

EXHIBIT A

KENAI KACHEMAK PIPELINE
RIGHT-OF-WAY LEASE

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 identified in Exhibit D (i.e., construction, including design and operational concepts) necessary to delineate the project to be constructed. It includes the following: criteria and commitments contained in the documents submitted “Kenai-Kachemak Pipeline Project Scour and Bank Migration Report dated June 2002”, “Kenai-Kachemak Pipeline Project Stress Analysis Summary dated July 2002”, and the “Kenai-Kachemak Pipeline Project Design Basis and Criteria dated July 2002” 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 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; 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. WASTE means all discarded matter other than excess excavated material. It includes, but is not limited to, human waste, trash, garbage, refuse, and equipment.

1.1.4. 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.

1.2.2. Documents pertaining to the Leasehold and 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, with a copy 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, at a minimum, discussions of the following:

- (1) public awareness programs;
- (2) notice and scheduling of disturbance to public and private improvements;
- (3) blasting;
- (4) sanitation;
- (5) waste management, including disposal;
- (6) cultural resource preservation;
- (7) restoration and re-vegetation;
- (8) fish and wildlife avoidance and interaction;
- (9) access;
- (10) ice road and pad construction and maintenance;
- (11) safety and hazard prevention;
- (12) equipment and material storage areas;
- (13) groundwater control;
- (14) erosion and sediment control;
- (15) stream, river, and floodplain crossing;
- (16) overburden and excess material disposal;
- (17) trenching; and
- (18) housekeeping.

1.4. Quality Assurance

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. 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, the environment, or the integrity of the Pipeline. The surveillance and monitoring program shall be approved by the Commissioner prior to Natural Gas being transported through the Pipeline. The Lessee shall implement the surveillance and monitoring program during maintenance, operation, and termination of the Pipeline System. The program shall include, at a minimum, efforts related to the following:

- (1) frost heave or thaw settlement resulting in pipeline vertical movement;
- (2) valve pads;
- (3) corrosion;
- (4) restoration and re-vegetation;
- (5) fish and wildlife protection;
- (6) zones of restricted activity;
- (7) public access and safety;
- (8) river, stream, shoreline, and floodplain crossings;
- (9) geometry and corrosion pigging; and
- (10) investigation of the effects of any significant event.

1.7. Health and Safety

1.7.1. The Lessee shall notify the Commissioner of accidents related to the Pipeline System or Pipeline Activities which occur on the Leasehold in the following manner:

- (1) accidents that involve the workers shall be reported with the same frequency and detail as Alaska Occupational Safety and Health reporting requirements; and
- (2) all accidents involving the public shall be reported.

1.8. Survey Monuments

1.8.1. The Lessee shall mark and protect all survey monuments encountered during Pipeline Activities. 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, 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 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 and maintenance, the Lessee may regulate or limit public access in the immediate vicinity of the Pipeline System and Related Facilities in accordance with State of Alaska Department of Transportation and Public Facilities requirements. The Lessee shall provide appropriate warnings, flagging, barricades, and other safety measures when the Lessee is regulating public access.

1.11.2. Except as provided in paragraph 1.11.1 herein, Pipeline Activities may not interfere with the public's free and unrestricted access to and upon the Leasehold, except that, with the Commissioner's and State of Alaska Department of Transportation and Public Facilities' approvals, the Lessee may regulate or limit access 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.

1.12. Storage

1.12.1. The Lessee shall obtain written authorization from the Commissioner before storing any machinery, equipment, tools, materials, and structures that are not being used, on the Leasehold.

1.12.2. The Lessee shall not place in storage any Waste or Hazardous Materials on the Leasehold.

1.13. Reporting

1.13.1. On or before January 31 of every year this lease is in effect following the first Lease Anniversary Date, the Lessee must submit an annual comprehensive report to the Commissioner on the state of the Pipeline System and its Pipeline Activities. The report shall address, at a minimum:

(1) the results of the Lessee's surveillance and monitoring program during the preceding year, including annual and cumulative changes in facilities and operations, the effects of the changes, and proposed actions to be taken as a result of the noted changes;

(2) the state of, changes to, and results in the last year from the Lessee's risk management program, Quality Assurance Program, and internal and external safety programs;

(3) Lessee's performance under the lease stipulations; and

(4) other information on construction, operations, maintenance, and termination activities necessary to provide a complete and accurate representation of the state of the Pipeline System and Lessee's Pipeline Activities.

