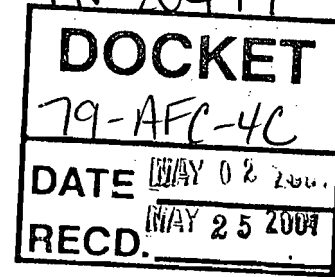


**Memorandum**

Date : May 2, 2001  
To : Ms. Nancy Tronaas  
Compliance Project Manager  
California Energy Commission  
1516 Ninth Street  
Sacramento, California 95814



From : Department of Water Resources

Subject : Bottle Rock Power Plant (79-AFC-4C) Petition for Ownership Change; Response to Request for Additional Information

The following is the Department of Water Resources response to your request for additional information, dated April 20, 2001.

1. Enclosed is a copy of the "Purchase Agreement for the Bottle Rock Power Plant and Assignment of Geothermal Lease."
2. Enclosed is a copy of the Appraisal by Dean Stahr of Associated Services Appraisal Partners, Inc., dated August 4, 1997, and an update of that appraisal, dated January 9, 2001.
3. The purchase agreement provides that the Buyer will take the Bottle Rock facilities "as is" and will assume full responsibility for them including any existing liability for clean up of hazardous materials or liability under the Francisco steamfield lease. Section 2.4 of the purchase agreement requires that the Buyer provide the Department with security to meet the requirements of Section 7.1 (e) of the purchase agreement in the amount of \$5 million which is to be adjusted to meet any increase or decrease in the estimated cost to decommission at intervals of not less than every three years. This security is to remain in force until 5 years after completion of decommissioning.

Section 2.5 of the purchase agreement requires that the Buyer maintain a policy of Environmental Impairment Insurance in the amount of \$10 million to cover liability under 7.1(e) and 7.1(f) of the agreement. Said policy is to be in force at all times during operation or decommissioning of the plant.

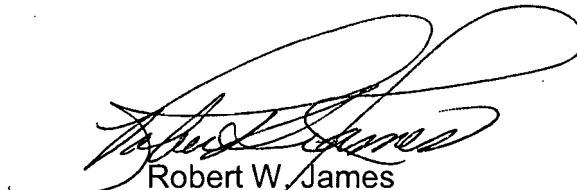
In addition, the Buyer agrees to meet the requirements of 7.1(e) and 7.1(f) of the agreement and to indemnify the Department against any claims, costs, losses, liabilities, fines, penalties or damages and expenses, (Article VIII, p.31).

The Division of Oil and Gas requires the posting of a bond to cover the cost of closing the wells, which the Buyer indicates it is prepared to post. The Buyer is also assuming any responsibility that the Department may have to maintain the High Valley Road and the gate at its junction with Bottle Rock Road.

4. The Department will not have any continued responsibilities or obligations subsequent to the proposed transfer unless they are imposed by law and the Buyer fails to meet its obligation to take care of them.

If you have any questions regarding this matter, please call me at (916) 653-3949.

Sincerely,



Robert W. James  
Staff Counsel

cc: Ronald E. Suess, President  
Bottle Rock Power Corporation  
725 Farmer's Lane, Suite 8  
Santa Rosa, California 95405

10 4 MAY 2001

COMPLETE APPRAISAL  
SUMMARY UPDATE REPORT  
OF

DEPARTMENT OF WATER RESOURCES  
BOTTLEROCK POWER PLANT  
COLEMAN PROPERTY  
PARCEL NO. GT-269  
LAKE COUNTY, CALIFORNIA

For  
Garney L. Hargan  
Chief Supervising Engineer  
Department of Water Resources  
1416 Ninth Street, Room 620-21  
Sacramento, California 95814

As of  
January 9, 2001

BY  
ASSOCIATED SERVICES, INC.  
R. Dean Stahr, MAI  
P. O. Box 412  
Napa, CA 94559-0412

# **ASSOCIATED SERVICES, INC.**

PO BOX 6664 - NAPA, CALIFORNIA 94559-0412  
SINCE 1955

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R. DEAN STAHR, MAI

(707)255-8121  
(707)255-0916 Fax

January 17, 2001

Mr. Garney L. Hargan  
Chief Supervising Engineer  
Department of Water Resources  
1416 Ninth Street, Room 620-21  
Sacramento, California 95814

RE: Update Appraisal of Department of Water Resources  
Bottlerock Power Plant / Colman Property, Lake County, CA

Dear Mr. Hargan:

As requested, I have updated the "As-Is" market value estimate of the leasehold interest in the above referenced property.

The purpose of this appraisal is to update the current market value estimate of the leasehold interest in the subject property including all equipment, tools, and personal property on the site.

The function of the appraisal is assist the Department of Water Resources with decisions regarding decommissioning or selling the Bottlerock Power Plant and associated steam field leases.

This is a complete update appraisal reported in a summary format, and assumes that the client is in possession of my original report prepared August 4, 1997. By reference thereto, the original report is considered the basis for, and an integral part of, this updating appraisal study.

The appraiser has no present or contemplated future interests in the subject property. This appraisal was not based upon a requested minimum value, a specific value or the approval of a pre-determined value.

The conclusions contained herein are subject to the limiting conditions attached. This report has been made in conformity with, and is subject to, the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), currently adopted by the Appraisal Standards Board of the Appraisal Foundation, standards and ethics of the Appraisal Institute, and requirements of California Evidence Code Section 822, as well as the Uniform Standards of Professional Appraisal Practice Advisory Opinion 3.

Based upon the data and analysis contained within the following report, it is my opinion that the market value of the leasehold interest in the subject property, as of January 9, 2001, is as follows:

**MARKET VALUE OF BOTTLEROCK POWER PLANT  
AND STEAM FIELD LEASEHOLD INTEREST**

**<\$6,600,000>**

**MARKET VALUE OF EQUIPMENT, TOOLS  
AND PERSONAL PROPERTY**

**\$1,000,000**

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Dean Stahr", written over a horizontal line.

R. Dean Stahr, MAI  
Associated Services, Inc.  
Certified General Real Estate Appraiser  
OREA CA #AG002002

**EXECUTIVE SUMMARY**  
**BOTTLEROCK POWER PLANT LEASEHOLD UPDATE**

**Assignment:** Update the current "As-Is" market value estimate of the leasehold interest of the Department of Water Resources Bottlerock Power Plant, Coleman Property, Parcel No. GT-269.

**Rights Appraised:** Leasehold Interest

**Report Type:** Complete Update Appraisal reported in Summary Format as defined by Uniform Standards of Professional Appraisal Practice (USPAP).

**Use Restriction:** As an update appraisal, this updating study can only be considered complete by incorporation of my original report dated August 4, 1997. This appraisal is not to be relied upon without possession of my original report.

**Date Of Valuation:** "As-Is" – January 9, 2001, last date of inspection

**Date Of Report:** January 17, 2001

**Appraisal Premise:** "As-Is"

<b>Conclusions to Value:</b>	<b>Bottlerock Power Plant &amp; Steam Field</b>	
	<b>Leasedhold Interest</b>	<b>&lt;\$6,600,000&gt;</b>
	<b>Equipment, Tools &amp; Personal Property</b>	<b>\$1,000,000</b>

## INTRODUCTION / UPDATE INFORMATION

### BOTTLE ROCK POWER PLANT LEASEHOLD UPDATE

#### ***Purpose Of The Appraisal***

The purpose of this appraisal is to update my estimate of the "As-Is" market value of the Leasehold interest in the subject property, including all equipment, tools, and personal property on the site.

#### ***Function Of The Appraisal***

The function or use of the appraisal shall be to aid the Department of Water Resources in decisions to be made related to decommissioning or selling the Bottlerock Power Plant and associated steam field leases.

#### ***Appraisal Type / Report Format***

This report is a complete update appraisal reported in summary format that was made at the request of the Department of Water Resources. This report is an update of my original report dated August 4, 1997. By reference thereto, the original report is considered as the basis for, and an integral part of, this updating appraisal study. Please refer to the original report for detailed property information including maps, exhibits and the market data utilized in estimating the original values.

#### ***Date of Appraised Value***

The effective date of value for this update is based upon the last date of inspection, January 9, 2001.

#### ***Scope of Appraisal***

The scope of this updating study includes the following:

1)	Thorough review of the original appraisal;
2)	Discussion of changes in the area and neighborhood;
3)	Physical inspection of the subject property to examine changes;
4)	Market investigation for sales which have occurred since my original appraisal;
5)	Updated valuation analysis to arrive at market value estimates which reflect the revised cost estimate to dismantle the existing facilities in compliance with the existing lease.

The information contained in this report is a summary of changes to the subject property since my original report, and should not be considered a complete description of the subject property. Please refer to my original report for complete descriptive information.

### ***Definitions and Limiting Conditions***

This update appraisal has been made subject to the definitions, general assumptions, and limiting conditions set forth in my original report.

### ***Area and Neighborhood Information***

Since the date of my original appraisal, the prices for large acreage land holdings in the subject area have held steady or increased slightly. However, this has had little or no affect on the value of the subject leasehold interest, as will be discussed in more detail later in this update report.

The conclusion for the highest and best use in my original report was that production in the subject steam field had diminished to the point that it was no longer economic to operate the 55 megawatt capacity power plant, and most of the subject steam wells were no longer considered to be productive.

Subsequent to my original appraisal, the Southeast Geysers Pipeline project, a jointly funded private industry and government project, was completed in September of 1997. This project was funded roughly 63 percent by the geothermal industry and 37 percent by State and Federal funds.

The Southeast Geysers Pipeline transports re-claimed treated sewage water from the City of Clearlake to the southeast 1/3 of the Geysers area for reinjection into the steam field. This project has now been in operation for over 3 years and is considered to be measurably successful. However, the subject property is located at the northeast end of the Geysers area and has received no benefit, either directly or indirectly, from the Southeast Geysers Pipeline project.

A second pipeline project, known as the Santa Rosa Pipeline project, is currently under construction with a tentative completion date of late 2002 or early 2003. This project is similar to the Southeast Geysers Pipeline project, but it will transport re-claimed treated sewage water from the City of Santa Rosa to the northern 2/3's of the Geysers area.

The Santa Rosa Pipeline project is also jointly funded by private industry as well as State and Federal funds. The re-claimed water from this project will benefit specific steam fields whose operators are contributing as part of the private industry funds, but will have no direct benefit to the subject steam fields.



It is conceivable that the subject steam field may receive some indirect or secondary benefit from the Santa Rosa Pipeline project, but this will be marginal at best and even that is considered to be speculative.

In consideration of the above discussion, and in light of the fact there has been no exploration for renewed steam resources within the subject steam fields, it is my conclusion that while the completed Southeast Geysers Pipeline and the in-progress Santa Rosa Pipeline project have had, or will have, a measurable benefit to specific steam fields in the Geysers area, they do not provide any direct or indirect benefit to the subject steam field at this time.

***Site Characteristics (Changes)***

Since my original appraisal there have been no significant changes to the subject property's site characteristics.

***Structural Improvements (Changes)***

Since my original appraisal there have been no significant improvements or changes to the structures on the subject property.

***Highest and Best Use***

The highest and best use of the subject property, both as if vacant and as improved have not changed since my original report. The subject 55 megawatt capacity geothermal energy power plant facility, along with its ancillary buildings, steam gathering system and steam fields have now been shut down to a stand-by mode for over 10 years. Most of the equipment and technology used when this facility was constructed has become obsolete or has physically deteriorated to the point that it is no longer serviceable.

The steam field has proven to be uneconomic to operate the 55-megawatt capacity power plant, and most of the steam wells are no longer considered to be economically productive. Nearly all of the control panels and generating equipment are considered obsolete by today's technology, and the estimated cost to re-activate the steam fields, steam gathering facilities and re-tool the power plant would be economically unfeasible.

Even in today's market, with consideration given to the current energy crises, it is considered to be extremely speculative that the subject 55-megawatt capacity power plant could be operated at a profit under all of the conditions and terms of the existing permits and lease.

The terms of the permits for the subject power plant states that once the power plant is decommissioned, all improvements must be removed and the site returned to the state it was in prior to development. When the facility is eventually decommissioned, all improvements will have to be removed, and thus contribute a negative value. If the facility is not decommissioned, but held in its present standby-by mode, the improvements have no practical use and will continue to depreciate.

In either case, the improvements on the subject site have no contributory value, and in fact are considered to have a negative value. With consideration given to the above-mentioned factors, the highest and best use of the subject property is considered to be the same as in my original report.

***Proposed Sale of Subject Leasehold Interest***

There is reported to be a proposed sale of the subject Leasehold interest to a third party for the purchase price of \$1,800,000. The prospective buyer(s) have reportedly been provided with all documentation and pertinent data on the steam fields, steam gathering facilities and 55-megawatt capacity geothermal power plant.

The prospective buyer(s) have been given the opportunity to inspect the facilities, but to my knowledge have not undertaken any physical exploration to determine the quantity or quality of steam that can be produced in the subject steam fields.

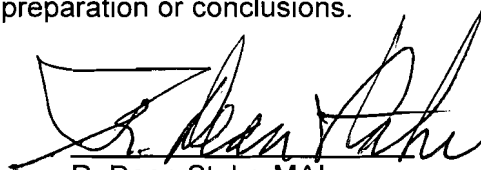
A representative of the buyer(s) told me it is their intention to completely re-tool the power plant with modern technology and equipment, and to re-activate the steam field by either re-opening the existing wells or drilling new wells, or a combination of both. I was told that while no exploration or testing had been done in the subject steam fields, it is their opinion they can make it work.

I believe this is a highly speculative venture, and this proposed transaction is not considered truly representative of fair market value.

## CERTIFICATION

I certify that, to the best of my knowledge and belief;

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of Uniform Standards of Professional Appraisal Practice.
- I have made a personal re-inspection of the property that is the subject of this report.
- no one, other than those persons signing within this report, provided significant professional assistance in this report's preparation or conclusions.

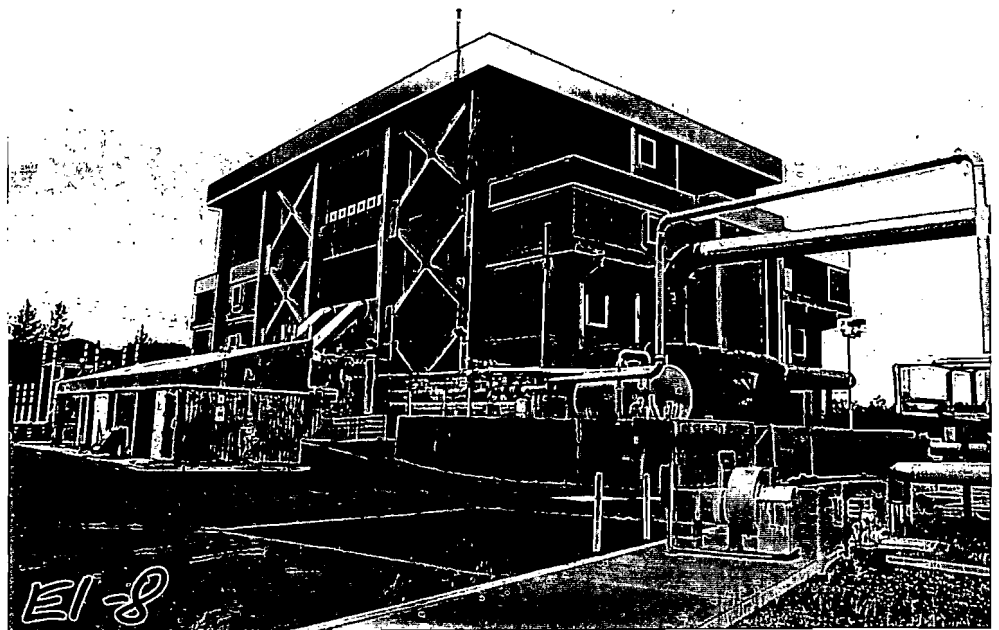


R. Dean Stahr, MAI  
Associated Services, Inc.  
Certified General Real Estate Appraiser  
OREA CA #AG002002

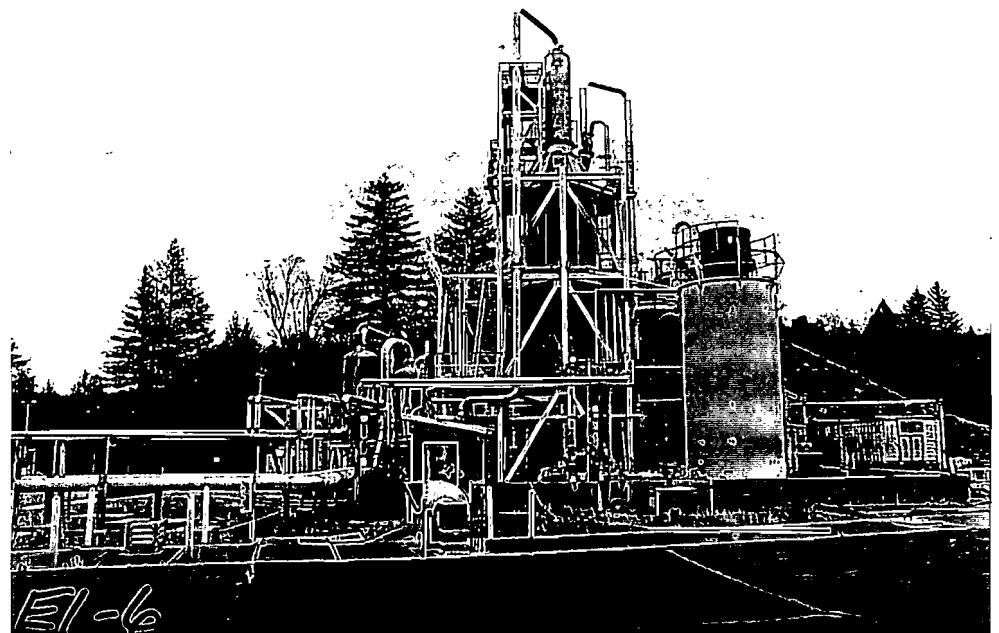
**PHOTO #E1-11**  
FRONT VIEW OF  
POWER PLANT  
STRUCTURE.



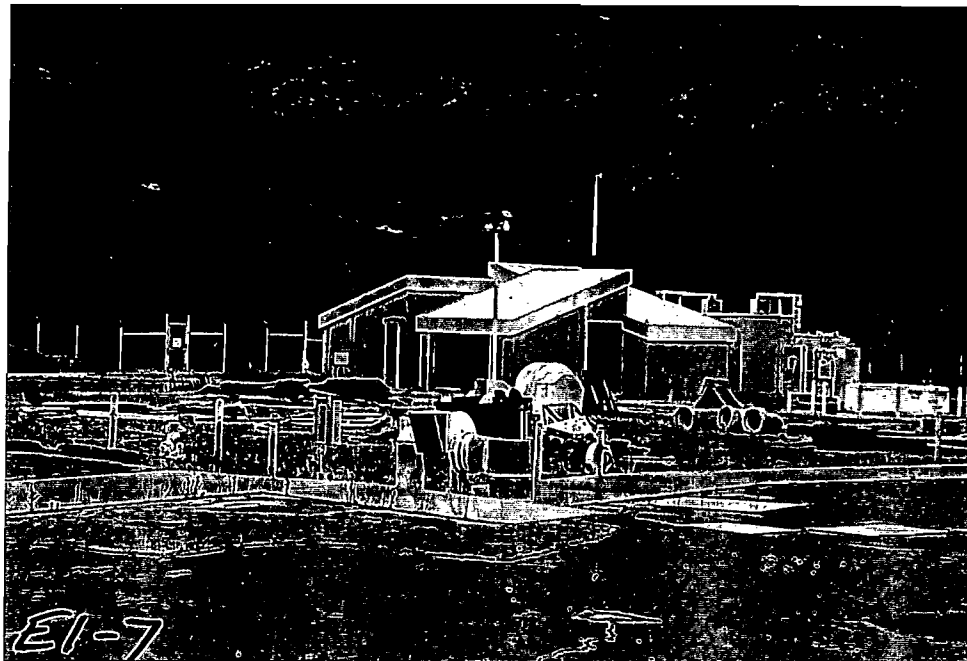
**PHOTO #E1-8**  
REAR VIEW OF  
POWER PLANT  
STRUCTURE.



