

Peoples Energy Resources Corp
130 East Randolph Dr.
Chicago, ILL 60601

M06-11454

Klamath County, Oregon

06/06/2006 02:42:57 PM

Pages 11 Fee: \$71.00

MTC 1396-7723

OPTION AND EASEMENT AGREEMENT

This Option and Easement Agreement (this "Agreement") is entered into between **Douglas E. Neil and Beverly G. Neil**, each an individual (collectively, "Owner") and **Peoples Energy Resources Corp.**, a Illinois corporation ("PERC"), effective as of the date of mutual execution hereof (the "Effective Date").

On June 7, 2002, the parties to this Agreement executed an Option and Easement Agreement, which was recorded on June 14, 2005 at Volume M05, Page 44284-92, Records of Klamath County, Oregon. One purpose of this Option and Easement Agreement is to extend the term of that previously recorded Agreement.

PERC has simultaneously herewith paid to Owner \$50,000 (the "Initial Option Fee"), and Owner confirms the sufficiency and delivery of the Option Fee. The Option Fee is non-refundable and shall not be credited towards the "Final Payment", as hereinafter defined. In consideration for the payment of the Option Fee, 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 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.

AMERITITLE, has recorded this instrument by request as an accomodation 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.

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 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 have one year from the Effective Date to deliver the notice to install the Utility Improvements described below unless this Option is extended as set forth below. PERC shall have the right to extend the term of this Option and Easement Agreement granted hereunder for three consecutive renewal periods of one year each, with the first such renewal period commencing on the first anniversary of the Effective Date, and the last such renewal period expiring at midnight on the day before the fourth anniversary of the Effective Date. To extend the term for a particular renewal period, PERC shall notify Owner of the exercise of the extension on or before midnight of the last day of the then expiring option period, and shall pay to Owner an additional \$50,000 (the "Extended Option Fee", and together with the Initial Option Fee and any prior Extended Option Fee, the "Option Fees"). The Option Fees are nonrefundable and shall not be credited towards the "Final Payment" as hereinafter defined. In any calendar year, PERC will exercise options for no more than one renewal period, so that Owner will receive no more than one Extended Option Fee in any calendar year.

PERC shall notify Owner of its intention to install the Utility Improvements on or before midnight of the fourth anniversary of the date that PERC executes this Agreement or midnight of such earlier date as is the last day of an option period if PERC has not given notice of extension for the next succeeding renewal period (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 ONE HUNDRED & THIRTY THOUSAND DOLLARS AND NO CENTS in United States currency (US\$130,000.00). The Final Payment shall permit PERC to construct up to two (2) towers in the Easement Area. The towers to be located in the Easement Area will be substantially similar to the depiction of the tower attached hereto as Exhibit C. In the event that more than two (2) towers are required by PERC to be constructed within the Easement Area then the Final Payment shall be increased by SIXTY-FIVE THOUSAND DOLLARS (\$65,000.00) for each additional tower that is required. 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. The Final Payment shall be paid within sixty (60) days after PERC delivers the notice of intent to construct, with payment contingent upon (i) Buyer obtaining at Buyer's expense title insurance or assurances reasonably satisfactory to Buyer that Seller then owns the Easement Area in fee simple title, subject to no liens or encumbrances prior to this Option and Easement Agreement; and (ii)

Seller's and Buyer's mutual execution and recording of a supplement to this Agreement confirming that the Final Payment has been paid and that the term of PERC's rights under this Option and Easement Agreement is perpetual. PERC shall not begin construction of the Utility Improvements before the Final Payment is made. If the requirement for the additional towers is identified during the course of construction, the additional payments for the additional towers shall be made before construction of those additional towers begins onsite, and Owner will simultaneously with receipt of such payment record a further supplement to this Agreement confirming that the easement includes such additional towers and acknowledging receipt of the additional payments for such towers. 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 gives notice of intent to install the Utility Improvements, this Option and Easement Agreement shall have permanent effect and, except for Option Fees previously incurred, no further Extended Option Fees shall be due. 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.

