

ADL 415472

RIGHT-OF-WAY LEASE FOR THE BADAMI SALES OIL PIPELINE

BY AND

BETWEEN

THE STATE OF ALASKA

AND

BP TRANSPORTATION (ALASKA) INC.

421

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Badami Pipeline Right-of-Way Lease
ADL 415472
Table of Contents

Order of Lease Sections:

1. Lease of Right-of-Way
2. Duration of Right-of-Way Lease
3. Rental
4. Payment
5. Denial of Warranty
6. Reservation of Certain Rights to the State
7. Access to Navigable and Public Waters
8. Covenants of Lessee
9. Binding Effects of Covenants and of Lease
10. Indemnity
11. Guaranty
12. State as Additional Insured
13. Timely Construction and Operation
14. Plans and Permitting
15. Conduct of Operations
16. Environmental Compliance
17. Taxes and Liens on Leasehold
18. Orders by the Commissioner
19. Expedited Appeals and Requests for Reconsideration of Temporary Suspension Orders
20. Commissioner's Decisions

21. Reimbursement of State Expenses
22. Transfers of Interests
23. Default and Forfeiture
24. Lessee's Obligations Upon Expiration or Termination
25. Release of Interests
26. Authorized Representatives
27. No Third Party Beneficiaries
28. Local Hire
29. Nondiscrimination
30. Correspondence
31. Waiver Not Continuing
32. Rights and Remedies Cumulative: Equitable Relief
33. Authority to Enter Into Lease
34. Interpretation of Lease
35. Applicable Laws
36. Venue
37. Recording
38. Severability
39. Amendments in Writing
40. Exhibits
41. Merger Clause
42. Section Headings
43. Definitions
44. Effective Date

RIGHT-OF-WAY LEASE FOR THE BADAMI PIPELINE

ADL 415472

This Right-of-Way Lease for the Badami Pipeline (herein "this lease") is entered into this 15th day of December 1997, by and between the State of Alaska (herein the "state"), acting through the Commissioner of the Alaska Department of Natural Resources (herein "Commissioner"), and BP Transportation (Alaska) Inc. (herein "lessee"), a Delaware corporation which is a wholly owned subsidiary of Standard Oil Company and whose address is P.O. Box 190848, Anchorage, Alaska 99519-0848. The state and lessee are sometimes collectively referred to herein as "the parties."

1. Lease of Right-of-Way (a) Pursuant to the provisions of AS 38.35, the Alaska Right-of-Way Leasing Act, as amended, and for and in consideration of the annual rental fee described in section 3 of this lease and subject to the covenants and the conditions contained herein and the stipulations attached hereto in Exhibit A and incorporated by reference herein, the state hereby grants by lease to lessee, for the term described in section 2 of this lease and only for the purposes described in subsection (b) of this section, the right to enter on, occupy, use, and possess for the purposes described herein certain lands within the following described state lands within the Barrow Recording District

Umiat Meridian, Alaska

T9N R20E SEC. 7, 8, 17-20;

T9N R19E SEC. 2, 3, 5-16, 22-24;

T9N R18E SEC. 1-5, 10-12;

T10N R18E SEC. 29-34;

T10N R17E SEC. 16-18, 20-23, 25-28, 34-36;

T10N R16E SEC. 1-2, 10-14.

more particularly described in Exhibit B attached hereto and incorporated by reference herein (herein "the Leasehold"). The width and total acreage of the Leasehold will vary over the term of this lease as described in Exhibit B hereto.

(b) This lease is granted for the purposes of constructing the Pipeline, Pipeline Support, Related Facilities, and Roads, and conducting Pipeline Activities in compliance with the terms and conditions of this lease. Lessee shall not use the Leasehold for any other purpose and shall not locate

or construct any other pipelines, including looping lines, or other improvements in, on or over the Leasehold without meeting all statutory and regulatory requirements and obtaining the prior written approval from the Commissioner. The Pipeline System must be used only for the transportation of Crude Oil, and it must not be used for any other purpose without meeting all statutory and regulatory requirements and obtaining the prior written approval of the Commissioner. Except as provided otherwise herein, the lessee shall not allow any other person or business entity to use the Leasehold for carrying on Pipeline Activities which are not part of lessee's authorized operations pursuant to this lease. Nothing in this subsection is intended to (1) excuse or preclude the lessee from complying with its obligations under this lease; or (2) preclude the lessee from employing agents or Contractors to effect the Pipeline Activities of the Pipeline System.

(c) Use of the Leasehold for concurrent construction of the Badami Utility Pipeline authorized under Pipeline Right-of-Way Lease, ADL 415965, is authorized.

(d) All Pipeline Activities within the right-of-way must be limited to the area described in Exhibit B of this lease and other areas authorized by the state.

2. Duration of Right-of-Way Lease (a) This lease shall expire on (25 years) December 14, 2022, 12:00 noon, Alaska Standard Time, unless before that date it is released, abandoned, or otherwise terminated pursuant to the provisions of this lease.

(b) Upon the expiration of the initial term or any subsequent renewal pursuant to subsection (c) herein, or earlier relinquishment, abandonment, or other termination, the provisions of this lease, to the extent applicable, will continue in effect and will be binding on the parties, their successors or assigns, until they have fully performed their respective obligations and liabilities accruing under this lease before or on account of the expiration or the prior termination of this lease.

(c) The Commissioner shall, upon request of the lessee, renew this lease for additional periods of up to ten years each, so long as the lessee is in commercial operation and the lessee is in full compliance with all the terms of this lease and state, federal, and local laws, including but not limited to state law pertaining to regulation and taxation of the Pipeline System.

3. Rental (a) Construction Phase. The lessee shall pay to the state equal annual rental payments in the amount of \$124,000 during the period of Pipeline Construction. This rental amount, however, shall be adjusted based on a formal appraisal conducted on or before June 15, 1998. The

first payment is due on or before December 15, 1997. Subsequent payments are due on or before each Lease Anniversary Date during the period of Pipeline Construction.

(b) (1) Operation and Maintenance Phase. Upon receipt of the Commissioner's approval of all of the requirements under section 25 of this lease, and for the duration of the term of this lease and any subsequent renewals, lessee shall pay to the state equal annual rental payments in the amount of the annual fair market rental of the land included in the Leasehold based on the appraised fair market rental value of the land. All reasonable costs of the appraisal will be borne by the lessee. The appraisal shall be carried out by an independent appraiser selected by the lessee from a list of appraisers provided by the Division of Land, Department of Natural Resources, and in accordance with Division of Land appraisal instructions and standards. Payment of the rental under this subsection is due on or before the Lease Anniversary Date following receipt of the Commissioner's approval of all the requirements under section 25 of this lease. Subsequent annual rental payments are due on each subsequent Lease Anniversary Date.

(2) The first annual rental payment under this subsection shall be reduced by an amount which reflects any overpayment for the period from the date of the Commissioner's approval of all the requirements under section 25 of this lease to the next Lease Anniversary Date. The amount of reduction shall be calculated on a pro rata basis.

(c) The annual rental payment is subject to adjustment by the state five years from the first payment date as set out in (a) of this section and every fifth Lease Anniversary Date thereafter. The new rental payment shall be based on the appraised fair market rental value of the land included in the Leasehold. The appraisal shall be carried out by an independent appraiser selected by the lessee from a list of appraisers provided by the Division of Land, Department of Natural Resources, and in accordance with Division of Land appraisal instructions and standards. The new annual rental payment takes effect on the applicable Lease Anniversary Date, regardless of whether the adjustment determination occurs before or after the applicable Lease Anniversary Date. All reasonable costs of the adjustment, including reappraisal, will be borne by the lessee.

4. Payment All payments to the state under this lease must be made payable to the state in the manner directed by the state, and unless otherwise specified, shall be tendered to the state

at Alaska Department of Natural Resources
 Attention: Revenue Unit
 3601 C Street, Suite 1230
 Anchorage, Alaska 99503-5921

or to any other depository designated by the state. If the state changes the designated depository, it shall give at least 60 days written notice to the lessee as described in section 30 herein.

(e) Penalty Charges - the lessee shall pay a fee for any late payment or returned check issued by the lessee as follows:

(1) Late Payment Service Charge - A service charge as specified in 11 AAC 05.010 and interest at the rate set by AS 45.45.010(a) will be assessed on a past-due account until payment is received by the lessor. Acceptance of a late payment or of a service charge for a late payment is subject to the lessor's rights under sections 23 and 31 of this lease.

(2) Returned Check Fee - A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. If the bank refuses payment, the default termination date remains the same. Late penalties under (1) of this subsection shall continue to accumulate.

5. Denial of Warranty (a) The state makes no representations or warranties, express or implied, as to title to, access to, or quiet enjoyment of the state lands subject to this lease except to the extent that the state represents that it has conducted a title search of the U.S. BLM land records, and the State DNR land records and found no existing grants of rights in or to the state lands subject to this lease arising by, through, or under the state that would unreasonably interfere with or endanger the exercise of the rights granted to the lessee by this lease. The state is not liable to the lessee for any deficiency of title to or difficulty in securing access to the lands subject to this lease. The lessee or any successor in interest to the lessee is not entitled to any refund of prior rentals paid under this lease due to deficiency of title.

(b) No Other Warranties. The state makes no warranty, express or implied, and assumes no liability whatsoever, regarding the social, economic, or environmental aspects of the state lands included in the Leasehold granted herein, including, without limitation, the soil conditions, water drainage, access, natural or artificial hazards that may exist, or the profitability or fitness of the state

lands included in the Leasehold granted herein for any use. The lessee represents that the lessee has inspected the state lands included in the Leasehold granted herein and determined that the state lands are suitable for the use intended, or has voluntarily declined to do so, and accepts the state lands included in the Leasehold granted herein "as is" and "where is."

6. Reservation of Certain Rights to the State (a) The state reserves and will have a continuing and reasonable right of access to any part of the lands (including the subsurface of, and the air space above, such lands) that are subject to this lease, and a continuing and reasonable right of physical entry to any part of the Leasehold, for inspection or monitoring purposes and for any other purpose or reason that is reasonably consistent with any right or obligation of the state.

(b) The right of access and entry reserved in subsection (a) of this section will extend to and be enjoyed by any contractor of the state, any subcontractors (at any tier) of the contractor and their respective agents and employees, as well as such other persons as may be designated from time to time in writing by the Commissioner.

(c) There is reserved to the state the right to grant additional permits, leases or easements for rights-of-way or other uses to third parties for compatible uses on, or adjacent to, the lands subject to the right-of-way; provided that such grant shall not unreasonably interfere with the rights under this lease. Before the state grants additional right-of-way permits, leases or easements for compatible uses, the state will notify lessee of its intentions and shall consult with lessee before taking final action in that regard.

7. Access to Navigable and Public Waters (a) Pursuant to AS 38.05.127 and 11 AAC 53.330, the state reserves a public access easement to and along all public or navigable water bodies that border on or are included in the state lands included in the Leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. Lessee will not petition to vacate, abandon, or extinguish any public easement without the prior written approval of the Commissioner.