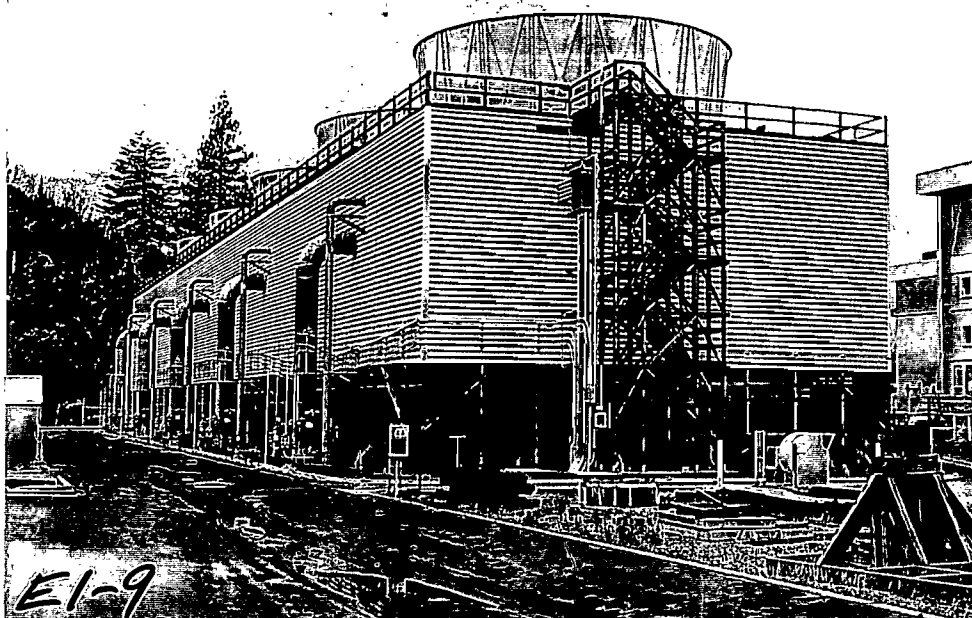
**PHOTO #E1-6**  
STEDFORD UNIT IN  
POWER PLANT YARD.



**PHOTO #E1-7**  
BACK-UP GENERATOR  
BUILDING AT POWER  
PLANT FACILITY.



**PHOTO #E1-9**  
COOLING TOWER  
STRUCTURE.



**PHOTO #E1-10**  
NOISE SUPPRESSION  
AND TOXIC MATERIALS  
COLLECTION EQUIPMENT.



**PHOTO #E1-12**

STEAM FIELD CONTROL  
CENTER BUILDING,  
SHOP & STORAGE  
YARD.



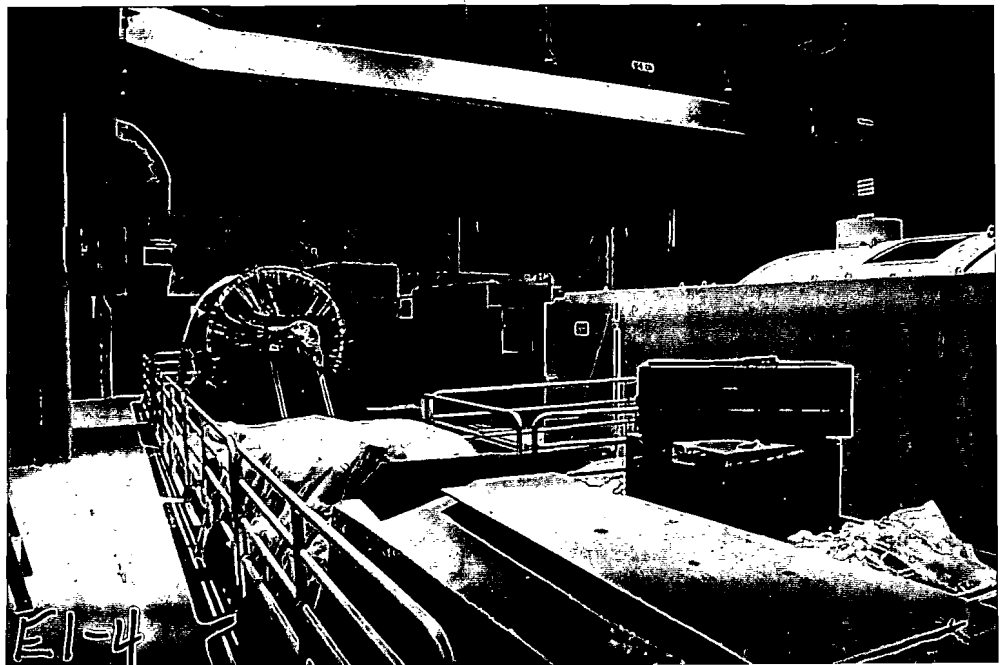
**PHOTO #E1-5**

POWER PLANT  
CONTROL ROOM.



**PHOTO #E1-4**

SPACE TURBINE &  
OTHER MISCELLANEOUS  
EQUIPMENT.



## **VALUATION**

### **BOTTLE ROCK POWER PLANT LEASEHOLD UPDATE**

The purpose of this update appraisal is to estimate the current "As-Is" market value of the Leasehold Interest in the subject property, including all equipment, tools and personal property on the site. Market Value is defined in the Introduction of my original report, but generally refers to a willing seller/willing buyer concept with both parties aware of the various factors influencing value.

The value to be estimated herein is the "As-Is" market value of the property in the condition observed upon inspection, and as it legally and physically existed without hypothetical conditions, assumptions or qualifications as of the date the appraisal is prepared.

As was the case in my original report, the fee simple land value has no real bearing on the value of the leasehold interest. Land values in the area have held steady, or increase slightly, since the date of my original report but the issue of fee simple land value will not be re-addressed for this update valuation of the Leasehold interest.

#### **UPDATE VALUE OF LEASEHOLD INTEREST**

The method of valuation for this update will be the same as in my original report. The leasehold interest is the interest that the lessee has in the property by virtue of the lease. If the terms of the lease are beneficial to the lessee (ie; the actual or contract rent is below economic or market rent), then the lessee will actually have a leasehold value in the property.

Conversely, if the terms of the lease are unfavorable to the lessee (ie: the actual or contract rent is above economic or market rent), or other terms of the lease are detrimental to the lessee, then a negative leasehold value can be created. In the case of the subject property, the provisions of the original permits issued for operation of the power plant and steam fields require that the land be returned to its natural state at the termination of the leases.

It was previously determined that it is no longer economic to operate the subject power plant and steamfields for generating electric power, thus inducing the option to decommission the power plant and steamfieds, and to terminate the leases.

Nothing has occurred since my original report to indicate the subject steam fields have improved, and although the State of California is currently in an energy crises related to industry economics, there is no indication that it would be economic to re-activate the subject steam fields and steam gathering facilities, and retool the power plant.

The problem that arises is that in order to decommission this facility the structural improvements, piping, geothermal wells, etc. need to be removed, plugged or otherwise made in conformance with the permits that were originally issued to operate the subject steam fields and power plant facility.

All of the structures, steam gathering and processing equipment, towers and site improvements need to be removed to grade level, then two feet of soil placed over all of the disturbed areas. This would include the drilling pads, as well and the building and equipment locations.

The sub-surface concrete basements of the generator building and the pump area for the cooling tower, as well as the sub-surface collection basin of the cooling tower would be broken up so that drainage could be affected, and then filled with alternate layers of two-foot thick crushed concrete and soil, all to 95 percent compaction.

The overall plant removal and rehabilitation would be done in stages. The first stage would be the removal of the cooling tower, down to the concrete basin.

Secondly, all piping would be removed in preparation for whatever steam cleaning would be required. The steam cleaning would be conducted within the basement that remains after the cooling tower is removed. This would contain the water from the cleaning of the piping, which would then be piped down to one of the wells, probably at the Francisco pad, for reinjection into the ground.

The third step would be the removal of the buildings, equipment, towers, and all site improvements. Everything would be razed to grade level. All blacktop would be removed and hauled away.



The next step would be the closing of the wells. After all reinjection had been accomplished the wells would be abandoned. The abandonment process includes mechanical bridge plugs installed at about the 5,000-foot level, then 200 feet of concrete, then filled to within 200 feet of the top with drilling mud, and then another 200 feet of concrete to within 6 feet of the surface. At this point a steel plate is welded to the top of the well casing to permanently seal and identify each well. The tops of the sealed wells would be 6 foot below surface and covered with dirt.

Then, when all of this is accomplished the final stage would involve a two-foot layer of dirt being spread over all disturbed areas, that is the three well pads and the two building areas. Finally, all areas would be revegetated in native flora.

I have assumed as in my original report, that in accordance with a letter from Mr. Robert James, Counsel for DWR, that even though the permits are not issued by the County to the Department of Water Resources or the State of California, that the State would comply with applicable permits and reach an agreement with Lake County for closure and abandonment of the facilities.

This would be done as close as practical in a workman-like manner similar to the closure of plants by PG&E.

To estimate this cost, interviews were conducted with the various people that had operated the subject plant, others that are now operating similar facilities such as NCAP, and Halliburton for well closure and the contractors that had accomplished the closures for PG&E of their plants.

The next step was to obtain a new bid from Plant Reclamation, a private company, to accomplish the work as mentioned above. The basic premise is that the State would walk away from the plant as it stands as of the new date of value, that is January 9, 2001 and Plant Reclamation would move in and salvage all of the equipment and parts that remain on the property, plus remove the buildings, towers and conductors, all piping, site improvements and non-salvageable equipment, and then restore the site to its primeval condition. The new Plant Reclamation bid is on the following pages.



# PLANT RECLAMATION

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January 4, 2001

Associated Service Appraisal Partners  
P. O. Box 412  
Napa, CA 94559

Attn: Mr. John Shackford

Dear Mr. Shackford:

As per your request we have revisited the synopsis of the decommissioning of the D.W.P. Bottlerock Power Plant in Lake County, California.

From our recent experience, we have included some additional Decon costs which could or could not pertain to your plant.

**As always, a sale is advantageous to dismantlement.**

Please feel free to contact us at any time for our suggestions of how to proceed on this project with no obligation on your part.

We wish you much success for your facility project.

Sincerely,



Bill Glueck, C.E.O.



# PLANT RECLAMATION

## WORK PLAN DECOMMISSIONING

Above grade Demo & Removal of Turbine Bldg. -	\$1,400,038.00
Cleaning & Decon of Equipment -	\$ 296,320.00
Below grade Demo of Turbine Bldg. -	\$1,084,859.00
Above grade Demo of Cooling Tower -	\$ 75,000.00 (No Disposal)
Below grade Demo of Cooling Tower -	\$ 316,180.00
Above grade Demo of Yard Area -	\$ 75,000.00
Below grade Demo of Yard Area -	\$ 335,000.00
Roadway Removal (Pavement Only) -	\$ 118,390.00
Pipeway Removal -	\$ 152,910.00
Cleaning & Decon of Pipe -	\$ 105,000.00
Grade Entire Site & Roadway -	<u>\$ 177,585.00(No Revegetation)</u> \$4,136,283.00

Pricing based on worst case scenario.

### Qualifications:

1. Pricing does not include costs for plans for closure or any permitting.
2. D.W.R. to pay for any additional back fill required.
3. D.W.R. to pay for all disposal costs.
4. D.W.R. to pay for Grading & Storm Water Prevention Plan "SWPP". Final plan must be in parameter of our proposal.
5. Depth of below level removal to be agreed acceptable to contractor.

6. Concrete and fill removed to be used as back fill in Turbine basement and Cooling Tower pits.
7. D.W.R. to pay costs if any additional unknown Hazardous Waste is discovered during site removal.
8. Please see attached letter of explanation.

Mr. Bill Glueck, of Plant Reclamation, has further stated that this update bid does not include a credit for salvage of all equipment, parts, tools and personal property at the sites. If Plant Reclamation is allowed to salvage these items, the bid for the basic work would be \$1,000,000 lower, or \$3,136,283.00. The bid for the basic work, not including a credit for the salvage is \$4,146,283.00.

This price does not include hazardous waste removal. Removal and disposal will be performed on a time and material basis at the State's expense. The reason for this is because I, as the appraiser, am not qualified to estimate the amount of hazardous waste, if any, on the property. My only knowledge comes from the Dames and Moore report which states that no significant impairments of soil or ground water exists at the site as a result of the Bottlerock Power Plant and well field geothermal operation.

The second item in addition to the basic \$4,136,283 estimate is the revegetation. The ground will be prepared but the type of flora that should be replanted has not been decided and therefore the cost of revegetation cannot be estimated. This cost would be in addition to the basic work, but there are only about 20 acres to plant.

All hazardous waste testing will be done by DWR as is required by the EPA. The Plant Reclamation bid does include the cleaning of the inside of the some 2 miles of collection piping and Stredford unit, as well as the washing down of the interior of the big building as required, with the water to be disposed of by reinjection. Basically all other hazardous waste treatment, investigation, testing and clean-up as required will be on a time and material basis at the expense of DWR.

In addition to the work to be done by Plant Reclamation which has been described and priced at \$4,136,283, there will be 16 geothermal wells to be closed after all reinjection work is accomplished.

Abandonment and closing of the wells, through investigation, has been priced at estimates ranging from \$75,000 per well, which was paid to NCAP several years ago to close 4 wells at the south geysers, to a high of 7 wells for \$1,000,000, \$142,857 per well, at Unit 15 which Halliburton completed for PG&E.

The general consensus among the interviewees was that \$100,000 per well would cover the expected expenses. This would be the cutting off of the casing 6 feet below surface and plugging and abandoning as described previously. This would total \$1,600,000 for the subject's 16 wells.

By adding the cost of \$1,600,000 for closing 16 wells (\$100,000 each) to the Plant Reclamation's bid of \$4,136,283 for the basic work, I arrive at an abandonment cost estimate of \$5,736,283. This cost estimate does not include the expense of hazardous material (if any) removal and disposal, or the final cost of revegetation. These items would be extra, on a time and expense basis. This cost estimate is also exclusive of the \$1,000,000 credit which Plant Reclamation will allow if they are given salvage rights to the equipment, tools and personal property on the site.

To this, I add a contingency factor of 15 percent, or \$860,442, which totals \$6,600,000 as follows:

Plant Reclamation's Bid for Basic Work	\$4,136,283
Cost of Abandonment for 16 Wells	<u>\$1,600,000</u>
<b>SUB TOTAL</b>	<b>\$5,736,283</b>
 Contingency @ 15%	 <u>\$ 860,442</u>
<b>TOTAL</b>	<b>\$6,596,725</b>
<b>Rounded</b>	<b>\$6,600,000</b>

This estimate is also contingent on DWR being responsible for the cost of all hazardous materials removal and monitoring, as well as the cost of final revegetation, as well as the potential credit of \$1,000,000 to DWR if Plant Reclamation is allowed salvage rights to the equipment, tools and personal property.

#### **VALUE CONCLUSIONS**

This imputes the value of the leasehold interest itself is a negative \$6,600,000, which is the cost of removing all structures, equipment, piping, towers, and site improvements. The final value conclusion is also contingent upon removal and disposal of all (if any) hazardous materials by DWR, as well as the cost of revegetation once the type of flora is determined.

Additionally, the salvage value of the equipment, tools and personal property on the site has been estimated at \$1,000,000, which Plant Reclamation will credit back to DWR if Plant Reclamation is awarded all salvage rights.

**FINAL ESTIMATE OF MARKET VALUE OF THE LEASEHOLD INTEREST IN THE SUBJECT  
PROPERTY AS OF JANUARY 9, 2001..... <\$6,600,000>**

**FINAL ESTIMATE OF MARKET VALUE OF THE EQUIPMENT, TOOLS AND PERSONAL  
PROPERTY ON THE SITE AS OF JANUARY 9, 2001.....\$1,000,000**



Garney L. Hargan  
Supervising Engineer

Department of Water Resources  
Division of Operations and Maintenance  
1416 Ninth Street  
P.O. Box 942836  
Sacramento, CA 94236-0001

(916) 653-5010  
CALNET 453-5010  
FAX (916) 653-9295  
ghargan@water.ca.gov

04 MAY 2001

## VALUATION REPORT

DEPARTMENT OF WATER RESOURCES  
BOTTLE ROCK POWER PLANT  
COLEMAN PROPERTY  
PARCEL NO. GT-269  
LAKE COUNTY, CALIFORNIA

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**ASSOCIATED SERVICES**  
APPRAISAL PARTNERS, INC.

P.O. BOX 412  
NAPA, CA 94559-0412  
(707) 255-8121

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COMPLETE APPRAISAL

OF

**DEPARTMENT OF WATER RESOURCES  
BOTTLEROCK POWER PLANT  
COLEMAN PROPERTY  
PARCEL NO. GT-269  
LAKE COUNTY, CALIFORNIA**

For

Mr. Frank L. Conti, Chief  
Division of Land and Right of Way  
Department of Water Resources  
1416 9<sup>th</sup> Street, Room 1641  
Sacramento, CA 95814

As Of

August 4, 1997

BY

ASSOCIATED SERVICES  
APPRAISAL PARTNERS, INC.

R. Dean Stahr, MAI  
P. O. Box 412  
Napa, CA 94559

**ASSOCIATED SERVICES  
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15 KURT F. STAHR  
JOHN W. SHACKFORD

August 20, 1997

Mr. Frank L. Conti, Chief  
Division of Land and Right of Way  
Department of Water Resources  
1416 9<sup>th</sup> Street, Room 1641  
Sacramento, CA 95814

RE: Appraisal of Department of Water Resources, Bottlerock Power Plant  
Coleman Property, Parcel No. GT 269

Dear Mr. Conti:

Pursuant to Department of Water Resources Contract #97-1542-B80982, dated November 1, 1996 I am providing you with a complete appraisal written in summary format on the above referenced property. This is a narrative appraisal report which has been made in conformity with and is subject to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The purpose of this appraisal report is to estimate the market value of the property being appraised, subject to the definitions of market value, the assumptions and limiting conditions, and the certifications contained within the attached report.

Descriptions of the property appraised together with an explanation of the appraisal procedures used are presented within the body of this report. Based upon the data and conclusions presented within this narrative report it is my opinion that the estimated market value of the subject property as of August 4, 1997 is as follows:

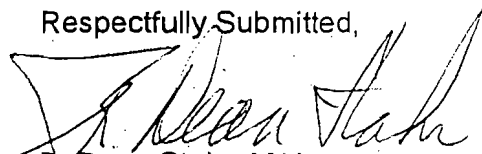
**Market Value of Bottlerock Power Plant and  
Steam Field Leasehold Interests**

**<\$4,270,000>**

**Market Value of Equipment, Tools and Personal Property**

**\$1,000,000**

Respectfully Submitted,



R. Dean Stahr, MAI  
Certified General Real Estate Appraiser  
OREA CA #AG002002

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## **EXECUTIVE SUMMARY BOTTLE ROCK POWER PLANT**

**ASSIGNMENT:** Estimate the market value of the Department of Water Resource's Bottlerock Power Plant, Coleman Property, Parcel No. GT-269

**OWNER OF RECORD:** V. V. & J. Coleman Partnership  
1544 Puerto Vallarta Drive  
San Jose, California 95120

**OWNER CONTACT:** Ronald & Kenneth Coleman  
c/o FDR Coleman Equipment Rentals  
404555 Carrigon Road  
Murrieta, California 92562  
(909) 698-9312

**LOCATION:** Approximately 2 ½ miles northwest of Cobb Mountain in the Lake County portion of The Geysers Known Geothermal Resources Area.

**LAKE COUNTY  
ASSESSOR'S PARCEL  
NUMBERS:**

013-002-003  
013-002-004  
013-002-005

**LAND AREA:** 350.01 acres (according to assessor's records)

**TOPOGRAPHY:** Flat and gently rolling to moderate and steep hill land.

**UTILITIES:** Power and telephone available. Sewage disposal is by private septic systems and gas is by propane in this area of Lake County.

**WATER:** Domestic well and High Valley Creek

**ZONING:** RL-BF (Rural Lands - No Further Subdivision)

## **EXECUTIVE SUMMARY BOTTLE ROCK POWER PLANT**

**GENERAL PLAN:** Rural Lands

**FLOOD ZONE:** Flood Zone "D" which is areas of undetermined, but possible, flood hazards (as per community panel number 060090-0800A of the FEMA Flood Insurance Rate Maps, which is currently not in print, but effective as of September 30, 1992.

**TOXIC  
CONTAMINATION:** Not currently on either the Contaminated Site or Underground Fuel Storage Tank Lists at the Environmental Health Division of Lake County Department of Public Health.

**STRUCTURAL  
IMPROVEMENTS:** Power plant facility structures, steam field control center structures, a steam field with steam gathering system, and three towers with aluminum conductors.

