

FIRST UNION RAIL

One O'Hare Centre
6250 River Road, Suite 5000
Rosemont, IL 60018

Tel 847.318.7575
Fax 847.318.7588

January 14, 2005

Mr. Vernon E. Williams
Surface Transportation Board
1925 K Street, N.W., Room 704
Washington, DC 20423-0001
Attn: Recordation of Railroad Equipment

Re: Memorandum of Lease Agreement

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are one (1) original and two (2) copies of a Memorandum of Lease Agreement, dated December 14, 2004, a secondary document as defined in the Board's Rules for the Recordation of Documents. The enclosed document relates to the Memorandum of Lease which was duly filed with the Board on this date as Recordation Number 24696.

The names and addresses of the parties to the enclosed document are:

Lessor: First Union Rail Corporation
One O'Hare Center
6250 River Road, Suite 5000
Rosemont, IL 60018

Lessee: Pacific Bio Energy Corporation
12080 Willow Cale Forest Road
PO Box 2929
Prince George, BC
V2N 4Y7

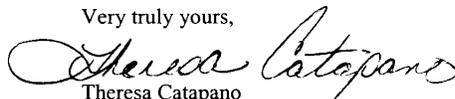
A description of the railroad equipment covered by the enclosed document is fourteen (14) 5250 cu. ft., 286,000 GRL, 100-ton trucks, 286,000 gross rail load, covered hopper rail cars equipped with trough hatches and gravity outlet gates, cars marked FURX and NDYX (see Exhibit A for car numbers).

A short summary of the document to appear in the index follows: Memorandum of Lease

Also enclosed is a check in the amount of \$32.00 payable to the order of the Surface Transportation Board covering the required recordation fee. Kindly return one (1) stamped original of the enclosed document to the undersigned along with the additional copies.

If you have any questions or concerns regarding the above-referenced matter, please feel free to contact me at (847) 384-5375. Thank you for your cooperation in this matter.

Very truly yours,


Theresa Catapano
Manager of Documentation

Enclosures

(PBEC008)

VIA UPS 2ND DAY AIR

RECORDATION NO. 24696-A FILED

JAN 24 '05 3-50 PM

SURFACE TRANSPORTATION BOARD



RECORDATION NO. 24696-A FILED

ASSIGN. NO. PBEC008

JAN 24 '05 3-50 PM

MEMORANDUM OF LEASE SURFACE TRANSPORTATION BOARD

THIS MEMORANDUM OF LEASE (the "Memorandum") is made and entered into as of this the 14th day of December, 2004, by and between the Montreal branch of FIRST UNION RAIL CORPORATION ("the Lessor"), a North Carolina corporation, and PACIFIC BIO ENERGY CORPORATION, (the "Lessee"), a Canadian corporation.

WITNESSETH:

The undersigned Lessor and Lessee have entered into that certain Lease Agreement (the "Lease") dated as of February 20, 1998, whereby Lessor has agreed to lease to Lessee certain railcars pursuant to Rider No. 8 to the Lease (the "Rider"), as described in more particular on Exhibit A attached hereto, effective as of July 1, 2004, and subject to the terms, conditions and provisions of the above-mentioned Lease and Rider.

IN WITNESS WHEREOF, the parties hereto have each caused this Memorandum to be duly executed under seal by their respective officers duly authorized as of the date and year first above written.

LESSOR:

FIRST UNION RAIL CORPORATION

NAME: Susan Barrie

TITLE: Regional Vice President, Sales

SIGNATURE: *Susan Barrie*

PROVINCE OF QUEBEC

DISTRICT OF MONTREAL

I, Gordon Hopkins ~~Danielle Lord~~, a Commissioner of Oaths of the Province and District aforesaid, certify that Susan A. Barrie personally appeared before me this day and acknowledged her execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this 13th day of December, 2004.

Gordon Hopkins
Commissioner of Oaths

My Commission expires:

July 21, 2006



LESSEE:

PACIFIC BIO ENERGY CORPORATION

NAME: _____

John Swann

TITLE: _____

President / CEO

SIGNATURE: _____

[Handwritten Signature]

PROVINCE OF _____

DISTRICT OF _____

I, _____, a Commissioner of Oaths of the Province and District aforesaid, certify that _____ personally appeared before me this day and acknowledged his/her execution of the foregoing Memorandum of Lease.

WITNESS my hand and official stamp or seal, this ___ day of _____, 2004.

Commissioner of Oaths

My Commission expires:

EXHIBIT A
to
MEMORANDUM OF LEASE

NUMBER OF CARS: Fourteen (14).

DESCRIPTION OF CARS: 5250 cu. ft., 286,000 GRL, 100-ton trucks, 286,000 gross rail load, covered hopper rail cars equipped with trough hatches and gravity outlet gates.

CAR NUMBERS:

FURX	840053
FURX	840197
FURX	840688
FURX	843556
FURX	843616
FURX	843652
FURX	843688
FURX	845305
NDYX	515492
NDYX	515508
NDYX	515741
NDYX	515781
NDYX	515789
NDYX	516458