8. Covenants of Lessee The lessee expressly covenants, in consideration of the rights acquired by it pursuant to this lease, that (a) Lessee will assume the status of and will perform all of its functions undertaken under this lease as a common carrier and will accept, convey, and transport without discrimination Crude Oil delivered to it for transportation from fields in the vicinity of the

Pipeline throughout its route on state land obtained under this lease and on other land; lessee will accept, convey, and transport Crude Oil without unjust or unreasonable discrimination in favor of one producer or person, including itself, as against another, but will take the Crude Oil delivered or offered, without unreasonable discrimination, that the Alaska Public Utilities Commission shall, after a full hearing with due notice to the interested parties and a proper finding of facts, determine to be reasonable in the performance of its duties as a common carrier;

(b) Lessee will interchange Crude Oil with each like common carrier and provide connections and facilities for the interchange of Crude Oil at every locality reached by both pipelines when the necessity exists, subject to rates and regulations made by the appropriate state or federal regulatory agency;

(c) Lessee will maintain and preserve books, accounts, and records and will make those reports that the state may prescribe by regulation or law as necessary and appropriate for the purposes of administering AS 38.35;

(d) Lessee will accord at all reasonable times and places to the state and its authorized agents and auditors the right of access to its property and records, or inspection of its property, and of examination and copying of records;

(e) Lessee will provide connections, as determined by the Alaska Public Utilities Commission, under AS 42.06.340, to facilities on the Pipeline System subject to this lease, on state land, for the purpose of delivering Crude Oil to persons (including the state and its political subdivisions) contracting for the purchase at wholesale of Crude Oil transported by the Pipeline when required by the public interest;

(f) Lessee shall, notwithstanding any other provision, provide connections and interchange facilities at state expense at such places the state considers necessary, if the state determines to take a portion of its royalty or taxes in Crude Oil;

(g) Lessee will construct and operate the Pipeline in accordance with applicable state laws and lawful regulations and orders of the Alaska Public Utilities Commission;

(h) Lessee will, at its own expense, during the term of this lease

- (1) maintain the Leasehold and Pipeline in good repair;
- (2) promptly repair or remedy any damage to the Leasehold;

(3) promptly compensate for any damage to or destruction of property for which the lessee is liable, resulting from damage to or destruction of the Leasehold or Pipeline System;

(i) Lessee will not transfer, assign, or dispose of in any manner, directly or indirectly, or by transfer of control of the carrier corporation, its interest in this lease, or any rights under this lease or any Pipeline System subject to this lease to any person other than another owner of the Pipeline System (including subsidiaries, parents and affiliates of the owners), except to the extent that the Commissioner, after consideration of the protection of the public interest (including whether the proposed transferee is fit, willing and able to perform the transportation or other acts proposed in a manner that will reasonably protect the lives, property and general welfare of the people of Alaska), authorizes; the Commissioner shall not unreasonably withhold consent to the transfer, assignment or disposal;

(j) Lessee will file with the Commissioner a written appointment of a named permanent resident of the state to be its registered agent in Alaska and to receive service of notices, regulations, decisions and orders of the Commissioner; if it fails to appoint an agent for service, service may be made by posting a copy in the office of the Commissioner and filing a copy of it in the Office of the Lieutenant Governor and by mailing a copy to the lessee's last known address;

(k) the applicable law of Alaska will be used in resolving questions of interpretation of this lease;

(l) the granting of this lease is subject to the express condition that the exercise of the rights and privileges granted under this lease will not unduly interfere with the management, administration, or disposal by the state of the state land affected by this lease, and that lessee agrees and consents to the occupancy and use by the state, its grantees, permittees, or other lessees of any part of the Leasehold not actually occupied or required by the Pipeline for the full and safe utilization of the Pipeline, for operations incident to land management, administration, or disposal;

(m) as more fully set out in section 10 of this lease, lessee will be liable to the state for damages or injury incurred by the state caused by the construction, operation or maintenance of the pipeline and it will indemnify the State for liabilities or damages;

(n) Lessee will procure and furnish liability and property damage insurance from a company licensed to do business in the state or furnish other security or undertaking upon the

terms and conditions the Commissioner considers necessary if the Commissioner finds that the net assets of the lessee are insufficient to protect the public from damage for which the lessee may be liable arising out of the construction or operation of the Pipeline;

(o) Subsequent to the effective date of this lease, lessee shall require that all Contractors entering into contracts for conducting Pipeline Activities on the Leasehold

(1) extend all indemnities to include the state as an additional named indemnitee;

(2) name the State of Alaska as additional insured on all liability insurance policies maintained under their contracts with lessee; and

(3) obtain an appropriate waiver of subrogation in favor of the state with respect to all other insurance policies.

(p) Lessee shall provide and maintain, for all employees of the lessee engaged in work on the Leasehold, workers' compensation insurance as required by Alaska law. Where applicable, coverage for all federal acts (i.e., U.S.L.&H. and Jones Acts) must also be included. All workers' compensation, U.S.L.&H. and Jones Act insurance policies shall waive rights of subrogation against the State of Alaska, its agents, and employees.

9. Binding Effect of Covenants and of Lease (a) By entering into this lease, the lessee is bound by the covenants provided for in the lease to the full extent of the power of the state to impose the covenants under its authority as owner of the land or under its police or regulatory powers or otherwise; provided that the right of the lessee to challenge the power of the state to require any of the covenants as owner of the land or under its police or regulatory powers or otherwise is preserved until such time as action to enforce the covenant is taken by the state.

(b) Unless clearly inapplicable, the requirements and prohibitions imposed upon the lessee by this lease are also imposed upon the company's agents, employees, Contractors, and employees of each of them. The lessee shall ensure compliance with this lease by its agents, employees and Contractors, and the employees of each of them.

10. Indemnity The lessee assumes all responsibility, risk, and liability for its operations, use of, or contact with the Leasehold. The lessee shall defend, indemnify, and hold harmless the state, its agents and employees, from and against any and all demands, causes of action (whether in the nature of an action for damages, indemnity, contribution, government cost recovery or otherwise)

finances, judgments, suits, claims, actions, proceedings, losses, costs (including reasonable attorneys' fees and costs), expenses, charges, forfeitures, liens, liabilities, settlements, penalties, and damages of any kind or nature whatsoever, including, but not limited to those alleging personal injury, wrongful death, nuisance property damage, environmental contamination (including any disposal, release, spill or discharge or any threatened disposal, release, spill, or discharge of or contamination by hazardous materials), and environmental noncompliance (including the lessee's failure to provide all information, make all submissions, and take all steps required by the authority under the environmental laws or any other law concerning any spill, discharge, or contamination), arising out of, in connection with, directly or indirectly from, or otherwise incident to, lessee's operations, use of, or contact with the Leasehold, except to the extent the sole proximate cause of the injury or damage is the negligence or willful misconduct of the state or anyone acting on the state's behalf. The lessee shall immediately accept the tender by the state of any such cause of action, lawsuit, or other proceeding brought against the state. Any reasonable attorneys' fees or costs incurred by the state prior to such tender of defense shall be the complete and sole responsibility, without limitations of the lessee. If the state tenders such cause of action, lawsuit, or other proceeding later than 20 days after service on the state, and the lessee informs the state that the delay in tendering will require lessee to incur additional costs in order to respond in a competent and timely manner, and the state is unable to obtain an extension of time sufficient to provide lessee with at least one-half of the number of days which the state originally had to respond, then the state shall reimburse lessee for documented, reasonable costs incurred by the lessee that are directly related to the delay in tendering. The obligations of the lessee to indemnify the state under the terms of this lease shall survive the termination or expiration of the term of this lease.

11. Guaranty (a) This lease is contingent upon The Standard Oil Company (a wholly owned subsidiary of BP America Inc. and ultimately of The British Petroleum Company) unconditionally guaranteeing, and remaining capable of guaranteeing the performance of all of BP Transportation (Alaska) Inc.'s duties and obligations under and by virtue of this lease.

(b) The Standard Oil Company's unconditional guaranty is attached to this lease as Exhibit C.

(c) If the Commissioner determines at any time that The Standard Oil Company's guaranty is insufficient, the Commissioner may require the substitution and delivery of a new form of

guaranty with any provisions the Commissioner finds necessary.

12. State as Additional Insured If the lessee, at its option, obtains commercially available insurance coverage for the Leasehold and the lessee's activities in, on or related to the Leasehold, the lessee shall name the state as an additional insured on all such insurance policies obtained and maintained by the lessee if such addition is available at commercially reasonable rates, except that such insurance coverage shall not cover or apply where the sole proximate cause of the injury or damage is the negligence or willful misconduct by the state or anyone acting on behalf of the state. Any commercially available insurance purchased by lessee under this section will not be construed to limit in any way the lessee's liabilities or responsibilities under this lease.

13. Timely Construction and Operation Lessee shall begin construction of the Pipeline System within four (4) years of the effective date of this lease and shall begin operation of the Pipeline System as a common carrier within five (5) years of the effective date of this lease.

14. Plans and Permitting (a) An approved quality assurance program shall be the basis for monitoring commitments made by the lessee concerning all Pipeline Activities of the Pipeline System.

(b) Before any Pipeline Activities may commence, except those otherwise authorized by the Commissioner, the lessee shall submit a construction plan and other related documents as required by the Commissioner or as required by the stipulations attached hereto as Exhibit A and incorporated by reference herein for review by the Commissioner. The construction plan must be approved by the Commissioner prior to the commencement of any Pipeline Activities.

(c) Before oil may be transported through the Pipeline, the lessee shall submit a surveillance and monitoring program and other related documents as required by the Commissioner or as required by the stipulations attached hereto as Exhibit A and incorporated by reference herein for review by the Commissioner. The surveillance and monitoring program must be approved by the Commissioner prior to oil being transported through the Pipeline.

(d) Before any particular activity requiring any federal, state, or municipal permits or authorizations occurs under this lease, all required federal, state, and municipal permits and other authorizations for that particular activity must be issued to the lessee. The lessee shall maintain any such required permits in good standing for so long as such permits are required for activities carried

on pursuant to rights granted under this lease during the term of this lease.

15. Conduct of Operations (a) The lessee assumes responsibility, risk, and liability for its operations, use of, or contact with the state lands included in the Leasehold. The lessee shall perform all operations under this lease in a lawful, prudent, and skillful manner in compliance with the terms and conditions of this lease and all required permits. The lessee shall carry out at the lessee's expense all lawful orders and requirements of the state relative to the lessee's occupation and use of the Leasehold. If the lessee fails to carry out these orders and requirements, the state has the right to enter the Leasehold to repair damage subject to the provisions in section 23 herein, or, notwithstanding the provisions of section 23 herein, the right to enter to prevent imminent harm to workers, or the public health or safety, or immediate, serious or irreparable harm or damage to the environment, at the lessee's expense and may take such other actions and pursue such other remedies as may be available to it under applicable law. The Commissioner shall submit to the lessee a statement of the expenses reasonably incurred by the state during the preceding quarter in the performance by the state of any required action taken pursuant to this section, and the amount shown to be due on each statement must be paid by the lessee within 30 days of the statement.

(b) The lessee shall prevent or, if the procedure, activity, event or condition already exists or has occurred, shall abate, as completely as practicable, using Best Practicable Technology Available, any physical or mechanical procedure, activity, event or condition

(1) that is susceptible to prevention or abatement;

(2) that arises out of, or could affect adversely, the Pipeline Activities of all or any part of the Pipeline System; and

(3) that causes or threatens to cause

(A) a hazard to the safety of workers or to the public health or safety (including but not limited to personal injury or loss of life with respect to any person or persons); or

(B) immediate, serious, or irreparable harm or damage to the environment (including but not limited to water and air quality, areas of vegetation, fish or other wildlife populations or their habitats, or any other natural resource).

(c) The lessee shall provide reasonable protection to existing public or private improvements

on state land, which may be adversely affected by its activities including the activities of its agents, employees, Contractors and the employees of each of them during Pipeline Activities of the Pipeline System. If it is determined that the lessee has caused damage to such public and private improvements, and if the owner so requires, then the lessee shall promptly repair or reimburse the owner for reasonable costs in repairing the property to a condition which is satisfactory to the owner, but which does not exceed its condition prior to damage. This section does not limit in any way the legal or equitable remedies that may be available to a public or private owner of improvements on state land.

