TAPS.

## **1.10 Annual Report**

- 1.10.1 The Lessee shall provide a comprehensive annual report by March 1 of each year this Lease is in effect beginning after the first Lease Anniversary Date unless notified otherwise by the Pipeline Coordinator. The Pipeline Coordinator shall provide a written description of the annual reporting requirements.

## **1.11 Completion of Use**

- 1.11.1 Upon completion of use of all, or a very substantial part, of the Leasehold, the Lessee shall promptly remove all improvements and equipment, except as otherwise approved by the Pipeline Coordinator, and shall Restore the Leasehold to a condition that is approved in writing by the Pipeline Coordinator or, at the option of the Lessee, pay the cost of such removal and Restoration. Where approved by the Pipeline Coordinator, buried pipe may be left in place provided all residue is removed from the pipe and the ends are suitably capped.
- 1.11.2 All areas that do not constitute all, or a very substantial part of the Leasehold, or other portion of the Pipeline, utilized pursuant to authorizations issued in connection with the Pipeline, shall be "put-to-bed" by the Lessee upon completion of use unless otherwise directed by the Pipeline Coordinator. "Put-to-bed" is used herein to mean that Access Roads, material sites, and other areas shall be left in such stabilized condition that erosion shall be minimized through the use of adequately designed and constructed waterbars, Revegetation, and chemical surface control; that culverts and bridges shall

be removed by the Lessee in a manner satisfactory to the Pipeline Coordinator; and that Access Roads, sites and areas shall be closed to use. The Lessee's Restoration and Revegetation plans shall be approved by the Pipeline Coordinator prior to Termination of use of any Access Road, or any part thereof.

## **1.12 Changes in Condition**

1.12.1 Unforeseen conditions arising during Construction, Operation, Maintenance, or Termination of the Pipeline may make it necessary to revise or amend these Stipulations to control or prevent damage to the environment or hazards to public health and safety. In that event, the Lessee and the Pipeline Coordinator shall agree as to what revisions or amendments shall be made.

## **1.13 Lessee Support of State Oversight**

1.13.1 During the Design, Construction, Operation, Maintenance, and Termination of the Pipeline, the Lessee shall furnish, without cost, representatives of the State, including Contractors involved in field surveillance of the Leasehold and/or the Pipeline, adequate meals, living quarters, office space, transportation, and use of the Lessee's communication systems. Whenever possible, the Pipeline Coordinator shall give the Lessee advance written notice of the need for such services and facilities, including the number and names of Persons to be accommodated.

## **1.14 Access**

### **1.14.1 Maintenance Access**

1.14.1.1 The Lessee shall provide and maintain Access Roads and airstrips, the number and location of which shall be approved by the Pipeline Coordinator, to ensure that the Lessee's Maintenance crews and State representatives shall have continued access.

### **1.14.2 Public Access**

1.14.2.1 The Lessee shall regulate or temporarily prohibit public access and vehicular traffic on Roads on State Land, which are not managed or owned by the Alaska Department of Transportation and Public Facilities (DOT&PF), as required for activities in the immediate vicinity of the Pipeline and Related Facilities. The Lessee shall provide appropriate warnings, flagging, barricades, and other safety measures when the Lessee is regulating public access.

1.14.2.2 Pipeline Activities shall not interfere with the public's free and unrestricted access to and upon the Leasehold, except that, with the Pipeline Coordinator's approval, the Lessee shall regulate or prohibit access, including vehicular traffic, to and upon the Leasehold to the extent necessary to facilitate Pipeline Activities, maintain Pipeline integrity, or to protect the public and wildlife from hazards associated with Pipeline Activities.

1.14.2.3 The creation of any permanent obstruction to the passage of small craft in streams is prohibited, unless otherwise approved by the Pipeline Coordinator.

1.14.2.4 The Lessee shall make provisions for suitable permanent crossings for the public where the Leasehold or Access Roads cross existing Roads, foot trails, winter trails,

easements or other rights-of-way, unless otherwise authorized by the Pipeline Coordinator.

- 1.14.2.5 After completion of Construction of the Pipeline, and with the concurrence of the Lessee, the Pipeline Coordinator may designate areas of the Leasehold to which the public shall have free and unrestricted access.

### **1.15 Public Improvements**

- 1.15.1 The Lessee shall protect existing telephone and other transmission lines, Roads, trails, fences, ditches, and like improvements during Construction, Operation, Maintenance, and Termination of the Pipeline.
- 1.15.2 Any damages caused by the Lessee to public utilities and/or improvements shall be promptly repaired by the Lessee to a condition which is reasonably satisfactory to the Pipeline Coordinator.

### **1.16 Fire Prevention and Suppression**

- 1.16.1 The Lessee shall promptly notify the Pipeline Coordinator of any fires on, or which may threaten any portion of, the Pipeline 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 Pipeline Coordinator concerning the use, prevention, and suppression of fires on State Land.
- 1.16.2 Use of open fires in connection with Pipeline Activities is prohibited on State Land unless approved by the Pipeline Coordinator and performed in accordance with State law.

### **1.17 Health and Safety**

- 1.17.1 The Lessee shall take all measures necessary to protect the health and safety of all Persons affected by its activities performed in connection with the Construction, Operation, Maintenance, or Termination of the Pipeline, and shall immediately abate any health or safety hazards. The Lessee shall immediately notify the Pipeline Coordinator of all serious accidents which occur in connection with such activities.

### **1.18 Protection of Survey Monuments**

- 1.18.1 The Lessee shall mark and protect all survey monuments encountered during Pipeline Activities. These monuments are not to be disturbed; however, if a disturbance of a monument, or any of its accessories, becomes necessary, the Lessee shall contact the survey section of the Division of Mining Land and Water for current information on the policies regulating the implementation of "Records of Monuments" (AS 38.65.040).
- 1.18.2 A written report to the Pipeline Coordinator shall be made by the Lessee in the event that any monuments or accessories are inadvertently damaged.

### **1.19 Use of Existing Facilities**

- 1.19.1 Subject to existing rights vested in other parties, the Lessee shall use existing facilities, to the maximum extent feasible, in all Pipeline Activities associated with the Pipeline. Nothing in this Stipulation shall require the Lessee to use an existing facility if the use of the facility could potentially create a risk to health, safety, or the environment.

**1.20 Protection of Cultural Resources**

- 1.20.1 The Lessee shall enter into a programmatic agreement with the State of Alaska Office of History and Archaeology (OHA) related to implementation of Section 106 of the Historic Preservation Act (16 U.S.C. 470 et seq.).
- 1.20.2 The Lessee shall take affirmative responsibility to require its agents, employees, Contractors, and the employees of each of them to protect cultural resources while conducting Pipeline Activities.
- 1.20.3 Should any sites or suspected sites be discovered during the course of Pipeline Activities, the activities that may disturb or damage the site shall cease. The OHA and the appropriate Coastal District shall be notified immediately.

**1.21 Hunting, Fishing, Trapping, and Camping**

- 1.21.1 With respect to Lessee's agents, employees, Contractors, and the employees of each of them, the Lessee shall prohibit hunting, fishing, trapping, shooting, and camping within the Leasehold.
- 1.21.2 The Lessee's agents, employees, Contractors, and the employees of each of them shall not use project equipment, including transportation to and from the job site, for the purpose of hunting, fishing, shooting, and trapping.