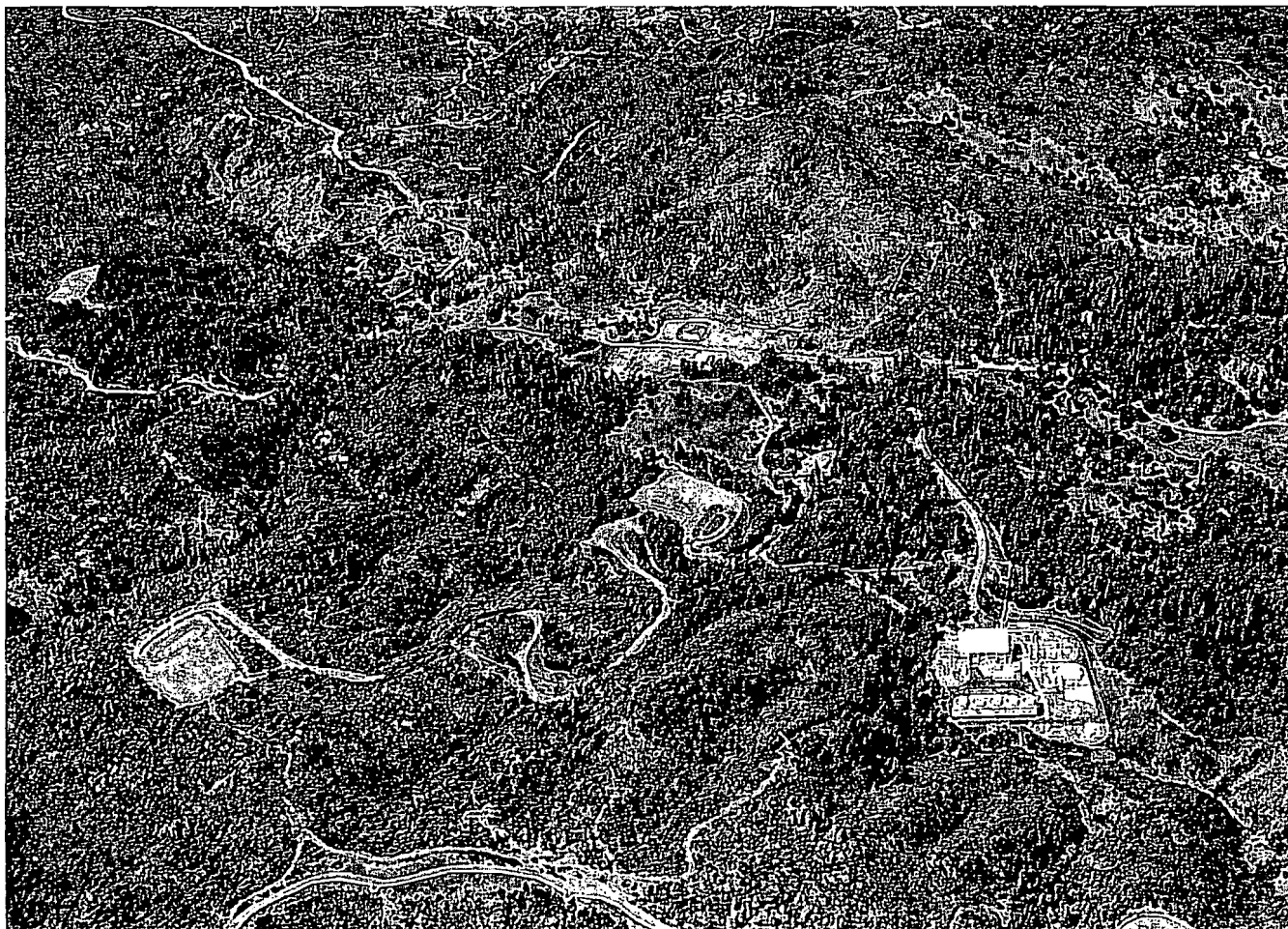
**LAST DATE OF  
INSPECTION:** August 4, 1997

**DATE OF VALUATION:** August 4, 1997

**HIGHEST AND  
BEST USE:** Rural residential/recreational property in conjunction with limited agricultural uses, as well as watershed and wildlife habitat.

**FINAL ESTIMATE OF  
MARKET VALUE:**

<b>Bottlerock Power Plant &amp; Steam Field Leasehold Interests</b>	<b>&lt;\$4,270,000&gt;</b>
<b>Equipment, Tools &amp; Personal Property</b>	<b>\$1,000,000</b>



PHOTO# B4-20

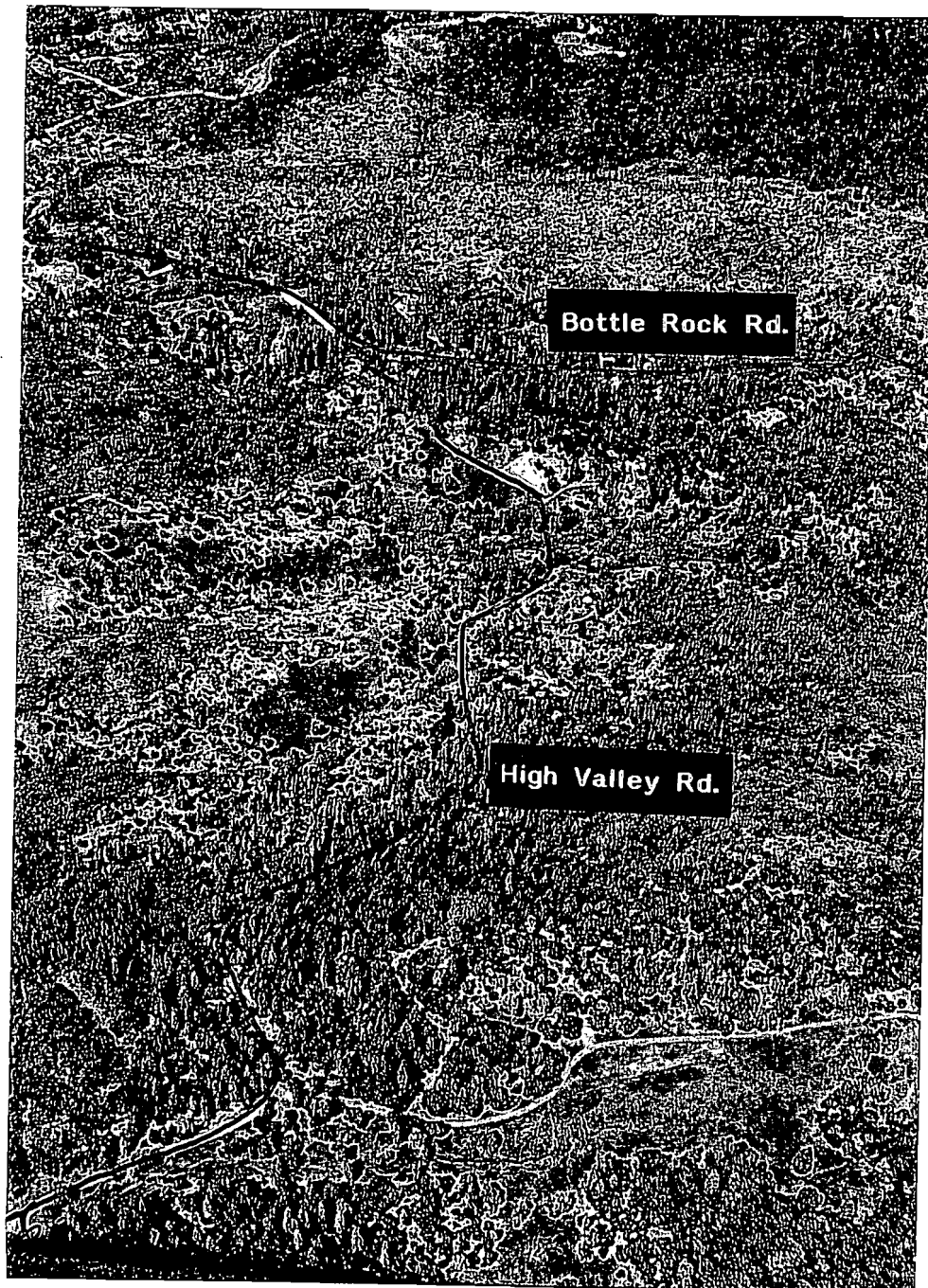
VIEW LOOKING NORTH WITH THE BOTTLEROCK POWER PLANT AT LOWER RIGHT, COLEMAN PAD AT THE CENTER, WEST COLEMAN PAD TO THE LEFT, AND THE STEAM FIELD CONTROL CENTER AND FRANCISCO PAD AT THE UPPER CENTER.



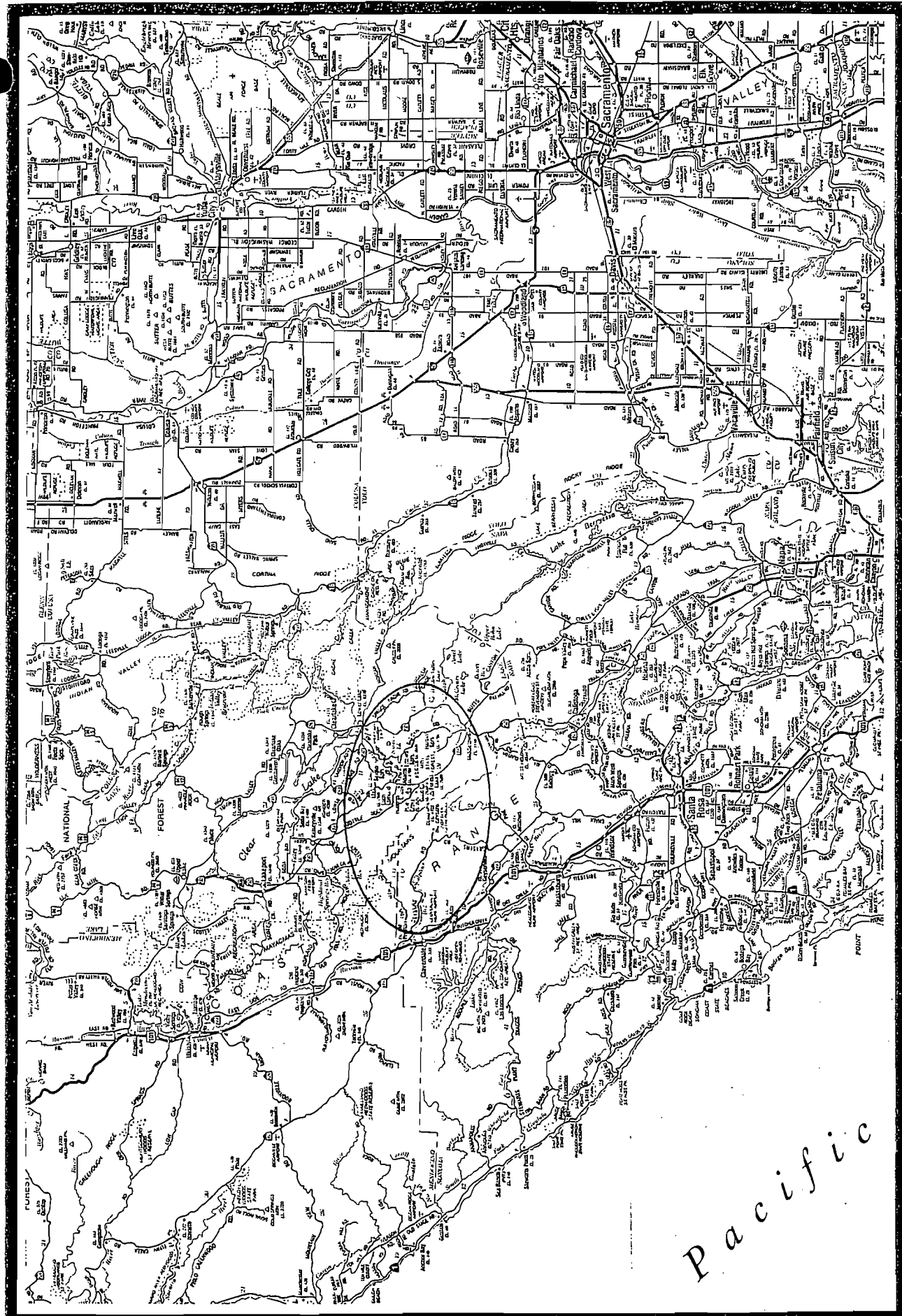
PHOTO# B4-23

VIEW LOOKING SOUTHWEST WITH THE BOTTLEROCK POWER PLANT AT LEFT, THE STEAM FIELD CONTROL BUILDING AND FRANCISCO PAD TO THE RIGHT, COLEMAN PAD AT THE CENTER AND WEST COLEMAN PAD AT UPPER CENTER.





PHOTO# B4-24A  
VIEW LOOKING NORTHEAST ALONG HIGH VALLEY ROAD  
FROM THE SUBJECT PROPERTY'S EAST BOUNDARY



Location Map

Pacific

**PART I. INTRODUCTION**  
**BOTTLEROCK POWER PLANT**  
**PARCEL NO. GT-269**

**IDENTIFICATION OF THE SUBJECT PROPERTY**

The subject property is commonly referred to as the Department of Water Resource's Bottlerock Power Plant, which is located in the Lake County portion of The Geyser's Known Geothermal Resources Area. The property totals 350.01 acres according to the Lake County Assessor's Office and is situated in Sections 5 and 6, Township 11 North, Range 8 West, Mt. Diablo Base and Meridian.

The property has also commonly been referred to as the Coleman Ranch and is comprised predominately of moderate to steep hill land with maybe 100 acres of flat to undulating valley floor land.

According to the county assessor's office, the situs addresses for the three parcels are as follows:

PARCEL NUMBER	SITUS ADDRESS
013-002-003	7925 High Valley Road Cobb, CA 95120
013-002-004	7385 High Valley Road Cobb, CA 95120
013-002-005	7500 High Valley Road Cobb, CA 95120

**PURPOSE AND FUNCTION OF THE APPRAISAL**

The purpose of the appraisal is to estimate the current market value of the leasehold interest in the subject property, including all equipment, tools and personal property on the site.

The function of the appraisal is to assist the Department of Water Resources with decisions regarding decommissioning the Bottlerock Power Plant and associated steam fields.

### **DATE OF INSPECTION**

The subject property was inspected on numerous occasions through the months of June, July and August 1997 with the last date of inspection being August 4, 1997. During an inspection on July 21, 1997, I was accompanied by the owner's representatives, Mr. Ronald Coleman and Mr. Kenneth Coleman.

### **DATE OF VALUATION**

The date of valuation is the last date of my physical inspection of the subject property which was on August 4, 1997.

### **COMPETENCY**

Associated Services Appraisal Partners, Inc. and Mr. R. Dean Stahr, MAI have extensive experience in appraisal of rural residential/recreational properties throughout northern California. Mr. Stahr is also experienced in the valuation of geothermal steam fields and power plants in The Geysers Area of Lake and Sonoma Counties.

### **DEFINITIONS**

#### ***Market Value***

"Market value" means the most probable price which a property should bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and 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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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. "<sup>1</sup>

<sup>1</sup> Federal Register, Vol. 55, No. 165, Friday August 24, 1990, Rules and Regulations, 12 CFR Part 34.42 (f).

### ***Fee Simple Interest <sup>(1)</sup>***

The term "fee simple interest" as used in this report is defined:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."

### ***Leased Fee Interest <sup>(1)</sup>***

The term "Leased Fee Interest" as used in this report is defined:

"An ownership interest held by a landlord with specified rights that include the right of use and occupancy conveyed by lease to others; the rights of a lessor (the leased fee owner) and lessee (lease holder) are specified by contract terms contained within the lease."

### ***Leasehold Interest <sup>(1)</sup>***

The term "Leasehold Interest" as used in this report is defined:

"The interest held by the lessee (tenant or renter) through a lease transferring specifying rights, including the right of use and occupancy, for a stated term under certain conditions."

### ***Easement <sup>(1)</sup>***

The term "easement" as used in this report is defined:

"An easement is usually the right to perform a specific action on a particular parcel of property, or portion thereof, by the grantees who do not hold the underlying fee."

### ***Rights Appraised***

The rights appraised consist of the leasehold interest to the subject property under the terms and conditions of the existing Geothermal Lease and Agreement on the subject property which was entered into as of the 25<sup>th</sup> day of February 1975. A copy of this original lease is in the addenda of this report.

No title report was submitted and the property is assumed to be free and clear of all other liens and encumbrances.

<sup>(1)</sup> Source: The Appraisal of Real Estate, 11<sup>th</sup> Edition, Appraisal Institute, Chicago, Illinois, 1996

### **SCOPE OF THE APPRAISAL**

For the purposes of this appraisal, I have personally inspected the subject property and improvements, the applicable county building records, zoning and other governmental information. No structural or pest control reports were made available for this assignment.

In my valuation analysis, I have used the sales comparison and modified cost approaches to estimate the market value of the subject property, both with and without the existing lease. I have excluded the income approach due to the nature and use of the property that is the subject of this valuation. The subject steam fields and power generating plant have proven to be economically unfeasible to operate and is my opinion that this property would not be purchased on its income producing potential.

This is a large acreage property on which the vast majority of the land has only nominal income producing capability with the exception of the geothermal rights which have proven to be uneconomical. The total income that would be attributable from a ranching operation would not be nearly high enough to support the indicated market value of the property for its ancillary rural residential and recreational uses.

To arrive at the valuation estimate, I have gathered and analyzed sales and listings in the subject's general vicinity, as well as surrounding areas. All sales and listings have been confirmed and inspected by the staff of Associated Services Appraisal Partners, Inc.

## **GENERAL ASSUMPTIONS AND LIMITING CONDITIONS FOR THIS APPRAISAL**

**Title to Real Estate:** No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

**Liens or Encumbrances:** The property is appraised free and clear of any and all liens or encumbrances, unless otherwise stated.

**Ownership:** Responsible ownership and competent property management are assumed.

**Information and Data:** The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

**Engineering:** All engineering is assumed to be correct. The plot plans and illustrated material in this report are included only to assist the reader in visualizing the property.

**Hidden Conditions:** It is assumed that there are no hidden or nonapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

**Federal, State and Local Laws:** It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws, unless noncompliance is stated, defined and considered in the appraisal report.

**Applicable Zoning and Use Regulations:** It is assumed that all zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report.

**Licenses, Certifications of Occupancy and Consents:** It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state or national government, or private entity or organizations have been or can be obtained or renewed, for any use on which the value estimate contained in this report is based.

**Encroachments:** It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there is no encroachment or trespass, unless noted in the report.

**Distribution of the Total Value:** The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

**Right of Publication:** Possession of this report, or a copy thereof, does not carry with it the right of publication.

**Court Testimony:** The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in questions, unless arrangements have been previously made.

**Advertising:** Neither all, nor any part of the contents of this report, especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected, shall be disseminated to the public through advertising, public relations, news, sales or other media, without the prior written consent and approval of the appraiser.

**Fractional Interests:** Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests, will invalidate the value estimate, unless proration or division of interests has been set forth in the report.

**Available Data:** It is assumed the reader or user of this report has been provided with copies of available building plans, all leases, and amendments, if any, encumbering the property.

**Boundary Survey:** No legal description or survey was furnished to this appraiser unless otherwise noted in this report. The county tax plat was used to ascertain the physical dimensions and acreage of the property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.



**Forecast, Projections and Operating Estimates:** The forecasts, projections or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.

**Client Supplied Data:** The client has submitted data which has been used in this assignment. No warranty as to the accuracy or completeness of this data is made.

**Hazardous Materials:** Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property.

The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

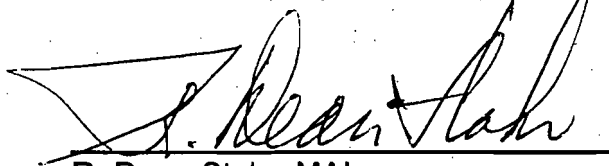
**Termite Inspections:** No termite inspection was made on the subject at the time of appraisal.

**American Disabilities Act:** The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

## CERTIFICATION

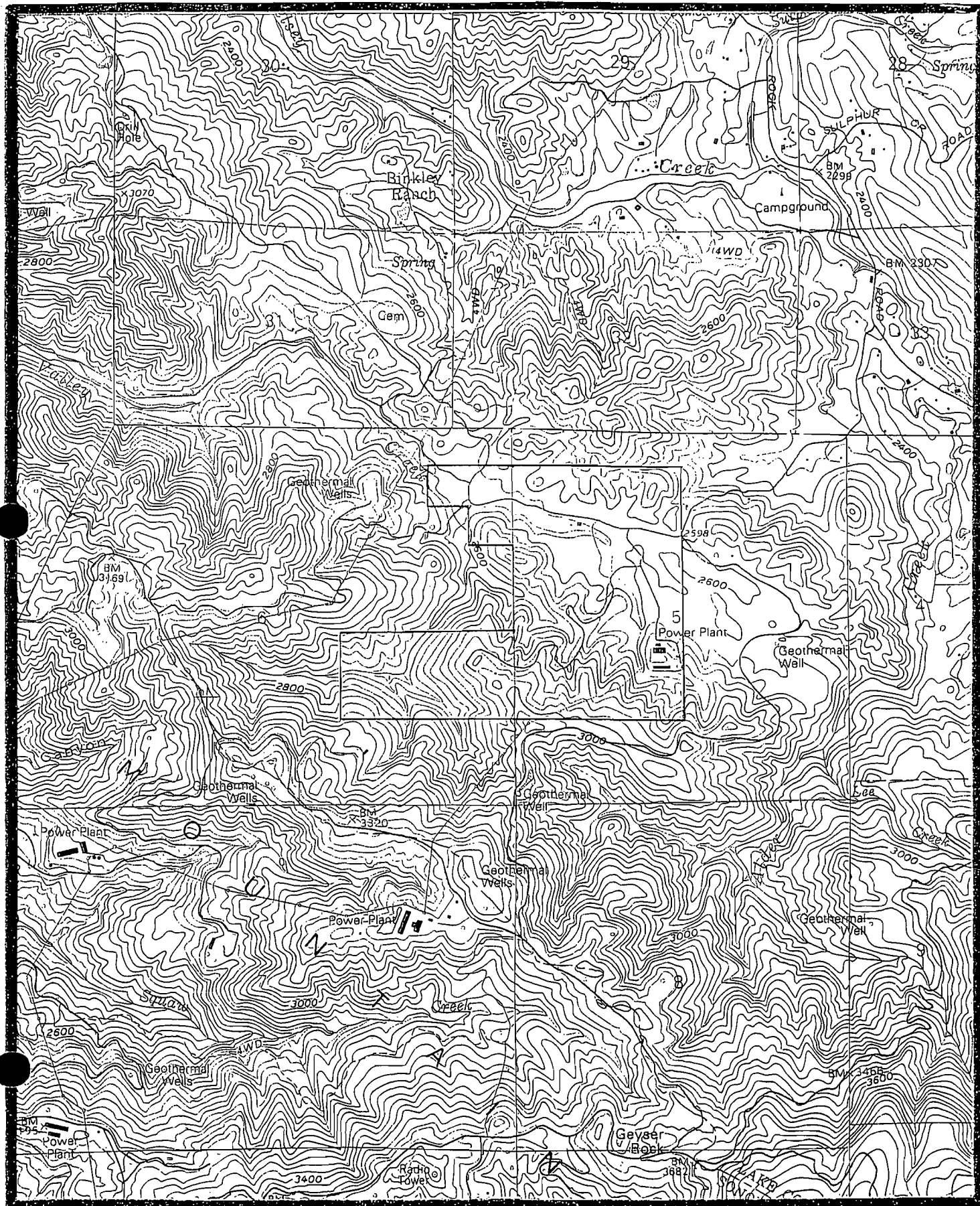
I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinion, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- my analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- no one, other than those persons signing within this report, provided significant professional assistance in this report's preparation or conclusions.