(d) The lessee shall cause its respective agents, employees, and Contractors to observe and comply with the provisions of this section.

16. Environmental Compliance (a) Nothing in this lease authorizes the discharge or disposal of any petroleum products, gasoline, hazardous chemicals, or Hazardous Materials into the atmosphere, ground, or any body of water within the Leasehold.

(b) No provision in this lease in any way alters the state's powers and rights or the lessee's duties and liabilities under Title 46 (or its successor) of the Alaska Statutes or other state, federal, or municipal statutes, regulations, or ordinances.

17. Taxes and Liens on Leasehold (a) During the term of this lease, lessee shall be solely responsible for paying any and all real property taxes, assessments, and similar charges levied by the state, any municipality, or any other governmental entity upon the interest in the Leasehold granted to lessee by this lease. Lessee shall have the right to contest, in courts or otherwise, the validity or amount of any such taxes, assessments, or charges if lessee deems them to be unlawful, unjust, unequal, or excessive, or to undertake such other steps or proceedings as lessee may deem reasonably necessary and as are permitted under applicable law to secure a cancellation, reduction, readjustment, or equalization thereof, but in no event shall lessee permit or allow its interest in the Leasehold granted by this lease to be lost or the state's title to the Leasehold to be clouded or encumbered as a result of the nonpayment of any such taxes, assessments, or charges.

(b) During the term of this lease, lessee shall be solely responsible for paying for all labor and services performed upon or materials furnished to the Leasehold by, for, or at the request of lessee. Lessee shall keep its interest in the Leasehold granted by this lease and the state's title to and

interest in the Leasehold free and clear of any and all mechanic's, mining, labor, or materialmen's liens arising out of or resulting from the performance of labor or services upon or the furnishing of materials to the Leasehold by, for, or at the request of lessee, except those liens arising by operation of law for which payment is not yet due. Lessee shall have the right to contest, in the courts or otherwise, the validity or amount of any such lien that may be filed. The lessee shall post and record notices of nonresponsibility for the benefit of the state pursuant to AS 34.35.065 and AS 34.35.150 and any other similar applicable laws.

(c) During the term of this lease, lessee shall not allow the state's title to or interest in the Leasehold to be encumbered by any judgments entered by a court of law against lessee or lessee's Contractors. If a lis pendens is filed arising from pending or actual litigation against lessee or its Contractors that encumbers or purports to encumber the state's title to or interest in any lands within the Leasehold lands, lessee shall diligently and with best efforts seek to effect immediate removal of that lis pendens.

18. Orders by the Commissioner (a) The Commissioner may issue to lessee orders and notices in compliance with this lease for the purpose of implementing the terms and conditions of this lease. An order or notice given to lessee on behalf of the Commissioner is not effective unless the lessee has prior written notice of the delegation of authority to issue such an order or notice to the person signing the order or notice from the Commissioner.

(b) The Commissioner may require the lessee at any time to furnish any and all information related to Pipeline Activities undertaken in connection with the Pipeline System as may be reasonably relevant to the Commissioner's responsibilities and duties to implement and enforce this lease. If the lessee requests in writing that records submitted to the state be kept confidential, the Commissioner shall, pursuant to his authority under AS 38.05.035(a)(9) and AS 38.35.015, retain such records as confidential to the extent permitted by the Alaska Public Records Act.

(c) The Commissioner may, by written order, require the lessee to make such modification of the Pipeline System as the Commissioner determines is necessary to protect or maintain stability of the foundation and other earth materials; protect or maintain integrity of the Pipeline System; control or prevent significant damage to the environment (including, but not limited to, fish and wildlife populations and their habitats); or remove hazards to public health and safety, including the

activities of its agents, employees, Contractors, and the employees of each of them. Before delivery of any such order, the Commissioner shall confer with the lessee, if practicable to do so, regarding the required action or actions included in the order. Any such order shall state in detail what is demanded of lessee and the reasons and basis for such demand.

(d) The State Pipeline Coordinator or Commissioner may at any time order the temporary suspension of any or all Pipeline Activities in connection with the Pipeline System, if

(1) an immediate temporary suspension of the activity or the activities is necessary to protect

(A) public health or safety (including, but not limited to, personal injury or loss of life with respect to any person or persons); or

(B) the environment from immediate, serious or irreparable harm or damage, including, but not limited to harm or damage to water and air quality, areas of vegetation, fish or other wildlife population or their habitats, or any other natural resource); or

(2) the lessee, its agents, employees, or Contractors are failing or refusing, or have failed or refused, to comply with or observe

(A) any provision of this lease intended to protect public health, safety or the environment; or

(B) any order of the State Pipeline Coordinator or the Commissioner implementing any provision of this lease or any agreement, permit, or authorization approved, issued or granted by the Commissioner in connection with all or any part of the Pipeline System.

(e) Whenever possible, a temporary suspension order issued with respect to a Pipeline Activity or the Pipeline System will be written. A written order will be issued by the State Pipeline Coordinator, the Commissioner, or a designated representative operating under a pre-existing written delegation of authority a copy of which must accompany any written order, at the site of any activity, to the lessee or a Field Representative.

(1) The order will specify the activity or activities which must be stopped; the reason for the issuance of the order, including a description of the immediate, serious or irreparable harm sought to be avoided that requires suspension of an activity or activities; the name of the person

issuing the order; the name of the Field Representative to whom the order is issued; the time and date of the order; and the site of the activity where the order is issued.

(2) If the State Pipeline Coordinator or the Commissioner finds that an emergency exists, a temporary suspension order may be given orally to the lessee or a Field Representative. If an oral temporary suspension order is given, a written order consistent with the requirements of paragraph 1 of this subsection shall be issued as soon as possible, but no later than 72 hours after the oral order is given. An oral temporary suspension order that is not confirmed with a written order within the specified time is vacated.

(f) A temporary suspension order will be limited, insofar as is practicable, to the particular area or activity that is or may be affected by the activity or activities, or conditions, that are the basis of the order. A temporary suspension order is effective as of the date and time given, unless it specifies otherwise, and will remain in full force and effect until modified or revoked in writing by the Commissioner.

(g) To the extent practicable, the State Pipeline Coordinator or Commissioner will give the lessee prior notice of any temporary suspension order. If circumstances permit, the State Pipeline Coordinator or the Commissioner will discuss with the lessee before issuing the order measures that would

(1) immediately abate or avoid the harm or threatened harm that is the reason for the issuance of the order; or

(2) effect compliance with the provision or order, whichever is applicable.

(h) After a temporary suspension order has been given by the State Pipeline Coordinator or the Commissioner, the lessee shall promptly comply with all of the provisions of the order and shall not resume any activity suspended or curtailed thereby except as provided in this lease, a subsequent order of the Commissioner, or a court order.

(i) When the Commissioner is satisfied that (1) the harm or threatened harm has been abated or remedied or (2) the lessee has effected, or is ready, willing and able to effect, compliance with the provisions of the order, whichever is applicable, the Commissioner will promptly authorize in writing the resumption of the suspended activity or activities. The Commissioner shall render a decision within three days of the date that the request from the lessee to resume suspended activities

is received by the Commissioner. The decision will state whether the request is granted or denied, and the basis for the decision.

19. Expedited Appeals and Requests for Reconsideration of Temporary Suspension Orders (a) Without limiting any other rights available under 11 AAC 02 or any other law, the lessee may bring appeals from temporary suspension orders of the State Pipeline Coordinator, requests for reconsideration from temporary suspension orders of the Commissioner, and requests for reconsideration of denials of requests to resume suspended activities under the provisions of this section. The lessee may

(1) appeal directly to the Commissioner for review of any temporary suspension order issued by the State Pipeline Coordinator under section 18 of this lease; or

(2) request reconsideration from the Commissioner of

(A) any temporary suspension order issued by the Commissioner; or

(B) any denial by the Commissioner of a request for resumption of activities suspended under such temporary suspension order.

(b) The lessee shall file a notice of appeal or a request for reconsideration brought pursuant to this section within 10 days after the effective date of the order or denial being appealed. The notice must set forth with particularity the order or denial being appealed and must contain a statement of facts and points of law the lessee wishes to present to justify modification or reversal of the order or denial. All statements of fact must be under oath.

(c) The Commissioner shall decide an appeal or a request for reconsideration within 10 days from the date the Commissioner received the notice of appeal or request for reconsideration from the lessee. If the Commissioner does not render a decision within that time, the appeal or request for reconsideration will be considered to have been denied by the Commissioner, and that denial will constitute a final agency decision, appealable within 30 days to superior court pursuant to the Alaska Rules of Appellate Procedure.

20. Commissioner's Decisions Any decision of the Commissioner as to any matter arising out of this lease will constitute the final agency decision appealable in accordance with the Alaska Rules of Appellate Procedure. The Commissioner will act in writing upon each required submission for approval of an action by the lessee. The absence of any comment by the

Commissioner on any plan, design, specification, or other document which may be filed by the lessee with the Commissioner will not represent in any way whatever any assent to, approval of or concurrence in such plan, design, specification or other document, or any action proposed therein. Except as otherwise provided in section 18, any written approval or instruction remains in effect unless and until written notice of the withdrawal or modification of the approval or instruction is provided to lessee. Any disapproval by the Commissioner will state what additional action is necessary to gain approval.

21. Reimbursement of State Expenses (a) Lessee shall reimburse the state for all reasonable costs incurred by the state in the oversight of Pipeline Activities and the design review of all or any part of the Pipeline System. The Commissioner will administer this lease to reasonably assure that unnecessary employment of personnel and needless expenditure of funds are avoided.

(b) Except as provided otherwise herein, reimbursement provided for in this section and in section 15 above must be made for each quarter ending on the last day of March, June, September, and December. On or before the 60th day after the close of each quarter, the Commissioner will submit to the lessee a written statement describing any reimbursable costs incurred by the state during that quarter. This statement may be supplemented within 60 days after the end of a fiscal year for costs incurred in the state's fiscal year but which, because of reasonable mistake, inadvertence, or unavailability, were not previously submitted.

(c) The lessee may conduct, at its own expense, and by auditors or accountants designated by the lessee, reasonable audits of the books, records and documents of the state relating to the statements submitted under subsection (b) of this section, at the places where such books, records and documents are usually maintained and at reasonable times. Written notice of intent to conduct an audit must be given to the Commissioner (1) at least 15 days prior to the audit and (2) not later than the 60th day after the date that the state submits the statement requesting reimbursement that is the subject of the audit. An audit under this subsection must be completed within 180 days after receipt by the state of the notice of intent to conduct an audit. Lessee may present the results of an audit to the Commissioner in a written notice requesting a timely review by the Commissioner of errors, omissions, or discrepancies noted in the audit, including unnecessary employment of personnel or needless expenditures of funds. The Commissioner shall meet with the

lessee within 30 days of receipt of the notice of results of the audit to discuss and attempt to resolve all items listed in the notice of results. The Commissioner shall promptly provide a written statement to the lessee setting forth the results of the meeting between the lessee and the Commissioner. Any items previously reimbursed to the state but found during the audit and concurred in by the Commissioner in the written statement setting forth the results of the meeting to have been in error, improper, unnecessary, or needless shall be reimbursed within 30 days after the date of the Commissioner's written statement.