2. Environmental

2.1. Environmental Briefings

2.1.1. The Lessee shall develop an effective plan for implementation of environmental safeguards through an educational program for field personnel prior to and during construction, operation, maintenance and termination of the pipeline. The environmental briefings shall communicate, at a minimum, right-of-way lease and environmental permit requirements.

2.2. Erosion and Sedimentation Control

2.2.1. General

2.2.1.1. The Lessee shall perform all Pipeline Activities in a manner to minimize disturbance to all surface areas.

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

2.2.1.1.2. Blading or removal of the vegetative mat is prohibited except as approved by the Commissioner.

2.2.2. Excavated Material

2.2.2.1. Excess excavated material must be disposed of as approved by the Commissioner during operation, maintenance, and termination of the Pipeline System.

2.3. Zones of Restricted Activities

2.3.1. The Commissioner may restrict Pipeline Activities 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.

2.3.2. Prior to commencement of Pipeline Activities, the Lessee shall obtain the locations of known occupied brown bear dens from ADF&G, Division of Wildlife Conservation based on data provided by ADF&G (907) 267-2281. Pipeline Activities, begun between November 15 and March 31, shall not be conducted within one-half mile of an occupied bear den, unless alternate mitigation measures to minimize disturbance are approved by the Commissioner and ADF&G. Occupied bear dens not previously identified by ADF&G that are encountered in the field must be reported to the Division of Wildlife Conservation, ADF&G, within 24 hours (907) 262-9368. Mobile activities shall avoid such bear dens by one-half mile, unless alternate mitigation measures to minimize disturbance are approved by the Commissioner after consultation with ADF&G. Non-mobile facilities shall not be required to be relocated.

2.3.3. On those streams not crossed with horizontal directional drilling to protect fish, if present, downstream of the crossing location, the dam and pump method as described by the Lessee, or other appropriate methods to isolate the work area, shall be used on those streams with surface flow during the construction, or maintenance of the pipeline.

2.4. Big Game Movements

2.4.1. The Pipeline System shall be maintained to avoid significant alteration of large mammal movement patterns. The Commissioner may require additional measures to mitigate impacts to large mammal movement.

2.5. Disturbance or Use of Natural Waters

2.5.1. Pipeline Activities that may create new lakes, drain existing lakes, significantly divert natural drainage and surface runoff, 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.

2.6. Right-of-Way Traffic

2.6.1. 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.

2.7. Lessee Shall Stabilize, Revegetate and Restore Disturbed Areas

2.7.1. The Lessee shall immediately stabilize all disturbed areas of State Lands so that erosion in excess of natural rates will be minimized. Such stabilization shall be maintained by Lessee until the disturbed areas are Restored. The results of Lessee's stabilization efforts must be approved by the Commissioner.

2.7.2. The Lessee shall, as soon as practicable, Revegetate all disturbed areas of State Lands. The results of Lessee's re-vegetation efforts must be approved by the Commissioner.

2.7.3. Upon completion of use of all or a portion of the Leasehold, the Lessee shall Restore all disturbed State Lands, in accordance with a plan and schedules approved by the Commissioner. The results of Lessee's restoration efforts must be approved by the Commissioner.

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

2.8.1. The Lessee shall give notice of any spill, leakage, or discharge of Natural Gas or other Hazardous Material in connection with Pipeline Activities within the Leasehold to the Commissioner in addition to other legal requirements.

2.8.2. Secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or Hazardous Material transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or Hazardous Materials to respond to a spill of up to five gallons. Transfer operations shall be attended by trained personnel at all times. "Secondary containment" means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest independent container. Double-walled tanks do not qualify as secondary containment unless an exception is granted for a particular tank. "Surface liner" means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.

2.8.3. Vehicle refueling shall not occur within annual floodplain.

2.8.3.1. The Commissioner may, under unique or special circumstances, grant exceptions to paragraph 2.8.2 on a case-by-case basis. Requests for exceptions should be made to the Commissioner.

2.9. Cultural Resources

2.9.1. The Lessee shall 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, the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (269-8720) and the appropriate coastal district must be notified immediately and activities that may damage the site must cease.

2.10. Hunting, Fishing, and Trapping

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

2.11. Waste Removal

2.11.1. All Waste generated in connection with Pipeline Activities shall be disposed of in a manner acceptable to the Commissioner. All incinerators shall be used with maximum precautions to prevent tundra fires.

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 listed in Exhibit D.

3.1.1.2. Modifications to the Pipeline System and Pipeline Activities as described in Exhibit D shall require approval by the Commissioner.