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Recording District 301 Anchorage

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DOCUMENT TITLE: AMENDMENT OF THE
RIGHT-OF-WAY LEASE FOR THE ALASKA
STAND ALONE GAS PIPELINE/ASAP,
ADL 418997
CHANGES IN PIPELINE DESIGN AND
REVISIONS PURSUANT TO HOUSE BILL 4

RECORDING DISTRICT: Anchorage

ASSOCIATED DOCUMENT: 2012-003313-0

GRANTOR: State of Alaska

GRANTEE: Alaska Gasline Development Corporation

AFTER RECORDING RETURN TO:

State Pipeline Coordinator's Office
Attn: Shannon Miller
411 West 4th Avenue, Suite 2-C
Anchorage, Alaska 99501

STATE BUSINESS – NO CHARGE

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

**Changes in Pipeline Design and
Revisions Pursuant to House Bill 4**

This is an Amendment to the Alaska Stand Alone Gas Pipeline/ASAP Right-of-Way Lease, ADL 418997, hereinafter referred to as Amendment.

The Alaska Stand Alone Gas Pipeline/ASAP Right-of-Way Lease ADL 418997 dated July 25, 2011, was recorded in the Anchorage Recording District as Document No. 2012-003313-0, on January 20, 2012; Talkeetna Recording District as Document No. 2012-000165-0, on February 2, 2012; Palmer Recording District as Document No. 2012-002021-0, on February 2, 2012; Barrow Recording District as Document No. 2012-000052-0, on February 3, 2012; F. Gibbon Recording District as Document No. 2012-000004-0, on February 3, 2012; Rampart Recording District as Document No. 2012-000002-0, on February 3, 2012; Nenana Recording District as Document No. 2012-000055-0, on February 3, 2012; and Fairbanks Recording District as Document No. 2012-001925-0, on February 3, 2012.

This Amendment is made and entered into and becomes effective this 12th day of November, 2014, by and between the State of Alaska located at 411 West 4th Avenue, Suite 2, Anchorage, Alaska 99501, acting through the Commissioner of Natural Resources, hereinafter referred to as Commissioner, and Alaska Gasline Development Corporation (AGDC) as agent for the Alaska Stand Alone Gas Pipeline/ASAP (ASAP) located at 3201 C Street, Suite 200, Anchorage, AK 99503, hereinafter referred to as Lessee.

The Lessee applied to change the pipeline design from a 24-inch diameter high pressure pipeline with a maximum allowable operating pressure of 2,500 psi to a 36-inch diameter lean gas pipeline with a maximum allowable operating pressure of 1,480 psi. The application also proposed to revise the lease to reflect House Bill 4 (HB 4), passed by the Alaska Legislature in 2013, which created changes to Alaska Statute (AS) 38.35, including the authorization of contract carriage for gas pipelines. HB 4 included legislative intent for the existing right-of-way lease to be amended to conform to the newly enacted legislation.

The Commissioner and Lessee agree to amend the Alaska Stand Alone Gas Pipeline/ASAP Right-of-Way Lease, ADL 418997, to change the existing language of the following lease sections as follows:



1. Lease of Right-of-Way

Subsection 1(c) revised

(c) This Lease is granted for the purpose of the Construction, Operation, Maintenance, and Termination of a Natural Gas transportation Pipeline, consisting of one 36-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.

3. Rental

Subsection (g) added

(g) Notwithstanding the foregoing, for so long as AGDC or its successor in interest is the Lessee, paragraphs (a) through (e) of this Section shall not apply.

4 Payment

Subsection 4(a) revised

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

7. Access to Navigable and Public Waters

Section 7 revised

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

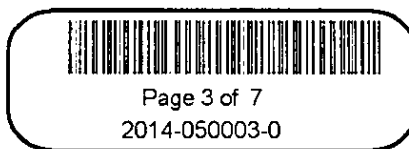
8. Covenants of Lessee

Original Common Carrier Language Removed

New Contract Carrier Language:

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 interchange natural gas and provide connections with each public utility pipeline, common carrier pipeline, or contract carrier pipeline, and facilities for the interchange of natural gas at every locality reached by both pipelines when the necessity exists, as provided in contracts on file with the Regulatory Commission of Alaska;