(d) Nothing herein requires the state to maintain books, records or documents other than those usually maintained by it, provided such books, records and documents reasonably segregate and identify the costs for which reimbursement is required by this section. Such books, records and documents must be preserved for a period of at least two years after the state submits a statement for reimbursement based on such books, records and documents. The lessee and auditors or accountants designated by the lessee will be given reasonable access to, and the right to copy, at lessee's expense, all such books, records and documents.

(e) Except as otherwise provided in this subsection, the lessee shall pay to the state the total amount shown on each statement by not later than the 30th day following the date lessee receives the statement submitted under subsection (b) of this section. If the lessee disputes any item of a statement for reimbursement, the lessee shall, on or before the date on which the statement is due and payable, deliver to the Commissioner written notice of each item that is disputed, accompanied by a detailed explanation of its objection, or written notice of each disputed item to be investigated, and the lessee shall pay the state those amounts for the items that are not disputed. The lessee shall give the Commissioner prompt written notice of the completion of the investigation of all disputed items. On a date chosen by the Commissioner, but not more than 30 days after notice of a disputed statement or 15 days after notice of the completion of the investigation, whichever first occurs, the Commissioner and the lessee shall meet to discuss and attempt to resolve all items which are disputed or which have not been resolved by the investigation. The Commissioner shall provide a written statement to the lessee setting forth the results of the meeting between lessee and the Commissioner. Any items resolved as being payable to the state must be paid by the lessee within 30 days after receipt of the statement of results, together with interest thereon. Interest shall be at

the legal rate of interest set out at AS 45.45.010(a), and shall accrue from the original due date of the statement. Exercise of the right to dispute an item under this subsection does not preclude or foreclose the right to conduct an audit pursuant to subsection (c) of this section.

(f) The written statement from the Commissioner setting forth the results of a meeting to discuss and resolve any disputed item as provided for in subsection (e) above or result of an audit as provided for in subsection (c) above is a final decision for the purposes of requesting reconsideration and appeal under 11 AAC 02.

22. Transfers of Interest (a) The state may convey all or a portion of its ownership of the lands subject to this lease at any time to any entity allowed by law. Notice of such conveyance shall be given to the lessee no later than thirty (30) days prior to such conveyance. Any subsequent conveyance, transfer or other disposition of any right, title, or interest in the state land or any part thereof burdened by and subservient to this lease shall identify this lease as an encumbrance and shall be subject to this lease, including the lessee's right to renew the lease under section 2(c) herein.

(b) In compliance with section 8(i) herein, the lessee may assign, sublease, or transfer this lease, or any interest in or rights under this lease only upon a written finding by the Commissioner that the transferee meets the requirements of AS 38.35.100(a). In assigning, subleasing, or transferring interests under this lease, the lessee may transfer less than its entire undivided interest, in, to or under this lease if such transfer covers all lands subject to this lease but the lessee may not transfer any interest in, to, or under this lease that covers less than all of the lands subject to this lease. Upon application for approval of a transfer of interests under this lease to more than one lessee or which results in there being more than one lessee, the Commissioner will in the Commissioner's discretion establish the limit of the obligations and liabilities of each lessee arising under this lease. If the Commissioner does not establish the limit of the obligations and liabilities of each lessee, the obligations and liabilities will be joint and several.

(c) In the event of a transfer of less than the entire undivided interest granted in, to or under this lease to the lessee, the lessee and its transferee or transferees must appoint one party to comply with section 8(j) of this lease.

23. Default and Forfeiture (a) If the lessee fails substantially to comply with any term of this lease, and the lessee has not initiated good faith efforts to cure the default within 60 days after

written notice of such default has been received by the lessee, or within any additional period the state allows for good cause, the Commissioner may initiate an action for forfeiture of the interest of the lessee in this lease in superior court.

(b) No improvements, machinery, equipment, tools, materials, or structures on the Leasehold may be removed from it by the lessee while the lessee is in default except with the state's prior approval.

(c) Upon forfeiture of the interest of the lessee in this lease by a court of competent jurisdiction, the state shall have an immediate right to possession of the Leasehold, and to all improvements thereon, and any machinery, equipment, tools, materials, and structures thereon, and any possession by the lessee shall be unlawful.

(d) If this lease is terminated for default, the lessee shall continue to owe rent to the state until all improvements, including roads and gravel pads, are at the option of the Commissioner

(1) removed, restored, and rehabilitated by the lessee to the satisfaction of the Commissioner;

(2) removed, restored, and rehabilitated by the state at lessee's expense; or

(3) left intact and the lessee absolved of all further responsibility as to their maintenance, repair, and eventual abandonment and rehabilitation.

(e) The determination as to which option the Commissioner chooses to pursue under (d) shall be made within 30 days of entry of judgment of termination by a court of competent jurisdiction.

(f) The state is not liable for any expenditures made or undertaken by the lessee under this lease. All costs and attorneys' fees, reasonably incurred by the state for the enforcement of this lease, shall be added to the obligations due and payable by the lessee.

(g) The lessee shall be liable for any obligations due and payable and for all costs, expenses, and fees incurred by the state arising out of the state's efforts to grant a new right-of-way for this Leasehold incurred prior to the date of the termination of the rent obligation under (d).

(h) Any new right-of-way lease for the Leasehold will have no effect on the lessee's continuing rights and obligations under this lease.

24. Lessee's Obligations Upon Expiration or Termination (a) If this lease is terminated, the state may immediately enter or re-enter and take possession of the Leasehold, and without

liability for any damage, remove all persons and property from it. The words "enter" and "re-enter" as used in this subsection are to be broadly construed and are not restricted to any technical legal meaning. Any entry, re-entry, possession, repossession or dispossession by the state, taken with or without judicial action does not absolve, relieve, or discharge the lessee, either in whole or part, of any liability under this lease.

(b) Upon expiration or earlier termination of this lease, the Commissioner will set a reasonable time after termination, which may be extended, during which the lessee will have the right to remove from the lands subject to this lease all machinery, equipment, tools, materials, and structures. Any machinery, equipment, tools, materials, or structures that the lessee has not removed from the Leasehold within the period set by the Commissioner will become the property of the state or may be removed by the state at lessee's expense. This subsection does not apply when the lessee is in default.

(c) At the option of the Commissioner, all improvements, including roads and gravel pads, must be

(1) removed, restored, and rehabilitated by the lessee to the satisfaction of the Commissioner,

(2) removed, restored, and rehabilitated by the state at lessee's expense; or

(3) left intact and the lessee absolved of all further responsibility as to their maintenance, repair, and eventual abandonment and rehabilitation.

(d) Subject to the conditions in (a), and other provisions in this lease, the lessee shall deliver up the Leasehold in good condition.

25. Release of Interests (a) In connection with the relinquishment, abandonment or other termination before the expiration of this lease, of any right or interest in the Leasehold, or in the use of all or any part of the state lands subject to this lease, the lessee shall promptly execute and deliver to the state a valid instrument of release in recordable form, which must be executed and acknowledged with the same formalities as a deed. The instrument of release must contain, among other things, appropriate recitals, a description of the pertinent rights and interests, and for the benefit of the state and its grantees or assigns, express representations and warranties by the lessee that it is the sole owner and holder of the rights or interests described therein and that such right or

interest is free of all liens, equities or claims of any kind requiring or that may require the consent of a third party, claiming in whole or in part by, through or under the lessee, for the valid release or extinguishment thereof, except for such that are owned or claimed by third parties that have joined in the execution of the release. The form and substantive content of each instrument of release must be approved by the Commissioner, but except as otherwise provided for in this subsection, in no event will any such instrument operate to increase the existing liabilities and obligations of the lessee furnishing the release.

(b) A release under this section must be accompanied by such resolutions and certifications as the Commissioner may require, including the power or the authority of the lessee, or of any officer or agent acting on its behalf, to execute, acknowledge or deliver the release.

(c) Notwithstanding any language or provision in the release that operates or could operate to the contrary, neither the tender, nor approval and acceptance, of any such release will operate as an estoppel or waiver of any claim or judgment against the lessee or as a relief or discharge, in whole or in part, of the lessee from any of its then existing liabilities or obligations whether accrued or contingent.

(d) Lessee may relinquish to the state at any time any or all of the state lands subject to this lease that the lessee determines are no longer necessary for the lessee's Pipeline Activities by filing a release as provided for above. The release shall be effective as of the date the release is approved by the Commissioner, subject to the continued obligations of the lessee to fulfill all obligations and resolve all liabilities existing prior to the effective date of the release.

(e) No later than one year following the Commissioning of the Pipeline System, lessee shall

(1) file with the Commissioner a map or maps of survey, approved by the Commissioner, showing the final As Built location of the Pipeline as proof of construction of the Pipeline; and

(2) execute and deliver to the state for the Commissioner's approval a release of interests for all of lessee's interests in the Leasehold other than the Operation and Maintenance Right-of-Way, which right-of-way is described in Exhibit B.

Upon approval by the Commissioner of the requirements in this subsection, all interests of lessee in the Leasehold other than the lessee's interests in the Operation and Maintenance Right-of-Way,

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described in Exhibit B, shall be released, subject to the right of the Commissioner to approve, at the request of the lessee, an increase in the width and total acreage of the Leasehold as is necessary to carry out operations for Termination, in compliance with a plan approved by the Commissioner, which approval shall not be unreasonably withheld.

26. Authorized Representatives The State Pipeline Coordinator and the person executing this lease on behalf of the lessee shall be the authorized representatives for their respective principals for the purposes of administering this lease. This authorized representative is in addition to the registered agent required to be appointed pursuant to section 8(j) herein. The state or the lessee may change the designation of its authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with section 30 below. Additionally, a Field Representative must at all times be available in the immediate area of the Leasehold and must be designated by the lessee by notice to the state. Notwithstanding the designation of Field Representatives, if any, notices or orders delivered to lessee's authorized representative shall control.

27. No Third Party Beneficiaries The parties to this lease do not intend to create any rights under this lease that may be enforced by third parties for their own benefit or for the benefit of others.

28. Local Hire The lessee is encouraged to hire and employ local and Alaska residents and companies, to the extent they are available and qualified, for work performed pursuant to this lease. The lessee is encouraged to coordinate with employment services offered by the state and local communities and to recruit employees from local communities.

29. Nondiscrimination The lessee and the lessee's Contractors may not discriminate against any employee or applicant because of race, religion, marital status, change in marital status, pregnancy, parenthood, physical handicap, color, sex, age, or national origin as set out in AS 18.80.220. The lessee and its Contractors, on beginning any operations under this lease, must post in a conspicuous place notices setting out this nondiscrimination provision.

30. Correspondence (a) Any notice or demand by the lessee will be made in writing and must be given personally by hand delivery to the state, or by certified mail, postage prepaid, return receipt requested, addressed as follows (or to any new address that the state designates in writing):

To the state: State Pipeline Coordinator's Office

411 W. 4th Avenue, Suite 2
Anchorage, Alaska 99501-2343

Delivery to the state occurs (1) if by hand delivery, when personally received by the addressee, and (2) if by certified mail, when the notice or demand is signed for by the state or state's agent.

(b) Except as provided for in section 18 of this lease, any notice or demand by the state will be made in writing and must be given personally by hand delivery to the lessee, or by certified mail, postage prepaid, return receipt requested, addressed as follows (or to any new address that the lessee designates in writing):

To the lessee: BP Transportation (Alaska) Inc.
900 East Benson Blvd.
PO Box 190848
Anchorage, Alaska 99519-0848.

(c) Other correspondence may be made by delivery, hand delivery, or faxed with original to follow in the mail.

