

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

Attention John Nassos

MTZ-1390-0702

Vol M05 Page 44302

State of Oregon, County of Klamath
Recorded 06/14/05 11:04 A m
Vol M05 Pg 44302-08
Linda Smith, County Clerk
Fee \$ 56.00 # of Pgs 1

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OPTION AND EASEMENT AGREEMENT

This Option and Easement Agreement (this "Agreement") is entered into between **Bonanza View Dairy Partnership**, a partnership organized under the laws of the State of Oregon (collectively, "Owner") and **Peoples Energy Resources Corp.**, an Illinois corporation ("PERC"), effective as of ~~August~~ Sept 4, 2002 (the "Effective Date").

Upon execution of this Agreement, PERC shall pay to Owner \$20,000 (the "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 \$30,000 (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 a subsurface natural gas pipeline and supporting facilities (the pipeline 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". The Easement Area shall include temporary workspace during the construction of the Utility Improvements, including eight (8) separate 75' by 100' construction workspaces for road crossings and canal bores required for the directional drilling of the gas pipeline under the roadway. 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 fully authorized to grant the rights granted PERC in this Agreement.

PERC's use of the Easement Area will not 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

57.00
+ 73.00 = 130.00

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 or be responsible for any damaging of crops occurred during the construction and maintenance.

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 SIX HUNDRED & FIFTY THOUSAND DOLLARS AND NO CENTS in United States currency (US\$650,000.00). 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) PERC 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 Utility Improvements. PERC agrees to bury the 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 not oppose 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 it will:

- schedule with Owner the times that PERC or its representatives will require access to the Easement Area during the option period;

- use best efforts to schedule construction and maintenance activities as to minimize damage to crops or farming activities.
- use reasonable means to preserve soil composition during construction;
- not interfere with or obstruct Owner's use of or access to, through or within Owner's property located within the Easement Area nor will PERC interfere with Owner's use of or access to, through or within any of Owner's property or any 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 80 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 provided that such legal description shall not change the location of the Easement Area by greater than 50 feet in any one direction without Owner's consent, which consent shall not be unreasonably withheld. 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; provided, however, that PERC may not record any such amendment that reflects a change in the Easement Area of greater than 50 feet in any one direction without first obtaining the consent of the Owner, which consent shall not be unreasonably withheld.

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]

Title: VICE PRESIDENT

STATE OF OREGON

County of Lincoln

SS.

On this day personally appeared before me Anna De Jong and Jeanne De Jong, each to me known to be the individuals described in and who executed the within and foregoing instrument, and acknowledged that each signed the same as his and her free and voluntary act for the uses and purposes therein mentioned.

Given under my hand and official seal this 4 day of September, 2002

Signature: K. LinvilleName (Print): K. LINVILLE

NOTARY PUBLIC in and for the State of Oregon,
residing at Shenath Falls
My appointment expires: 5-9-03

STATE OF ArizonaCounty of Maricopa

SS.

This instrument was acknowledged before me on September 16, 2002, by Curtis Cole, as Vice President of PEOPLES ENERGY RESOURCES CORP., an Illinois corporation.



