



STERLING DISANTO & ASSOCIATES
REAL ESTATE ADVISORS

February 15, 2010

Jacquelyne M. Rocan
Senior Counsel
El Paso Corporation
Tennessee Gas Pipeline Company
1001 Louisiana Street
Houston, TX 77002

Re: Appraisal of Real Estate
Project: 300 Line Project
325 Loop Segment – Green Acres Properties
Underground Gas Pipeline Lease
Lessee: Tennessee Gas Pipeline Company
Lessor: NJDEP
Vernon Township, Sussex County, NJ
Block 190 Lots 18.S01, 18.S02 & 20 / Block 210 Lots 5 & 6
West Milford Township, Passaic County, NJ
Block 17401 Lot 1 /Block 17302 Lot 7/Block 6002 Lots 33 & 38 /
Block 4601 Lot 8

Dear Ms. Rocan:

In accordance with your request, I have completed my appraisal in order to estimate Market Value of a lease for an underground pipeline on lands owned by the State of New Jersey.

Market Value is defined as follows:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and each acting in what he considers his own best interest;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

Russell K. Sterling, MAI, CRE ~ Victor D. DiSanto, MAI
145 West End Avenue, PO Box 977, Somerville, New Jersey, 08876
voice: 908-526-4244 ~ Fax: 908-526-3228 ~ email: advisors@sdadvisors.com ~ www.sdadvisors.com

10003 Tennessee Gas Pipeline Company, 300 Line Project, Sussex County & Passaic County NJ

The purpose of this appraisal is to estimate Market Value of a lease to use a 25' to 50' wide right of way for an underground gas pipeline on property owned by the NJ Department of Environmental Protection. There is an existing pipeline in place under an existing easement on the properties. The new lease will be for 24 years.

The lease consists of an area that is 25' to 50' in width, 5.52 miles long, and approximately 16.491± total acres, with temporary workspace totaling 28.644± acres and additional temporary workspace of 22.387± acres. Temporary Workspace is land parallel and contiguous to the proposed pipeline right of way and used for construction purposes. Additional Temporary Workspace is parallel and contiguous to the Temporary Workspace and is use for road crossings, water crossings and wetlands crossing.

The subject lease area and temporary workspace is located within and around the property defined by the following Tax Blocks and Lots:

<i>Vernon Township Sussex County NJ</i>			
19, 24	190	18.S01	511.12
19,23,24,28	190	18.S02	555.61
19,24	190	20	143.31
21	210	5	174.23
21,25	210	6	303.43
<i>West Milford Township Passaic County NJ</i>			
174	17401	1	1,427.15
173	17302	7	2,745.17
60	6002	33	782.02
60	6002	38	20.03
46	4601	8	819.96

The subject is comprised of 10 parcels crossed by streams, wetlands, and steep slopes.

I have used information from several sources as the foundation of my analysis. Documents and maps examined include Municipal Tax Maps, Zoning maps and ordinances from Vernon Township and West Milford Township, Aerial Photo from Bing Live Maps, Tennessee Gas Pipeline Informational Web Postings, NJ Highlands Council Maps, El Paso Pipelines Website, Partial Boundary Survey for 300 Line Project City of Newark Properties Tax Parcels 203-1 & 210-07 dated 12/22/09 prepared by RETTEW Associates Inc. Sheet 2, Partial Boundary Survey for 300 Line Project Hamburg Mountain Wildlife Management Tax Parcels 190-18.S01, 190-18.S02, & 190-20 dated 12/22/09 prepared by RETTEW Associates Inc., Partial Boundary Survey for 300 Line Project Long Pond/Iron Works Tax Parcels 6002-33, 6002-38, 4601-08, 301-01 dated 12/11/09 prepared by RETTEW Associates, Inc. Sheets 1 and 2, Partial Boundary Survey for 300 Line Project Wawayanda State Park Tax Parcels 210-05, 210-06, 17401-01, 17302-07 & 17302-08 dated 12/23/09 prepared by RETTEW Associates Inc. Sheets 1-3, 300 Line Project Loop 325 30" Natural Gas Pipeline Sussex and Passaic Counties Alignment Strip Map dated 12/08 with preliminary stamp date 2/2/10 prepared by Tennessee Gas Pipeline Sheets TE-T16-300-2-66H thru 66J; TE-T16-300-2-67 thru 67I; TE-T16-300-2-68 thru 68L, NRCS Web Soil Survey, and NJDEP Wetlands Mapping. I believe that this information is accurate,

however, if additional or more detailed and more accurate information becomes available, I reserve the right to amend our analysis and change our conclusions if necessary.

While the above information is considered to be reliable, there is no substitute for on-site delineation of wetlands, soils, and steep slopes by a qualified engineer. My valuation is subject to change if more detailed and reliable information regarding the physical conditions of the land becomes available. I, therefore, reserve the right to amend my analysis and change my conclusions if necessary.

This appraisal is a self contained report and is intended for use by the client in estimating compensation to the NJ Department of Environmental Protection for the right of way lease to be acquired. The report conforms with the provisions of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute and Appraisal Foundation as well as the appraisal guidelines of the New Jersey Department of Environmental Protection Green Acres Program.

The following pages indicate the approaches used in estimating the value. It is noted that the lease allows the Lessee to use most, but not all of the rights to the 25' to 50' wide area. The NJDEP still retains some limited rights in this area. The value below reflects this.

The market value of the 24 year pipeline lease, as of February 2, 2010, is estimated to be:

\$45,000

The market value of the Temporary Workspace & Additional Temporary Workspace, as of February 2, 2010, is estimated to be:

\$18,000

Respectfully Submitted,

STERLING DISANTO AND ASSOCIATES, LLC



Victor D. DiSanto, MAI

Member

NJ SCGRE Lic. No. 42RG00119100

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