31. Waiver Not Continuing The waiver by the state of any breach of any provision of this lease, whether express or implied, will not be construed to be a continuing waiver or a waiver of or consent to any subsequent or prior breach by the lessee. The waiver by the lessee of any breach of any provision of this lease, whether express or implied, will not be construed to be a continuing waiver or a waiver of or consent to any subsequent or prior breach by the state.

32. Rights and Remedies Cumulative: Equitable Relief No right or remedy conferred by this lease upon or reserved to the state or the lessee is intended to be exclusive of any other right or remedy provided for by this lease or by law, and each and every right and remedy shall be cumulative. The state, in a proper action instituted by it, may seek a decree against the lessee for specific performance and injunctive or other equitable relief, as may be appropriate.

33. Authority to Enter Into Lease The lessee represents and warrants to the state that (a) it is authorized and empowered under the applicable laws of the State of Alaska to enter into and perform this lease in accordance with the lease and its provisions; (b) the lessee has approved and authorized the execution, delivery and performance of this lease insofar as it pertains to the obligations of the lessee; (c) all action that may be necessary to the approval, execution, and delivery

of this lease by the lessee, has been taken; and (d) that all of the required and necessary approvals, authorizations, and actions are in effect at the time of the execution and delivery of the lease.

34. Interpretation of Lease Any interpretation of this lease must take into account the parties' intent and understanding that the protection and preservation of the Leasehold's environment are high priorities, and the nature of the environment, including permafrost and seismic areas, will require special consideration and a high degree of care.

35. Applicable Laws This lease is subject to all applicable state, federal, and municipal statutes, regulations, and ordinances in effect on the effective date of this lease.

36. Venue The venue for any appeal or civil action relating to this lease shall be in the Third Judicial District, State of Alaska.

37. Recording Upon execution, acknowledgment, and delivery of this lease, the lessee may at its sole expense cause this lease to be recorded in the Barrow Recording District, State of Alaska.

38. Severability A judicial finding that any term or condition of this lease is unlawful or invalid may not operate to invalidate this lease or any other term or condition of the lease.

39. Amendments in Writing No amendment to this lease is effective until agreed to in writing by the parties.

40. Exhibits The following exhibits are attached to this lease and are, by this reference, incorporated into this lease as if they were set out in their entirety:

(a) stipulations for this lease attached hereto as Exhibit A included pursuant to AS 38.35.120(c) and (d);

(b) a description of the land included in the general route attached as Exhibit B;

(c) the form of guaranty attached as Exhibit C; and

(d) a list of documents submitted on behalf of lessee which are incorporated and included as part of this lease attached as Exhibit D.

41. Merger Clause This lease, including all Exhibits hereto, documents that are incorporated in this lease by reference, and the application and supporting documents as approved by the Commissioner, more specifically described in Exhibit D hereto, contains the entire agreement between the parties, and is binding upon the parties.

42. Section Headings The section headings in this lease are for convenience only and have no other significance.

43. Definitions All words and phrases used in this lease and any attachments thereto are to be interpreted where possible in the manner required in respect to the interpretation of statutes by AS 01.10.040. As used in this lease, for each word, the singular extends to the plural and the plural includes the singular. The following words have the following meanings unless the context unavoidably requires otherwise:

(a) As Built means an engineering diagram that depicts the centerline location of the Pipeline and the improvements as constructed.

(b) Best Practicable Technology Available means best technology commercially available that is proven to be successful for the purpose to which it is proposed to be used and is determined to be economic under the facts of the situation for which it is proposed to be used.

(c) Commissioner means the Commissioner of the Alaska Department of Natural Resources.

(d) Commissioning means the date when Crude Oil is first transported through the Pipeline and the Pipeline System is operational.

(e) Contractor means any contractor or subcontractor at any tier, and the employees, representatives, and agents of such a contractor.

(f) Crude Oil means crude petroleum oil and other hydrocarbons that meet the pipeline specifications approved by the Alaska Public Utilities Commission and the Federal Energy Regulatory Commission for the Pipeline.

(g) Field Representative means an employee, Contractor, agent, or representative of the lessee, appointed in writing by the lessee, with notice to the state, to receive notices and orders at any location not part of the lessee's urban administrative offices, from the Commissioner's authorized representative.

(h) Hazardous Material means any hazardous or toxic substance, material, or waste that is or becomes regulated by any municipal governmental authority, the state, or the United States government.

(i) Lease Anniversary Date means the same day and month as the date this lease is effective, in each subsequent year that this lease is in effect.

(j) Leasehold means the state lands subject to this lease as those lands are identified in Exhibit B of this lease and any subsequent renewals.

(k) Lessee means BP Transportation (Alaska) Inc., its successors and assigns.

(l) Pipeline means that 12.75 inch diameter common carrier Crude Oil sales pipeline and all parts of those physical facilities located in, on or over state lands subject to this lease, through which Crude Oil is transported.

(m) Pipeline Activities means activities involving and related to construction, operation, maintenance, and termination of the Pipeline System or any part of the Pipeline System.

(n) Pipeline Construction for the purposes of rental under section 3 of this lease means that period from the date this lease is effective until the date that all requirements imposed by section 25(e) of this lease are approved by the Commissioner.

(o) Pipeline Support means all facilities in, on, or over state lands subject to this lease which are constructed or used by the lessee in connection with the construction, operation, maintenance, and termination of the Pipeline. It does not include facilities, such as urban administrative offices, which are only indirectly involved in the transportation of Crude Oil, nor does it include facilities used by others in the production or gathering of Crude Oil.

(p) Pipeline System means the Pipeline, Pipeline Support, and Related Facilities taken as a whole.

(q) Quality Assurance Program means all those documented, planned, and systematic actions necessary to provide evidence that the lessee is satisfying lease commitments and requirements for integrity of the pipeline, health, safety, and environment.

(r) Related Facilities means those structures, devices, improvements, and sites located in, on, or over state lands subject to this lease, other than the Pipeline, the substantially continuous use of which is necessary for the operation and maintenance of the Pipeline. Related Facilities do not include any equipment upstream of the shipping pumps, or equipment not owned or used by the lessee.

(s) Revegetation means the establishment of plant cover on disturbed lands through techniques including seedbed preparation, seeding, planting, fertilizing, mulching, and watering.

(t) Roads means roads or ice roads on state lands, other than state or public highways, that

are constructed or used by the lessee in connection with the construction, operation, maintenance, and termination of the Pipeline System.

(u) State Lands has the same meaning given for the word "land" as in AS 38.35.230(9).

(v) State Pipeline Coordinator means that officer operating under written delegation of authority from the Commissioner with the authority and responsibility of administering a portion or all of the provisions of this lease.

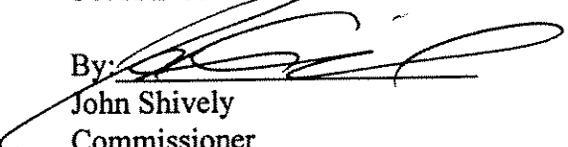
(w) Termination means all activities connected with the expiration, relinquishment, or completion of use of the state lands subject to this lease, including fulfillment of all obligations incurred under this lease.

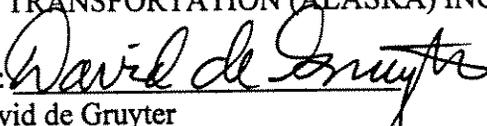
44. Effective Date This lease takes effect on December 15, 1997.

IN WITNESS WHEREOF, the parties have executed this lease as of the date first above written.

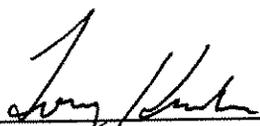
STATE OF ALASKA

BP TRANSPORTATION (ALASKA) INC.

By: 
John Shively
Commissioner
Department of Natural Resources

By: 
David de Gruyter
President

Attested by:


Tony Knowles
Governor
State of Alaska

EXHIBITS:

- Exhibit A: Stipulations
- Exhibit B: Right-of-Way Description
- Exhibit C: Form of Guaranty
- Exhibit D: Documents Submitted on Behalf of BPTA Which are Incorporated and Made a Part of This Lease

42

State of Alaska)
) ss.
Third Judicial District)

THIS IS TO CERTIFY that on this 15th day of December
1997, before me personally appeared David de Gruyter, the
President of BP Transportation (Alaska) Inc., a Delaware corporation, who executed the
foregoing on behalf of said corporation, and acknowledged voluntarily signing same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day
and year above written.

Maretta Houston
Notary Public in and for the State of Alaska
My Commission Expires: 7/10/98

STATE OF ALASKA)
) ss.
Third Judicial District)

THIS IS TO CERTIFY that on this 15th day of December
1997, before me personally appeared John Shively, the
Commissioner of the Department of Natural Resources of the State of Alaska, who executed the
foregoing on behalf of the Department of Natural Resources of the State of Alaska and
acknowledged voluntarily signing the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day
and year above written.

Maretta Houston
Notary Public in and for the State of Alaska
My Commission Expires: 7/10/98

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EXHIBIT A

Stipulations

1. GENERAL STIPULATIONS

1.1. Definitions

The following definitions apply to terms used in these stipulations. They shall also apply to terms used in documents to which these stipulations are attached unless specifically provided otherwise in such documents.

1.1.1. **DESIGN CRITERIA** means approved project criteria (i.e., construction, including design and operational concepts) necessary to delineate the project to be constructed. As a minimum, it includes the following: criteria and commitments including appendices, recommendations, conclusions, and monitoring program discussions contained in the submitted "Detailed Engineering Plan" to be used for the final design and project concepts; evaluation of data used to establish the design criteria; drawings showing functional and technical requirements; reports of all test data compiled during the data collection and design criteria evaluation; standard drawings (if applicable) or drawings to support structural design concepts of each typical facility or structure; proposed construction modes; outline of project specifications; sample computations to support the design; and concepts and bases for project siting.

1.1.2. **FINAL DESIGN** means completed design documents suitable for construction including plans and specifications; proposed construction modes; operational requirements necessary to justify designs; design analysis as required; all appropriate engineering criteria; and other considerations pertinent to design.

1.1.3. **FISH REARING AREAS** means those areas inhabited by fish during any life stage.

1.1.4. **FISH SPAWNING BEDS** means those areas where anadromous and resident fish deposit their eggs.

1.1.5. **OVERWINTERING AREAS** means those areas inhabited by fish between freeze up and breakup.

1.1.6. **WASTE** means all discarded matter other than excess excavated material. It includes,

- (8) restoration and rehabilitation;
- (9) wildlife avoidance and interaction; and
- (10) access.

1.4. Quality Assurance and Control

1.4.1. The lessee (including its agents, employees, Contractors, and the employees of each of them) shall comply with the approved quality assurance program during Pipeline Activities of the Pipeline System. Any amendments to the quality assurance program must be approved by the Commissioner prior to the amendment being implemented. The quality assurance program shall document the lessee's compliance with this lease.

1.5. Conduct of Operations

1.5.1. The lessee shall be required to maintain the Pipeline System to the approved design criteria. Any changes from the approved design criteria must be approved by the Commissioner.

1.6. Surveillance and Monitoring

1.6.1. The lessee shall develop and submit a surveillance and monitoring program to detect and abate situations that endanger health, safety, environment, or the integrity of the Pipeline. The surveillance and monitoring program shall be approved by the Commissioner prior to oil being transported through the Pipeline. The lessee shall implement the surveillance and monitoring program during maintenance, operation, and termination of the Pipeline System on the following:

- (1) river, stream, and flood plain crossings;
- (2) valve pads;
- (3) frost heave or thaw settlement/pipeline vertical movement;
- (4) corrosion
- (5) restoration and rehabilitation;
- (6) fish and wildlife protection; and
- (7) zones of restricted activity.

