

05 JUN 09 10:51

MTL- 1396-6982

Vol M05 Page 42886

When Recorded Return To:
Peoples Energy Resources Corp.
130 East Randolph Drive
Chicago, Illinois 60601
Attention: John Nassos

State of Oregon, County of Klamath
Recorded 06/09/05 10:51 a m
Vol M05 Pg 42886-89
Linda Smith, County Clerk
Fee \$ 36.00 # of Pgs 4

MEMORANDUM OF OPTION AGREEMENT

OPTIONOR:

1. Roscoe J Knox

OPTIONEE:

1. PEOPLES ENERGY RESOURCES CORP.

LEGAL DESCRIPTION:

1. Legal description is in Exhibit A of document

Assessor's Property Tax Parcel Account No. - 3911-00000-06901

AMERITITLE has recorded this
Instrument by request as an accommodation only,
and has not examined it for regularity and sufficiency
or as to its effect upon the title to any real property
that may be described therein.

Handwritten signature/initials

42887

THIS MEMORANDUM OF OPTION AGREEMENT is executed this 17 day of Oct, 2001 by and between Roscoe J Knox, having an address of 7171 West Langell Valley Road, Bonanza, Oregon 97623 (referred to collectively as "Seller"), and Peoples Energy Resources Corp. 2151 East Broadway Road, Suite 110, Tempe, Arizona 85282 (referred to as "Purchaser").

Seller and Purchaser have executed an Option Agreement, dated Oct 17, 2001 (the "Agreement"), pursuant to which Seller has granted to Purchaser the exclusive right and option (the "Option") to buy certain real property situated in Bonanza Township, Klamath County, Oregon, and more particularly described in Exhibit "A" attached hereto (the "Property"), at the price and under terms and conditions described in the Agreement. The Option may be exercised at any time on or before 11:59 p.m. on the date that is ninety (90) days from the date of the Agreement, and may be extended up to three times by Purchaser through the dates that are one year, two years, and three years, respectively, from the date of the Agreement, by tendering notice of such intent and payment of additional amounts specified in the Agreement prior to the expiration of the prior term.

The terms and conditions of the Agreement are incorporated herein by reference. Among other things, the Agreement provides that during the term of the Option and, if the Purchaser exercises the Option, until Closing under the Agreement, Seller shall not allow, suffer or permit any lien, easement, right of way, or other encumbrances to be placed on or granted with respect to the Property, without the prior written consent of Purchaser, which consent may given or withheld by the Purchaser at its sole option for any reason.

It is understood that the purpose of this Memorandum is to give notice of the Agreement and the Option, and that all rights, titles and obligations of the parties are to be governed by the terms of the Agreement.

WITNESS the due execution of this Memorandum of Option Agreement the day and year first above written.

WITNESS:

Curtis R. Cole

SELLER:

Roscoe J. Knox
Roscoe J. Knox

BUYER:

WITNESS:

Amber Richardson

PEOPLES ENERGY RESOURCES CORP

By Curtis R. Cole
Name: CURTIS R. COLE
Title: VICE PRESIDENT

42888

STATE OF OREGON

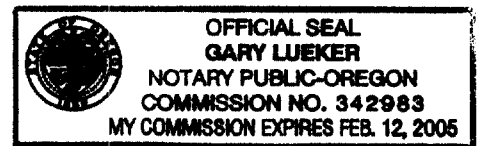
ss.

County of Klamath

This instrument was acknowledged before me on October 12, 2001, by
Roscoe J. Knox

May Jack

Notary Public for Oregon

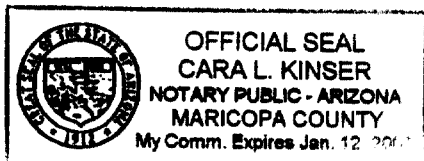


STATE OF Arizona

ss.

County of Maricopa

This instrument was acknowledged before me on October 17, 2001, by
Curtis R Cole, as Vice President of Peoples Energy Resources
Corp., an Illinois limited liability company



Cara Kinser

Notary Public for Arizona

42889

EXHIBIT "A"

LEGAL DESCRIPTION

TWP 39 RGE 11 SEC 23, 25, 26 -
PARCEL 2 of LAND PARTITION 24-96 RECORDED IN
KLAMATH COUNTY, OREGON

SUBJECT TO:

ALL EASEMENT, RIGHTS OF WAY AND ENCUMBRANCES OF
RECORD OR APPARENT ON THE LAND.