**1.22 Off Right-of-Way Traffic**

- 1.22.1 The Lessee shall not operate mobile ground equipment off the Leasehold, Access Roads, State highways, or authorized areas, unless approved by the Pipeline Coordinator or when necessary to prevent harm to any Person.

**1.23 Material Sites**

**1.23.1 Purchase of Materials**

- 1.23.1.1 If the Lessee requires materials from State Land, the Lessee shall make application to purchase such materials in accordance with appropriate State laws and regulations. No materials shall be removed from State Land by the Lessee without the approval of the Pipeline Coordinator.
- 1.23.1.2 Insofar as possible, use of existing material sites shall be authorized in preference to new sites.
- 1.23.1.3 Gravel and other construction materials shall not be taken from streambeds, riverbeds, lakeshores, or outlets of lakes, unless the taking is approved by the Pipeline Coordinator.

**1.23.2 Layout of Material Sites**

- 1.23.2.1 Material site boundaries shall be shaped in such a manner as to blend with surrounding natural land patterns. Regardless of the layout of material sites, primary emphasis shall be placed on prevention of soil erosion and damage to vegetation.

## **2. ENVIRONMENTAL**

### **2.1 Environmental Briefings**

2.1.1 The Lessee shall develop and provide environmental briefings for supervisory and field personnel and Field Representatives. The briefings shall communicate, at a minimum, Lease and environmental permit requirements.

### **2.2 Pollution Control**

2.2.1 The Lessee shall conduct all activities associated with the Pipeline in a manner that shall avoid or minimize degradation of air, land, and water quality. In the Construction, Operation, Maintenance, and Termination of the Pipeline, the Lessee shall perform its activities in accordance with applicable air and water quality standards, related facility siting standards, and related plans required by Stipulation 1.4.3.

2.2.2 Mobile ground equipment shall not be operated in or on lakes, streams, or rivers on State Land unless such operation is approved by the Pipeline Coordinator.

2.2.3 The Lessee shall use only non-persistent and immobile types of pesticides, herbicides, preservatives, and other chemicals. Each chemical to be used and its application constraint shall be approved by the Pipeline Coordinator prior to use.

2.2.4 All waste generated in Construction, Operation, Maintenance, and Termination of the Pipeline shall be removed or otherwise disposed of according to all local, State, and federal laws, and in a manner reasonably acceptable to the Pipeline Coordinator.

2.2.5 The Lessee shall utilize and operate all facilities and devices used in connection with the Pipeline so as to avoid or minimize air pollution and ice fog. Facilities and devices which cannot be prevented from producing ice fog shall be located so as not to interfere with airfields, communities, or Roads.

### **2.3 Disturbance of Natural Waters**

2.3.1 All activities of the Lessee in connection with the Pipeline that may create new lakes, drain existing lakes, significantly divert natural drainage and surface runoff, permanently alter stream or groundwater hydrology, or disturb significant areas of streambeds are prohibited unless such activities and necessary mitigation measures are approved by the Pipeline Coordinator.

2.3.2 The temperature of natural surface water or groundwater shall not be significantly changed by the Pipeline or by any Construction, Maintenance, Operation, or Termination related activities so as to adversely affect the natural surface water or groundwater, unless approved by the Pipeline Coordinator.

### **2.4 Erosion and Sedimentation**

2.4.1 Erosion control measures shall be maintained to limit induced and accelerated erosion, limit sediment production and transport, and lessen the possibility of forming new drainage channels during Construction, Operation, Maintenance, and Termination of the Pipeline.

## **2.5 Excavated Material**

- 2.5.1 Excess excavated material shall be disposed of in accordance with approved Construction plans during Construction and as approved by the Pipeline Coordinator during Operation, Maintenance, and Termination of the Pipeline.
- 2.5.2 Excavated materials shall not be stockpiled in rivers, streams, floodplains, or Wetlands unless approved by the Pipeline Coordinator.

## **2.6 Restoration and Revegetation**

- 2.6.1 Revegetation of disturbed areas on State Land shall be conducted as soon as practicable and, if necessary, shall be repeated until Revegetation is successful, unless otherwise approved by the Pipeline Coordinator. All other Restoration shall be completed as soon as possible.
- 2.6.2 Surface materials taken from disturbed areas shall be stockpiled and utilized during Restoration unless otherwise approved by the Pipeline Coordinator. Stabilization practices, as determined by the needs for specific sites, shall include but shall not be limited to the placement of mat binders, soil binders, rock, or gravel blankets or structures.
- 2.6.3 All disturbed areas of State Land shall be left in such stabilized condition that erosion in excess of natural rates shall be minimized until the practicable Restoration and Revegetation of the Leasehold can be accomplished in a manner that is reasonably satisfactory to the Pipeline Coordinator.
- 2.6.4 Areas on State Land disturbed by the Lessee shall be Restored by the Lessee to the reasonable satisfaction of the Pipeline Coordinator as stated in writing.
- 2.6.5 Vegetation, overburden, and other materials removed during clearing operations shall be disposed of by the Lessee in a manner approved by the Pipeline Coordinator.
- 2.6.6 Upon completion of Restoration on State Land, the Lessee shall remove all equipment and supplies from the site.

## **2.7 Timber Clearing, Salvage and Utilization**

- 2.7.1 Prior to initiating clearing operations on State Land, the Lessee shall provide the Pipeline Coordinator with an estimate of the amount of merchantable timber, if any, which shall be cut, removed, or destroyed in the Construction and Maintenance of the Pipeline, and shall pay the State in advance of such Construction or Maintenance activity, such sum of money as the Pipeline Coordinator determines to be the full stumpage value of the timber to be cut, removed, or destroyed.
- 2.7.2 The Lessee shall, as part of the Timber Clearing, Salvage and Utilization Plan required in Stipulation 1.4.3.1(d), provide an opportunity for residents and local communities to utilize the salvage timber.
- 2.7.3 All debris resulting from clearing operations and Construction that may block stream flow, delay fish passage, contribute to flood damage, or result in streambed scour or erosion shall be removed.

2.7.4 Logs shall not be skidded or yarded across any watercourse without the approval of the Pipeline Coordinator.

2.7.5 No log storage shall be located within three hundred (300) feet of any watercourse on State Land except with the approval of the Pipeline Coordinator.

## **2.8 Fish and Wildlife Protection**

### **2.8.1 Fish Passage**

2.8.1.1 All Pipeline Activities shall be conducted so as to assure free passage and movement of fish in streams designated by the Pipeline Coordinator in consultation with the Alaska Department of Fish and Game (ADF&G). Temporary blockages of fish necessitated by in-stream activities shall be approved by the ADF&G.

2.8.1.2 Pump intakes shall be screened to prevent harm to fish. Screening specifications shall be approved by the Pipeline Coordinator.

2.8.1.3 When abandoned, water diversion structures shall be removed or plugged and stabilized unless otherwise approved by the Pipeline Coordinator.