R. Dean Stahr, MAI  
Certified General Real Estate Appraiser  
OREA CA# AG002002

# Topographical Map



$$\frac{11}{012}$$

84-000

BY ORDER

1200°



## Plat Map

**PART II. PROPERTY DESCRIPTION**  
**BOTTLEROCK POWER PLANT**  
**PARCEL NO. GT-269**

**LEGAL CHARACTERISTICS**

***Owner of Record and History***

The Lake County Assessor's Office indicates title to be held as:

**V. V. & J. Coleman Partnership**  
**1544 Puerto Vallarta Drive**  
**San Jose, CA 95120**

Title to the subject property has apparently been held under various forms of the Coleman family name for over 20 years. I was not provided with any information regarding the Coleman family's original acquisition or subsequent transfers of title within the family.

***Legal Description***

The legal description can be found as Exhibit "A" of the Geothermal Lease and Agreement on the subject property, a copy of which is located in the addenda of this report.

***Public Information and Taxes***

Information obtained from the Lake County offices described the subject property as follows:

APN	ADDRESS	SIZE
013-002-003	7925 High Valley Road	150.01 ac
013-002-004	7385 High Valley Road	160.00 ac
013-002-005	7500 High Valley Road	40.00 ac
<b>TOTAL</b>		<b>350.01 ac</b>

The following are the assessed values and taxes for the year 1996/97:

ASSESSED VALUES	013-002-003	013-002-004	013-00-005	TOTAL
Land	\$19,460	\$20,625	\$5,437	\$45,522
Structural Imps.	-0-	-0-	-0-	-0-
Total	\$19,460	\$20,625	\$5,437	\$45,522
1997/98 Taxes	\$194.60	\$206.25	\$54.37	\$455.22
1997/98 Assessments	-0-	-0-	-0-	-0-
TOTAL 1997/98 TAXES AND ASSESSMENTS	\$194.60	\$206.25	\$54.37	\$455.22

The 1997/98 taxes have not been published as of the date of this appraisal but they will be approximately 2 percent higher than 1996/97.

### Zoning and General Plan

The Lake County Planning Department indicates that the subject property is currently zoned "RL-BF", which stands for Rural Lands with a B combining district of Frozen.

The purpose of the Rural Lands district zoning designation is to provide for resource related and residential uses of the county's undeveloped lands that are remote and often characterized by steep topography, fire hazards and limited access. Uses permitted in the RL district include one single family or mobile home on each legal parcel, as well as one granny unit or residential second unit in addition to most uses allowed in the agricultural zone district.

The minimum lot size in the RL district varies from 20 acres to 70 acres as determined by a land capacity/capability table which takes into consideration the property's terrain, fire hazard, land slide risk, road access and distance from the nearest fire station.

In addition, all parcels must include one building site which is 1 acre in size or larger. The building site must accommodate a typical dwelling and access road and 100 percent leach field expansion area. The building site must also have a cross slope of less than 15 percent which can be served by an access road or driveway of less than 15 percent grade.

The "BF" designation stands for Unsplittable Combining District which restricts the subject parcels from being further subdivided into smaller parcels.

The county general plan for this area is also Rural Lands which indicates the current zoning is in conformance with the county general plan, and these designations are not likely to be changed in the immediate future.

## REGIONAL CHARACTERISTICS

### *Area Analysis*

The subject property is located in an area commonly identified with the residential/recreational area known as Cobb Mountain. The entire Cobb Mountain area has an estimated year round population of about 2,000 persons and includes the small communities of Anderson Springs, Whispering Pines, Loch Lomand, Hobergs, Pine Grove, Seigler Springs, Howard Springs and Harbin Springs.

In general, most of the parcels in and around these small unincorporated communities range in size from, as small as 5,000 square foot lots, up to as large to 5 to 10 acre homesites. However, most of the open hill land in the surrounding area is comprised of larger parcels, typically ranging from 40 acres up to several hundred acres or more. Most of the open and brush covered hill land in the area is zoned Rural Lands, while the heavily tree covered hill lands are typically zoned Timberland Preserve.

Much of the lower lying bottom lands in the area are zoned Agricultural with some of the less productive bottom lands being zoned Rural Residential. This is with the exception of the smaller residential lots and commercial properties within the aforementioned small Cobb Mountain communities.

### *Geographic*

Lake County is located approximately 110 miles north of San Francisco Bay and 100 miles west of Sacramento. Lake County is contiguous to six counties: Napa, Mendocino, Sonoma, Colusa, Yolo and Glenn. The county is roughly 75 miles long by 25 miles wide, encompassing 1,329 square miles, or 850,940 acres. Of this total, 71 square miles or 45,520 acres is water area. According to the 1992 Census of Agriculture, the county has 164,130 acres in farms which is roughly 20.4 percent of the total land area. According to the California Department of Forestry, Lake County has 183,000 acres in commercial forest land which is roughly 22.8 percent of the total land area.

Lake County is the location of Clear Lake, California's largest warm water lake located entirely within the State of California. Clear Lake has over 100 miles of shoreline and is a natural lake which can not be drawn below its normal level. The lake has excellent launching and boating facilities which are open year around.

### ***Economic***

In 1993 Lake County ranked 39<sup>th</sup> out of the state's 58 counties in personal income according to State Department of Finance figures. The total of \$948.8 million in 1993 is up from the 1990 total of \$827.4 million, an increase of 14.67 percent or 4.8 percent annually showing a growth rate exceeding the consumer price index. Service and retail industries make up 52.8% of the total employment. The next closest industries include construction with 13.3% of total employment and agriculture with 8.9% of total employment.

Lake County's major agricultural crops are pears, walnuts, and wine grapes. According to the California State Agricultural statistics service pears are planted to over 5,200 acres and consist mainly of the Bartlett pear, which are handled by canneries and fresh fruit markets within the county. Walnuts were originally planted in the county around 1880 and now total over 7,400 acres of plantings. The main varieties raised are Franquettes, Hartley, and Poe. Grapes are planted to over 3,400 acres, with approximately 52 percent being red wine grapes. Major varieties of grapes within the county consist of Cabernet Sauvignon, White Riesling, Napa Gamay, Chenin Blanc, Ruby Cabernet, Sauvignon Blanc, and Zinfandel. Other agricultural products include almonds, nursery seeds, field crops, poultry, sheep, cattle and horses.

### ***Social Influences***

The State Department of Finance, estimated the January 1, 1997 population at 54,800. According to State Department of Finance figures the population increased by 14,400 people from 1980 to 1990 to a total of 51,200. This represents an overall increase of nearly 39 percent, an average 3.9 percent per year for that decade.

During the early 1990's Lake County's population growth slowed. According to State Department of Finance figures the population increased by 3,700 people from 1990 to 1995 to a total of 54,900. This represents an overall increase of nearly 7.23 percent, an average 1.41 percent per year. The sharp reductions in employment at The Geysers steamfield complex and the closure of the Homestake gold Mine is cited for the area's economic decline.



However, it is believed that Lake County's economy has stabilized along with the general California economy. Lake County's population was indicate to have grown to 55,000 by January 1996 but was reported to have slipped back to 54,800 by January 1997. This represents a net loss of 100 people from January 1995 to January 1997 which equals less than two-tenths of one percent for the two year period.

According to the Lake County Chamber of Commerce 84.8% of the population is in families which points to a strong family market, which means more sales potential in staple goods and big ticket merchandise.

### ***Political***

The government is composed of two incorporated cities, Clearlake and Lakeport as well as several unincorporated towns. The county government is responsible for providing public services for the large percentage of the population occupying the unincorporated areas. The region's large area and relatively low population has created severe economic problems in governance.

As a result of these concerns, public agencies have responded by increasing developmental fees and protecting revenue sources. Recently increased social pressures brought on by special interest groups has led to enactment of increased environmental regulations. These actions have resulted in reduced incentive for continuing development.

The current political environment is faced with increasing demand for public services with limited available revenue sources.

### ***Conclusion***

Lake County is a relatively slow growing region largely dependent on service and retail businesses which service the large local tourist industry. These businesses tend to suffer in times of economic downturn such as the recession of the early 1990's. Recent improvements in the states economic condition have led to a slow recovery in the Lake County Area. In addition the high demand for premium wine products has led to increased interest in the Lake County area for production of wine grapes. This increased interest has aided in business and job growth centered around this agricultural use.

## **SITE CHARACTERISTICS**

### ***Access & Visibility***

The primary access to the subject property is via a gated semi-private road known as High Valley Road. This is a paved roadway which has been maintained by the Department of Water Resources.

The northern portion of the subject property is traversed by High Valley Road, as it extends westward from Bottlerock Road through the subject property and continues westward to other neighboring ranches.

There is a gated entrance at the east end of High Valley Road where it connects to Bottlerock Road. The subject is approximately 1 mile west of this intersection and there are numerous other property owners who share access rights on High Valley Road with the subject owners.

### ***Site Description and Topography***

The subject property consists of three assessor's parcels forming an irregular shape. As discussed early, the assessor's office information indicates the property totals 350.01 acres and the individual parcel sizes range from 40.00 acres up to 160.00 acres.

The subject ranch is comprised predominantly of moderate to steep hill lands but there is an estimated 100 acres, or so, of flat to gently sloping valley floor land at the northcentral part of the ranch. There are also three small sites of approximately 2 to 3 acres each which have been created in the southern portion of the ranch for the Bottlerock Power Plant as well as the Coleman and West Coleman well pads.

The moderate to steep hill land making up the majority of the ranch is comprised primarily of the southern two-thirds of the property. In general, these hill lands vary in elevation from about 2,600 feet to 3,000 feet and have an overall slope down to the north.

The flat to gently undulating valley floor land lies within the northern one-third of the property and is traversed by a seasonal surface stream which forms the headwaters of High Valley Creek which flows northwesterly out of the northwest corner of the subject property to Kelsey Creek, and eventually into Clear Lake. In general, the flat to undulating land is at an elevation of about 2,520 feet to 2,580 feet, with a gentle slope down to the northwest.

The Bottlerock Power Plant improvements are located along the subject property's east boundary line near the southeast corner, while the steam field control center improvements are located on the valley floor land at the northcentral portion of the property. The overall topography and layout of the property can be more clearly visualized on the accompanying topographical map which is located at the beginning of this section of the valuation report.

### ***Soils and Minerals***

I have not been provided with an in-depth soil analysis for the subject property but have relied upon the Soil Survey of Lake County, which was performed by the U. S. Department of Agriculture Soil Conservation Service, as a general comparison of the subject property to other properties in the area. If this property is to be considered for intensive agricultural purposes, or for additional structural improvement building sites, a thorough soil analysis should be considered.

For the purposes of this valuation analysis, I have categorized the soils as potentially farmable, secondary farmable and non-farmable. Generally speaking, #I through #III rated soils are suitable for intensive agricultural uses such as orchards, vineyards, etc., while #IV and #VI rated soils may be adequate for plantings, but with some restrictions due to slope, drainage, soil depths, or other limiting conditions. Soils with a #VII or #VIII rating are generally considered to have little or no agricultural potential other than as marginal grazing land or limited timber production.

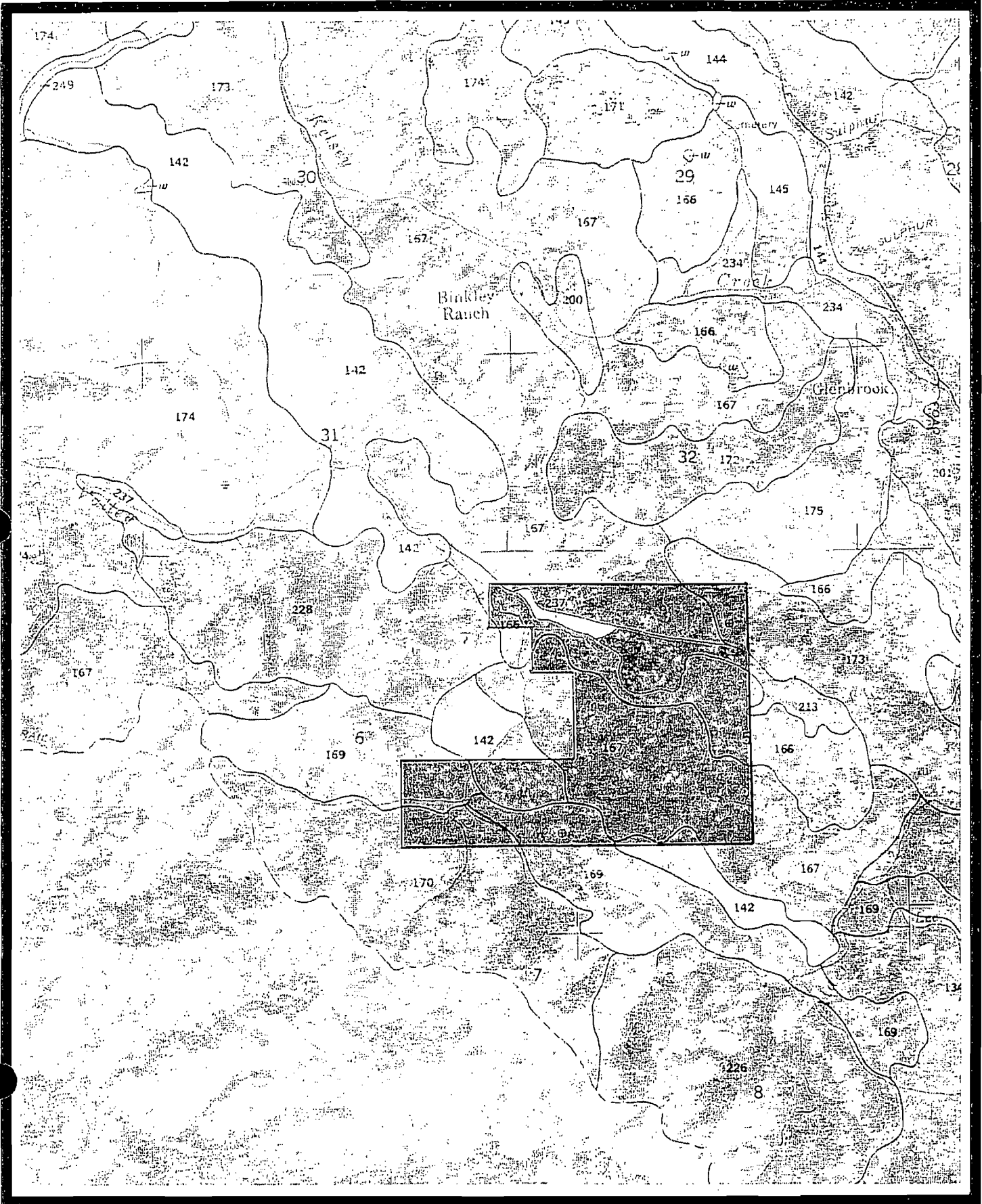
The valley floor portion of the subject is comprised of about 30 acres of #III rated soil and about 10 acres of #IV rated soil, with the remaining 60 acres or so acres being #VII rated soil. The moderate to steep hill lands are nearly all #VII rated series. The subject's basic soil types are summarized on the following tabulation and identified on the accompanying soil map.

# SOIL TABULATION

MAP CODE	SOIL TYPE	SLOPE	RATING	DRAINAGE	PERMEABILITY	ROOT DEPTH	RUNOFF	EROSION HAZARD
142	Henneke-Montara-Rock outcrop complex	15-30%	Vlls	Well-somewhat excessive	Moderately slow	8-20"	Rapid	Severe
166	Maymem-Etsel- Mayacama complex	15-30%	Vlls	Somewhat excessive	Moderate	6-40"	Rapid	Moderate
167	Maymen-Estel- Mayacama association	30-75%	Vlls	Somewhat excessive	Moderate	6.0-40"	Rapid	Severe
169	Maymen-Estel-Snook complex	30-75%	Vlls	Somewhat excessive	Moderate	4-20"	Very rapid	Severe
170	Maymen-Etsel-Speaker association	30-50%	Vlle, Vlls, Vle	Somewhat excessive	Moderate	6-40"	Rapid	Severe
173	Maymen-Hopland- Mayacama association	30-50%	Vlle, Vle, Vls	Somewhat excessive	Moderate	12-40"	Rapid	Severe
213	Sleeper Variant-Sleeper loams	5-15%	Ille-3	Well	Slow	40-60+"	Medium	Moderate
237	Talmage very gravelly sandy loam	0-2%	IVs	Somewhat excessive	Moderately rapid	>60"	Very slow	Slight

# SOILS MAP

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There are no known mineral deposits of any significant commercial value reported to be on the subject property, however, the property is in an active geothermal area with numerous commercial steam wells developed on neighboring properties, as well as a number of abandoned and/or non producing wells on the subject property. The geothermal resources on the subject property have been leased to the Department of Water Resources and will be discussed in more detail as part of the valuation section of this report.

#### ***Utilities/Water***

Power, telephone, water and sewage disposal have been developed to the Bottlerock Power Plant at the southeast corner of the property, as well as to the steam field control building at the northcentral portion of the property.

#### ***Hazardous Materials***

I have checked with Lake County Environmental Health Department for records of contaminated sites or leaking underground storage tanks on the subject property. None of the addresses on the subject property are currently listed as contaminated sites but the records indicate that there was a leaking underground fuel storage tank at the power plant which has been removed. Mr. Manuel Ramirez at the Environmental Health Division of the Lake County Department of Public Health indicated that the tank has been removed, and as far as he can ascertain the remediation work has been completed and the file is closed. Mr. Ramirez also indicated there has been a history of some contamination and/or toxic spills at the power plant and around the various geothermal well heads but these items fall under the jurisdiction of the Regional Water Quality Control Board and not Lake County Department of Public Health.

As part of this assignment, I have also reviewed a *Decommissioning and Cleanup Cost Estimate* report on the subject property dated November 5, 1996 which was prepared by the firm Dames and Moore. The Dames and Moore report included both a *Phase I Environmental Site Assessment Report* and a *Phase II Environmental Site Characterization Report*, both of which were also reviewed as part of my investigation.

In summary, the Dames and Moore report states "The Phase I and Phase II Environmental Investigations indicate that no significant impairment of soil or groundwater exists at the site as a result of the Bottlerock Power Plant and well field geothermal operations. Potential impacts to soils and groundwater are limited to arsenic at concentrations above background in surface materials in limited areas of the Francisco Pad (injection separator outfall) and the Coleman Pad (beneath knock-out pots).

Arsenic concentrations in concrete (third floor wall of the power plant and injection sump floor) and in pipeline, turbine and vent muffler scale may effect site clean-up costs."

Additionally, the report concludes "a limited amount of cleanup of facility materials (concrete and pipeline scale) may be required to complete deconstruction. Sampling of concrete inside the turbine building indicated the presence of elevated levels of arsenic in the concrete walls. Steam cleaning of the building interior may be necessary prior to demolition in order to crush and re-use the concrete as fill at the site."

Also "Elevated levels of arsenic present in the scale material inside the pipelines at the West Colman pad does not present any additional costs for decommissioning, according to pipeline removal specialists Reclamation and recycling process for steel can obviate the need for treatment prior to recycling."

The Dames and Moore report concluded that, with the exception of the above, "All hazardous materials were removed from the site after operations ceased, and only a number of small containers of hazardous substances remain on site. The drilling sumps were reportedly emptied of all drilling materials and the hazardous materials storage tanks were emptied and flushed (Mr. Coe Hall, DWR). Two of the sumps, the Francisco and West Coleman, were rehabilitated in 1989."

With this in mind, it appears that toxic and/or hazardous materials contamination situations are not a significant concern on the subject property. However, I am not qualified to determine if a hazardous material or soil contamination situation does actually exist, nor am I qualified to estimate the cost of clean-up if there is a need for such a clean-up.

My value conclusions are predicated on the assumption that there is no significant hazardous materials or soil contamination on the subject property, however, if such a condition does exist, the cost of clean-up should be borne by the Lessee, or deducted from the appraised values. The Dames and Moore report, along with its Phase I and Phase II reports should be reviewed to more fully comprehend the situation.