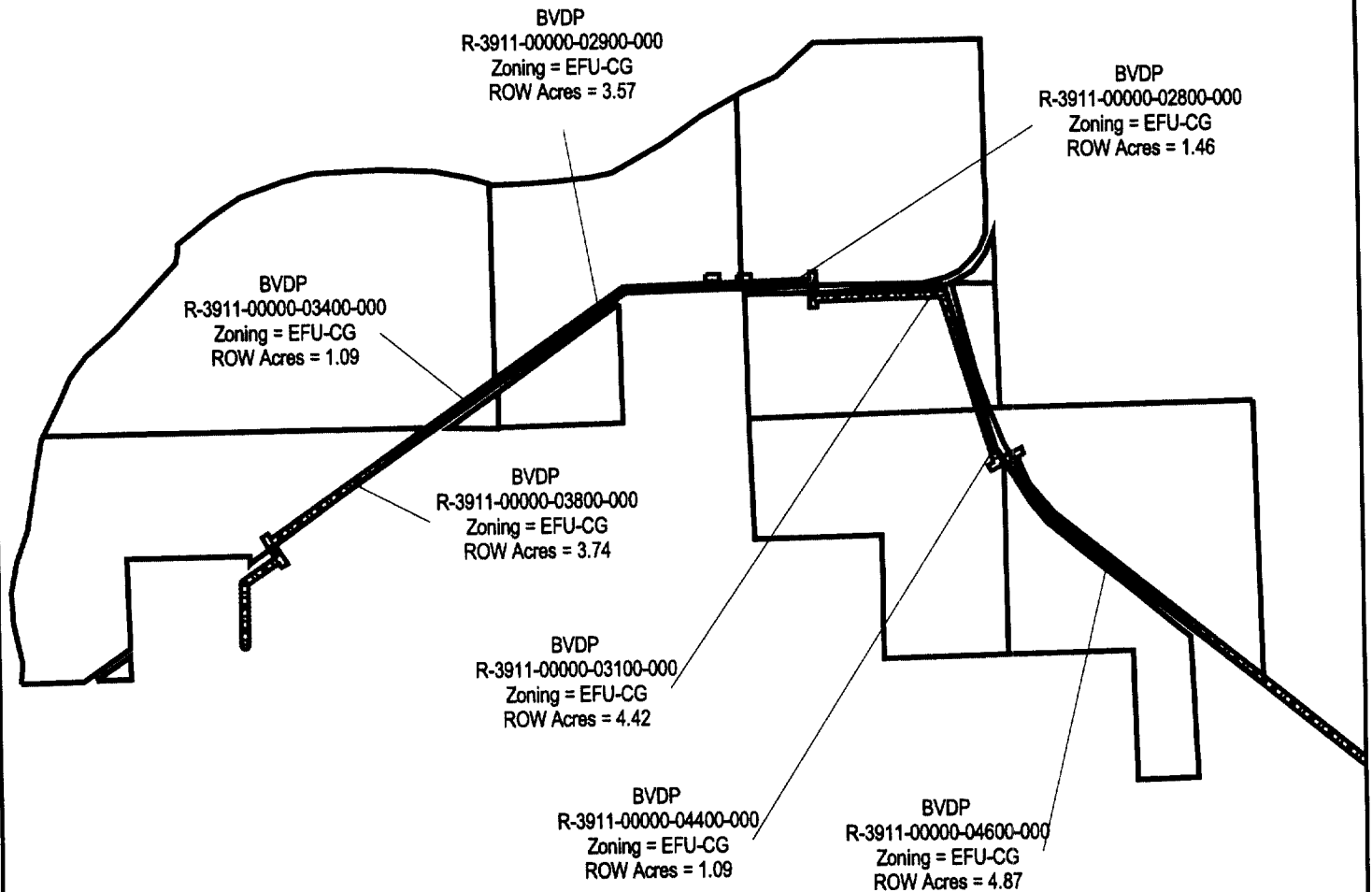
Notary Public State of Arizona
Maricopa County
Sandra Cortez
Expires January 23, 2006

Sandra Cortez
Notary Public for the State of Arizona

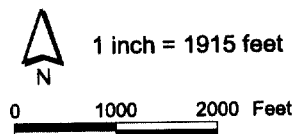
EXHIBIT A**LEGAL DESCRIPTION**

Tax ID Number
R-3911-00000-03800-00
R-3911-00000-03400-00
R-3911-00000-02900-00
R-3911-00000-02800-00
R-3911-00000-03100-00
R-3911-00000-04400-00
R-3911-00000-04600-00

(Legal Description to be provided upon completion of survey)



Gas Pipeline
80 ft. Buffer
Parcels



Individual Parcel Map
BVDP Properties
COB Energy Facility

PEOPLES
ENERGY
RESOURCES