2.8.1.4 If material sites are approved adjacent to or in certain lakes, rivers, or streams, the Pipeline Coordinator may require the Lessee to construct levees, berms, or other suitable means to protect fish and fish passage and to prevent siltation of streams or lakes.

### **2.8.2 Fish Spawning Beds, Rearing Areas, and Overwintering Areas**

2.8.2.1 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, or lakes.

2.8.2.2 The Lessee shall comply with site-specific terms and conditions imposed by the Pipeline Coordinator to protect Fish Spawning Beds, Fish Rearing Areas, and Overwintering Areas from the effects of Pipeline Activities. Damage caused by the Lessee's Pipeline Activities shall be repaired to the reasonable satisfaction of the Pipeline Coordinator.

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

### **2.8.3 Wildlife**

2.8.3.1 The Pipeline shall be maintained to avoid significant alteration of big-game movement patterns. The Pipeline Coordinator may require additional measures to mitigate impacts to big-game movement.

2.8.3.2 The Lessee shall coordinate with the U.S. Fish & Wildlife Service regarding any activity that has the potential to disturb polar bears. Pipeline Activities shall avoid polar

bear dens unless alternative mitigative measures to minimize disturbances are approved by the Pipeline Coordinator and the U.S. Fish and Wildlife Service.

- 2.8.3.3 Prior to starting Pipeline Activities, the Lessee shall obtain the locations of known brown-bear dens from the ADF&G for the purpose of avoiding both human/bear interactions and disturbance of bear dens.

#### **2.8.4 Zones of Restricted Activity**

- 2.8.4.1 During periods of wildlife breeding, nesting, lambing, or calving activity, and during major migrations of wildlife, the Lessee's activities on State Land may be restricted by the Pipeline Coordinator with written notice. From time to time, the Pipeline Coordinator shall furnish the Lessee a list of areas where such actions may be required, together with anticipated dates of restriction. In addition, no blasting shall be done under water or within one-quarter (1/4) mile of streams or lakes with identified sensitive wildlife habitat without the approval of the Pipeline Coordinator.

- 2.8.4.2 During periods of fish spawning, rearing, and migration, the Lessee's activities on State Land may be restricted by the Pipeline Coordinator with written notice. From time to time, the Pipeline Coordinator shall furnish the Lessee a list of areas where such actions may be required, together with anticipated dates of restriction. In addition, no blasting shall be done under water or within one-quarter (1/4) mile of streams or lakes with identified sensitive fisheries habitat without the approval of the Pipeline Coordinator.

#### **2.9 Use of Explosives**

- 2.9.1 The Lessee shall submit a plan for use of explosives on State Land, including but not limited to blasting techniques, to the Pipeline Coordinator in accordance with Stipulation 1.4.3.
- 2.9.2 Any blasting not previously approved in the blasting plan shall be approved by the Pipeline Coordinator.

#### **2.10 Vegetative Screens and Buffers**

- 2.10.1 Where the Leasehold crosses Roads, a screen of native vegetation shall be established over the disturbed areas unless otherwise approved by the Pipeline Coordinator.
- 2.10.2 The Pipeline shall be located so as to provide a buffer of undisturbed land at least five hundred (500) feet wide between the Pipeline and streams, unless otherwise approved by the Pipeline Coordinator.
- 2.10.3 Undisturbed vegetative screens at least five hundred (500) feet wide shall be maintained between material sites and highways unless otherwise approved by the Pipeline Coordinator.

#### **2.11 Contingency Plans**

- 2.11.1 It is the policy of the Department of Natural Resources that there should be no discharge of petroleum products or other pollutants into or upon lands or waters of the State. The Lessee must therefore recognize its prime responsibility for the protection of the public and environment from the effects of spillage.

- 2.11.2 Prior to Pipeline startup, the Lessee shall demonstrate its capability and readiness to execute the Hazardous Substances control, cleanup, and disposal plan referenced in Stipulation 1.4.3 and approved by the Pipeline Coordinator. The Lessee shall update, as appropriate, the plans and methods of implementation, and submit the updates to the Pipeline Coordinator for approval.
- 2.11.3 If during any phase of the Construction, Operation, Maintenance, or Termination of the Pipeline, any oil or other pollutant should be discharged from the Pipeline or from any storage or refueling facility or equipment, the control and total removal, disposal, and cleaning up of such oil or other pollutant, wherever found, shall be the responsibility of the Lessee. Upon failure of the Lessee to control, dispose of, or clean up such discharge, the Pipeline Coordinator may take measures to control and clean up the discharge at the full expense of the Lessee. Such action by the Pipeline Coordinator shall not relieve the Lessee of any responsibility as provided herein.

### **3. TECHNICAL**

#### **3.1 General**

- 3.1.1 All Design, Construction, Operation, Maintenance, and Termination methods employed with respect to the Pipeline shall be in accordance with sound engineering practice and shall meet or exceed the U.S. Department of Transportation Regulations in 49 CFR, Parts 191, 192 and 199.
- 3.1.2 Requirements in addition to those set forth in the above minimum standards may be imposed by the Pipeline Coordinator as reasonably necessary to reflect the impact of arctic environments or other specialized situations. The Pipeline Coordinator shall make every effort to identify such additional requirements during the Design phase.
- 3.1.3 The Lessee shall perform Maintenance in such a manner as to minimize damage to the Leasehold; to minimize environmental deterioration, such as to water or air quality; and to protect public safety. The Lessee shall submit a Maintenance Plan to the Pipeline Coordinator for acceptance prior to start-up and shall submit to the Pipeline Coordinator for acceptance any subsequent major changes to the plan.

#### **3.2 Design Basis and Criteria**

- 3.2.1 The Lessee shall develop a Design Basis and Criteria document for acceptance by the Pipeline Coordinator. The document shall follow the Pipeline Coordinator's standard format modified to encompass the characteristics of the project. In particular, proximity to TAPS shall be given emphasis. After acceptance, any modifications to the contents of the Design Basis and Criteria shall also be accepted by the Pipeline Coordinator.

#### **3.3 Technical Record Keeping**

- 3.3.1 All drawings and primary technical documents shall be kept up-to-date. Changes to the Pipeline shall be documented by final drawings sealed by an engineer registered in the State of Alaska within 180 days of completion, unless otherwise authorized by the Pipeline Coordinator.

### **3.4 Proximity to TAPS and Other Existing Infrastructure**

- 3.4.1 The Pipeline route and proximity to all existing or planned installations shall be approved by the Pipeline Coordinator. Any subsequent changes in route shall be approved by the Pipeline Coordinator.
- 3.4.2 All route and proximity analyses, maps, selection, and reports shall consider the potential impact radius.
- 3.4.3 The Lessee shall not interfere with operations or other activities of TAPS except as may be approved by the Pipeline Coordinator.
- 3.4.4 The Lessee and the Pipeline Coordinator agree to meet on a regular basis with Alyeska Pipeline Service Company to review all issues associated with proximity, including the opportunity to review and comment on the “proximity to Trans Alaska Pipeline System (TAPS) and Other Existing Infrastructure” (Stipulation 1.4.3.1(a)).