1.6.2. The lessee must annually submit to the Commissioner a written analysis of changes in

but is not limited to, human waste, trash, garbage, refuse, oil drums, oily waste, petroleum products, ashes, and equipment, as defined by or used in AS 46.03.900, 18 AAC 60.200, 18 AAC 72.990, and 18 AAC 75.990.

1.1.7. WETLANDS means those areas that are inundated or saturated by surface or ground water at the frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions.

Wetlands generally include swamps, marshes, bogs and similar areas.

1.2 Communications

1.2.1. The lessee shall provide a communication capability that ensures the transmission of information required for safe Pipeline Activities of the Pipeline System.

1.2.2. Documents required by statute or regulation to be filed with a state agency other than the Department of Natural Resources must be filed as so required, provided that a copy is concurrently provided to the Commissioner.

1.3. Construction Plan

1.3.1. The lessee shall not initiate any Pipeline Activities unless otherwise authorized by the Commissioner, until a construction plan is reviewed and approved by the Commissioner as required by section 14 of this lease. The lessee shall submit a construction plan that includes all work schedules, permits, or authorizations required and their interrelationship, construction sequencing, a map or maps depicting the boundaries of the construction zone, and discussions of the following sections.

- (1) blasting;
- (2) erosion and sedimentation control;
- (3) stream, river, and flood plain crossing;
- (4) sanitation and hazardous waste disposal;
- (5) overburden and excess material disposal;
- (6) cultural resource preservation;
- (7) groundwater control;

situations documented by records gathered from the lessee's surveillance and monitoring program. This annual submittal to the Commissioner must document cumulative changes with changes from the previous year, effects of the changes, and the proposed actions to be taken on the noted changes.

1.7. Health and Safety

1.7.1. The lessee shall notify the Commissioner of accidents which occur in connection with activities performed by the lessee in the general vicinity of the Leasehold in connection with Pipeline Activities of the Pipeline System with the same frequency and detail as Alaska Occupational Safety and Health reporting requirements.

1.8 Survey Monuments

1.8.1 The lessee shall mark and protect all survey monuments encountered during Pipeline Activities of the Pipeline System. These monuments are not to be disturbed; however, if disturbance of a monument or any of its accessories becomes necessary, the lessee will notify the Commissioner in writing before such disturbance occurs, and the Commissioner will provide instructions. A written report to the Commissioner will also be made immediately by the lessee in the event that any monuments or accessories are inadvertently damaged.

1.8.2. If any public land survey monuments, corners, or accessories (excluding geodetic survey monuments) of the United States or survey monuments of others, are destroyed or damaged during Pipeline Activities of the Pipeline System, the lessee shall employ a qualified land surveyor to reestablish or restore them in accordance with the *Manual of Instructions for the Survey of Public Lands* of the Bureau of Land Management and shall record such survey in the appropriate records. Additional requirements for the protection of monuments and corners on state lands may be prescribed by the Commissioner.

1.9. Fire Prevention and Suppression

1.9.1. The lessee shall promptly notify the Commissioner of any fires on, or which may threaten any portion of, the Pipeline System and shall take all measures necessary or appropriate for the prevention and suppression of fires in accordance with applicable law. The lessee shall

comply with the instructions and directions of the Commissioner concerning the use, prevention, and suppression of fires on state lands. Use of open fires in connection with Pipeline Activities of the Pipeline System is prohibited on state land unless approved by the Commissioner and performed in accordance with 18 AAC 50.030.

1.10. Electronically Operated Devices

1.10.1. The lessee shall screen, filter, or otherwise suppress any electronically operated devices installed as part of the Pipeline System which are capable of producing electromagnetic interference radiations so that such devices will not adversely affect the functioning of the communications systems.

1.11. Regulation of Access

1.11.1. During construction, the lessee may regulate or prohibit public access and vehicular traffic on roads required for construction in the immediate vicinity of the Pipeline System and Related Facilities. The lessee shall provide appropriate warnings, flagging, barricades, and other safety measures when the lessee is regulating public access.

1.11.2. Pipeline Activities may not interfere with the public's free and unrestricted access to and upon the Leasehold, except that, with the Commissioner's approval, the lessee may regulate or prohibit access, including vehicular traffic, to and upon the Leasehold to the extent necessary to facilitate Pipeline Activities or to protect the public and wildlife from hazards associated with Pipeline Activities.

1.11.3. Areas of restricted access imposed by the lessee must be identified and approved by the Commissioner.

1.12. Use of Existing Facilities

1.12.1. Subject to existing rights vested in other parties the lessee shall use existing facilities, to the maximum extent feasible, in all Pipeline Activities associated with the Pipeline System.

2. Environmental

2.1. Environmental Briefings

2.1.1. The lessee shall develop and provide environmental briefings as needed for

supervisory, field personnel, and field representatives directly related to Pipeline Activities.

2.2. Pollution Control

2.2.1. The temperature of natural surface or ground water must not be significantly changed by the Pipeline System or by any construction related activities so as to adversely affect the natural surface or ground water unless approved by the Commissioner.

2.3. Erosion and Sedimentation Control

2.3.1. General

2.3.1.1. The lessee shall perform all Pipeline Activities of the Pipeline System in a manner to minimize disturbance to all surface areas.

2.3.1.1.1. Construction of ice roads, snow/ice ramps, and ice work pads during operation, maintenance, and termination of the Pipeline System must be approved by the Commissioner.

2.3.1.2. Erosion control measures on state lands shall be maintained to limit induced and accelerated erosion, limit sediment production and transport, and lessen the possibility of forming new drainage channels during operation, maintenance and termination of the Pipeline System.

2.3.2. Crossings of Streams, Rivers, Flood Plains, and Wetlands

2.3.2.1. The lessee shall minimize erosion and sedimentation at stream, river, and wetland crossings, and at flood plains.

2.3.2.2. Temporary access over stream banks prior to and following construction must be made through the use of snow/ice fill ramps rather than by cutting through stream banks, unless otherwise approved by the Commissioner after consultation with the Alaska Department of Fish and Game (ADF&G). If the lessee obtains approval by the Commissioner to construct fill ramps, the lessee shall remove such ramps upon termination of the activity. Ramp materials shall be disposed of in a manner approved by the Commissioner after consultation with the ADF&G.

2.3.3. Excavated Material

2.3.3.1. Excess excavated material must be disposed of in accordance with the approved construction plan during construction and as approved by the Commissioner during operation,

maintenance, and termination.

2.4. Fish and Wildlife Protection

2.4.1. The lessee shall conduct Pipeline Activities of the Pipeline System so as to assure free passage and movement of fish in streams designated by the Commissioner. Temporary blockages of fish necessitated by in stream activities must be approved by the Commissioner.

The construction plan must include the time and place that such temporary blockages may occur.

2.4.2. Pump intakes must be screened to prevent harm to fish. Screening specification must be approved by the Commissioner.

2.4.3. When abandoned, water diversion structures shall be removed or plugged and stabilized unless otherwise approved by the Commissioner.

2.4.4. Fish Spawning Beds, Fish Rearing Areas, and Overwintering Areas

2.4.4.1. The lessee shall avoid disturbance to fish spawning beds, fish rearing areas, and overwintering areas designated by the Commissioner. However, where disturbances cannot be avoided, proposed modifications and appropriate mitigation measures must be designed by the company and approved by the Commissioner.

2.4.4.2. The lessee shall protect fish spawning beds, fish rearing areas, and overwintering areas from sediment where soil material is expected to be suspended in water as a result of Pipeline Activities. Settling basins or other sediment control structures shall be constructed and maintained to intercept sediment before it reaches rivers, streams, lakes, or wetlands.

2.4.4.3. The lessee shall comply with site-specific terms and conditions imposed by the Commissioner to protect fish spawning beds, fish rearing areas, and overwintering areas from the effects of the lessee's Pipeline Activities. The Commissioner may require the lessee to construct levees or berms or to employ other suitable means to protect fish and fish passage and to protect or minimize sedimentation. The lessee shall repair damage caused by Pipeline Activities of the Pipeline System to the approval of the Commissioner.

2.4.4.4. The lessee shall not take water from fish spawning beds, fish rearing areas, and overwintering areas of waters that directly replenish those areas during critical periods that will

be defined by the Commissioner, unless approved by the Commissioner.

2.5. Zones of Restricted Activities

2.5.1. The Commissioner may restrict Pipeline Activities of the Pipeline System in fish and wildlife areas and in specific areas where threatened or endangered species of animals are found breeding, nesting, spawning, and calving, overwintering or during major migrations of fish and wildlife. The lessee shall provide monitoring in accordance with the approved construction plan and the surveillance and monitoring program.

2.5.2. Pipeline Activities must avoid grizzly bear dens by one-half mile unless alternative mitigative measures to minimize disturbances are approved by the Commissioner and ADF&G. Known bear den locations shall be obtained from the ADF&G Division of Wildlife Conservation (Fairbanks @ 459-0213) or ADF&G Division of Habitat and Restoration (Fairbanks @ 459-7289) prior to starting operations. Occupied dens encountered in the field must be reported to the ADF&G Division of Wildlife Conservation at the above telephone numbers and must be subsequently avoided.

2.5.3. Pipeline Activities must avoid polar bear dens by one mile unless alternative measures are approved by the Commissioner and U.S. Fish and Wildlife Service. Known den locations shall be obtained from the U.S. Fish and Wildlife Service (786-3800 or (800) 362-5145) prior to starting operations. New dens encountered in the field shall be immediately reported to the U.S. Fish and Wildlife Service at the above telephone number and must be subsequently avoided by one mile.

2.6. Big Game Movements

2.6.1. The Pipeline System shall be maintained to avoid significant alteration of caribou and other ungulate movement patterns. The Commissioner may require additional measures to mitigate impacts to ungulate movement.

2.7. Disturbance or Use of Natural Waters

2.7.1. All activities of the lessee in connection with the Pipeline System that may create new lakes, drain existing lakes, significantly divert natural drainage and surface runoff,

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permanently alter stream or ground water hydrology, or disturb significant areas of stream beds are prohibited unless such activities and necessary mitigation measures are approved by the Commissioner.

2.8. Right-of-Way Traffic

2.8.1. The lessee shall not operate mobile ground equipment on state lands in the Leasehold, unless approved by the Commissioner, except in an emergency that threatens any person or property; or if there is a need to prevent immediate harm to any person or property.

2.9. Use of Explosives

2.9.1. No blasting is allowed except as provided in the construction plan. No blasting may be done under water or within one-quarter (1/4) mile of streams or lakes with identified fisheries or wildlife resources without the approval of the Commissioner.

2.9.2. Timing and location of any blasting except as already approved in the construction plan must be approved by the Commissioner.

2.10. Restoration, Revegetation, and Decommissioning

2.10.1. Restoration includes, where appropriate, erosion and sediment control, revegetation, reestablishment of native species, visual amelioration and stabilization. All disturbed areas of state lands must be left in such stabilized condition that erosion in excess of natural rates will be minimized.

2.10.2. Revegetation of disturbed areas of state lands must be accomplished as soon as practicable. The results of revegetation must be approved by the Commissioner.

2.10.3. Pending restoration of a disturbed area of state land, the lessee shall maintain the area in a stabilized condition approved by the Commissioner.

2.10.4. Upon completion of use, the lessee shall restore all areas of state lands disturbed by it, in accordance with a plan and schedules approved by the Commissioner.