### ***Flood Zone***

The subject property is located in flood zone "D", which is characterized as areas of undetermined but possible flood hazard. This information is per Community Panel Number 060090-0800 A of the FEMA maps, which is currently not in print but is effective as of September 30, 1992.

### ***American Disability Act Compliance***

I have not been supplied with a Specific Compliance Survey and Analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a Compliance Survey together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more requirements of the Act. If so, this fact could have a negative affect upon the value of the property.

I am not qualified to determine if a property is in compliance with all the requirements of the ADA. Upon inspection there was no obvious signs of non-compliance. This appraisal assumes that the subject property is in compliance with ADA. The subject property is improved with two primary structures which could fall under the requirements of ADA, thus a qualified expert should be consulted if significant concern exists.

### ***Seismic Hazards***

The Lake County Planning Department indicated that there are only four known Alquist Priolo Special Studies zones in the county, with the closest one to the subject property being located several miles to the north near Mt. Konocti. Although the subject is not located within an actual study zone, it is common knowledge that this is an active seismic area and there are potential earthquake faults in the area.

I have also checked with Sonoma County Planning and they show a potentially active fault identified as the Dianna Rock Fault located several miles west of the subject in Sonoma County. There is enough evidence of seismic hazards in this area to suggest that further investigation should be done if this property were to be considered for additional structural building sites.



## IMPROVEMENT DATA

Structural improvements include a 55 megawatt capacity geothermal energy power plant along with its associated noise and chemical abatement systems, a hydrogen sulfide abatement system, a water treatment facility, cooling towers, a yard office and lab building, a backup electrical generator building, and extensive black top paving and concrete walls and flatwork. There is also a steam field control center building, a metal shop building, and a storage yard for equipment, pipes, valves and miscellaneous items located in the meadow area north of the power plant facility.

The steam field is comprised of 16 geothermal production and injection wells located on three different well pads. There is also a drilling sump at each well pad and the steam gathering system. The gathering system includes steam pipelines, condensate lines and removal equipment (knockout pots), reinjection lines, associated valves and pipeline supports, and an electrical control system. It was reported that the steam wells have not been operated for over six years and much of the steel piping which connects the well heads to the main steam lines has been removed from the well pads.

The subject property also includes three transmission towers carrying three aluminum conductors.

Site improvements consists of asphalt-paved and gravel roads leading to the power plant facility and well pads, as well as septic systems serving the various structures at the power plant and steam field control center.

The structural improvements have been summarized on the following tabulation

# **BOTTLEROCK POWER PLANT STRUCTURAL IMPROVEMENTS**

STRUCTURE	SQ. FT. SIZE	FOUNDATION	WALL & EXTERIOR	ROOF	FLOOR	CONDITION
Power Plant	14,300	Reinforced concrete	Reinforced concrete	Flat/built up solid membrane	Concrete	Good
Power Plant Office	1,785	Reinforced concrete	Reinforced concrete	Flat/built up solid membrane	Concrete	Good
Cooling Tower	14,580	Concrete & piers	4" x 4" x 6' O.C. ¼ open & ¾ corrugated fiberglass panels	Flat/Plywood	Concrete basis	Fair
Power Plant Yard Office & Lab. Bldg.	2,958	Reinforced concrete	Reinforced concrete	Shed & Flat/Built up solid membrane	Concrete	Good
Backup Generator Bldg.	1,349	Reinforced concrete	Reinforced concrete	Compound Shed/Built up solid membrane	Concrete	Good
Steam Field Control Center	4,810	Concrete slab	Concrete block	Hip & Shed/Composition Shingles	Concrete	Good/Fair
Steam Field Shop Building	1,200	Concrete slab	Steel Frame/Metal Siding	Gable/Corrugated Metal	Concrete	Fair

## HIGHEST AND BEST USE

### *Highest And Best Use As Vacant*

In determining the highest and best use of the subject site as though vacant and available for development, consideration is given to the site's existing zoning classification, location, physical characteristics and demand for various types of uses.

### *Legally Permissible*

The subject is a large acreage ranch in three assessor's parcels. The zoning designations indicate minimum parcel requirements ranging from 20 to 70 acre minimum parcel sizes. The subject is also under a zoning combining district which restricts any further subdivision of the property. This means that the total 350.01 acres is restricted to the existing three parcels although it would be possible to make lot-line adjustments to reconfigure the parcels as long as any newly created parcel meets the requirements of the land capacity/capability table and all other county requirements.

Allowed uses under the Rural Lands zoning classification typically include agriculture with one dwelling, as well as incidental accessory structures per legal parcel. Typical agricultural uses in the immediate vicinity of the subject include various live stock operations with grazing lands in conjunction with rural residential uses. Other typical uses in the area include geothermal energy production and electrical power plants, which is an allowed use on the subject property.

### *Physically Possible*

It is assumed that the subject's shape, topography, soil condition and utility availability make it amenable to all legally permissible uses. The subject is located within a known geothermal resource area and it appears that all legally permissible uses would be physically possible.

### *Economically Feasible*

With the vast majority of the subject property having only nominal income producing capabilities in its present state, excluding the geothermal rights, most of the legally permissible and physically possible uses are not economically feasible. Geothermal activity in the area is declining and the cost of drilling new wells to depths of 6,000 to 10,000 feet are prohibitively expensive for the low quantity and quality of steam that has been produced on this lease.

With this in mind, the only legally permissible and physically possible uses allowed on the subject property which are also economically feasible are rural residential and recreational uses. These uses are considered economically feasible for the pride of ownership and enjoyment they afford the owner.

### ***Maximally Productive***

Of the legally permissible, physically possible and economically feasible uses, only the rural residential and recreational use are considered maximally productive.

### ***Conclusion***

With full consideration given to the above mentioned factors, the highest and best use for the vast majority of the property is for large acreage rural homesite in conjunction with recreation, watershed and wildlife habitat.

There is an estimated 40 acres of flat to undulating land at the northcentral portion of the ranch that may have some potential to be developed towards an agricultural use. The agricultural uses could vary from less intensive uses such as dry pasture and rangeland for livestock grazing, to more intensive uses such as pasture and hay crops or possibly orchard or vineyards.

In summary, the highest and best use for the subject property as vacant land is for large acreage rural homesites in conjunction with limited agricultural uses, and recreation/watershed.

### **HIGHEST AND BEST USE AS IMPROVED**

The subject is improved with a 55 megawatt capacity geothermal energy power plant facility along with its ancillary buildings, steam gathering system and steam fields. This entire system has been shut down to a stand-by mode for over six years and much of the equipment has become obsolete or physically deteriorated to the point that it is no longer serviceable.

The steam field has proven to be uneconomic to operate the 55 megawatt capacity power plant, and most of the wells are no longer considered to be productive. Most of the control panels and generating equipment are considered obsolete in today's technology, and the estimated cost to re-activate the steam fields, steam gathering facilities and the power plant would be economically unfeasible.

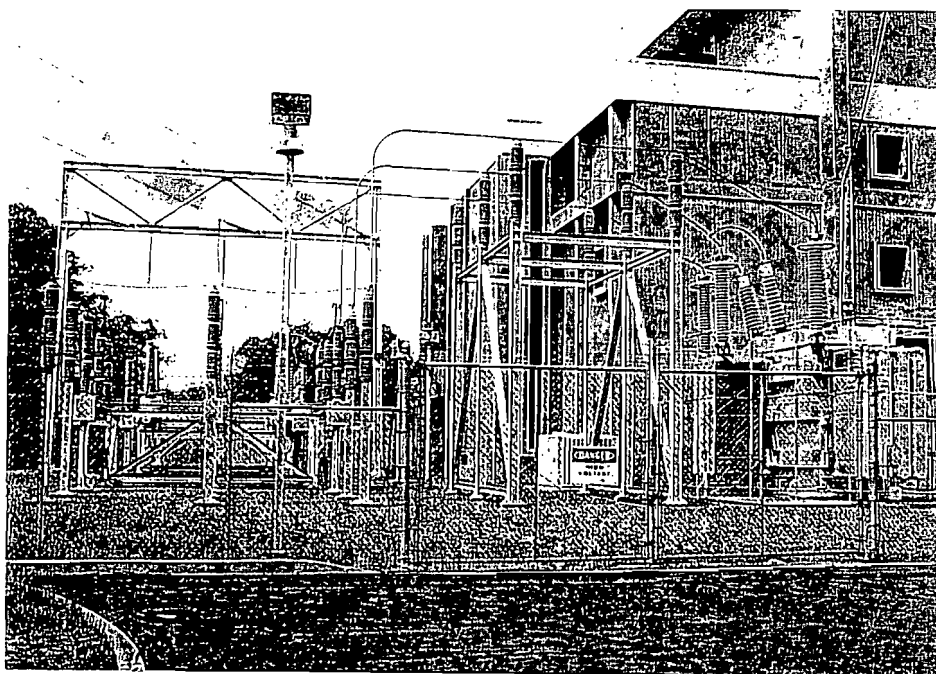
The terms of the permits for the subject power plant states that if the power plant is decommissioned, all improvements must be removed and the site returned to the state it was in prior to development. The facility is no longer economically feasible to operate and the Department of Water Resources is considering decommissioning the facility.

If the facility is decommissioned, all improvements may have to be removed, and thus would contribute a negative value. If the facility is not decommissioned, but is held in its present stand-by mode, the improvements have no practical use and will continue to depreciate.

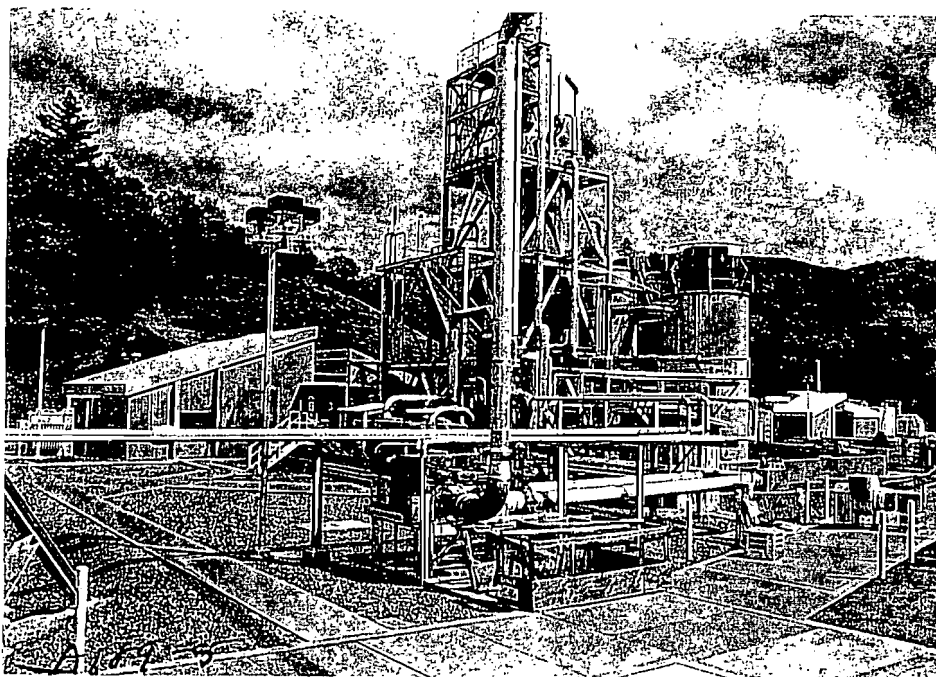
In either case, the improvements on the subject have no contributory value, and in fact are considered to have a negative value.

With consideration given to the above mentioned factors, the highest and best use as improved is the same as the highest and best use as vacant.

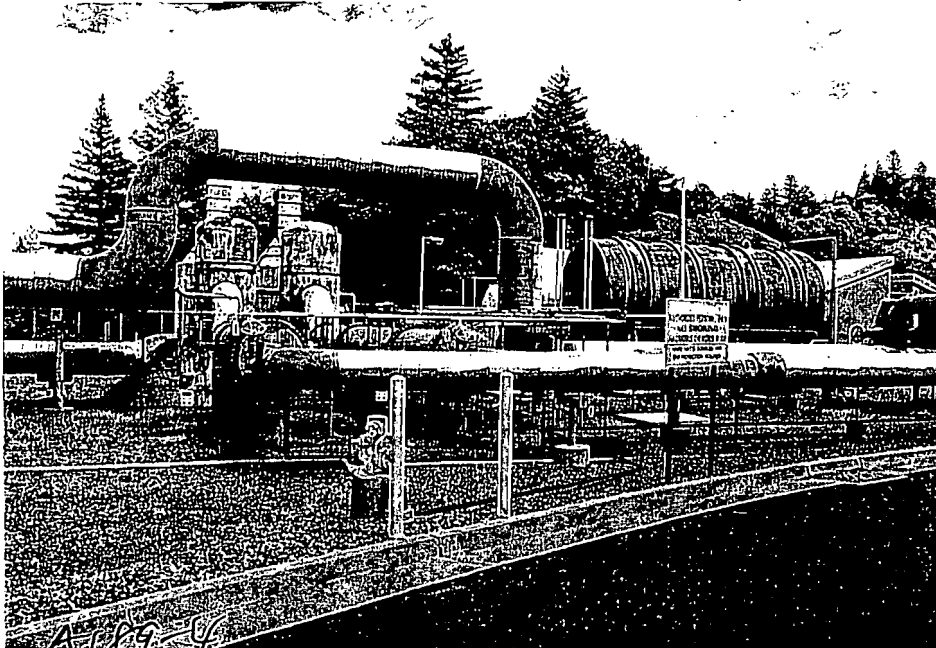
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TRANSFORMER  
YARD ON WEST  
SIDE OF POWER  
PLANT STRUCTURE



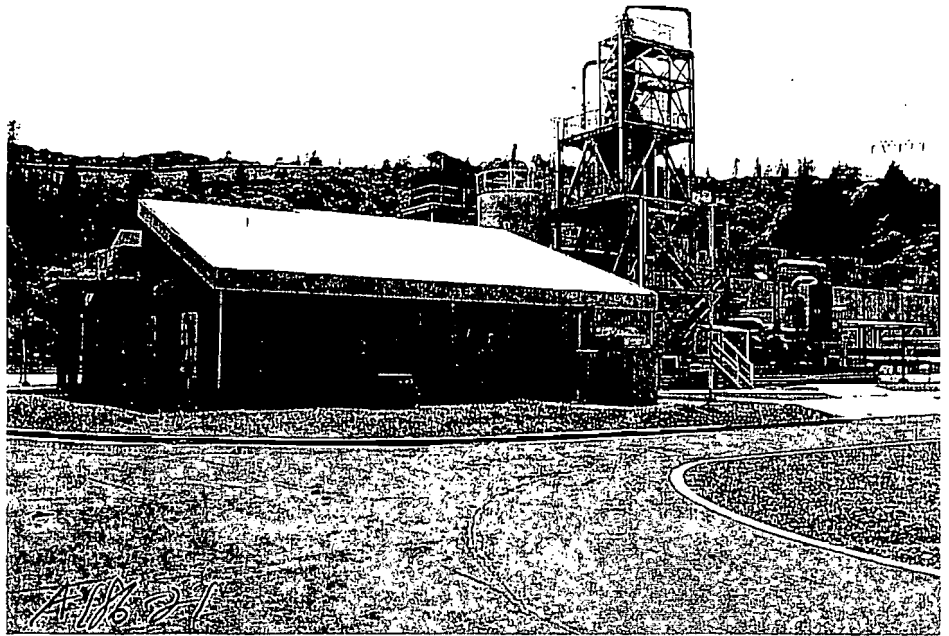
PHOTO# A189-5  
STRÉDFORD UNIT  
IN POWER PLANT  
YARD



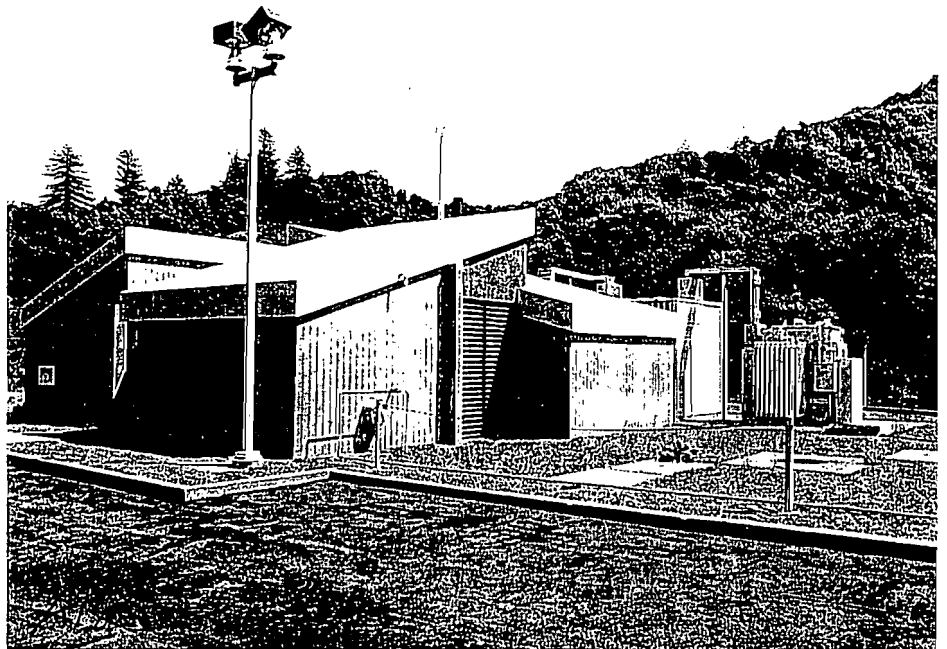
PHOTO# A189-4  
NOISE SUPPRESSION  
EQUIPMENT AND  
COLLECTION PIPING  
IN POWER PLANT  
YARD



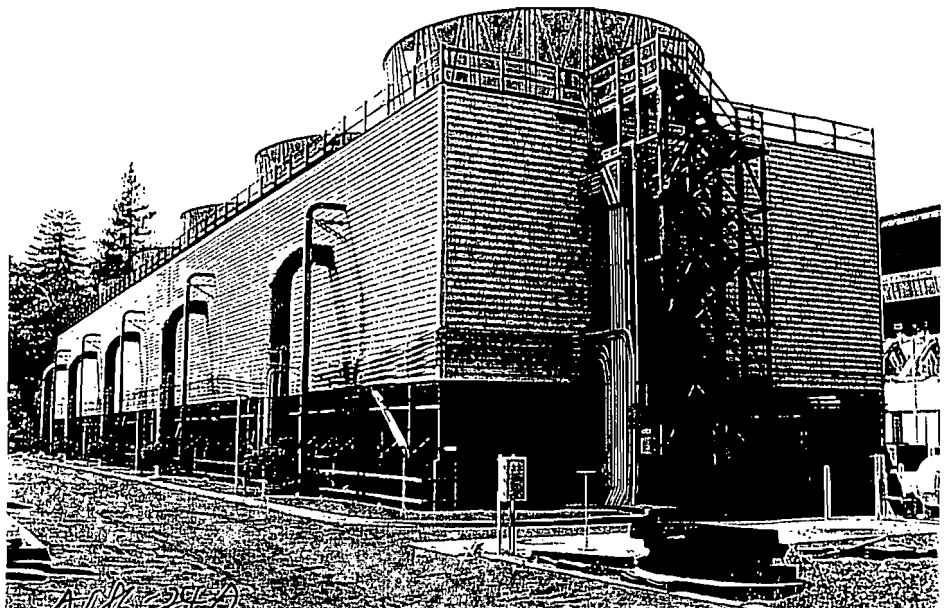
PHOTO# A186-21  
POWER PLANT YARD  
OFFICE AND LAB



