

When Recorded Return To:
Peoples Energy Resources Corp.
130 East Randolph Drive
Chicago, ILL 60601

2006-017500
Klamath County, Oregon



08/30/2006 03:35:57 PM

Fee: \$66.00

EXTENSION OF OPTION AGREEMENT

1396-8010

OPTIONOR:

MARCIA B. BARTHELOW
JOAN B. MOELLER
ANNE TALBOTT

OPTIONEE:

PEOPLES ENERGY RESOURCES CORP

Memorandum of Option Agreement Recorded June 9, 2005 in Volume M05, Page 42899

Assessor's Property Tax Parcel Account No.: 3911-00000-05500

3911-00000-05700

3911-00000-05800

3911-00000-06000

3911-00000-06100

3911-00000-06200

3911-00000-06300

3911-00000-06800

3911-01300-01100

3911-01300-01200

3911-01300-01300

3912-00000-03700

3912-00000-03800

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.

66.00
71.00

July 28, 2004

VIA UPS

Marcia B. Barthelow
Joan B. Moeller
Anne Talbott
c/o Dennis Babson
1450 Waverley Street
Palo Alto, CA 94301

Re: Grant of Additional Extended Option Periods Under that Option and Purchase and Sale Agreement Dated July 30, 2002 by and between Marcia B. Barthelow, Joan B. Moeller and Anne Talbott (collectively referred to herein as "Seller"), and Peoples Energy Resources Company, LLC, an Illinois limited liability company, successor to Peoples Energy Resources Corp., an Illinois corporation (referred to herein as "Purchaser") (the "Option Agreement")

Dear Ms. Barthelow, Ms. Moeller and Ms. Talbott:

By prior notice, the parties to the Option Agreement have extended the Option Periods to and including October 30, 2004.

Seller has agreed to grant to Purchaser the right to two additional Option Periods and to add the following two paragraphs to the Grant of Option in the Option Agreement. Therefore:

1. Purchaser shall have the right to further extend the duration of the Option to 11:59 p.m. on October 31, 2005 (the "**Third Extended Option Expiration Date**") by paying Seller an additional sum of ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$100,000.00) (the "**Third Additional Option Fee**"), on or before 11:59 p.m. on the Second Extended Option Expiration Date. If Purchaser does not either (i) exercise the Option or (ii) deliver to Seller the Third Additional Option Fee on or before 11:59 p.m. on the Second Extended Option Expiration Date, the Option Agreement shall automatically terminate, Seller shall retain the Option Fee, the Additional Option Fee and the Second Additional Option Fee, and thereafter neither party shall have any other liability to the other except as expressly set forth in the Option Agreement. If Purchaser does not exercise the Option or extend the Option Period as set forth in Section 2 of this letter on or before 11:59 p.m. on the Third Extended Option Expiration Date, the Option Agreement shall automatically terminate, Seller shall retain the Option Fee, the Additional Option Fee, and Second Additional Option Fee, and the Third Additional Option Fee, and thereafter neither party shall have any other liability to the other except as expressly set forth in the Option Agreement.

Marcia B. Barthelow
Joan B. Moeller
Anne Talbott
VIA UPS
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The Third Additional Option Fee shall not apply to the purchase price at Closing.

2. Purchaser shall have the right to further extend the duration of the Option to 11:59 p.m. on October 31, 2006 (the "**Fourth Extended Option Expiration Date**") by paying Seller an additional sum of ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$100,000.00) (the "**Fourth Additional Option Fee**"), on or before 11:59 p.m. on the Third Extended Option Expiration Date. If Purchaser does not either (i) exercise the Option or (ii) deliver to Seller the Fourth Additional Option Fee on or before 11:59 p.m. on the Third Extended Option Expiration Date, the Option Agreement shall automatically terminate, Seller shall retain the Option Fee, the Additional Option Fee, the Second Additional Option Fee and the Third Additional Option Fee, and thereafter neither party shall have any other liability to the other except as expressly set forth in the Option Agreement. If Purchaser does not exercise the Option on or before 11:59 p.m. on the Fourth Extended Option Expiration Date, the Option Agreement shall automatically terminate, Seller shall retain the Option Fee, the Additional Option Fee, the Second Additional Option Fee, the Third Additional Option Fee, and the Fourth Additional Option Fee, and thereafter neither party shall have any other liability to the other except as expressly set forth in the Option Agreement.

The Fourth Additional Option Fee shall not apply to the purchase price at Closing.

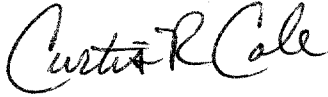
3. To document the granting of these additional rights to extend the Option Period, Seller has agreed to execute the attached Memorandum of Option, which will be recorded in the Records of Klamath County, Oregon.

Except as amended by this letter, the Option Agreement remains in full force and effect in accordance with its original terms.

Marcia B. Barthelow
Joan B. Moeller
Anne Talbott
VIA UPS
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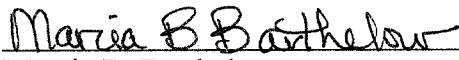
Please indicate your agreement to the foregoing by signing below and returning a copy of this letter to me (which may be signed in one or more counterparts). Please contact me directly with any concern or questions you may have at (602) 692-5077.

Sincerely,



Curtis Cole
Vice President

Agreed as of the date first written above.



Marcia B. Barthelow

Joan B. Moeller

Anne Talbott

MEMORANDUM OF OPTION

(First Party)

Marcia B. Barthelow

(Second Party)

Joan B. Moeller

(Third Party)

Anne Talbott

(Fourth Party)

Peoples Energy Resources Company, LLC,
successor to Peoples Energy Resources Corp.