2.10.5. Upon completion of restoration of an area of state land, the lessee shall remove all improvements, equipment, and supplies from that area in accordance with an approved restoration plan unless otherwise approved or directed by the Commissioner.

2.11. Reporting, Prevention, Control, Cleanup, and Disposal of Oil and Hazardous Substances Discharges

2.11.1. The lessee shall give notice in accordance with applicable law of any spill, leakage, or discharge of oil or other hazardous substances in connection with the Pipeline Activities of the Pipeline System to the Commissioner and other state officials who are required by law to be given such notice.

2.12 Cultural Resources

2.12.1. The lessee shall take affirmative responsibility to require its employees, agents, Contractors and their employees to comply with the Alaska Historic Preservation Act AS 41.35.200 while conducting Pipeline Activities. Should any sites be discovered during the course of field operations, activities that may damage the site must cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (269-8715) and the appropriate coastal district must be notified immediately.

2.13. Hunting, Fishing, and Trapping

2.13.1. The lessee shall inform its employees, agents, Contractors and their employees, of applicable laws and regulations relating to hunting, fishing and trapping.

3. Technical

3.1. Pipeline System Standards

3.1.1. General Standards

3.1.1.1. All design, including selection of material, and construction, operation, maintenance, monitoring, and termination practices employed with respect to the Pipeline System must be in accordance with sound engineering practice, design criteria and, with regard to the pipeline, must meet or exceed the Department of Transportation Regulations, 49 CFR, and the application and supporting documents as approved by the Commissioner.

3.1.1.2. Modifications to the application and supporting documents shall require approval by the Commissioner.

3.1.2. Specific Standards

3.1.2.1. All Pipeline Activities in connection with the Pipeline System must be conducted so as to minimize surface modifications and must be planned and executed in such a way that any resulting alteration of permafrost will not jeopardize pipeline integrity or the surrounding environment.

3.2. Pipeline Corrosion

3.2.1. The lessee shall provide for early detection of corrosion in accordance with the application, state requirements, and 49 CFR 195.

EXHIBIT B
ADL 415472

The Badami Sales Oil Pipeline Right-of-Way Lease is approximately 25.1 miles long, extending from the Badami Central Processing Unit in Section 8, T9N, R20E, U.M., to a tie in point on the Endicott Pipeline in Section 2, T10N, R16E, U.M.

Construction Right-of-Way

The construction right-of-way width shall be a total of 300 feet (150 feet on either side of the centerline of the Pipeline, the projected centerline of the Pipeline where the Pipeline is not yet in place), except at the buried crossings of (1) the east channel of the Sagavanirktok River, (2) the Kadleroshilik River, and (3) the Shaviovik River where the right-of-way will be 2,000 feet wide (1,000 feet on either side of the centerline of the Pipeline or projected centerline). This expanded right-of-way at these river crossings will extend across the channel from bank to bank plus 500 feet. See Diagram 1, Typical Construction R.O.W., attached hereto and incorporated by reference herein. On the east side of each river crossing described above, the right-of-way will include an additional 300 foot wide temporary workspace if not congruent with the right-of-way. See Diagram 1. The length of the temporary workspace is the distance of the river crossing from bank to bank, which will vary from river to river, plus 1,000 feet. The construction right-of-way for Badami Sales Oil Pipeline will contain 1,240 acres, more or less.

Operation and Maintenance Right-of-Way

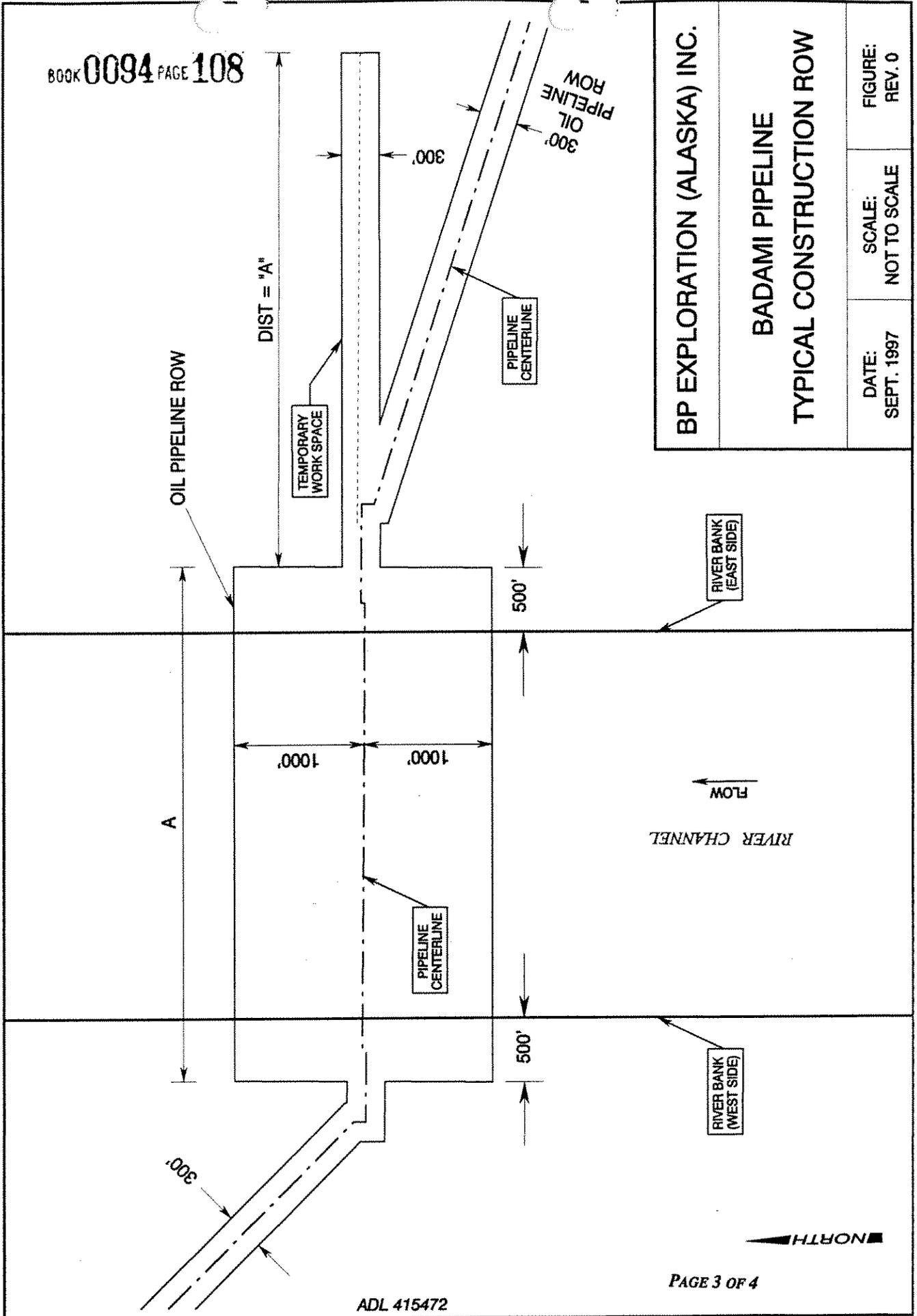
The Operation and Maintenance Right-of-Way will extend 50 feet generally on the north side and 10 feet generally on the south side of the Pipeline centerline. The right-of-way will encompass the valve pads plus an additional 10 feet around the valve pads. Diagram II depicting the Operation and Maintenance Right-of-Way is attached hereto and incorporated by reference herein. An As Built will be submitted for approval by the commissioner showing in detail the Operation and Maintenance Right-of-Way. The acreage for the operation and maintenance right-of-way will be determined when the As Built is submitted for approval by the Commissioner. Upon approval, the As Built is incorporated by reference herein.

Termination Right-of-Way

The lands included in the Leasehold will be increased and modified as necessary and as approved by the commissioner to accommodate operations to terminate the Pipeline.

DIAGRAM I TO EXHIBIT B

BOOK 0094 PAGE 108



BP EXPLORATION (ALASKA) INC.

BADAMI PIPELINE
TYPICAL CONSTRUCTION ROW

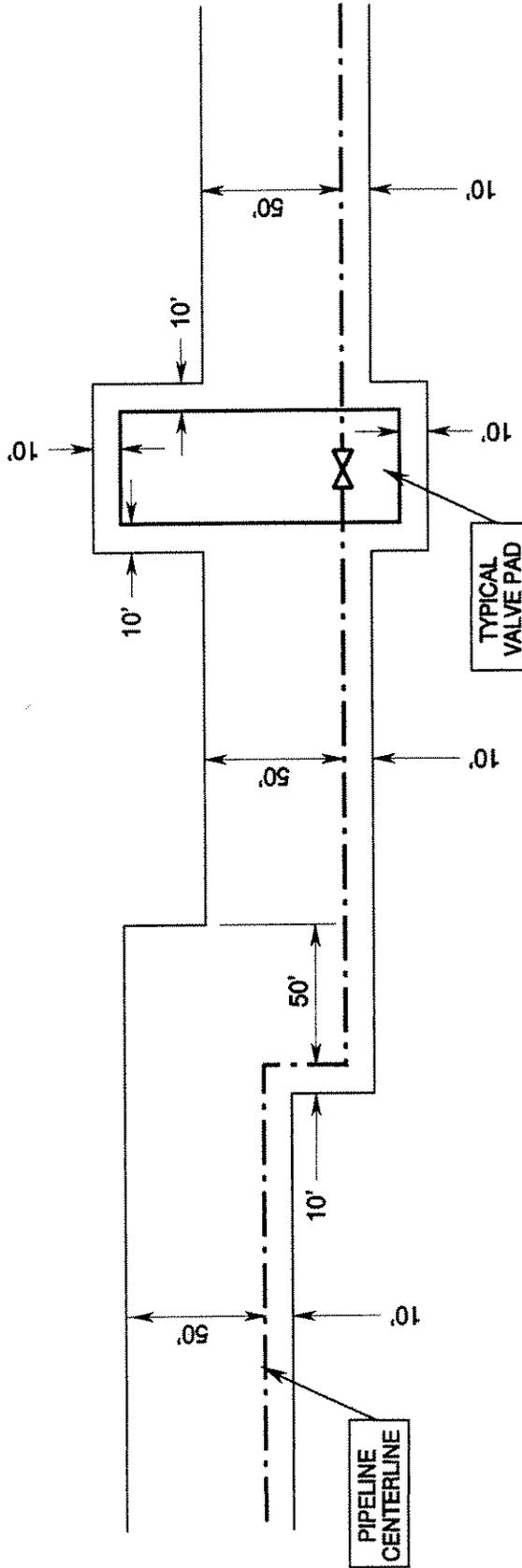
DATE:
SEPT. 1997

SCALE:
NOT TO SCALE

FIGURE:
REV. 0

ABS

DIAGRAM II TO EXHIBIT B



BADAMI PIPELINE
TYPICAL OPERATION
AND MAINTENANCE ROW

DATE: SEPT. 1997	SCALE: NOT TO SCALE	FIGURE: REV. 0
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EXHIBIT C

BOOK 0094 PAGE 110

GUARANTY OF THE STANDARD OIL COMPANY

THE STANDARD OIL COMPANY ("Guarantor"), an Ohio corporation with an address of 200 Public Square, Cleveland, Ohio 44114-2375, at the request of a wholly owned subsidiary, BP TRANSPORTATION (ALASKA) INC. ("BPTA"), and in accordance with that certain Right-of-Way Lease for the Badami Sales Oil Pipeline, ADL-415472 ("Lease"), effective as of ~~December 11th~~ 1997, by and between the State of Alaska ("the State"), acting by and through the Commissioner of the Alaska Department of Natural Resources (herein "the Commissioner"), and BPTA, to which a form of this Guaranty is attached as Exhibit "C", hereby irrevocably and unconditionally guarantees to the State the full performance, fulfillment, and satisfaction of all of the duties, obligations, and liabilities of BPTA arising under or pursuant to the Lease.