PHOTO# A186-23  
BACK-UP GENERATOR  
BUILDING AT POWER  
PLANT FACILITY



PHOTO# A186-24A  
COOLING TOWER  
STRUCTURE



PHOTO# A186-1  
STEAM FIELD  
CONTROL CENTER  
BUILDING



PHOTO# A186-2  
REAR VIEW OF SHOP  
AREA AT STEAM  
FIELD CONTROL  
CENTER BUILDING



PHOTO# A186-4  
METAL SHOP  
BUILDING AT STEAM  
FIELD CONTROL CENTER

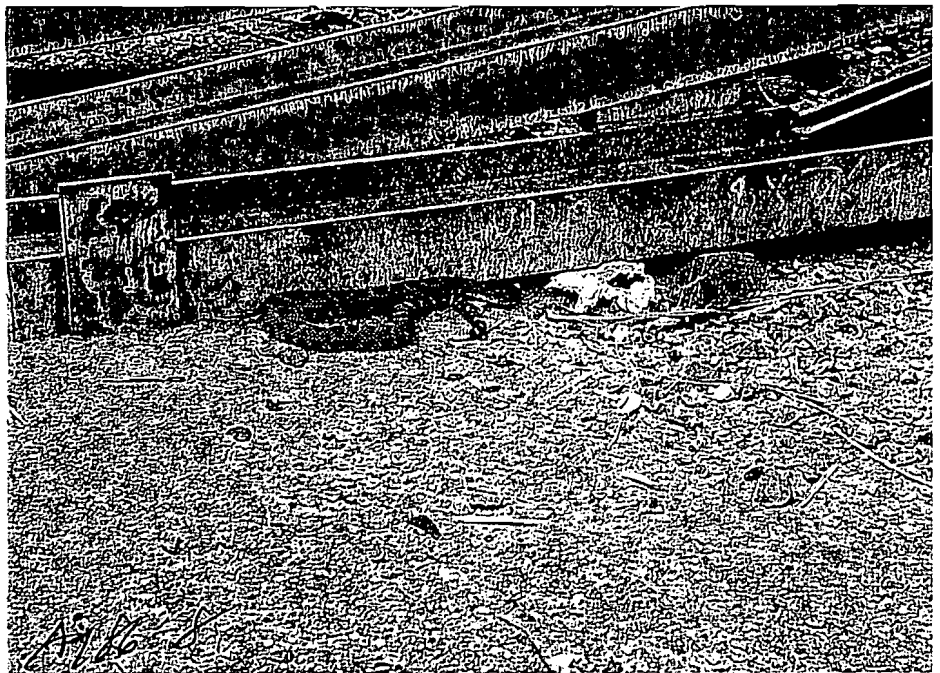




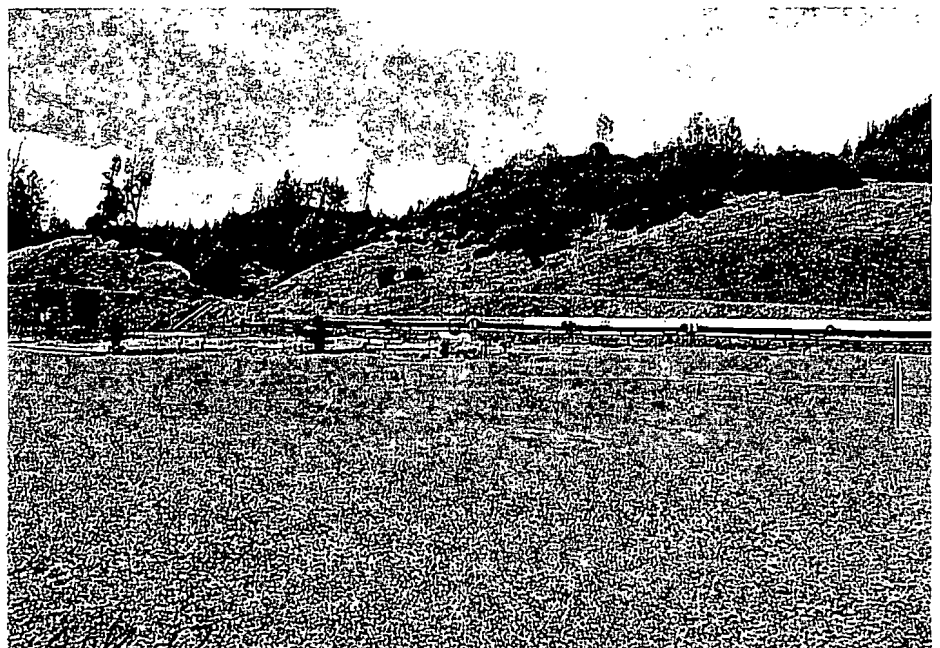
PHOTO# A186-5  
VIEW THROUGH  
STORAGE YARD AT  
STEAM FIELD  
CONTROL CENTER



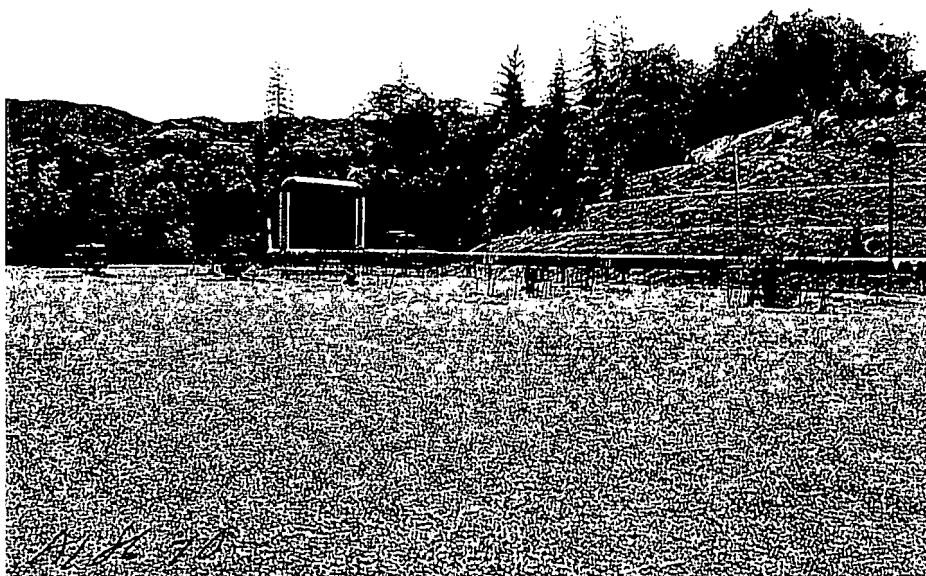
PHOTO# A186-8  
GUARD SNAKE IN  
STEAM FIELD  
CONTROL CENTER  
STORAGE YARD



PHOTO# A186-17  
VIEW LOOKING  
THROUGH  
FRANCISCO PAD



PHOTO# A186-10  
VIEW THROUGH  
COLEMAN PAD



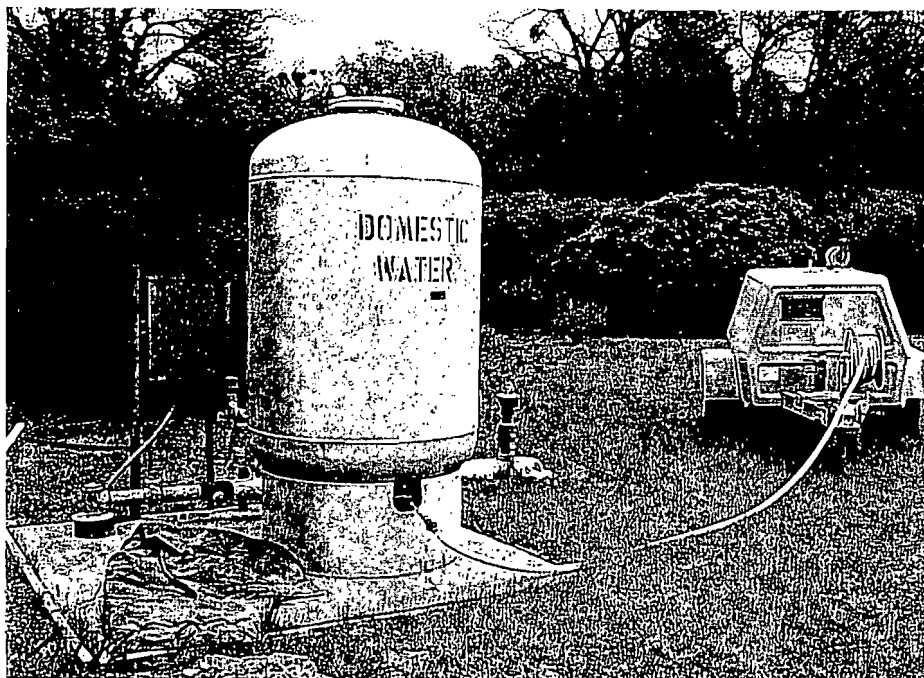
PHOTO# A186-11  
SUMP AT COLEMAN  
PAD



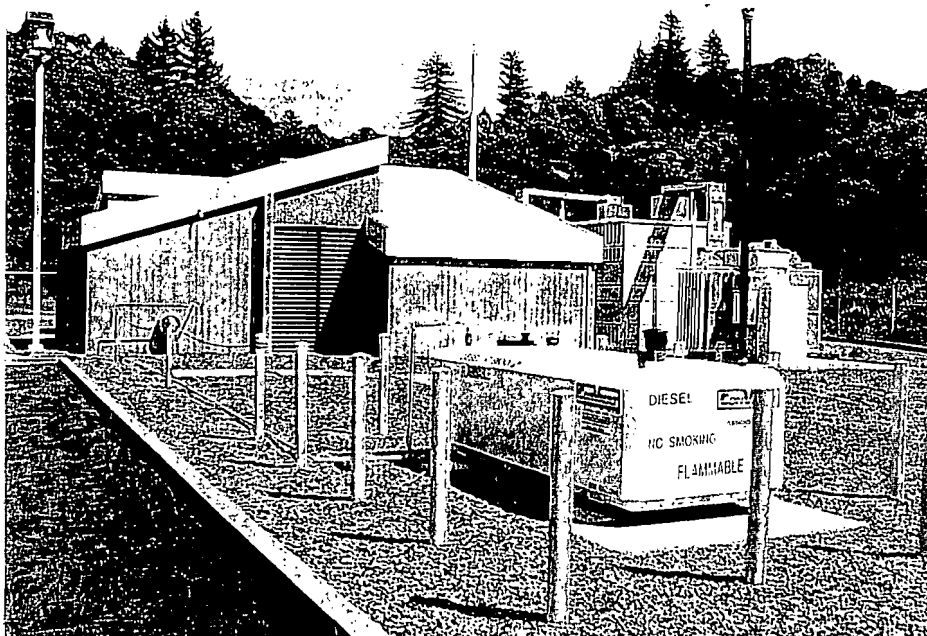
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VIEW THROUGH  
WEST COLEMAN  
PAD



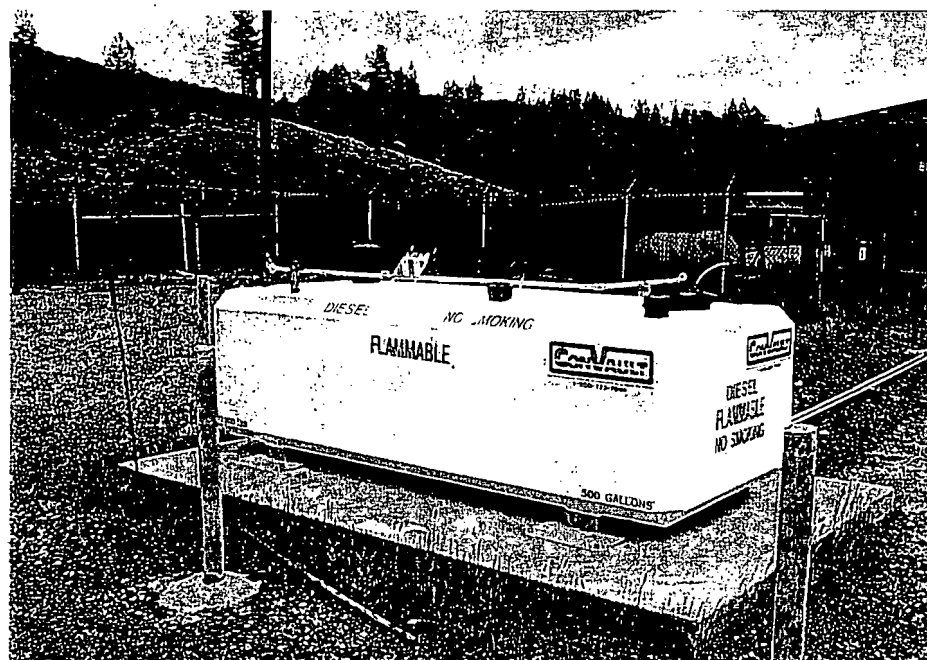
PHOTO# A186-9  
DOMESTIC WELL  
LOCATED IN  
MEADOW



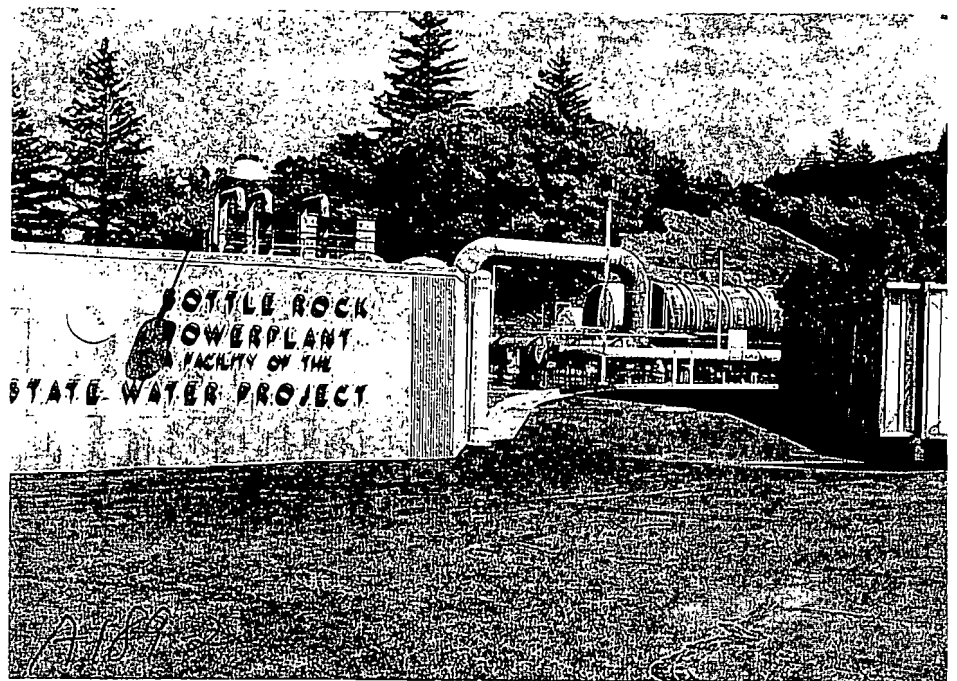
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DIESEL STORAGE  
TANK AT POWER  
PLANT FACILITY



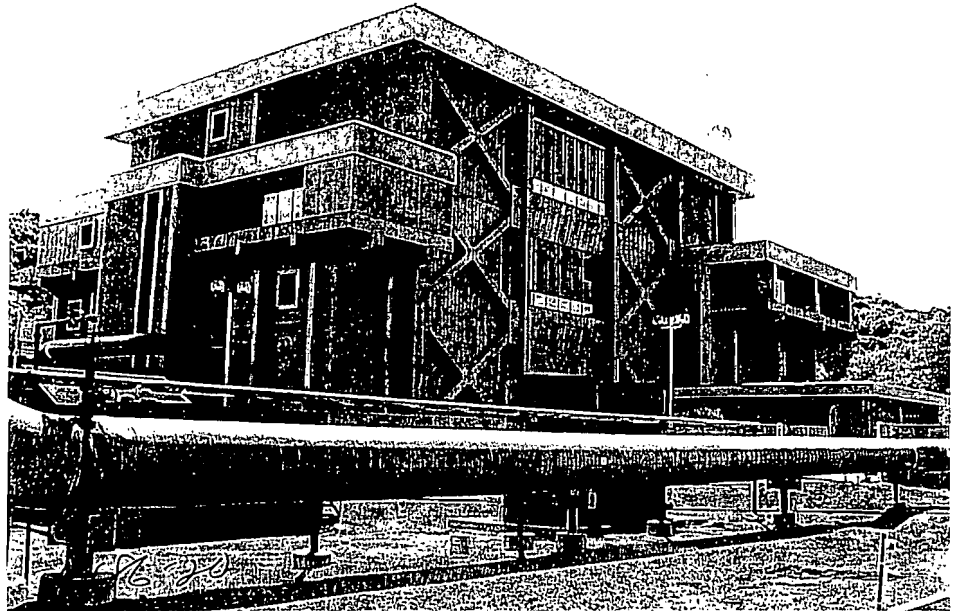
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DIESEL STORAGE  
TANK AT STEAM  
FIELD CONTROL  
CENTER



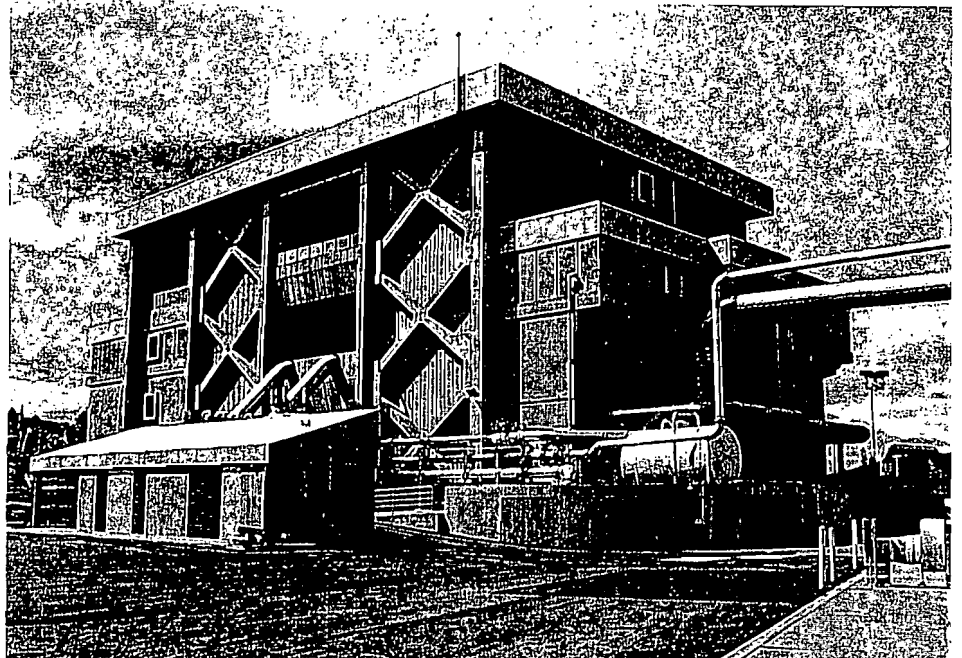
PHOTO# A189-2  
MAIN ENTRANCE  
TO POWER PLANT  
FACILITY YARD



PHOTO# A186-20  
FRONT VIEW OF  
POWER PLANT  
STRUCTURE



PHOTO# A189-8  
REAR VIEW OF  
POWER PLANT  
STRUCTURE



**PART III. VALUATION  
BOTTLE ROCK POWER PLANT  
PARCEL NO. GT-269**

**RATIONALE**

Recognized appraisal practice calls for analysis of property values by one or more of three approaches to value as follows:

**COST APPROACH**

An estimate of the depreciated replacement cost of improvements, to which is added the value of the land as though vacant.

**MARKET COMPARISON APPROACH**

A comparison of the property appraised with reasonably similar properties that have recently been sold and for which the price, terms, and conditions of sale are known.

**INCOME APPROACH**

Involving appropriate processing of projected net income to arrive at an indication of capital value.

**APPRAISAL PROBLEM**

The appraisal problem is to estimate the market value of the leasehold interest in the subject property under the terms and conditions of the existing geothermal lease in order to assist the Department of Water Resources with decisions regarding decommissioning the Bottlerock Power Plant and associated steam fields. This valuation is also to include all equipment, tools and personal property on the site.

**METHOD OF VALUATION**

In this valuation I have relied primarily on the market data approach to arrive at the final estimate of market value of the fee simple interest in the land without consideration given to the existing geothermal lease. This method will make use of recent transactions of similar type properties to determine the land value with no consideration given to any of the improvements which were developed after the lease.

I will then incorporate a modified cost approach to estimate the cost of removal of all improvements and to return the site back to the condition it was in prior to the geothermal development. The costs of removal of all improvements, including the geothermal wells, in addition to site restoration, is estimated due to the provisions within the original permits for operation which require the lessee to return the land back to its natural state at the termination of the leases.

The income approach is not utilized to estimate the market value of the subject property due to the nature and use of the ownership. With the vast majority of the property having little income producing capability in its present state, other than for geothermal development, there is not enough total income attributable to the property to support the indicated market value for the residential and recreational uses of the subject property.

With geothermal activity declining in the area, and the subject wells proving to be of low quantity and quality steam, further geothermal development is not considered economically feasible for the subject property. The cost of drilling new wells to depths of 6,000 to 10,000 feet make geothermal exploration uneconomical in today's market, and the exorbitant cost of re-activating the existing steam fields and power plant preclude this option from being economically feasible.

#### **LAND VALUE (FEE SIMPLE INTEREST)**

The value of the land is estimated by comparing the land appraised with other similar properties that have been sold or are listed for sale, and for which the price, terms and conditions of sale are known. Reliability of the findings is directly related to the degree of similarity between the appraised property and the properties to which it is to be compared.