### **3.5 Electronics and Communications**

- 3.5.1 The Lessee shall screen, filter, or otherwise suppress any electronically operated devices installed as part of the Pipeline which are capable of producing electromagnetic interference radiations so that such devices shall not adversely affect the functioning of the Pipeline communication systems.
- 3.5.2 Any structures built as part of the communication systems shall not interfere with radiation patterns of existing line-of-site communication systems, navigational aids, or related systems including all systems used in connection with the operation of TAPS.
- 3.5.3 The Lessee shall provide a reliable voice and data communication system and backup that shall provide information to a control center and be fully usable for an incident command system. This communication system shall provide automated and timely regulatory reporting, timely operational data retrieval, automated trending capabilities, alarming functionality, security, and automated operator notification. Part of the communication system shall be a fully functioning and reliable Supervisory Control and Data Acquisition (SCADA) system.
- 3.5.4 The Lessee shall maintain two independent communication systems capable of full transmission of voice and data for emergencies. Both the primary and backup systems shall be continuously available for use for incident command.
- 3.5.5 The Lessee shall ensure that both independent communication systems can be fully functional after a seismic event as defined elsewhere in the Stipulations. This includes all transmission equipment, supporting facilities, power, and other devices needed to make a fully functional communication system. A seismic analysis sealed by an engineer registered in the State of Alaska shall be provided to the Pipeline Coordinator verifying this has been accomplished.

### **3.6 Corrosion**

- 3.6.1 The Lessee shall provide a plan for corrosion-resistant design and methods for early detection of corrosion in accordance with 49 CFR, Part 192.

- 3.6.2 The Corrosion Plan shall include consideration of:
- (a) Pipeline material to be used and information on its particular suitability for the environment involved;
  - (b) Details on the external pipe protection to be provided (coating, wrapping, or other means of protection), including information on variations in environmental factors along the Pipeline route;
  - (c) Plans for cathodic protection if necessary or when appropriate, including details of impressed-current sources and controls to ensure continuous maintenance of adequate protection over the entire surface of the pipe;
  - (d) Details of plans for monitoring cathodic-protection current, including spacing of current monitors;
  - (e) Provision for periodic intensive surveys of trouble spots, regular preventive maintenance surveys, and special provisions for abnormal potential patterns, especially those resulting from other pipelines or cables; and
  - (f) Information on any precautions that may be required to prevent external or internal corrosion of the Pipeline.

### **3.7 Lightning Protection**

- 3.7.1 Lightning protection and surge suppression shall conform to the requirements of NFPA 780, 2011 Edition, "Standard for the Installation of Lightning Protection Systems."
- 3.7.2 The Lessee shall provide an engineering summary verifying that all lightning protection is in place and fully functional. The report shall be updated to accommodate subsequent changes to facilities and installation requiring additional protection required under NFPA 780. All reports shall be sealed by an engineer registered in the State of Alaska.
- 3.7.3 The Lessee shall inspect lightning protection annually and repair damage no later than June 1 unless otherwise authorized by the Pipeline Coordinator.

### **3.8 Seismic**

- 3.8.1 The Pipeline shall be designed to prevent gas leakage or damage to the Pipeline from the Design Contingency Earthquake (DCE). The DCE is defined as an earthquake with a five (5) percent probability of exceedance in fifty (50) years. Seismic ground-motion parameters shall be based on the U.S. Geological Survey (USGS) national seismic hazard maps for Alaska as appropriate to the particular pipeline or facility application, except for areas of special seismic hazards such as active faults, unstable slopes, or liquefaction zones. An engineer registered in the State of Alaska shall assess the design for each of these special seismic hazards.
- 3.8.2 An Engineering Analysis and Report on the Design of the Pipeline, sealed by an engineer registered in the State of Alaska, shall be submitted to the Pipeline Coordinator for review and acceptance. The report shall assess and confirm that the Pipeline can withstand the DCE and shall indicate any areas of high hazards, fault zones, and mitigating measure that the Lessee has undertaken. The report shall be

reviewed by a qualified geologist to determine that all identified hazards have been considered and proper geologic parameters (e.g., fault zone location, width, and DCE offset) have been used.

- 3.8.3 Seismic design provisions shall include an earthquake monitoring system (EMS). The EMS shall be integrated into the University of Alaska statewide seismic monitoring system and shall include the following elements:
- (a) A network of ground-motion detectors to continuously detect and instantaneously report events near the Pipeline approaching the level of the DCE;
  - (b) An automatic programmed shutdown of the Pipeline when an event near the Pipeline approaches the level of the DCE; and
  - (c) An automatic generation of a post-event inspection checklist targeting the facilities most affected by the location of the event.

### **3.9 Fault Displacements**

- 3.9.1 Prior to applying for a Notice to Proceed for any Construction Segment on State Land, the Lessee shall demonstrate to the Pipeline Coordinator that all recognizable or reasonably inferred active faults or fault zones along the alignment within that Construction Segment have been identified, delineated, and characterized.
- 3.9.2 The Lessee shall demonstrate to the Pipeline Coordinator that the risk of leakage resulting from fault movement and ground deformation has been adequately assessed and provided for in the Design of the Pipeline for any Construction Segment. Evaluation of the risk shall be based on geologic, geomorphic, geodetic, seismic, and other appropriate scientific evidence of fault behavior active during the Holocene era and shall be compatible with the DCE and with observed relationships between earthquake magnitude and extent and the amount of deformation and fault slip within the fault zone. Individual fault-rupture parameters used for Pipeline fault-crossing design shall be verified by site-specific geologic field investigation.
- 3.9.3 In a fault zone that is reasonably interpreted as active, the Pipeline shall meet the following minimum design criteria:
- (a) The Pipeline shall resist failure resulting in leakage from displacement in the foundation material resulting from the DCE on that fault zone;
  - (b) No storage tank or compressor station shall be located within an active fault zone on State Land; and
  - (c) The manner of pipe installation across the fault zone, location of valves on each side of the fault, and monitoring system shall be included in the design.
- 3.9.4 Where the Pipeline crosses a fault or lies within a fault zone on State Land that is reasonably interpreted as active, the Lessee shall monitor crustal deformation in the vicinity (e.g., fault creep, seismicity) and report findings to the Pipeline Coordinator at a frequency to be agreed upon by the Pipeline Coordinator and the Lessee.

### **3.10 Land, Soil, Snow, and Ice Movement**

- 3.10.1 Areas subject to mud flows, landslides, avalanches, rock falls, and other types of mass movements shall be avoided where practicable in locating the Pipeline on State Land. Where such avoidance is not practicable, the Pipeline Design, based upon detailed field investigations and analysis, shall provide measures to prevent the occurrence of, or protect the Pipeline against, the effects of such mass movements. Special emphasis shall be used to find areas of unusual cold-region methods of soil failure, such as transitional permafrost, solifluction, and areas of seasonal groundwater flow.
- 3.10.2 The Pipeline shall be designed to protect existing facilities, including TAPS, from the effects of mass movement caused by the Lessee's activities, and shall not adversely affect slope stability protection measures of existing structures.

