

Peoples Energy Resources Corp
130 East Randolph Drive
Chicago, ILL 60601

Attention John Nassos

State of Oregon, County of Klamath
Recorded 06/14/05 11:03 A m
Vol M05 Pg 44267-75
Linda Smith, County Clerk
Fee \$ 106.00 # of Pgs 9

OPTION AND EASEMENT AGREEMENT

This Option and Easement Agreement (this "Agreement") is entered into between **Mark S. Mahan**, an individual ("Owner") and Peoples Energy Resources Corp., an Illinois corporation ("PERC"), effective as of April 30, 2002 (the "Effective Date").

Upon execution of this Agreement, PERC shall pay to Owner **THIRTY THOUAND AND NO CENTS (\$30,000.00)** ("Initial Option Fee"). PERC shall have one year from the Effective Date to determine, in its sole discretion, whether to extend the term of the Option granted hereunder for an additional two-year period. If PERC wishes to continue and extend the Option granted hereunder for an additional two-year period PERC shall notify Owner of such election prior to midnight of the one year anniversary of the Effective Date and PERC shall pay to Owner an additional **TWENTY FIVE THOUSAND AND NO CENTS (\$25,000.00)** (the "Extended Option Fee") and together with the Initial Option Fee, the "Option Fees"). The Option Fees are non-refundable and shall not be credited towards the "Final Payment", as hereinafter defined. In consideration for the payment of the Initial Option Fee and the Extended Option Fee, if applicable, Owner grants, bargains, sells, and conveys to PERC and its successors or assigns a perpetual, non-exclusive right of way and easement for the purpose of installing, constructing, operating, maintaining, repairing, and replacing from time to time (i) a line or lines of towers, with such wires and cables and conduits as from time to time are suspended therefrom, and/or underground wires and cables and conduit for the transmission of electrical energy, including without limitation, high voltage power lines including 500 kVa transmission lines; (ii) poles, towers, facilities and structures that may be utilized to support wires, cables, antennas, and other facilities for the transmission of information; and (iii) all necessary and proper foundations, footings, crossarms and other appliances, props, guys, anchors and other supports, water lines, facilities and fixtures and appurtenances as may be necessary or desirable for use in connection with such towers, wires and cables (the lines and other structures, equipment and facilities described above are called the "Utility Improvements" in this Agreement), over, under, across, on, along and through the land described on Exhibit A attached to this Agreement and made a part of this Agreement.

The rights of way and easements in which the Utility Improvements are to be located are more particularly identified on Exhibit B attached to and made a part of this Agreement, and such area is referred to in this Agreement as the "Easement Area". Owner further grants to PERC the appropriate rights-of-way, on, along and in the Easement Area; together with the right of ingress to and egress from the Easement Area over and along property owned by Owner in proximity to the Easement Area by means of roads and lanes thereon if existing, or otherwise by such route or routes as PERC may construct from time to time, for purposes of installing, constructing, operating, maintaining and replacing the Utility Improvements.

Owner hereby represents and warrants to PERC that it owns the Easement Area in fee simple subject to no liens or encumbrances prior to this Option and Easement Agreement and is

6/10 am
11:50

fully authorized to grant the rights granted PERC in this Agreement.

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PERC's use of the Easement Area will not unreasonably interfere with Owner's use of the adjoining land, and PERC will maintain the Easement Area during construction and, at the conclusion of such construction, remove all construction debris and other materials from such property left by PERC and restore the Easement Area to the condition prior to construction by PERC, except for PERC's Utility Improvements, and except that PERC will not restore trees, vegetation, or crops within the Easement Area.

PERC shall notify Owner of its intention to install the Utility Improvements on or before midnight of the third anniversary of the date that PERC executes this Agreement (the "Termination Date"). If PERC notifies Owner of its intent to construct the Utility Improvements, PERC shall pay to Owner the Final Payment. The Final Payment shall be **THREE HUNDRED THOUSAND DOLLARS AND NO CENTS (\$300,000.00)**. PERC and Owner hereby agree that the Option Fees and the Final Payment shall be the only payments due from PERC to Owner in full consideration of the easements and rights contemplated herein. PERC shall pay Owner the Final Payment before the construction of the Utility Improvements begins. Notice to Owner or delivery of the Final Payment may be made by personal delivery or by first class U.S. mail at the address set forth by Owner's signature. If PERC fails to send Owner notice on or prior to the Termination Date (i) this Agreement shall terminate, (ii) Owner shall retain the Option Fees and (iii) Owner will, upon request, execute and record a quitclaim deed releasing its rights under this Agreement.