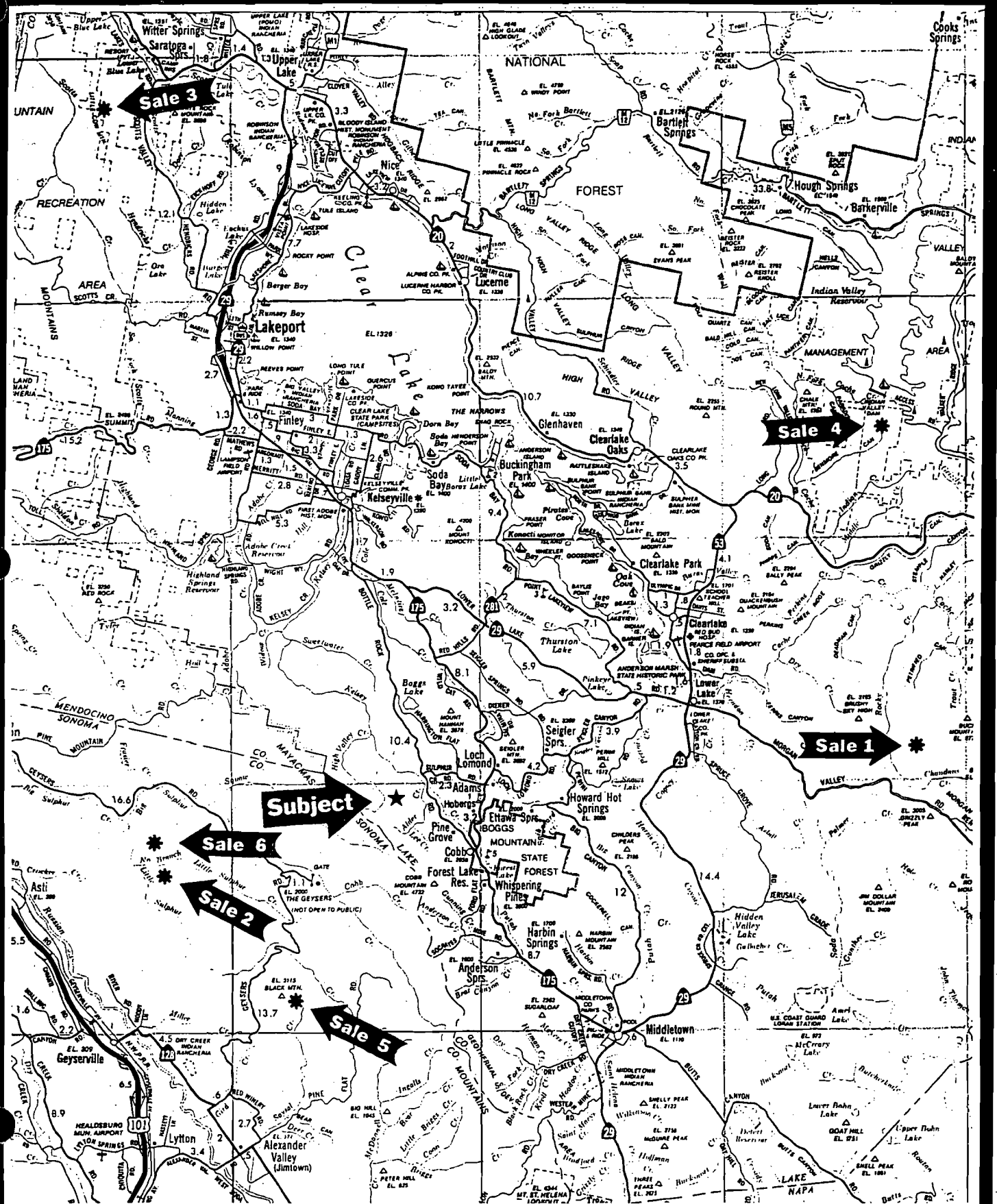
Adjustments to sale prices are customarily made for such factors as date of sale, location, size, zoning and deed restrictions, buyer and seller motivation, unusual terms, etc. Due to the large size of the subject property, I had to expand my sales search beyond the subject's immediate area, and have included sale properties from both Lake and Sonoma Counties.

In the course of this investigation I confirmed six transactions that are considered to be value indicators for the subject property. These transactions are tabulated and discussed on the following pages.



# Comparable Land Sales

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**SALES TABULATION**  
**BOTTLEROCK POWER PLANT**  
**PARCEL NO. GT-269**

SALE NO.	GRANTOR/GRANTEE	LOCATION APN	SALE DATE DOC. NO.	SALE PRICE AC. PRICE	ACRE SIZE ZONING	TOPOGRAPHY SOILS	UTILITIES WATER	REMARKS
1.	Peter R. Sterns/ Joseph Golja, et al	Morgan Valley Area, Lake County 12-009-18 12-014-01,02	2/26/93 93-3597	\$410,000 \$412	994.75 acres RL (20 to 70 acre max. density.)	Flat and undulating to moderate and steep #III, #VI & #VII	P, T & septic Three wells and two ponds	Modest residence, garage, shop bldg., and 5,400 sf barn. Purchased by adjoining property owner as an addition to his cattle operation.
2.	Claude Heater/ Sanctuary Realty Corp.	Geyser Peak Area Sonoma County 141-010-003,009+	7/12/93 93-86111	\$750,000 \$331	2,263.79 acres RRD (240 ac. min.)	Mod. to very steep with some gentle ridgetops #VI & #VII	P, T & septic Springs, creeks & ponds	1,135 sf A-frame cabin. Purchased by adjoining property owner as long term investment. The grantor reserved 50% of all sub-surface mineral rights.
3.	The Coe Corp., et al/ Michael S. Mountanos, et ux	Cow Mtn. Area Lake County 3-003-02+	6/6/94 94-10636	\$440,000 \$499	882.26 acres APZ (40 ac. min.)	Mod. to Steep #VI & #VII	None Dev. 2 springs, creeks & a stock pond	2 hay barns in fair to good condition. Purchased primarily for cattle grazing and recreation.
4.	Silver Spur Invest. Co/ Dharma Realm Buddhist Assoc.	Indian Valley Reservoir area. Lake County 16-016-01+	2/17/95 95-2460	\$400,000 \$313	1,280.00 acres AG (40 ac min.)	Mod. to Steep #VI & #VII	None Dev. Springs & creeks	Several old hunting cabins of nominal value. Purchased primarily for religious retreat purposes.
5.	Valley Land & Cattle Co/ N.A.	Black Mountain area, Sonoma County 131-010-005 141-070-008,046	Current Listing N.A.	\$630,000 <sup>(1)</sup> \$687	917.00 acres RRD (320 ac dens.)	Mod. to Steep #VII & #VIII	Tel. dev., elec. by generator. Spring, pond & creeks	Summer lodge, approximately 1,400 sf with 3 bedrooms & 2 baths. Marketed as recreation property and weekend cabin site.
6.	Mission Power & Eng. Co/ N.A.	Sulphur Creek area Sonoma County 117-030-002+	Current Listing N.A.	\$2,000,000 <sup>(1)</sup> \$736	2,715.75 acres RRD (240 & 320 ac. dens.)	Mod. to Steep #VI, #VII & #VIII	P. T. & septic dev. Springs, lakes & creeks	2,748 sf residence, garage, modular home, equipment barn & 2 old hay barns. Current owner acquired the property in 1988 for \$1,950,000, or \$718 per acre.

(1) Asking Price



## LAND SALE SUMMARY

The sales of large acreage ranch properties in this area of Northern California have historically been for livestock grazing on the open gentle to moderately steep hill lands, with recreation and wildlife habitat being typical uses on the steeper, tree and brush covered hillsides. Other uses include some intensive agricultural development such as hay/grass crops and irrigated pasture on the fertile bottom lands, as well as rural homesite in conjunction with the agricultural uses.

Two of the six transactions were purchased specifically as cattle operations with the other four utilized as investment/recreational property. Several of the sale properties were acquired by the adjoining land owner as an addition to an existing use.

The following elements of comparison were considered and a comparative analysis is made.

## ELEMENTS OF COMPARISON

The sales review of the elements of comparison indicate the following.

1. Rights Conveyed - The grantor of sale #2 retained 50% of all sub-surface mineral rights, although this did not affect the sale price. The other transactions are all fee simple interest and no adjustments are indicated.
2. Financing Terms - Sales #1, #2, #3, and #4 are cash to seller transactions. The terms of financing for comparables #5 and #6 are negotiable, but would need to be close to cash equivalent.

These were all reported to be cash or cash equivalent transactions with no adjustments indicated.

3. No unusual conditions are noted on any of the sales, and no adjustments are indicated.
4. Market Conditions - This group of sales occurred during a period of a relatively flat market and no indication of adjustment is evident.
5. Location - The sales are all located in the subject's general vicinity of Lake and Sonoma Counties.

These locations all differ somewhat as to their desirability for ranching and recreational uses, as well as their rural homesite potential. The locational differences are discussed individually in the analysis.

6. Physical Characteristics - The sales vary in characteristics such as size, access, topography, utilities, water, soils, improvements, etc. These are discussed individually in the analysis.
7. Economic Characteristics - The sales show some variation in this element and are discussed in the summary.
8. Use - Sales #1 and #3 were acquired primarily for large acreage livestock grazing operations while Sales #2 and #4 were purchased as a long term investment properties and for recreational purposes. Comparables #5 and #6 are being marketed as long term investment properties with an interim use as weekend cabin sites and for recreational purposes.
9. Non-Realty Components - None of the comparables include any non-realty components, so no adjustment is required.

These market data transactions indicate an overall gross unit price of \$313 to \$736 per acre. These unit prices are largely affected by the location, acre size, topography mix and water resources, as well as the improvements located on each sale property.

The sales include a mix of large hill land properties with varying percentages of flat to undulating potential crop land. The sales located closer to the Highway 101 corridor and the San Francisco Bay Area are considered more desirable locations for rural residential use because of their accessibility, while the more remote locations may be more desirable for recreational uses such as hunting and fishing.

These six comparables are tabulated on the following page for more direct comparison with the subject. Complete sale pages on each transaction can be found in the addenda of this report.

**SALES COMPARISON GRID  
BOTTLE ROCK POWER PLANT  
PARCEL NO. GT-269**

CATEGORY	SALE #1	SALE #2	SALE #3	SALE #4	SALE #5	SALE #6	SUBJECT
Sale Price	\$410,000	\$750,000	\$440,000	\$400,000	\$630,000 <sup>(1)</sup>	\$2,000,000 <sup>(1)</sup>	—
Improv. Value	-21,500	-15,000	0	0	-49,000	-143,000	—
Indicated Land Value	\$388,500	\$735,000	\$440,000	\$400,000	\$581,000	\$1,857,000	—
Date of Sale	2/26/93 5	7/12/93 5	6/6/94 5	2/17/95 5	Listing 10	Listing 10	7/21/79 D.O.V.
Conditions of Sale	Market 5	Market 5	Market 5	Market 5	Market 5	Market 5	Market Value
Acre Size	994.75 3	2,263.79 1	882.26 4	1,280.00 2	917.00 3	2,715.75 1	350.01
Location	Lake County 4	Sonoma County 6	Lake County 5	Lake County 3	Sonoma County 8	Sonoma County 6	SW Lake County
Access	Deeded R/W 5	Deeded R/W 3	Deeded R/W 4	BLM Rd. 5	Deed R/W 3	County Road 7	Paved private rd.
Terrain	15% Flat 85% Hills 3	100% Hills 1	20% Flat 80% Hills 4	100% Hills 1	12% Flat 88% Hills 3	100% Hills 1	29% Flat 71% Hills
Soils	100% #IV-#VII 4	100% #VI-#VII 3	100% #VI-#VII 3	100% #VI & #VII 3	100% #VII & #VIII 3	100% #VI - #VIII 3	11% #III & #IV 89% #VI & VII
Water	3 Wells & 2 ponds 7	Springs & creeks 3	Springs, creeks & pond 7	Springs & creeks 3	Springs, creeks & pond 7	Springs, Creeks, 3 lakes & several ponds 10	Well & Creeks
Overall Rating	4.5	3.38	4.63	3.38	5.25	5.88	—
Land Value per Acre	\$390	\$325	\$485	\$313	\$633	\$684	—

RATINGS: 1= Clearly Inferior      5 = Equal      10 = Clearly Superior

(1) Asking price

Sales #2 and #4 are all rated significantly inferior to the subject due to various elements of comparison. These two transactions establish the lower end of the value range at about \$315 to \$325 per acre. It is my opinion that this is lower than the land value of the subject property.

Sale #1 is considered somewhat inferior to the subject on an overall rating. At an indicated land value of \$390 per acre, this transaction reflects a value which is somewhat lower than the subject's overall land value.

Sale #3 is rated close to equal to the subject on an overall basis but is still slightly inferior. At an indicated land value of \$485 per acre, this sale is considered to indicate a value that is slightly lower than the subject's overall land value.

Comparable #5 and #6 are each rated superior to the subject property on an overall basis. Additionally, these are both listings and not actual closed sales, which tends to reflect seller optimism and typically a higher price than actual sales. At \$633 and \$684 per acre these two listings are considered to indicate a value which is higher than the subject's overall land value.

After reviewing all of the market data and taking into consideration such things as date and conditions of sale, acre size, location, access, topography, soils, utilities, water, etc., it is my opinion that the subject's land value is estimated at \$500 per acre, or \$175,000

350.01 acres X \$500/acre = \$175,005

Rounded                      \$175,000

**ESTIMATED LAND VALUE (FEE SIMPLE INTEREST)..... \$175,000**

#### **VALUE OF LEASEHOLD INTEREST**

The leasehold interest is the interest that the lessee has in the property by virtue of the lease. If the terms of the lease are beneficial to the lessee (ie: the actual or contract rent is below economic or market rent), then the lessee will actually have a leasehold value in the property.

Conversely, if the terms of the lease are unfavorable to the lessee (ie: the actual or contract rent is above economic or market rent), or other terms of the lease are detrimental to the lessee, then a negative leasehold value can be created. In the case of the subject property, the provisions of the original permits issued for operation of the power plant and steam fields require that the land be return to its natural state at the termination of the leases.

It is no longer economic to operate the subject power plant and steamfields for generating electric power, thus inducing the option to decommission the power plant and steamfields, and to terminate the leases. The problem that arises is that the structural improvements, piping, geothermal wells, etc. need to be removed, plugged or otherwise made in conformance with the permits that were originally issued to operate the subject steam fields and power plant facility.

All of the structures, steam gathering and processing equipment, towers and site improvements need to be removed to grade level, then two feet of soil placed over all of the disturbed areas. This would include the drilling pads, as well and the building and equipment locations.

The sub-surface concrete basements of the generator building and the pump area for the cooling tower, as well as the sub-surface collection basin of the cooling tower would be broken up so that drainage could be affected, and then filled with alternate layers of two-foot thick crushed concrete and soil, all to 95 percent compaction.

The overall plant removal and rehabilitation would be done in stages. The first stage would be the removal of the cooling tower, down to the concrete basin.

Secondly, all piping would be removed in preparation for whatever steam cleaning would be required. The steam cleaning would be conducted within the basement that remains after the cooling tower is removed. This would contain the water from the cleaning of the piping, which would then be piped down to one of the wells, probably at the Francisco pad, for reinjection into the ground.

The third step would be the removal of the buildings, equipment, towers, and all site improvements. Everything would be razed to grade level. All blacktop would be removed and hauled away.

The next step would be the closing of the wells. After all reinjection had been accomplished the wells would be abandoned. The abandonment process includes mechanical bridge plugs installed at about the 5,000 foot level, then 200 feet of concrete, then filled to within 200 feet of the top with drilling mud, and then another 200 feet of concrete to within 6 feet of the surface. At this point a steel plate is welded to the top of the well casing to permanently seal and identify each well. The tops of the sealed wells would be 6 foot below surface and covered with dirt.

Then, when all of this is accomplished the final stage would involve a two foot layer of dirt being spread over all disturbed areas, that is the three well pads and the two building areas. Finally, all areas would be revegetated in native flora.

I have assumed that in accordance with a letter from Mr. Robert James, Counsel for DWR, (a copy of which is located in the addenda of this report) that even though the permits are not issued by the County to the Department of Water Resources or the State of California, that the State would comply with applicable permits and reach an agreement with Lake County for closure and abandonment of the facilities.

This would be done as close as practical in a workman-like manner similar to the closure of plants 1, 2, 3 and 4, and now 15 which is underway, which PG&E has closed down.

To estimate this cost, interviews were conducted with the various people that had operated the subject plant, others that are now operating similar facilities such as NCAP, and Halliburton for well closure and the contractors that had accomplished the closures for PG&E of their five plants as mentioned above.

The next step was to obtain a bid from Plant Reclamation, a private company, to accomplish the work as mentioned above. The basic premise is that the State would walk away from the plant as it stands as of the date of value, that is August 4, 1997, and Plant Reclamation would move in and salvage all of the equipment and parts that remain on the property, plus remove the buildings, towers and conductors, all piping, site improvements and non-salvageable equipment, and then restore the site to its primeval condition. The Plant Reclamation bid is on the following pages.

# PLANT RECLAMATION

July 28, 1997

Associated Services  
1039 Walnut Street  
Napa, California 94559-0412

Attn: Mr. Dean Stahr, M.A.I.

Dear Mr. Stahr:

As per your request for a proposal to remove and rehabilitate the Bottle Rock D.W.R. Geothermal Power Station, Lake County, California.

Plant Reclamation offers to remove and rehabilitate the facility to visual natural state as practical with some grading and revegetation.

The price and exceptions to the proposal are as follows:

Cost of basic work: One Million Ninety-Five Thousand, Eight Hundred Thirty-nine Dollars (\$1,095,839.00).

Hazardous Waste (if any), removal and disposal will be performed on time and material for owners account.

Revegetation and tree planting will be quoted as a separate cost item, after type of flora is decided by D.W.R. Ground preparation is included in base cost.

All H/W testing will be done by D.W.R.

Contractor will cover the area with two (2) feet of dirt. Dirt to come from onsite hill. D.W.R. to obtain all necessary permits. Proposal does not include Well, Down closing.

Contractor to supply Performance Bond at owner's cost.

Time estimate 18 months ± subject to weather conditions.

Hydroseeding costs: Est. \$1,600/AC  
Tree Vegetation (Native) : Est. \$3,200/AC

Maintenance Yard and building removal (If determined it should be removed) Sixteen Thousand Nine Hundred and Eighty Dollars (\$16,980.00)

Cleaning of yard material and disposal is included in base bid.

Plant to be removed to slab level and all depressions filled and leveled, brought up two feet above grade following ground contour and compacted before revegetation.

All cooling tower wood to be disposed of in proper manner.

Plant Reclamation will wash the walls in the big building as required water to be disposed of for owners account.

Please let us know if there is any additional information you might require.

Sincerely,



Bill Glueck  
CEO

California State Contractor 518628 - C-21, A, Haz Remed., ASB  
EPA I.D. No.: CAD081163556  
DOSH License No.: 94 - Asbestos  
DOSH Carcinogen Registration No.: 1673  
CHP License No.: CA465  
CHP Hazardous Materials Transportation License No.: 27585  
Hazardous Waste Haulers License No.: 0569  
Hazardous Substance Removal and Remedial Actions Certification  
California R.E.A. No. 02625



Plant Reclamation will wash any piping or gear it feels is necessary after internal inspection.

Plant Reclamation will supply Five Million Dollars (\$5,000,000.00) in liability insurance and compensation as required by law.

All salvage, gear and drawings as shown on inspection walk of July 21, 1997 to become the property of the contractor.

### **WHO WE ARE AND WHAT WE HAVE DONE**

Plant Reclamation is a Partnership between Schnitzer Steel Product (NASDAQ Listing SCHN) and Industrial Plant Reclamation, Inc., a California Corporation.

Statement of Qualifications is attached.

Plant Reclamation is highly experienced in removal and remediation of Geothermal and Fossil Power Generating Plants. Below are listed some of the work performed by Plant Reclamation in the recent past:

1. PG&E  
Plant's 1, 2, 3 and 4 at Geysers, California.
2. PG&E  
Generating Plants  
Martinez  
Rodeo  
Portero  
San Francisco  
Oakland

Our major work in 1995, 1996 and 1997 has been performed for the following companies:

Chevron U.S.A  
Unocal U.S.A.  
Shell Oil Company  
Alcoa  
Tosco Corporation  
Dow Chemical Company  
Exxon  
Pacific Gas & Electric Company  
Sherwin Williams  
Lafarge Corporation

Many other clients are listed in the Statements of Qualifications

We intend to use REBO Trucking of Cloverdale/Geyers for dirt placement.

We feel we can do this project safely and efficiently with environmental concerns in mind.

# PLANT RECLAMATION

September 15, 1997

Associated Services  
1034 Walnut Street  
Napa, California 94559

Attn: Mr. Dean Stahr, M.A.I.

Re: D.W.R. Plant Removal

Dear Mr. Stahr:

As per your request of separating salvage valuation at D.W.R. Because of our original intent to make a proposal with no line item valuation for salvage, we made a cursory inspection of personal property including cooling tower disposal.

Considering to do the job as a total project because of efficiency of removal of personal property as demolition progresses, we have allowed D.W.R. One Million Dollars (\$1,000,000.00) in credit for total removal and site remediation as proposed.

This figure includes the labor and preparing of salvage for sales.

Please let us know if we can be of any additional service and we can meet with you to make any other suggestions to expedite this job for the mutual advantage of both D.W.R. and Plant Reclamation and possible increase revenue.

I hope you can make a determination to proceed as we could take advantage of the current weather conditions.