### **3.11 Land and Surface Disturbance**

- 3.11.1 All Construction, Operation, Maintenance, and Termination activities in connection with the Pipeline shall be conducted to minimize surface modifications. These activities shall be planned and executed in such a way that the resulting alteration of permafrost shall not jeopardize Pipeline integrity or the surrounding environment.
- 3.11.2 A monitoring program shall be developed by the Lessee to (a) identify any Pipeline movement that may affect Pipeline integrity, resulting from frost heave or settlement forces, and (b) identify surface heave or subsidence above the Pipeline. This program, including baseline data, shall be finalized and operational prior to transmission of Natural Gas through the Pipeline.
- 3.11.3 Construction of Access Roads, ice ramps, ice work pads, protective work mats, or any other method to protect the ground surface shall be approved by the Pipeline Coordinator. Approvals shall be obtained during all phases of the Lease, including Construction, Operation, Maintenance, and Termination of the Pipeline.
- 3.11.4 The Pipeline Coordinator shall approve Pipeline trench backfill methods prior to the start of detailed Construction planning.

### **3.12 Pipe/Soil Interaction**

- 3.12.1 The Lessee shall produce a summary report discussing the effects of modifications to the in-situ thermal condition of the soils supporting the Pipeline caused by Construction, Operations, and/or Maintenance. The report shall also include the steps taken to mitigate those effects so as to maintain Pipeline operational integrity and minimize the effects of ground surface expression. The Pipeline shall be designed to maintain Pipeline integrity under potential ground movements resulting from these modifications as required by ASME B31.8S. The report shall be sealed by an engineer registered in the State of Alaska.
- 3.12.2 The Lessee shall monitor the thermal regime and submit annual reports on the thermal stability of the Pipeline. The reports shall also include records of the gas temperatures maintained in the Pipeline. The reporting frequency of these reports shall continue until the Pipeline Coordinator has determined that the installation has stabilized.

### **3.13 Rivers, Streams, and Floodplains**

- 3.13.1 The Pipeline shall be designed to withstand or accommodate the effects (including runoff, stream and floodplain erosion, meander cutoffs, lateral migration, ice jams, and icings) of those meteorological and hydrologic (including surface and subsurface) conditions considered characteristic for each hydrologic region.
- 3.13.2 For stream crossings and portions of the Pipeline within a floodplain, the following design standards shall apply:
- (a) The design flood shall be based on the 100-year flood event as defined by the USGS Regional regression equations or flood frequency analysis of gage data if close and representative to the stream under consideration;
  - (b) The depth of channel scour shall be established by appropriate field investigations and theoretical calculations using those combinations of water velocity and depth that yield the maximum value. At the point of maximum scour, the cover over the top of the pipe shall be at least twenty (20) percent of the computed scour, but not less than four (4) feet;
  - (c) For overhead crossings, analysis shall be made to ensure that support structures are adequately protected from the effects of scour, channel migration, undercutting, ice forces, degradation of permafrost, and other external and internal loads;
  - (d) To avoid channelization along the pipe, appropriate design and construction procedures shall be included in the plans required and shall be used wherever there is potential for such channelization;
  - (e) Methods of constructing stream crossings, including horizontal directional drilling or excavation and backfill of pipe trench near and through stream banks and existing river-training structures shall be approved by the Pipeline Coordinator prior to initiation of Construction; and
  - (f) Low water crossings (fords across streams or rivers where any mobile ground equipment is moved on the streambed) shall be designed, constructed, maintained, and Restored to standards approved by the Pipeline Coordinator.
- 3.13.3 The Pipeline shall be designed to minimize the number of stream and Wetland crossings and to include, but not be limited to, consideration of effects to other nearby structures, from aufeis development, erosion and sedimentation, restriction of natural meander, or alteration of the physical or chemical nature of the water body caused by Pipeline Activities.
- 3.13.4 Temporary access over stream banks prior to and following Construction shall be made through the use of fill ramps rather than by cutting through stream banks, unless otherwise approved by the Pipeline Coordinator. The Lessee shall remove such ramps upon termination of the activity. Ramp materials shall be disposed of in a manner approved by the Pipeline Coordinator.
- 3.13.5 Culverts, bridges, and other hydrological structures necessary for Maintenance of the Pipeline shall be designed at a minimum to accommodate a fifty (50) year flood in accordance with criteria established by the American Association of State Highway and

Transportation Officials and the Federal Highway Administration, and in accordance with the DOT&PF Alaska Highway Drainage Manual.

- 3.13.6 ADF&G standards shall be adhered to for installation of culverts in fish streams designated by the Pipeline Coordinator. Such culverts shall be necessary for Construction or Operation of the Pipeline.

**3.14 Access Roads**

- 3.14.1 The Lessee shall submit a layout of each proposed Access Road for approval by the Pipeline Coordinator.
- 3.14.2 Access Roads shall be constructed to standards suitable for safe operations of equipment at the travel speeds proposed by the Lessee.
- 3.14.3 Design, materials, and construction practices employed for Access Roads shall be in accordance with safe and proven engineering practice. Access Roads intended for permanent use shall be constructed in accordance with federal and State road standards and the principles of construction for roads in the arctic environment.
- 3.14.4 The maximum allowable grade is twelve (12) percent unless otherwise approved by the Pipeline Coordinator.

**3.15 Work Pads**

- 3.15.1 Gravel work pads shall be designed and constructed to protect the ground surface and prevent any thermal degradation of permafrost.
- 3.15.2 A Maintenance Plan for work pads shall be developed for acceptance by the Pipeline Coordinator.

**4. HIGHWAY USE AGREEMENT**

- 4.1 Prior to commencement of Construction, the Lessee shall enter into a comprehensive agreement with DOT&PF for the use of highways and other facilities under the jurisdiction of the DOT&PF.

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

**ADL 418997  
ALASKA STAND ALONE GAS PIPELINE/ASAP  
RIGHT-OF-WAY LEASE**

**EXHIBIT B  
LINE LIST**

**Umiat Meridian**

Township 11 North, Range 14 East  
Section(s): 11, 14, 15, 22, 27, 28, 33

Township 10 North, Range 14 East  
Section(s): 4, 8, 9, 17, 20, 29, 32

Township 9 North, Range 14 East  
Section(s): 4, 5, 9, 15, 16, 22, 27, 34

Township 8 North, Range 14 East  
Section(s): 2, 10, 11, 15, 21, 22, 28, 32, 33

Township 7 North, Range 14 East  
Section(s): 5, 7, 8, 18, 19, 30

Township 7 North, Range 13 East  
Section(s): 25, 36

Township 6 North, Range 13 East  
Section(s): 1, 2, 11, 12, 13, 24, 25, 36

Township 5 North, Range 13 East  
Section(s): 1

Township 5 North, Range 14 East  
Section(s): 6, 7, 17, 18, 20, 29, 32

Township 4 North, Range 14 East  
Section(s): 4: SE1/4 & N1/2, SW1/4,  
9, 16, 21, 28, 33