Owner is to use and enjoy the Easement Area so long as the use by Owner does not interfere with PERC's rights granted in this Agreement, and provided that Owner will not construct, plant or place (nor allow others to construct, plant or place) improvements, trees or obstructions on or over the Easement Area nor change the grade over the Easement Area. PERC is granted the right to remove any improvement, tree or obstruction placed on or over the Easement Area, and to top, trim, or cut away all trees outside of the Easement Area which might endanger the line and Utility Improvements. PERC agrees to bury any pipeline (but not facilities related to any pipeline which would customarily be above ground) to a sufficient depth to allow normal cultivation of the soil. PERC will have no further obligation as to maintenance of surface. Owner understands that an Environmental Impact Study ("EIS") will be necessary for the siting of the Utility Improvements and agrees to cooperate with PERC in locating the Utility Improvements in accordance with the results of the EIS. Owner further agrees to permit PERC or its representatives to access the Easement Area in order to perform the EIS or other studies related to the construction and installation of the Utility Improvements. PERC anticipates that such studies shall take approximately three weeks to complete and agrees that Owner may have a representative present during such times, if Owner so desires. Owner shall support any regulatory or other governmental permits, certifications, or other approvals necessary for the installation of and use of the Utility Improvements, and development of an electric generation facility (which facility shall utilize the Utility Improvements).

In addition to the foregoing, PERC agrees that at will:

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- schedule with Owner the times that PERC or its representatives will require access to the Easement Area during the option period;
- cooperate with Owner in locating the Utility Improvements so as to minimize the impact to the Easement Areas;
- use reasonable means to preserve soil composition during construction;
- reimburse Owner at market cost at the time of occurrence for any damage to growing crops, timber (computed on the market value of merchantable timber), or fences caused by PERC during the installation, maintenance, alteration, repair, removal, reconstruction, change of size, or replacement of the Utility Improvements, all of which are permitted under this Agreement;
- not unreasonably interfere with or obstruct Owner's use of or access to Owner's adjoining property.

Owner grants to PERC the right to record this Agreement in the Klamath County Recorder's Office without the joinder of Owner.

At the time of execution of this Agreement, PERC is examining the possible locations of the Easement Area. The Easement Area will be 250 feet in width. PERC will advise Grantor from time to time of PERC's progress in fixing the location and boundaries of the Easement Area, and upon fixing such locations and boundaries and obtaining any necessary approvals for final location and for initial construction, acceptable to PERC in its sole discretion, without further consideration, PERC may substitute the legal description of the final Easement Area so determined in place of Exhibit B under this Agreement. Owner grants to PERC the right to record an amendment to this Agreement in the Klamath County Recorder's Office without the joinder of Owner for the sole purpose of more specifically describing the Easement Area.

This Agreement is binding on the heirs, executors, administrators, successors, and assigns of Owner and PERC and shall run with the land. PERC has the right to assign its rights, in whole or in part, under this Agreement.

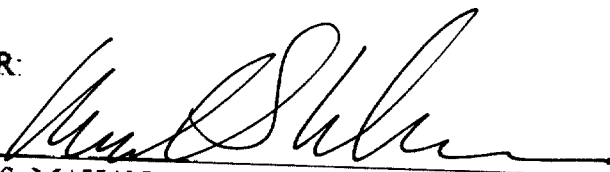
PERC agrees, at its own cost and expense, to comply with all applicable laws relating to its use of the Easement Area, including but not limited to existing zoning ordinances, governmental rules and regulations.

[Signature Page Follows]

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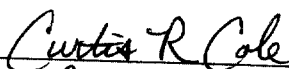
Signed by the parties below to be effective as of the latest date of signing reflected on the notary blocks set forth below.

OWNER:


MARK S. MAHAN

Address for notice to Owner:
36295 Agency Loop Road
Chiloquin, Oregon 97624

PEOPLES ENERGY RESOURCES CORP.

By: 
Name: CURTIS R COLE
Title: VICE PRESIDENT

OK
RT

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STATE OF OREGON

SINGAPORE

County of _____

ss.

[Signature]

On this day personally appeared before me MARIL S. MATHIAS, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that (s)he signed the same as his/her free and voluntary act for the uses and purposes therein mentioned.

Given under my hand and official seal this 30 day of APRIL 2002

Signature: *[Signature]*

Name (Print): SEAH SEOW KANG STEVEN

SINGAPORE



NOTARY PUBLIC in and for the State of Washington, residing at 17, GARDEN VIEW ONE, SINGAPORE
My appointment expires: 31 MARCH 2003.

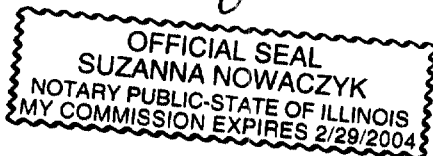
STATE OF Illinois

County of Cook

ss.

