

**AMENDMENT OF THE RIGHT-OF-WAY LEASE FOR THE
KENAI KACHEMAK PIPELINE, ADL 228162**

This Amendment of the RIGHT-OF-WAY LEASE FOR THE KENAI KACHEMAK PIPELINE, ADL 228162, is made and entered into and becomes effective this 16th day of June, 2004, by and between the STATE OF ALASKA acting through the Commissioner of the Department of Natural Resources hereinafter referred to as COMMISSIONER, located at 411 West 4th Avenue, Suite 2C, Anchorage, Alaska 99501 and Kenai Kachemak Pipeline, LLC, whose mailing address is P.O. Box 196168, Anchorage, Alaska 99519-6168, hereinafter referred to as the LESSEE.

WHEREAS, the STATE OF ALASKA and the LESSEE are parties to that RIGHT-OF-WAY LEASE FOR THE KENAI KACHEMAK PIPELINE, ADL 228162, dated November 26, 2002, which was recorded in the Kenai Recording District as Document Number 2003-000608-0, on January 15, 2003; and in the Homer Recording District as Document Number 2004-001478-0, on April 5, 2004, hereinafter referred to as "ADL 228162"; and

WHEREAS, the LESSEE has applied to amend ADL 228162, to include additional State of Alaska lands for the construction and operation of an extension to the existing Kenai-Kachemak Pipeline, to be known as the Happy Valley Extension; and

WHEREAS, in conformance with the requirements of AS 38.35.100, the COMMISSIONER has determined that the LESSEE is fit, willing and able to perform the proposed construction and operation of the Happy Valley Extension and that the proposed Amendment of ADL 228162 to include the additional State lands is in the public interest.

NOW THEREFORE, the COMMISSIONER and the LESSEE agree to amend ADL 228162, to include the additional State lands. Approximately 6.3 miles of the Happy Valley Extension to the Kenai Kachemak Gas Pipeline is on State lands. The following is a description of the State lands containing 48 acres, more or less. All the lands are located within the Homer Recording District, and within Seward Meridian, Third Judicial District, State of Alaska. All Milepost references are approximate.

Sterling Highway Milepost 128 to 135

The State lands within the Sterling Highway right-of-way from approximately Milepost 128 to 135 are described in a southerly direction: Sections 5, 8, 7, within Township 1 South, Range 13 West, Seward Meridian; and Sections 12, 13, 24, 23, 26, 35 & 34, within Township 1 South, Range 14 West, Seward Meridian with a 60-foot wide right-of-

way for construction of the pipeline. There are five unnamed streams that will be crossed with horizontal directional drilling within the Sterling Highway right-of-way that will have a temporary construction area (100 feet by 300 feet) on each bank. A temporary construction area (100 feet by 300 feet), to accommodate the equipment for the horizontal directional drilling equipment is on the north bank of the Ninilchik River within the Sterling Highway right-of-way, within W1/2NW1/4 Section 35, Township 1 South, Range 14 West, Seward Meridian.

Section Line Easement and Ninilchik River Crossing near Sterling Highway Milepost 135

The construction right of way along the section line easement is 50-foot wide and will cross under the Ninilchik River. These State lands are within E1/2SE1/4NE1/4 Section 34, Township 1 South, Range 14 West, Seward Meridian.

The COMMISSIONER and the LESSEE agree to amend ADL 228162 to include Utility Permits, Permit Nos. 1-110000-04-37 and 1-140134-04-38, issued by the State of Alaska, Department of Transportation and Public Facilities, which are attached hereto.

The following Stipulation is added to Exhibit A of ADL 228162: 1.11.3. The Lessee shall obtain written authorization from the Department of Natural Resources, Division of Parks and Outdoor Recreation for all construction and maintenance activities that require surface use within the section line easement at the Ninilchik River Scenic Overlook site.

The State lands, Utility Permits, and Stipulation described above are incorporated into and made a part of ADL 228162.

The State lands needed after construction will be less than those described above. The LESSEE will submit an As Built for the Commissioner's approval. The As Built will tie the Happy Valley Extension to the existing Kenai-Kachemak Pipeline. Upon the Commissioner's approval of the As Built and release of the construction right-of-way, ADL 228162 will be amended to reflect the final legal description.

IN WITNESS WHEREOF, the COMMISSIONER AND the LESSEE have affixed their signature to duplicate originals of this AMENDMENT as of the date first above written.

STATE OF ALASKA

LESSEE



Thomas E. Irwin
Commissioner
Department of Natural Resources

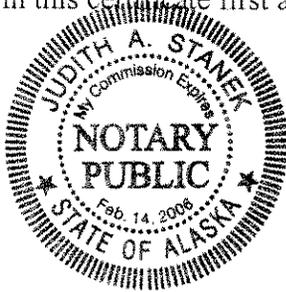


By: DON P. TURNER
Title: VICE PRESIDENT
Kenai Kachemak Pipeline, LLC

STATE OF ALASKA)
) SS.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the 11th day of June, 2004, before me, personally appeared Don P. Turner, who stated that he executed the foregoing document as an authorized representative of the Kenai Kachemak Pipeline, LLC.

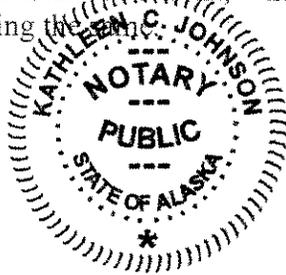
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.



Judith A. Staneck
Notary Public in and for the State of Alaska
My Commission expires 2-14-06

STATE OF ALASKA)
) SS.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the 16th day of June, 2004, before me, personally appeared Thomas E. Irwin, the Commissioner of the Department of Natural Resources of the State of Alaska, who executed the foregoing Amendment and acknowledged voluntarily signing the same.



Kathleen C. Johnson
Notary Public in and for the State of Alaska
My Commission expires 10-31-2006

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