The attached Schedule I summarizes the timing of payment of Option Fees and Final Payment.

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 items, 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;

- 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;
- reimburse Owner at market cost at the time of occurrence for any lost feed 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 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.

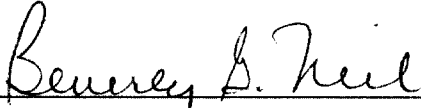
Owner grants to PERC the right to record this Agreement in the Klamath County Recorder's Office without the joinder of Owner.

At the time of execution of this Agreement, PERC is examining the possible locations of the Easement Area. The Easement Area will be 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 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 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.

[NO MORE TEXT ON THIS PAGE]

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.



Printed Name: BEVERLY G. NEIL

Address for notice: PO Box 278
Bonanza, OR 97623



Printed Name: DOUGLAS E. NEIL

Address for notice: PO Box 278
Bonanza, OR 97623

PEOPLES ENERGY RESOURCES CORP.

By: 

Name: Paul Turner

Title: Managing Director

4/1/06 Effective Date

STATE OF OREGON

COUNTY OF KLAMATH

)
)ss.
)

This instrument was acknowledged before me April 1st, 2006, by BEVERLY G. NEIL.



Leslie Taylor
Notary Public
My commission expires 10.23.07
Commission No.: 374035

STATE OF OREGON

COUNTY OF KLAMATH

)
)ss.
)

This instrument was acknowledged before me April 7th, 2006, by DOUGLAS E. NEIL.



Leslie Taylor
Notary Public
My commission expires 10.23.07
Commission No.: 374035

STATE OF _____

ss.

County of _____

This instrument was acknowledged before me on 3-21-, 2006, by Paul Turner, as Managing Director of PEOPLES ENERGY RESOURCES CORP., an Illinois corporation.

Christine A. Moser
Notary Public for Maricopa County

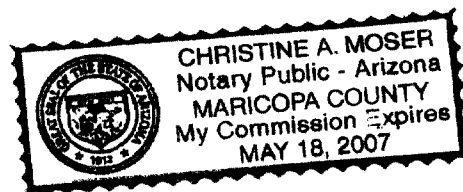


EXHIBIT A






LEGAL DESCRIPTION

Tax Lot ID	Map Tax Lot
53097	R-3911-00000-09300-000

(Legal Description to be provided upon completion of survey)

EXHIBIT B

Legend

-  Study Area (1500 ft. corridor)
-  Parcels
-  Proposed ROW (250ft.)
-  Proposed Transmission Line
-  Towers



