

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

2006-023418
Klamath County, Oregon



11/22/2006 11:32:58 AM

Fee: \$61.00

MT1396-8274
EXTENSION OF OPTION AGREEMENT

OPTIONOR:

BARBARA A. KNOX

OPTIONEE:

PEOPLES ENERGY RESOURCES CORP

Memorandum of Option Agreement Recorded June 9, 2005 in Volume M05, Page 42890

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.

41-

October 30, 2006

VIA UPS

Barbara A. Knox
6583 West Langell Valley Road
Bonanza, OR 97623

Re: Grant of Additional Extended Option Period Under that Option and Purchase and Sale Agreement Dated October 17, 2001 by and between Barbara A. Knox ("Seller"), and Peoples Energy Resources Company, LLC, a Delaware limited liability company, successor to Peoples Energy Resources Corp., an Illinois corporation (referred to herein as "Purchaser") (the "Option Agreement")

Dear Ms. Knox:

By prior notice, the parties to the Option Agreement have extended the Option Periods to and including October 17, 2006.

Seller has agreed (i) to grant to Purchaser the right to one additional Option Period and to add the following paragraph 1 to the Grant of Option in the Option Agreement; (ii) to amend the purchase price of the Property from \$250,000 to \$400,000 and to revise Section 2, Statement of Agreement in the Option Agreement as set forth in paragraph 2 below, (iii) to amend the Option Agreement to add the following language as set forth in paragraph 3 below; and (iv) to modify Grant of Option, Section E in the Option Agreement as stated in paragraph 4 below. Therefore:

1. Purchaser shall have the right to further extend the duration of the Option to 11:59 p.m. on April 17, 2007 (the "**Fifth Extended Option Expiration Date**") by paying Seller an additional sum of TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00) (the "**Fifth Additional Option Fee**"), on or before 11:59 p.m. on October 31, 2006. If Purchaser does not either (i) exercise the Option or (ii) deliver to Seller the Fifth Additional Option Fee on or before 11:59 p.m. on November 6, 2006, 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.

Notwithstanding prior agreements, neither the previously paid option fees or option extension fees, nor the Fifth Additional Option Fee shall apply to the purchase price at Closing.

2. The first sentence of Section 2 of the Statement of Agreement in the Option Agreement is amended to read in its entirety as follows:

“The purchase price of the Property (the “**Purchase Price**”) shall be FOUR HUNDRED THOUSAND DOLLARS (\$400,000.00).”

3. Following the closing of the purchase of the property, Barbara Knox shall have a license to hunt wild birds and wild game upon the property during her lifetime pursuant to a license agreement on commercially reasonable terms to be negotiated by the parties and executed at closing. The license agreement shall include typically prudent provisions, including insurance, indemnity, waiver and release of the owner, restricted areas and seasons of hunting, compliance with laws and limitations on types of weapons and ammunition, and other terms reasonably required by owners of property used for other primary purposes. The license shall be personal to Barbara Knox and may not be assigned, sublicensed or subleased, or used for commercial purposes. No other persons may hunt on the property pursuant to the license except guests of Barbara Knox, accompanying her on such hunting activities, and the immediate family members of Barbara Knox having her written permission to do so.
4. Grant of Option, Section E, of the Option Agreement is modified to read in its entirety as follows:

“The Property. The exact boundaries and acreage of the Property shall be established by the survey referenced in Paragraph 6, below (the “**Survey**”), and the legal description of the Property taken from the Survey shall be used in the Statutory Warranty Deed from Seller to Purchaser. As used herein, the term “Property” includes all of Seller’s right, title and interest, in and to streams, impoundments, diversions and surface and instream water, waterways, shorelines, riparian rights, underground water, and whether such right, title and interest to water or use thereof is perfected or unperfected or evidenced by license, permit or certificated water right, or otherwise; easements, rights of way, licenses, gas, oil, coal, minerals, and other mining rights, all buildings, structures, fences, other permanent improvements to the Property, trees, timber, timber cutting contracts, rights in adjacent roads, streets, alleys and ways, and any and all other rights of Seller that are in any way associated with or appurtenant to the Property. The term “Property” does not include the removable, tangible personal property consisting of cattle, livestock, removable (unattached) equipment, household goods or furniture, all of which Seller shall remove before Seller is required to relinquish possession of the Property to Purchaser under this Agreement.”

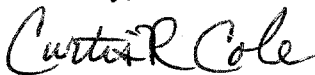
Barbara A. Knox
October 30, 2006
Page 3

5. To document the granting of this additional right 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.

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) 821-5587.

Sincerely,



Curtis Cole
Vice President

Agreed as of the date first written above.



Barbara A. Knox

MEMORANDUM OF OPTION

(First Party)

Barbara A. Knox

(Second Party)

Peoples Energy Resources Company, LLC, a Delaware limited liability company,
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 Klamath

I certify that the within instrument was received for record on the _____ day of October,
2006, 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 31st day of October, 2006, by and between **BARBARA A. KNOX** ("Seller"), and **PEOPLES ENERGY RESOURCES COMPANY, LLC**, a Delaware 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 October 17, 2001 ("**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 17, 2006, which Option Periods have been properly extended.

B. Seller has further agreed that Purchaser shall have the right to extend the Option Period for a Fifth Extended Option Period under the Option Agreement, which such Fifth Extended Option Period will expire at 11:59 p.m. on April 17, 2007.

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 October 17, 2001 and, if extended, expiring on April 17, 2007 ("**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.

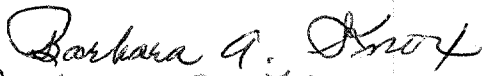
2. **Reference to and Incorporation of Option Agreement.** Reference is made to the Option Agreement for a complete and definitive statement of the terms of the rights and obligations of Seller and Purchaser thereunder. Unless defined otherwise herein, capitalized terms used in this Memorandum shall 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:


Barbara A. Knox
Print Name: Barbara A. Knox

PURCHASER:

**PEOPLES ENERGY RESOURCES
COMPANY, LLC,**
a Delaware limited liability company

By: 
Print Name: Curtis Cole
Its: Vice President

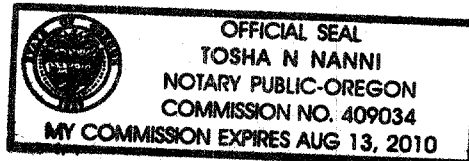
STATE OF OREGON

SS.

County of Klamath

This instrument was acknowledged before me on ~~October~~ ^{November} 3, 2006, by **BARBARA A. KNOX.**

Tosha N. Nanni
Notary Public for Washington Mutual Bank
Klamath Falls
OR



STATE OF Arizona

SS.

County of Maricopa

This instrument was acknowledged before me on October 31st, 2006, by **Curtis Cole** as Vice President of **PEOPLES ENERGY RESOURCES COMPANY, LLC**, a Delaware limited liability company.

Juli A. Willis
Notary Public for BANK of AMERICA, TEMPE, AZ

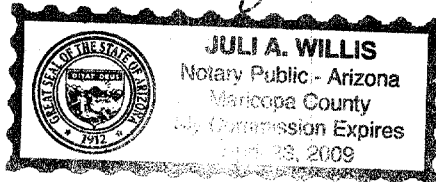


EXHIBIT A
to
Memorandum of Option

TWP 39 RGE 11 SEC 23, 25, 26
Parcel 1 of Land Partition 24-96 Recorded in Klamath County, Oregon

PortInd2-4589851.1 0012166-00001