After recording return to:
Mark R. Feichtinger
Stoel Rives LLP
805 Broadway, Suite 725
Vancouver, WA 98660

State of Oregon

County of _____

I certify that the within instrument was received for record on the _____ day of
_____ 2004, at _____ o'clock __ M., and recorded in book / reel / volume No.
_____, Page _____ or as instrument / fee No. _____, Record of
Deeds of said county.

Witness my hand and seal of County affixed.

Name _____	Title _____
By: _____	Deputy _____

MEMORANDUM OF OPTION

THIS MEMORANDUM OF OPTION ("**Memorandum**") is made and entered into as of the 13 day of Aug, 2004, by and between **MARCIA B. BARTHELOW, JOAN B. MOELLER and ANNE TALBOTT** (collectively, "**Seller**"), and **PEOPLES ENERGY RESOURCES COMPANY, LLC**, an Illinois limited liability company, as successor to Peoples Energy Resources Corp., an Illinois corporation, whose address is 130 East Randolph Drive, Chicago, Illinois, 60601, or its nominee ("**Purchaser**").

RECITALS

A. Seller and Purchaser entered into a certain Option and Purchase and Sale Agreement dated July 30, 2002 ("**Option Agreement**"), wherein Seller granted to Purchaser an exclusive option to purchase certain real property in Klamath County, Oregon and certain rights to water. Pursuant to the Option Agreement, Seller granted Purchaser an exclusive and irrevocable option to purchase the property described in the attached Exhibit A (the "**Property**"). The Option Agreement includes rights to extend the Option Periods to and including October 30, 2004, which Option Periods have been properly extended.

B. Seller has further agreed that Purchaser shall have the right to extend the Option Periods for a Third Extended Option Period and a Fourth Extended Option Period under the Option Agreement, the last of such Option Periods will expire at 11:59 p.m. on October 31, 2006.

C. The parties desire to place this Memorandum of record to provide notice to third parties of the existence of the Option Agreement and the additional right to extend the Option Periods, and Purchaser's rights to purchase the Property, but do not desire to place all of the terms and provisions of the Option Agreement of record.

WITNESSETH

That for good and valuable consideration more particularly described in the Option Agreement, the receipt of which is hereby acknowledged by Seller, the parties hereby state and agree as follows:

1. **Grant of Options; Option Period.** Commencing on July 30, 2002 and, if extended, expiring on October 31, 2006 ("**Option Period**"), Purchaser has a right and option to purchase the Property and Seller does hereby grant to Purchaser the right and option to purchase the Property, in accordance with the terms and conditions of the Option Agreement. At any time during the Option Period, Purchaser may give Seller its written notice of its intent to exercise the option.

2. **Reference to and Incorporation of Option Agreement.** Reference is made to the Option Agreement for a complete and definitive statement of the terms of the rights and obligations of Seller and Purchaser thereunder. Unless defined otherwise herein, capitalized terms used in this Memorandum shall have the meanings ascribed to them in the Option Agreement, which definitions are incorporated herein by reference. This Memorandum is subject to the terms and conditions of the Option Agreement which is incorporated herein by reference. This Memorandum shall not be construed to modify or amend the Option Agreement in any respect.

3. **Counterparts.** This Memorandum may be executed in a number of separate counterparts, each of which, when executed and delivered, shall be deemed an original, but all of which shall constitute one and the same instrument. All signatures of the Seller and Purchaser need not be on the same counterpart.

IN WITNESS WHEREOF, Seller and Purchaser have duly executed and delivered this Memorandum as of the day, month and year first above written.

SELLER:

Marcia B. Barthelow
Print Name: Marcia B. Barthelow

Print Name: Joan B. Moeller

Print Name: Anne Talbott

PURCHASER:

**PEOPLES ENERGY RESOURCES
COMPANY, LLC,
an Illinois limited liability company**

By: Curtis R. Cole
Print Name: CURTIS R. COLE
Its: VICE PRESIDENT

STATE OF Washington
County of King

SS.

This instrument was acknowledged before me on Aug. 13, 2004, by **MARCIA B. BARTHELOW**



Christina M. Osborne
Notary Public for Washington

STATE OF _____
County of _____

SS.

This instrument was acknowledged before me on _____, 2004, by **JOAN B. MOELLER**.

Notary Public for _____

STATE OF _____
County of _____

SS.

This instrument was acknowledged before me on _____, 2004, by **ANNE TALBOTT**.

Notary Public for _____

STATE OF Arizona

SS.

County of Maricopa

This instrument was acknowledged before me on July 30, 2004, by Curtis Cole, as Vice President of PEOPLES ENERGY RESOURCES COMPANY, LLC, an Illinois limited liability company.



Notary Public State of Arizona
Maricopa County
Sandra Cortez
Expires January 23, 2008

Sandra Cortez
Notary Public for _____

EXHIBIT A
to
Memorandum of Option

(Legal Description from Survey to be attached when Survey completed)

Assessor's Property Tax Parcel Account Numbers:

3911-00000-05500-000
3911-00000-05700-000
3911-00000-05800-000
3911-00000-06000-000
3911-00000-06100-000
3911-00000-06200-000
3911-00000-06300-000
3911-00000-06800-000
3911-01300-01100-000
3911-01300-01200-000
3911-01300-01300-000
3912-00000-03700-000
3912-00000-03800-000