This instrument was acknowledged before me on April 30, 2002, by Curtis R. Cole as Vice President of PEOPLES ENERGY RESOURCES CORP., an Illinois corporation.

Suzanna Nowaczyk
Notary Public for State of Illinois



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EXHIBIT A

LEGAL DESCRIPTION

R-4012-00000-00700-000

R-4012-00000-00800-000

R-4012-00000-00600-000

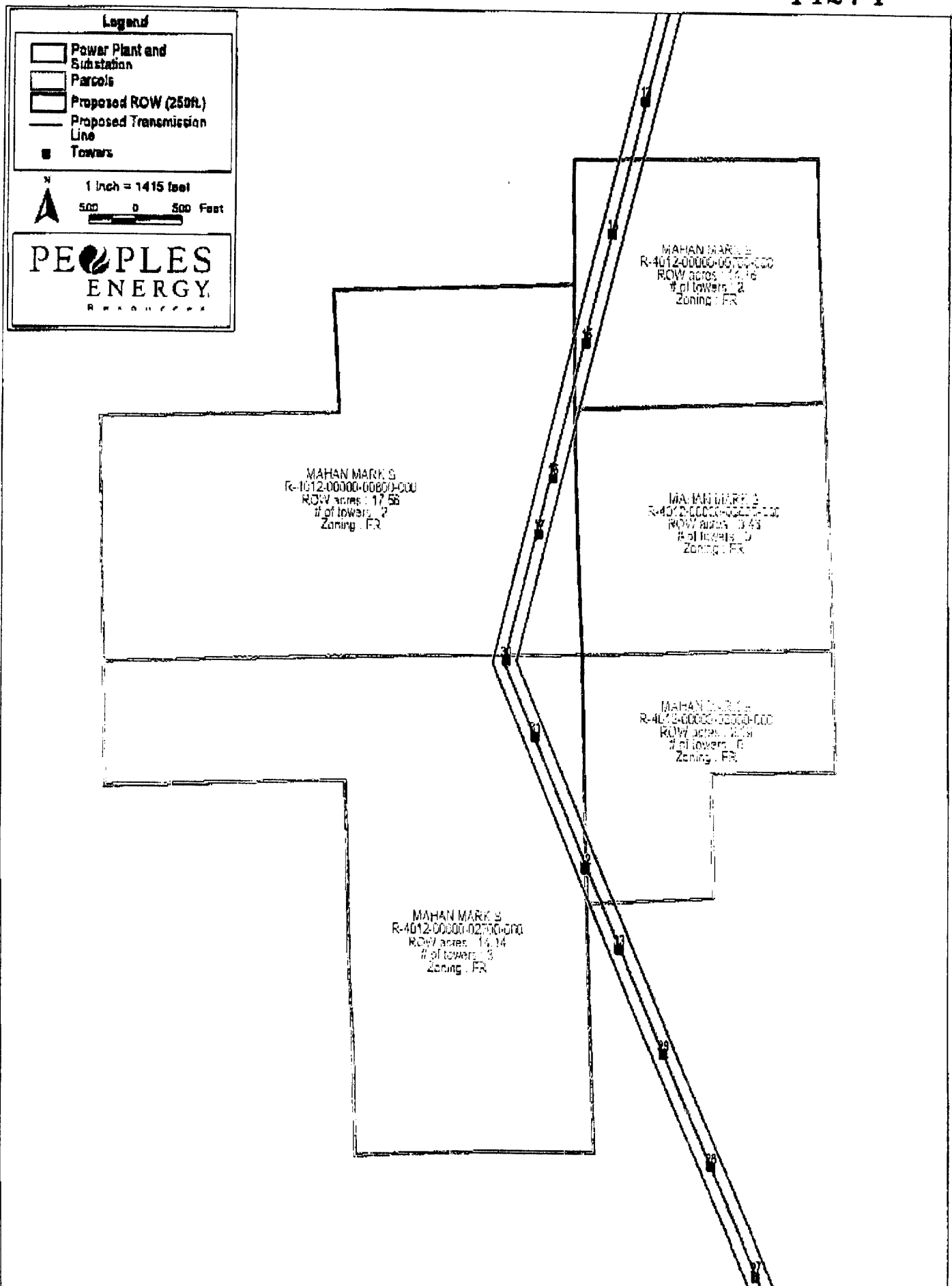
R-4012-00000-02700-000

R-4012-00000-03000-000

(Legal Description will be provided upon completion of survey)

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EXHIBIT B
EASEMENT AREA



Legend

Study Area (1500 ft. corridor)

-  Parcels
-  Proposed ROW (250ft.)
-  Proposed Transmission Line
-  Towers

N
1 inch = 1250 feet
400 0 400 Feet

PEOPLES
ENERGY
Resources