Township 3 North, Range 14 East  
Section(s): 3, 4, 10, 14, 15, 22, 23, 26, 35

Township 2 North, Range 14 East  
Section(s): 1, 2, 11, 12, 13, 24, 25, 36

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

Township 2 North, Range 15 East

Section(s): 31

Township 1 North, Range 14 East

Section(s): 1, 6, 11, 12, 14, 15, 22, 23, 27, 28, 33

Township 1 North, Range 15 East

Section(s): 6

Township 2 North, Range 14 East

Section(s): 1, 2, 11, 12, 13, 24, 25, 36

Township 1 South, Range 14 East

Section(s): 3, 4, 9, 16, 21, 22, 27, 34

Township 2 South, Range 14 East

Section(s): 3, 4, 9, 16, 21, 28, 32, 33

Township 3 South, Range 14 East

Section(s): 5, 7, 8, 18, 19, 30, 31

Township 4 South, Range 14 East

Section(s): 6, 7, 17, 18, 19, 20, 29, 30, 31

Township 5 South, Range 14 East

Section(s): 4, 5, 8, 16, 17, 21, 28, 29, 32

Township 6 South, Range 14 East

Section(s): 5, 6, 7, 18, 19, 29, 30, 31, 32

Township 7 South, Range 14 East

Section(s): 5, 8, 9, 16, 20, 21, 29, 32

Township 8 South, Range 14 East

Section(s): 5, 7, 8, 18

Township 8 South, Range 13 East

Section(s): 13, 23, 24, 26, 27, 33, 34

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

**Fairbanks Meridian**

Township 29 North, Range 12 West

Section(s): 23, 26, 35 (Portion East of the Middle Fork Koyukuk River)

Township 28 North, Range 12 West

Section(s): 3, 10, 15, 16, 20, 21

Township 12 North, Range 11 West

Section(s): 12 (Yukon River and Lot 2)  
13

Township 12 North, Range 10 West

Section(s): 18, 19, 20, 27, 28, 29, 34, 35, 36

Township 11 North, Range 10 West

Section(s): 1

Township 11 North, Range 9 West

Section(s): 6, 7, 8, 9, 15, 16, 17, 22, 23, 25, 26, 36

Township 11 North, Range 8 West

Section(s): 31, 32

Township 10 North, Range 8 West

Section(s): 13, 14

Township 10 North, Range 7 West

Section(s): 18, 19, 20, 29, 30, 32, 33

Township 9 North, Range 7 West

Section(s): 3, 4, 10, 11, 13, 14, 24

Township 9 North, Range 6 West

Section(s): 19, 30, 31, 32

Township 8 North, Range 6 West

Section(s): 5, 8, 9, 15, 16, 22, 23, 25, 26, 36

Township 8 North, Range 5 West

Section(s): 30, 31

Township 7 North, Range 5 West

Section(s): 5, 6, 8, 17, 20, 29, 31, 32

Township 6 North, Range 5 West

Section(s): 5, 6, 7, 18, 19, 30, 31

Township 5 North, Range 5 West

Section(s): 6 (W1/2), 7 (W1/2)

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

Township 5 North, Range 6 West

Section(s): 12, 13, 24, 25, 36

Township 4 North, Range 6 West

Section(s): 1, 2, 11, 14, 22, 23, 27, 34

Township 3 North, Range 6 West

Section(s): 2, 3, 11, 14, 23, 24, 25, 26, 36

Township 2 North, Range 6 West

Section(s): 1, 12, 13,  
24 (Tract B, Chatanika River),  
25 (USS 4459 and Chatanika River),  
36

Township 1 North, Range 6 West

Section(s): 1, 2,  
11 (USS 4474),  
14 (USS 4474 and USS 4466A),  
23, 26 (USS 4445B, USS 4473C, USS 3721),  
34 (USS 9979),  
35 (USS 9979)

Township 1 South, Range 6 West

Section(s): 3, 4,  
9 (USS 4448-C),  
16, 20, 21, 29, 31, 32

Township 2 South, Range 6 West

Section(s): 5,  
7, 8 (Lots 1 & 3, USS 2123),  
18

Township 2 South, Range 7 West

Section(s): 24 (USS 9064),  
25 (82-6),  
35 (Plat No. 85-5),  
36 (Plat No. 85-5)

Township 3 South, Range 7 West

Section(s): 2 (Plat No. 82-10),  
3 (Plat No. 82-10; Tract D),  
9 (ROW),  
10 (ROW and Plat No. 85-6),  
16 (ROW, 181, Plat No. 83-4; Excluding ASLS 82-181, Berg),  
17 (ROW, Excluding ASLS 82-181, Berg; Plat No. 83-4, Nenana),  
19 (Parks Hwy ROW), 20 (NW4NE4SW4 and SE4SE4NW4),  
30 (Parks Hwy ROW)

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

Township 3 South, Range 8 West

Section(s): 25 (Parks Hwy ROW),  
36 (W2)

Township 4 South, Range 8 West

Section(s): 2 (Parks Hwy ROW),  
11 (ROW, Tr B2A, Tr B2B),  
14 (Tanana River),  
35 (Lot 1)

Township 5 South, Range 8 West

Section(s): 3 (SE1/4; Lots 8, 9, & 14; TA 19830035),  
10 (E1/2; TA 19830035),

Township 6 South, Range 8 West

Section(s): 28 (N1/2)

Township 7 South, Range 8 West

Section(s): 4,  
8 (Lots 2 and 3)

Township 7 South, Range 9 West

Section(s): 36

Township 8 South, Range 9 West

Section(s): 11, 13,  
14 (ROW, Portion west of the Nenana, Nenana River),  
15 (Parks Hwy ROW),  
22 (ROW, NW1/4SE1/4),  
27, 34, 35

Township 9 South, Range 9 West

Section(s): 3 (ROW),  
10 (ROW, Plat 80-9),  
11,  
14 (ROW, Creek Alaska Subdivision),  
23 (ROW, Portion west of the Nenana River, Creek Alaska Subdivision),  
24 (Portion west of the Nenana River),  
25 (ROW, Portion West of the Parks Hwy ROW),  
36 (ROW, Creek Alaska Subdivision, Plat)

Township 10 South, Range 8 West

Section(s): 6 (Portion West of the Nenana River),  
7 (ROW, Excluding ASLS 87-361, ASLS 85-237, ASLS 92-70 and ASLS 88-111),  
17 (Excluding ASLS 94-20, ROW),  
18 (Excluding ASLS 86-108 and ASLS 86-160, ROW),  
20,  
21 (ROW, W1/2W1/4),  
28 (ROW, NW1/4NW1/4 that portion lying west of the Parks Hwy ROW),  
28 (Material Site that portion lying west of the Parks Hwy ROW),  
33 (Parks Hwy ROW)

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

Township 11 South, Range 8 West

Section(s): 4 (That portion westerly of the Alaska Railroad ROW, excluding USS 5866; Park Hwy ROW),  
9 (E1/2 excluding USS 5866; Parks Hwy ROW),  
16 (E1/2 excluding ASLS 85-121; Parks Hwy ROW),  
21 (Parks Hwy ROW; E1/2 excluding ASLS 85-120, ASLS 86-56, ASLS 88-164, ASLS 87-367, and ASLS 89-130),  
22 (Parks Hwy ROW; excluding the Alaska Railroad ROW, USS 9054),  
27 (Excluding ASLS 91-97, ASLS 87-327, AND ASLS 90-135; Parks Hwy ROW),  
28 (Parks Hwy ROW),  
34 (E1/2 excluding ASLS 83-168; Parks Hwy ROW),  
35 (Parks Hwy ROW)