(b) Lessee assumes the status of and will perform all of its functions undertaken under the lease as a contract carrier and, subject to contracts with shippers, will accept, convey, and transport, without discrimination, natural gas delivered to it for transportation from fields in the vicinity of the pipeline subject to the right-of-way lease throughout the pipeline route, both on state land obtained under the lease and on other land, and that, subject to contracts with shippers, it will accept, convey, and transport natural gas without unjust or unreasonable discrimination in favor of itself or one producer or person against another, but will take the natural gas delivered or offered without unreasonable discrimination;

(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;

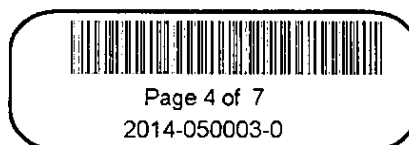
(e) Lessee will expand the Pipeline on commercially reasonable terms that, when possible, encourage exploration and development of gas resources in this state without increasing transportation costs for a shipper except as provided for in the contract with the shipper; in this paragraph, "commercially reasonable terms" means terms that produce sufficient revenue from transportation contracts to cover the cost of the expansion, including increased fuel costs and a reasonable return on capital, without impairing the ability of the pipeline to recover the costs of existing facilities Lessee may not construct or expand or allow the construction or expansion of the Pipeline to cause the Pipeline to be a competing natural gas pipeline project for the purposes of AS 43.90; in this subsection, "competing natural gas pipeline project" has the meaning given in AS 43.90.440;

(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 contract 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.

(o) Lessee will not require a shipper to pay a rate in excess of the rates provided for in the contract with that shipper; and

(p) Lessee may offer to a shipper firm transportation service, interruptible transportation service, or both. In this subsection, "firm transportation service" has the meaning given in AS 42.08.900.

22. Transfer, Assignment, or Other Disposition

Subsection 22 (d) added

(d) After approval by the Commissioner, and in accordance with AS 31.25.090(e), this Lease may be transferred to a successor in interest under the same terms and conditions applicable to AGDC.



23. Release of Interest

Subsection (g) revised

(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, if any is required, as set forth in Section 3 for that year, and all subsequent years by the same proportion as the released acreage bears to the original Lease acreage.

26 Correspondence

Address Update

(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):

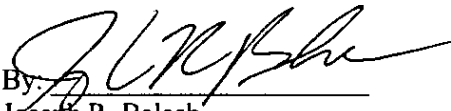
Alaska Gasline Development Corporation
3201 C Street, Suite 200
Anchorage, AK 99503
Facsimile Number: (907) 277-4484
dfauske@ahfc.us

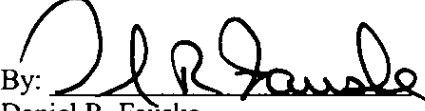
The language above either replaces or is incorporated into, and is made a part of, the Right-Of-Way Lease for the Alaska Stand Alone Gas Pipeline/ASAP, ADL 418997, effective July 25, 2011.

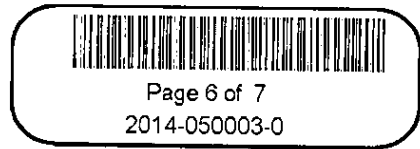
IN WITNESS WHEREOF, the Commissioner and Lessee have affixed their signatures to duplicate originals of the Amendment.

STATE OF ALASKA

LESSEE

By: 
Joseph R. Balash
Commissioner
Department of Natural Resources

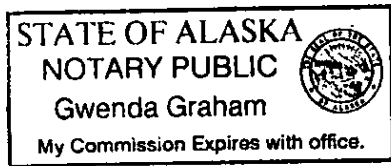
By: 
Daniel R. Fauske
President
Alaska Gasline Development Corporation



STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 5 day of November 2014, before me personally appeared Daniel R. Fauske, the President of the Alaska Gasline Development Corporation, who executed the foregoing on behalf of said corporation and acknowledged voluntarily signing same.

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



Gwenda Graham
Notary Public in and for the State of Alaska
My Commission Expires: with office

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 12 day of November, 2014, before me personally appeared Joseph R. Balash, 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
COMM. #113030
Notary Public - State of Alaska
My Comm. Expires "with office"

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