If for any reason any duty, obligation, or liability of BPTA under the Lease is not performed, fulfilled, or satisfied by BPTA within the time or in the manner required, Guarantor shall perform, fulfill, or satisfy (or cause to be performed, fulfilled, or satisfied) each of such duties, obligations, and liabilities; provided, however, that (1) the State must first make demand upon BPTA before making demand on Guarantor, (2) if BPTA in good faith denies that any such duty, obligation, or liability exists or has not been performed, fulfilled, or satisfied by BPTA within the time or in the manner required, BPTA may exhaust any and all appeal rights available under the Lease, 11 AAC 02, the applicable rules of court, and any applicable law before the State may demand performance, fulfillment, or satisfaction from Guarantor, provided, further, that Guarantor shall be entitled to the benefit of any stay obtained by BPTA under Alaska law, including but not limited to a stay obtained under 11 AAC 02 or any Alaska rule of court but specifically excluding a stay imposed under bankruptcy law, and (3) Guarantor shall be entitled to any and all benefits arising by virtue of any defense, set-off, counterclaim, or cross-claim available to BPTA except failure of consideration or bankruptcy of BPTA (collectively hereinafter referred to as "defense") except that Guarantor shall be bound by any prior judicial determination, if any, concerning any such defense asserted by BPTA.

Guarantor agrees that this Guaranty shall not be discharged, limited, or reduced except by complete performance of the duties, obligations, and liabilities of BPTA guaranteed hereby or upon the full and complete replacement hereof with a guaranty in substantially the same form executed by a guarantor accepted by the Commissioner pursuant to the terms of the Lease.

The provisions of the Lease and other state authorizations identified therein may be changed as allowed by law without the consent of or notice to Guarantor and this Guaranty shall guarantee the performance of the Lease as changed. Guarantor warrants that it has adequate means to obtain from BPTA on a continuing basis information

concerning the Lease and other authorizations identified therein and that it is not relying upon the State to provide such information, now or in the future.

This guaranty shall not be affected by the State's delay or failure to enforce any of its rights except to the extent such delay or failure gives rise to a successful defense asserted by BPTA.

If the Lease terminates and the State has any rights against BPTA with respect to any duty, obligation, or liability of BPTA arising under the Lease, the State can enforce those rights against Guarantor pursuant hereto.

Guarantor waives any right it may have to require the State to proceed against or exhaust any bond or other security that the State holds or may hold from BPTA or pursue any other remedy in the State's power. Until all of BPTA's obligations under the Lease have been discharged in full, Guarantor has no right of subrogation against any bond or other security that the State may hold. Guarantor waives all presentments, notices of dishonor, notices of nonperformance, demands for performance except as specified herein, protests, notices of protest, and notices of acceptance of this Guaranty.

The Guarantor hereby waives any defense based upon any act or omission of the State, except to the extent such acts or omissions constitute negligence or bad faith, which materially increases the scope of the Guarantor's risk.

This Guaranty shall be interpreted, construed, and enforced in accordance with the laws of the State of Alaska. Venue for any civil action relating to this Guaranty shall be in the Third Judicial District, State of Alaska.

This Guaranty shall be binding upon the Guarantor and the successors and assigns of the Guarantor and shall inure to the benefit of the State and its successors and assigns.

All notices required or permitted to be given pursuant to this Guaranty shall be in writing and shall be addressed respectively as follows:

Guarantor: The Standard Oil Company
200 Public Square
Cleveland, Ohio 44114-2375
ATTN: Secretary, Peter Wilbur
Facsimile: (216) 586-4535
(Telephone: (216) 586-6915)

The State: State Pipeline Coordinator's Office
411 W. 4th Avenue, Suite 2

BOOK 0094 PAGE 112

Anchorage, Alaska 99501-2343
Facsimile: 907-272-0690
(Telephone: 907-271-5070)

All notices shall be given (a) by personal delivery to the addressee, (b) by electronic communication, with a confirmation sent by registered or certified mail return receipt requested, or (c) by registered or certified mail return receipt requested. All notices shall be effective and shall be deemed delivered (a) if by personal delivery, on the date of delivery if delivered during normal business hours or on the next business day following delivery if not delivered during normal business hours, (b) if by electronic communication, on the next business day following the day of receipt (said day of receipt being the day of receipt at the office of the recipient) of the electronic communication, and (c) if solely by mail, on the next business day after actual receipt.

This writing is intended by the parties to be the final expression of this Guaranty, and is intended as a complete and exclusive statement of the terms of this Guaranty. There are no conditions to the full effectiveness of this Guaranty other than those contained herein.

EXECUTED this 4th day of DECEMBER, 1997, but effective for all purposes as of the effective date of the Lease.

ATTEST

THE STANDARD OIL COMPANY

By: Peter S. Wilbur
Title: Secretary

By: [Signature]
Title: CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

BOOK 0094 PAGE 113

STATE OF OHIO)
) ss.
COUNTY OF Cuyahoga)

THIS CERTIFIES that on the 4th day of December, 1997, at Cleveland
Ohio, the foregoing instrument was acknowledged before me by S.W. PERLY
CHAIRMAN, PRESIDENT, CHIEF EXECUTIVE OFFICER of THE STANDARD OIL COMPANY, a N
OHIO corporation, on behalf of said corporation.

GIVEN UNDER MY HAND and official seal the day and year last above
written.

Eileen M. Gressock
Notary Public in and for: State of Ohio
My commission expires: 1-14-98

EILEEN M. GRESSOCK, Notary Public
State of Ohio
My Commission Expires Jan. 14, 1998

EXHIBIT D
Badami Sales Oil Pipeline
ADL 415472

BOOK **0094** PAGE **114**

Document Description	To	From	Section No.	Section Title	Document Date	Transmittal Date
Revised ROW Application	Braden	Hanley			7/0/96	7/19/96
Badami Development Project Description and Environmental Assessment		BPXA			1/1/95	1/19/95
Badami Development Project Description and Environmental Assessment Supplement		BPXA			7/0/96	7/19/96
Badami Development Project Coastal Project Questionnaire	Birbaum	Hanley			1/19/95	1/19/95
Badami Development Project Coastal Project Questionnaire - Amendment 1	Birbaum	Hanley			7/14/95	7/14/95
Badami Development Project Coastal Project Questionnaire - Amendment 2	Birbaum	Hanley			7/22/96	7/19/96
Response to Completeness	Brossia	Hanley				12/16/96
Badami Pipeline Draft Access Plan	Swank	Hanley			3/4/97	3/6/97
Badami Pipeline Transmittal of Exhibit A	Swank	Hanley			2/0/97	4/22/97
Badami Pipeline Environmental Compliance Plan	Brossia	Hanley			1/31/97	1/31/97
Badami Pipeline Hazard Communications Plan	Brossia	Hanley			1/31/97	1/31/97
Badami Pipeline Construction Plan	Brossia	Hanley			1/31/97	1/31/97
Amended Application: Revised route resulting in relocation of CPU Pad to the West		BPXA			10/29/96	11/1/96
Badami Pipeline Detailed Engineering Plan	Brossia	Hanley	1.0	INTRODUCTION		1/29/97
	Brossia	Hanley	2.0	DESIGN CRITERIA		1/29/97
	Brossia	Hanley	2.1	Oil Export Line		1/29/97
	Brossia	Hanley	2.2	Utility Line		1/29/97
	Brossia	Hanley	3.0	ALIGNMENT		1/29/97
				Preliminary Pipeline Alignment Profile	11/15/96 (Rev)	1/29/97

EXH IT D
Badami Sales Oil Pipeline
ADL 415472

BOOK **0094** PAGE **115**

Document Description	To	From	Section No.	Section Title	Document Date	Transmittal Date
	Swank	Hanley	4.0	Valve Location 6" & 12" Drawings	Revision 1: 4/15/97	1/29/97
			4.1	HYDRAULICS	Revision 1: 4/15/97	4/21/97
			4.2	Utility Line	Revision 1: 4/15/97	4/21/97
			4.3	Oil Export Line	Revision 1: 4/15/97	4/21/97
			5.0	Summary of Results MECHANICAL	Revision 1: 4/15/97	4/21/97
	Britt	Hanley	5.1	Pipe Stress and Strain Criteria	Revision 1: 5/12/97 (Pg. 1-40)	5/20/97
	Britt	Hanley	5.2	Pipe Stress & Displacement Results for the Pipelines at Typical VSMs	Revision 1: 5/12/97 (Pg. 41-51)	5/20/97
	Britt	Hanley	5.2	Pipe Stress & Displacement Results for the Pipelines at Typical VSMs	Revision 2: 5/30/97 (Pg. 46)	6/19/97
	Britt	Hanley	5.3	Pipe Stress & Displacement Results for Overall Pipeline Systems	Revision 1: 5/12/97 (Pg. 52-98)	5/20/97
	Britt	Hanley	5.3	Pipe Stress & Displacement Results for Overall Pipeline Systems	Revision 2: 5/30/97 (Pg. 57, 72, 73, 79)	6/19/97
	Britt	Hanley	5.4	Corrosion with Drawing D20818	pgs.)	5/20/97
			5.4	Corpro Letter To: B. Davis/From: W.H. Seager/Dated 4/22/97		5/20/97
	Britt	Hanley	5.5	Pipeline Materials	Revision 1: 5/12/97	5/20/97
	Brossia	Hanley	5.5	Pipeline Materials	Revision A: 11/0/96	1/29/97
	Britt	Hanley	5.5	Pipeline Materials	4/29/97 (2 Plots)	7/17/97
	Swank	Hanley	5.6	VSMs - Structural Design	Revision 1: 4/15/97	4/21/97
			5.6	Coit Letter To: N. Lenstra/From: N. Perdicakis	4/7/97	4/21/97
	Brossia	Hanley	5.7	Isolation Valves		1/29/97
	Brossia	Hanley	5.8	Surge Analysis		2/7/97
	Britt	Hanley	5.9	Endicott Pipeline Tie-In	Memo From: Ennis/To: Wuestenfeld/Re: Response	5/20/97
	Britt	Hanley	6.0	Major River Crossings	Response: 4/11/97	4/21/97

EXHIBIT D
Badami Sales Oil Pipeline
ADL 415472

Document Description	To	From	Section No.	Section Title	Document Date	Transmittal Date
	Britt	Hanley	6.0	Major River Crossings	Revision: 5/15/97 (River Crossing Drawings) 6/23/97 (2-P&ID Drawings)	6/17/97
	Britt	Hanley	6.0	Major River Crossings	Revision 1: 5/12/97	7/17/97
	Britt	Hanley	7.0	Geotechnical	Original Figures: 7.1-7.5, 7.8, 7.11-7.35	5/20/97
	Brossia	Hanley	7.0	Geotechnical	11/7/96	1/29/97
	Brossia	Hanley	8.0	Monitoring		1/29/97
	Brossia	Hanley	9.0	Drawings	Wuestenfeld/From: Ennis/Re: Response to JPO	5/20/97

BOOK 0094 PAGE 116

97-2377
 BARROW REC 17700
 DISTRICT CC
 REQUESTED BY Guess & Rudd
 '97 DEC 16 PM 2 03

Return to:
 Guess & Rudd P.C.
 510 L St.
 Anchorage, AK 99501-
 1964