Township 12 South, Range 8 West

Section(s): 1 (SW1/4),  
2 (Tracts A, B, & D, ROW),  
11 (Tract B),  
12 (Excluding First Addition Healy Small Tracts, Plat 68-245),  
13 (NE1/4, Parks Hwy ROW, Portion west of Parks Hwy ROW excluding PLAT 68-245)

Township 13 South, Range 7 West

Section(s): 5, 6, 8, 9 (Portions within Parks Hwy ROW),  
16 (Parks Hwy ROW),  
21, 27,  
33 (Parks Hwy ROW),  
34 (Parks Hwy ROW; Nenana River)

Township 14 South, Range 7 West

Section(s): 2 (Tract A),  
3 (Nenana River lying w/in Section)

Township 14 South, Range 6 West

Section(s): 17, 18,  
19 (Excluding USS 2177),  
20, 29, 32

Township 15 South, Range 6 West

Section(s): 20 (Tract B)

Township 16 South, Range 7 West

Section(s): 12 (Nenana River)

Township 17 South, Range 7 West

Section(s): 12 (Nenana River),  
33 (Parks Hwy ROW)

Township 18 South, Range 7 West

Section(s): 4 (Denali Hwy ROW; Parks Hwy ROW)

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

Township 18 South, Range 8 West

Section(s): 21 (ROW within Lot 1, USS 6113),  
30 (E1/2SW1/4, SE1/4, S1/2SE1/4NW1/4, E1/2NE1/4, SW1/4NE1/4,  
S1/2NW1/4NE1/4),  
20 (E1/2SW1/4, SW1/4SW1/4, SE1/4),  
29 (Portion lying northwest of the northwesterly boundary of the Alaska Railroad  
ROW)

Township 18 South, Range 9 West

Section(s): 36 (LOT 1, SW1/4SE1/4, NW1/4SE1/4, NE1/4SE1/4, S1/2NE1/4, S1/2NW1/4,  
SW1/4),

Township 20 South, Range 9 West

Section(s): 5 (TRACT A, USRS),  
8

Township 20 South, Range 10 West

Section(s): 24, 25,  
26 (PARCEL 15-4, Tract B, Parcel 15-3; Parks Hwy ROW),  
34 (Tract E; Parcel 15-1; Parks Hwy ROW),  
35

Township 21 South, Range 10 West

Section(s): 3, 4, 8, 9, 16, 17, 19, 20, 3

Township 21 South, Range 11 West

Section(s): 36

Township 22 South, Range 11 West

Section(s): 1, 2, 11, 12, 14, 22, 23, 27, 34

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

**Seward Meridian**

Township 33 North, Range 2 West

Section(s): 16, 20, 21, 29, 30, 31

Township 32 North, Range 3 West

Section(s): 1, 2, 6, 9, 10, 11, 16, 17, 20, 29, 30, 31

Township 32 North, Range 4 West

Section(s): 36

Township 31 North, Range 4 West

Section(s): 1, 2, 3, 9, 10, 16, 17, 19, 20, 30

Township 31 North, Range 5 West

Section(s): 24, 25, 26, 34, 35

Township 30 North, Range 5 West

Section(s): 3, 8,  
9 (Lot 1A),  
16, 17, 20, 21, 28, 33

Township 29 North, Range 5 West

Section(s): 4, 9, 17, 20, 28,  
29 (Lot A2)  
32 (Lot A1)

Township 28 North, Range 5 West

Section(s): 5 (ROW),  
8 (ROW),  
17 (ROW),  
19 (ROW),  
30 (ROW),  
31 (ROW)

Township 27 North, Range 5 West

Section(s): 6 (ROW),  
7 (ROW),  
18 (ROW),  
19 (ROW),  
30 (ROW),  
31 (ROW)

Township 26 North, Range 5 West

Section(s): 7, 8, 20, 29, 32

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

Township 25 North, Range 5 West

Section(s): 5 (ASCS 89-8, S05 Tract C),  
8 (ASCS 89-8, S08 Tract F; Tract J; ROW; S08 Tract B),  
17 (ASCS 89-8, S17 Tract; Tract B),  
20 (ASCS 89-8, S20 TRACT B),  
33

Township 24 North, Range 5 West

Section(s): 4, 5, 9, 15

Township 24 North, Range 4 West

Section(s): 32 (Lot A7)

Township 23 North, Range 4 West

Section(s): 5 (ROW),  
8 (Lot B5 & B8),  
29 (ROW),  
32 (ROW)

Township 22 North, Range 4 West

Section(s): 7, 8, 17, 20

Township 21 North, Range 4 West

Section(s): 5 (ROW),  
18 (Lot A6, ROW),  
19 (Lot A2, ROW),  
30 (ROW),  
31 (Lot C6; Lot 2, ASLS 97-072)

Township 20 North, Range 4 West

Section(s): 6 (ROW),  
7 (ROW; Lot B3; Kashwitna Lake),  
18 (ROW),  
31 (Lot C2)

Township 19 North, Range 4 West

Section(s): 6 (Lots D13, D14; ROW),  
7 (Willow Airport, Parcel E)

Township 19 North, Range 5 West

Section(s): 1 (Lot A1),  
2 (Lot A1)  
10, 15,  
17 (ROW),  
22, 27, 34

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

Township 18 North, Range 5 West

Section(s): 3 (Lot A1),  
9 (Lot A1),  
10 (Lot B1),  
16 (Lot A1),  
17 (Lot A1),  
20 (Lot A1),  
29 (Lot A1),  
31,  
32 (Lot A1)

Township 17 North, Range 5 West

Section(s): 6, 7, 17, 18, 20, 29, 32

Township 16 North, Range 5 West

Section(s): 10 (Lots D2, D1 and C1),  
11, 14

**THIS LINE LIST IS SUBJECT TO A COMPLETED TITLE REPORT**

**FAIRBANKS LATERAL**

**Fairbanks Meridian**

Township 2 South, Range 6 West

Section(s): 1, 2, 3, 4, 9

Township 2 South, Range 5 West

Section(s): 4, 5, 6

Township 1 South, Range 5 West

Section(s): 25, 34, 35, 36

Township 1 South, Range 4 West

Section(s): 1, 2, 8, 9, 10, 11, 12, 15, 16,  
19 (ROW),  
20, 21, 22, 23, 30, 31

Township 1 North, Range 4 West

Section(s): 36

Township 1 North, Range 3 West

Section(s): 21, 29, 30, 31

Township 1 North, Range 2 West

Section(s): 15 (ROW),  
16,  
21 (ROW),  
22 (ROW),  
27 (ROW),  
35

Township 1 South, Range 2 West

Section(s): 1 (ROW)

**ADL 418997  
ALASKA STAND ALONE GAS PIPELINE/ASAP  
RIGHT-OF-WAY LEASE**

**EXHIBIT C  
LESSEE GUARANTY**

**(EXCEPTION: A GUARANTY WILL NOT BE REQUIRED FROM A STATE ENTITY)**

**ADL 418997**  
**ALASKA STAND ALONE GAS PIPELINE/ASAP**  
**RIGHT-OF-WAY LEASE**

**EXHIBIT D**  
**DEFINITIONS**

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

**Access Roads** mean the roads or ice roads on State Lands constructed or used by Lessee within, or for ingress to and egress from, the Pipeline. It does not include the State highways or private roads or those highways and/or roads managed by a municipality, a borough, a city, other local jurisdictions or the Alaska DOT&PF.