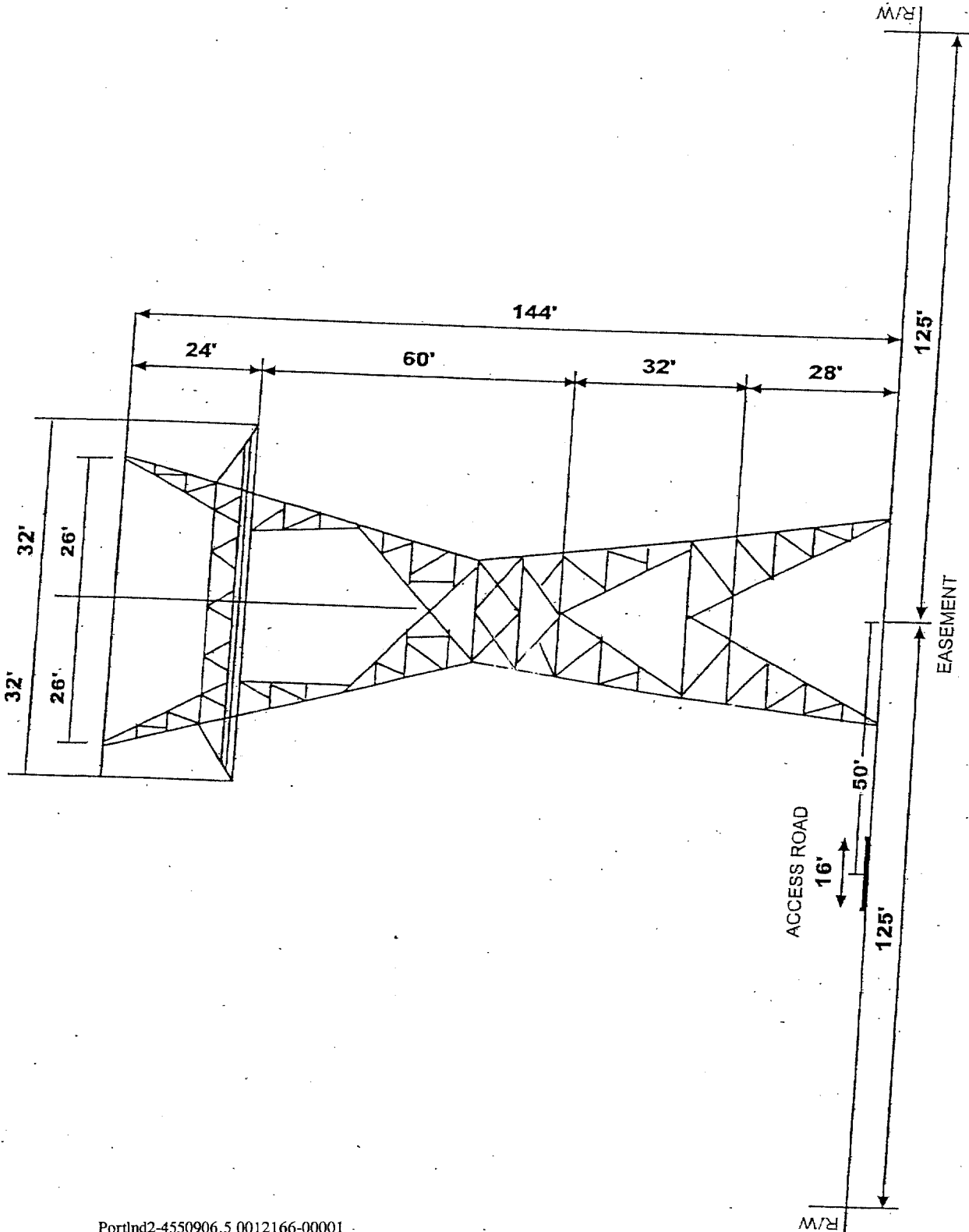
1 inch = 1250 feet
400 0 400 Feet

PEOPLES
ENERGY
RESOURCES

NEIL DOUGLAS E & BEVERLY G
R-3911-00000-09300-000
ROW acres : 15.48
of towers : 2
Zoning : FR

Portln2-4350906.5 0012166-00001

EXHIBIT C TOWER DEPICTION



NOTES:

1. TRANSMISSION TOWER IS LATTICE.
2. CONDUCTORS COULD BE HORIZONTAL OR VERTICAL.
3. ACCESS ROAD MAXIMUM GRADE IS LESS THAN 15 PERCENT.

Addendum Figure B-2
COB Energy Facility
Typical Transmission Tower Structure
for a 500-kV Transmission Line
Bonanza, Oregon

PEOPLES
ENERGY

SCHEDULE I

<u>Item</u>	<u>Amount</u>	<u>When Due</u>
Initial Option Fee	\$50,000	Effective Date
First Extended Option Fee	\$50,000	Prior to first anniversary of Effective Date, if option to extend exercised
Second Extended Option Fee	\$50,000	Prior to second anniversary of Effective Date, if option to extend is exercised
Third Extended Option Fee	\$50,000	Prior to third anniversary of Effective Date, if option to extend is exercised
Final Payment	\$130,000	60 days after delivery of notice of intent to construct, which notice of intent to construct must be delivered on or before the fourth anniversary of the Effective Date
Incremental Final Payment for Additional Tower(s)	\$65,000 per tower, maximum 2 towers	With final payment, if need is identified prior to delivery of notice of intent to construct. Prior to construction of additional towers, if need is identified after delivery of notice of intent to construct.

Schedule 1