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

**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 pursuant to AS 38.35.210.

**Construction** means all Field Activities by the Lessee or its Contractors located on the Leasehold which involve more than *de minimis* physical disturbance of the existing natural land features or conditions of the Leasehold. Construction is not limited to mean only the actual construction of the Pipeline, but also includes other disturbances such as materials movements and stockpiling, development of borrow pit areas, and the establishment of work-camps and communications facilities. Construction excludes, however, the following kinds of Field Activities: engineering surveys, soil tests, biological and other studies, and any Field Activities in connection with the Termination of the Pipeline.

**Construction Segment** means a portion of the Pipeline that constitutes a complete physical entity or stage, in and of itself, which can be constructed independently of any other portion or stage of the Pipeline, in a designated area or between two given geographical points reasonably proximate to one another. It is not to be construed as referring to the entirety of the Pipeline.

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

**Design Basis and Criteria** mean a document specifying how the design and engineering provides for and meets the performance and operational requirements of the project and meets regulatory requirements, maintains safety, protects the environment and protects public interests. The Design Basis and Criteria covers the Pipeline and Related Facilities.

**Field Activity** means any Lease-related activity conducted on or in direct support of activities on the Leasehold by the Lessee.

**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 from the

Commissioner's authorized representative at any location not part of the Lessee's urban administrative offices during Construction.

**Final Design** means the stage of the engineering of a Construction Segment when design is essentially complete and includes detailed facility and equipment specifications, process flow diagrams, detailed route maps, Construction drawings, detailed Construction methods, and timing, manpower and equipment requirements.

**Fish Rearing Areas** mean those areas inhabited by fish during any life stage.

**Fish Spawning Beds** mean those areas where anadromous and resident fish deposit their eggs.

**Hazardous Substance or Hazardous Material** means any solid, liquid, or gas that is defined as hazardous under local, State or federal laws or regulations. In particular, any substance defined as hazardous under Alaska Department of Labor, Alaska Department of Environmental Conservation, EPA, OSHA, U.S. DOT/PHMSA and FDA laws and regulations shall be considered hazardous under this Lease.

**Initial Construction** means all Construction performed by the Lessee or its Contractors that is conducted prior to the first start-up and Operation of the Pipeline.

**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.

**Leasehold** means the State Lands subject to this Lease as those lands are identified in Exhibit B of this Lease and any amendments, modifications and subsequent renewals.

**Lessee** means the Alaska Gasline Development Corporation, or its successors and/or assigns holding an undivided ownership interest in the right-of-way in accordance with the provisions of this Lease.

**Maintenance** means activities associated with ensuring that the Pipeline and Related Facilities meet all legal, government and regulatory requirements. This may involve repairs, fixes, and replacement of parts.

**Natural Gas** has the same meaning as given in AS 38.35.230(5), i.e. all hydrocarbons produced at the wellhead not defined as oil.

**Notice to Proceed** means a permission to initiate Initial Construction that is issued in accordance with the Stipulations set forth in Exhibit A of this Lease.

**Operation(s)** means all activities connected with the transportation of Natural Gas through the Pipeline including Maintenance of the Pipeline.

**Overwintering Areas** mean those areas inhabited by fish between freeze-up and break-up.

**Person(s)** has the same meaning as given in AS 01.10.060(a)(8).

**Pipeline** means all the facilities of a total system of pipe, whether owned or operated under a contract, agreement, or lease, used by Lessee for transportation of Natural Gas for delivery, for storage, or for further transportation, and including all pipe, pump or compressor stations, station equipment, tanks, valves, Access Roads, bridges, airfields, terminals and terminal facilities, including docks and tanker loading facilities, operations control centers for both the upstream part of the pipeline and the terminal, tanker ballast treatment facilities, and fire protection systems,

communication systems, and all other facilities used or necessary for an integral line of pipe, taken as a whole, to effectuate transportation, including an extension or enlargement of the line.

**Pipeline Activities** mean activities involving and related to Construction, Operation, Maintenance, and Termination of the Pipeline or any part of the Pipeline.

**Preliminary Design** means the stage of the engineering for a Construction Segment when the design has been refined enough to include basic facility and equipment specifications, route maps, and Construction methods.

**Quality Assurance Program** means the programmatic application of planned, systematic quality activities to ensure that the project will employ all processes needed to satisfy the commitments and requirements to ensure the integrity of the Pipeline, and required standards for health, safety, and environment.

**Related Facilities** mean 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 pipe itself, the substantially continuous use of which is necessary for the Operation and Maintenance of the Pipeline. Related Facilities include, but are 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, control center(s) for all operations, tanker ballast treatment facilities, fire protection systems, and communication systems. Related Facilities generally do not include equipment not owned by the Lessee or facilities or Pipelines upstream of the gas treatment facilities or upstream of the first compressor station, except where such equipment constitutes the portion of the operations control center necessary to operate the Pipeline.

**Restoration** means the return of a disturbed site on the Leasehold upon completion of use by the Lessee to a physical and biological condition consistent with applicable State and federal law, regulations and policies at the time and to the extent acceptable to the Commissioner but in any event no better than its condition prior to the issuance of this Lease nor to original contours. Restoration includes, where appropriate, erosion and sedimentation control, stabilization, habitat reconstruction, Revegetation, and visual amelioration.

**Restore** means leaving a disturbed site in a condition consistent with applicable State and federal law, regulations and policies at the time acceptable to the Commissioner but in any event no better than its condition prior to the issuance of this Lease nor to original contours.

**Revegetation** means the establishment of native plant cover, unless non-native plant cover is required as a temporary means to reduce erosion, on disturbed lands in a manner consistent with applicable State and federal law and regulations. Methods or techniques to accomplish this include, but are not limited to, surface protection and preparation, fertilizing, seeding, planting, mulching and watering, and utilizing local growing conditions to dictate the timing for establishment of vegetative cover.

**Revegetate** means establishing native plant cover, unless non-native plant cover is required as a temporary means to reduce erosion, and reestablish conditions suitable for native plants. The priority of native plant cover for reestablishment shall be plant cover from 1) the immediate area; 2) the regional area; and 3) the State of Alaska.

**Roads** mean the State highways or private roads or those highways and/or roads managed by a municipality, a borough, a city, other local jurisdictions or the Alaska DOT&PF.

**State Land(s)** has the same meaning as given in AS 38.35.230(9).

**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.

**Termination** means all activities connected with the expiration or completion of use of the right-of-way.

**Trans-Alaska Pipeline System (TAPS)** means that pipeline, or related facilities, referred to in and authorized by the Trans-Alaska Pipeline Authorization Act, Title II, P.L. 93 153, 87 Stat. 584.

**Wetlands** mean those areas defined as wetlands in State and federal law.

**Written Authorization(s)** means any authorization issued in writing by the Commissioner other than a Notice to Proceed.