Sincerely,



Bill Glueck  
CEO

AS-09.doc

Mr. Bill Glueck, of Plant Reclamation, has further stated that within this bid there is a credit back in the amount of \$1,000,000 with the assumption that Plant Reclamation is allowed to salvage all equipment parts, tools and personal property at the site. If Plant Reclamation is not allowed to salvage these items, the bid for the basic work would be \$1,000,000 higher, or \$2,095,839. The cost of the basic work over and above the salvage would be \$1,095,839.

This price does not include hazardous waste removal. Removal and disposal will be performed on a time and material basis at the State's expense. The reason for this is because I, as the appraiser, am not qualified to estimate the amount of hazardous waste, if any, on the property. My only knowledge comes from the Dames and Moore report which states that no significant impairments of soil or ground water exists at the site as a result of the Bottlerock Power Plant and well field geothermal operation.

The second item in addition to the basic \$2,095,839 estimate is the revegetation. The ground will be prepared but the type of flora that should be replanted has not been decided and therefore the cost of revegetation cannot be estimated. This cost would be in addition to the basic work, but there are only about 20 acres to plant.

All hazardous waste testing will be done by DWR as is required by the EPA. The Plant Reclamation bid does include the cleaning of the inside of the some 2 miles of collection piping and Stedford unit, as well as the washing down of the interior of the big building as required, with the water to be disposed of by reinjection. Basically all other hazardous waste treatment, investigation, testing and clean-up as required will be on a time and material basis at the expense of DWR.

In addition to the work to be done by Plant Reclamation which has been described and priced at the roughly \$2,100,000, there will be 16 geothermal wells to be closed after all reinjection work is accomplished.

Abandonment and closing of the wells, through investigation, has been priced at estimates ranging from \$75,000 per well, which was paid to NCAP to close 4 wells at the south geysers, to a high of 7 wells for \$1,000,000, \$142,857 per well, at Unit 15 which Halliburton is now accomplishing.

The general consensus among the interviewees was that \$100,000 per well would cover the expected expenses. This would be the cutting off the casing 6 feet below surface and plugging and abandoning as described previously. This would total \$1,600,000 for the subject's 16 wells.

Finally there is one building that seems extremely unlikely that would be removed, but this would be at the discretion of the lessor of the property. This building was utilized for the steam field operator's headquarters. If this were to be removed, it would cost an additional \$16,980.

By adding this \$16,980 to the Plant Reclamation's bid of \$2,095,839 for the basic work, plus the cost of closing 16 wells for \$1,600,000 (\$100,000 each), I arrive at an abandonment cost estimate of \$3,772,819. This cost estimate does not include the expense of hazardous material (if any) removal and disposal, or the final cost of revegetation. These items would be extra, on a time and expense basis. This cost estimate is also exclusive of the \$1,000,000 credit which Plant Reclamation will allow if they are given salvage rights to the equipment, tools and personal property on the site.

To this, I add a contingency factor of 15 percent, or \$556,923, which totals \$4,270,000 as follows:

Plant Reclamation's Bid for Basic Work	\$2,095,839
Plant Reclamation's Bid for Removal of Steamfield Operator's Headquarters	\$ 16,980
Cost of Abandonment for 16 Weeks	<u>\$1,600,000</u>
<b>SUB TOTAL</b>	<b>\$3,712,819</b>
Contingency @ 15%	<u>\$ 556,923</u>
<b>TOTAL</b>	<b>\$4,269,742</b>
<b>Rounded</b>	<b>\$4,270,000</b>

This estimate is also contingent on DWR being responsible for the cost of all hazardous materials removal and monitoring, as well as the cost of final revegetation, as well as the potential credit of \$1,000,000 to DWR if Plant Reclamation is allowed salvage rights to the equipment, tools and personal property.

## **VALUE CONCLUSIONS**

This imputes the value of the leasehold interest itself is a negative \$4,270,000, which is the cost of removing all structures, equipment, piping, towers, and site improvements. The final value conclusion is also contingent upon removal and disposal of all (if any) hazardous materials by DWR, as well as the cost of revegetation once the type of flora is determined.

Additionally, the salvage value of the equipment, tools and personal property on the site has been estimated at \$1,000,000, which Plant Reclamation will credit back to DWR if Plant Reclamation is awarded all salvage rights.

**FINAL ESTIMATE OF MARKET VALUE OF THE LEASEHOLD INTEREST IN THE SUBJECT  
PROPERTY AS OF AUGUST 4, 1997..... <\$4,270,000>**

**FINAL ESTIMATE OF MARKET VALUE OF THE EQUIPMENT, TOOLS AND PERSONAL  
PROPERTY ON THE SITE AS OF AUGUST 4, 1997 ..... \$1,000,000**

## SALE #1

**GRANTOR:** Peter R. Stearns

**GRANTEE:** Joseph Golja et al

**DATE RECORDED:** 2/26/93      **DEED REF:** 93-3597  
(Lake County)

**SALE PRICE:** \$410,000      **ACRE PRICE:** \$412

**FINANCING:** All cash

**CONFIRMED:** Joseph Golja

**PARCEL NUMBERS:** 12-009-18, 12-014-01, 02

**ACRE SIZE:** 994.75 acres

**LOCATION:** Approximately 10 miles east of Lower Lake in the Morgan Valley area of Lake County.

**ACCESS:** Deeded right-of-way over a graveled all weather road.

**ZONING:** R-L (Rural Lands, 5 to 20 acre minimum parcel size, 20 to 70 acre maximum density).

**UTILITIES:** Power and telephone extended to the property. Sewage disposal by developed septic system.

**WATER:** One domestic well, two agricultural wells and two stock ponds.

**TOPOGRAPHY:** Predominately moderate to steep hill land with some flat to gentle valley floor.

## SALE #1 (Cont'd)

### SOILS:

Predominately Class #VI and VII with some Class #III.

### IMPROVEMENTS:

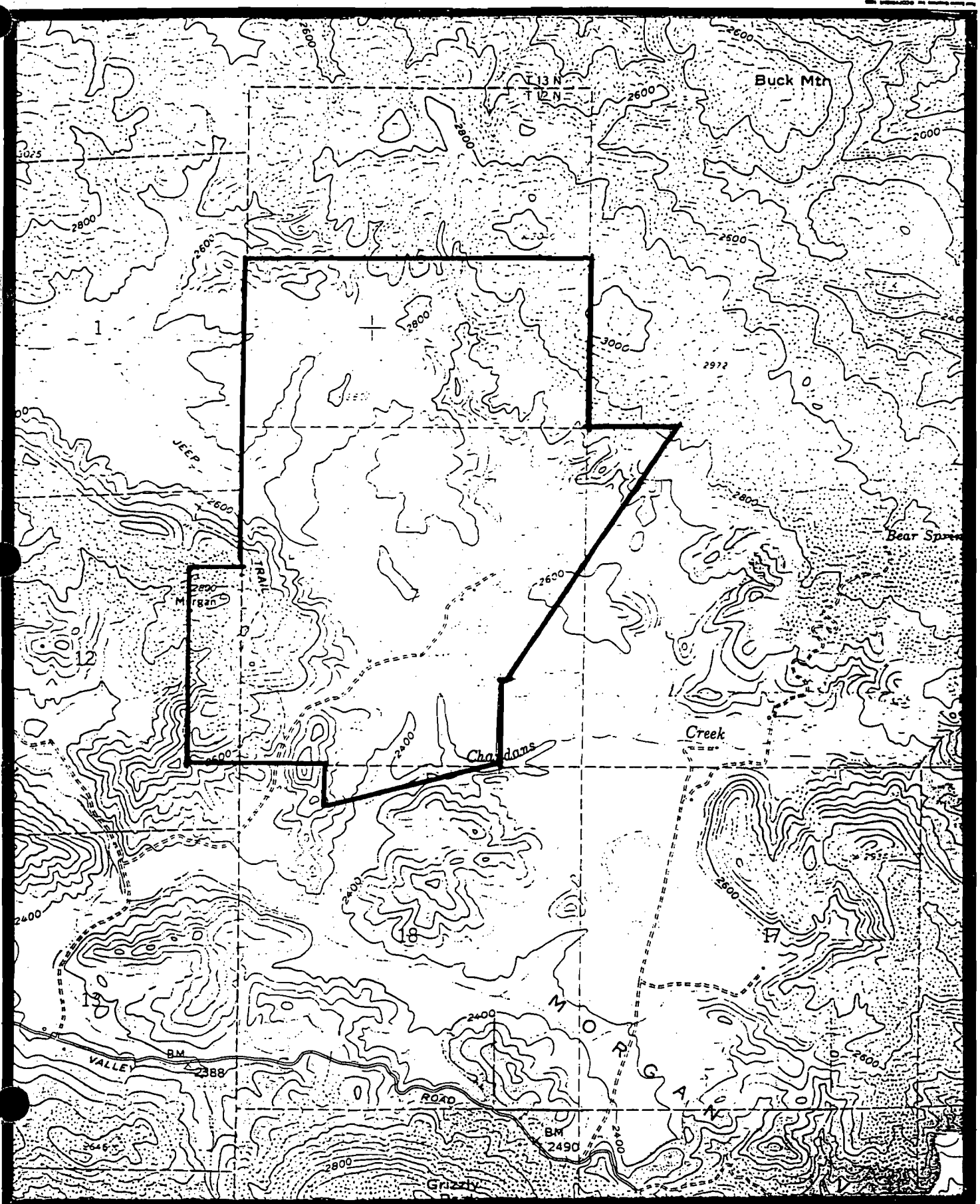
A modest residence, garage, shop and 5,400 square foot barn. The buildings are all about 60 years old and are in fair to good condition.

### REMARKS:

The buyer is the adjoining land owner and he acquired this property as an addition to his cattle operation. He said this ranch can run about 100 brood cows.

The improvements were allocated \$21,500, leaving a residual land value of \$388,500, or \$390 per acre.

# Topographical Map





## SALE #2

GRANTOR: Claude Heater

GRANTEE: Sanctuary Realty Corp. of Delaware

DATE RECORDED: 7/12/93 DEED REF.: 93-86111  
(Sonoma Co.)

SALE PRICE: \$750,000 ACRE PRICE: \$331

FINANCING: All cash to seller

CONFIRMED: Nicholas Noon (Sanctuary Realty Corp.)

PARCEL NUMBER: 141-010-003,009  
141-130-005,017,018,019

ACRE SIZE: 2,263.79 acres

LOCATION: Approximately 7 miles east of Cloverdale in the Geyser Peak area of Sonoma County.

ACCESS: Deeded right-of-way over native base road through grantee's property.

ZONING: RRD-240 (Resources and Rural Development, 240 acre minimum).

UTILITIES: Power and telephone extended to property. Sewage disposal by developed septic system.

WATER: Springs and storage tanks for domestic use. Surface creeks and seasonal ponds for stock water.

## SALE #2 (Cont'd)

### TOPOGRAPHY:

Mostly steep to very steep with approximately 160 acres of gentle to moderate terrain.

### SOILS:

Numerous soil types which are rated class #VI and class #VII.

### IMPROVEMENTS:

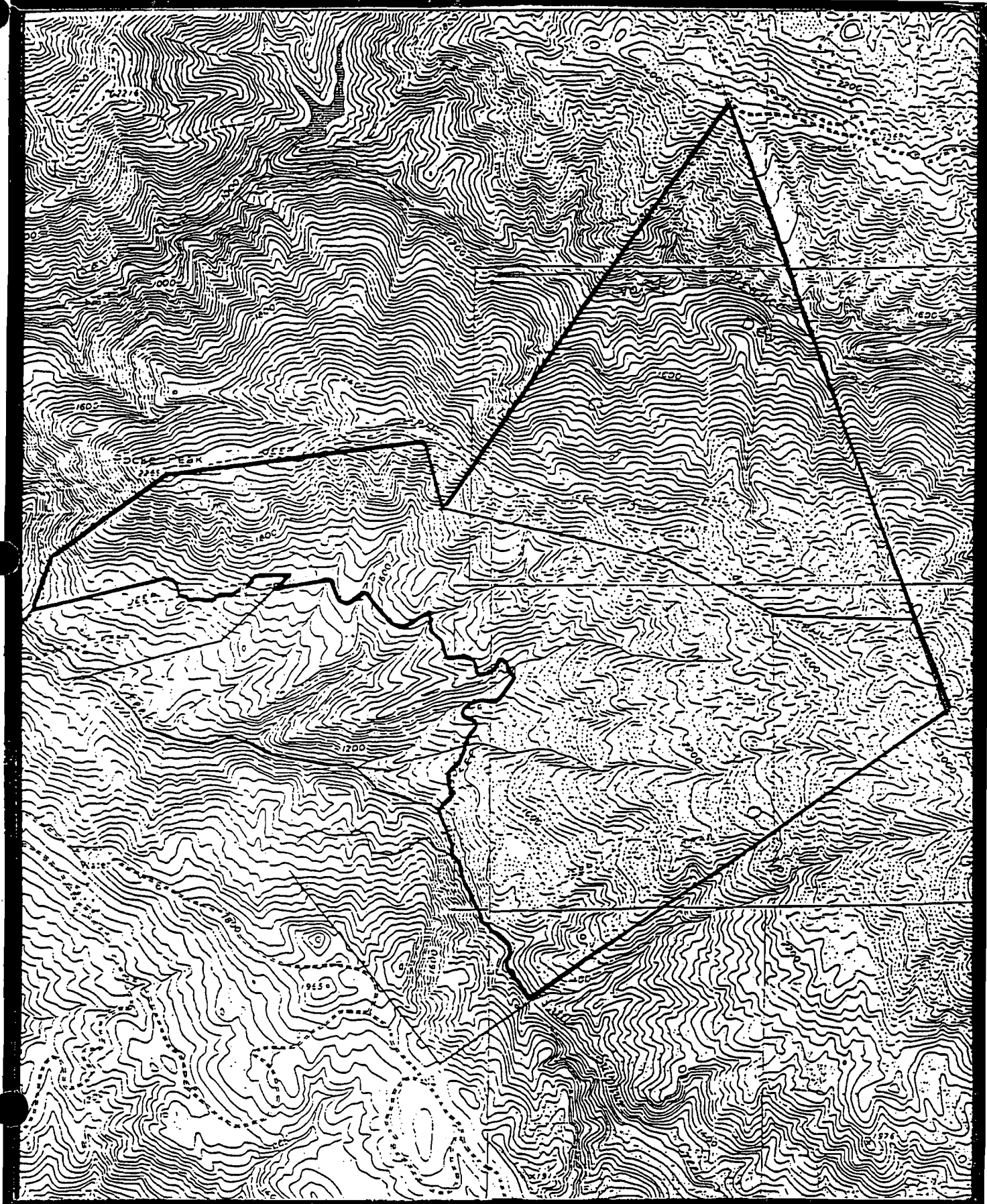
Modest A-frame cabin, 2 bedroom, 1 bath built in 1951. Below average quality construction.

### REMARKS:

This is a large acreage hill land property which was acquired by the adjoining land owner as a long term investment. Much of the ranch is steep and inaccessible during the winter months. The grantor retained 50% of all sub-surface mineral rights.

The improvements were allocated \$15,000, leaving a residual land value of \$735,000, or \$325 per acre.

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### SALE #3

**GRANTOR:** The Coe Corporation, a California Corp., et al

**GRANTEE:** Michael S. Mountanos & Melanie P. Mountanos, Family Trust

**DATE RECORDED:** 6/6/94                      **DEED REF:** 94-10636  
(Lake Co.)

**SALE PRICE:** \$440,000                      **ACRE PRICE:** \$499

**FINANCING:** All cash

**CONFIRMED:** Jerry McCam (selling agent)

**PARCEL NUMBER:** 3-003-02 & 03  
3-004-01  
3-035-03  
3-045-01

**ACRE SIZE:** 882.26 acres

**LOCATION:** Little Cow Mountain, southwest of Blue Lakes area of Lake County.

**ACCESS:** 2-1/2 miles of deeded R/W over dirt roads.

**ZONING:** APZ-B3 (Ag Preserve Zone, 40 acre minimum).

**UTILITIES:** None developed but available.

**WATER:** Two developed springs and stock pond.

**TOPOGRAPHY:** Mostly moderate to steep, approximately 200 acres of open pasture land.

### SALE #3 (Cont'd)

**SOILS:**

All Class #VI - VII.

**IMPROVEMENTS:**

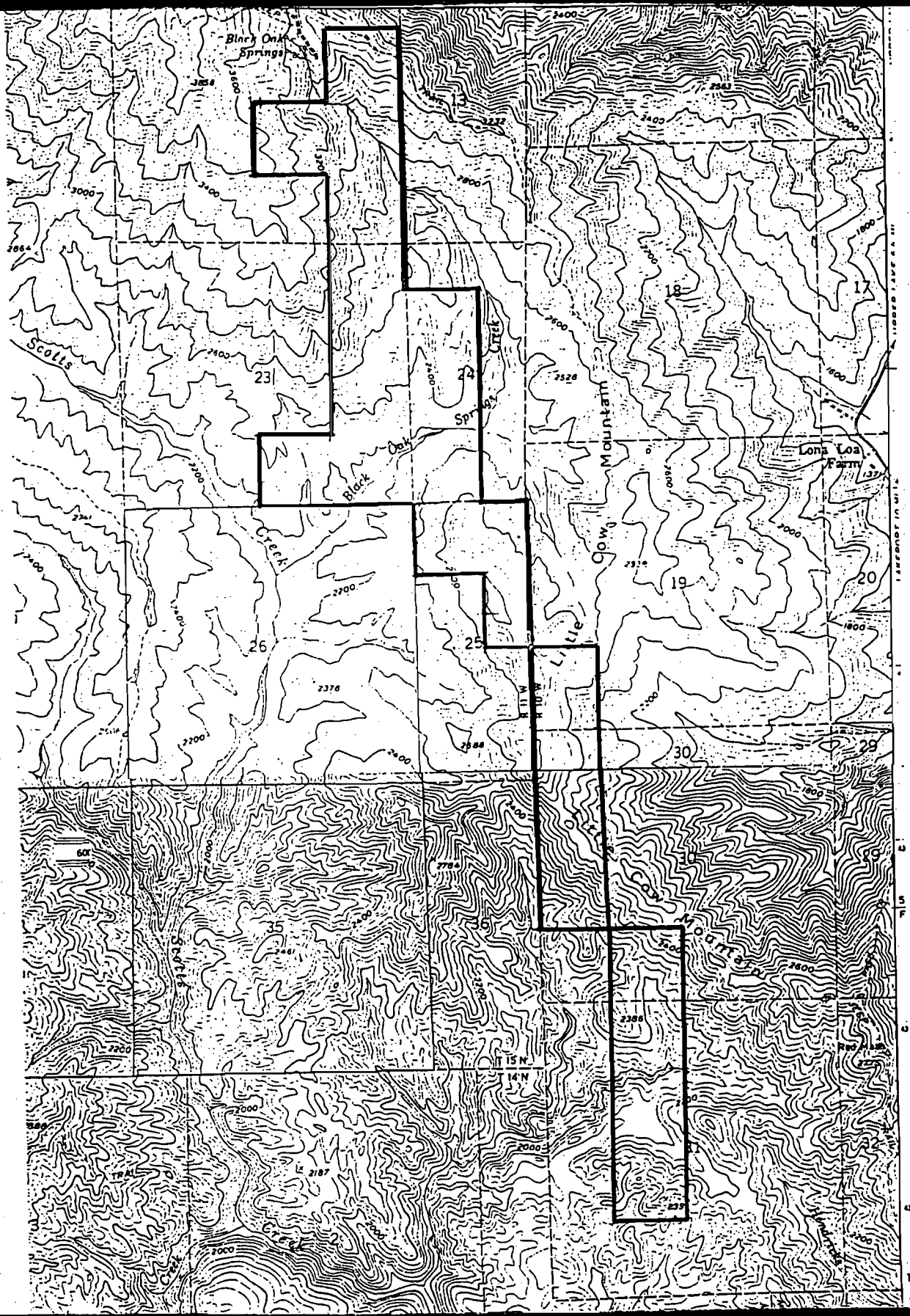
Two old hay barns of nominal value.

**REMARKS:**

Highly irregular shaped property situated within Cow Mountain Recreation area. Purchased primarily for cattle grazing and recreational purposes.

# Topographical Map

1:50,000 Scale



## SALE NO. 4

**GRANTOR:** Silver Spur Investment Co., a general partnership

**GRANTEE:** Dharma Realm Buddhist Assoc., a California Corp.

**DATE RECORDED:** 2/17/95      **DEED REF:** 95-2460  
(Lake County)

**SALE PRICE:** \$400,000      **ACRE PRICE:** \$313

**FINANCING:** All cash

**CONFIRMED BY:** Skip Blake (listing agent)

**PARCEL NUMBERS:** 16-016-01  
16-017-03  
16-029-19  
16-036-04

**ACRE SIZE:** 1,280 acres

**LOCATION:** South end of Indian Valley Reservoir in the Benmore Canyon area of Lake County.

**ACCESS:** Licensed all weather road through BLM Land (8 miles length) and licensed seasonal road through BLM Land from Long Valley.

**ZONING:** AG (Agriculture with 40 acre minimum)

**UTILITIES:** None developed

**WATER:** Several developed springs and riparian rights from Cache Creek

## SALE NO. 4 (Cont'd)

**TOPOGRAPHY:** Moderate to steep

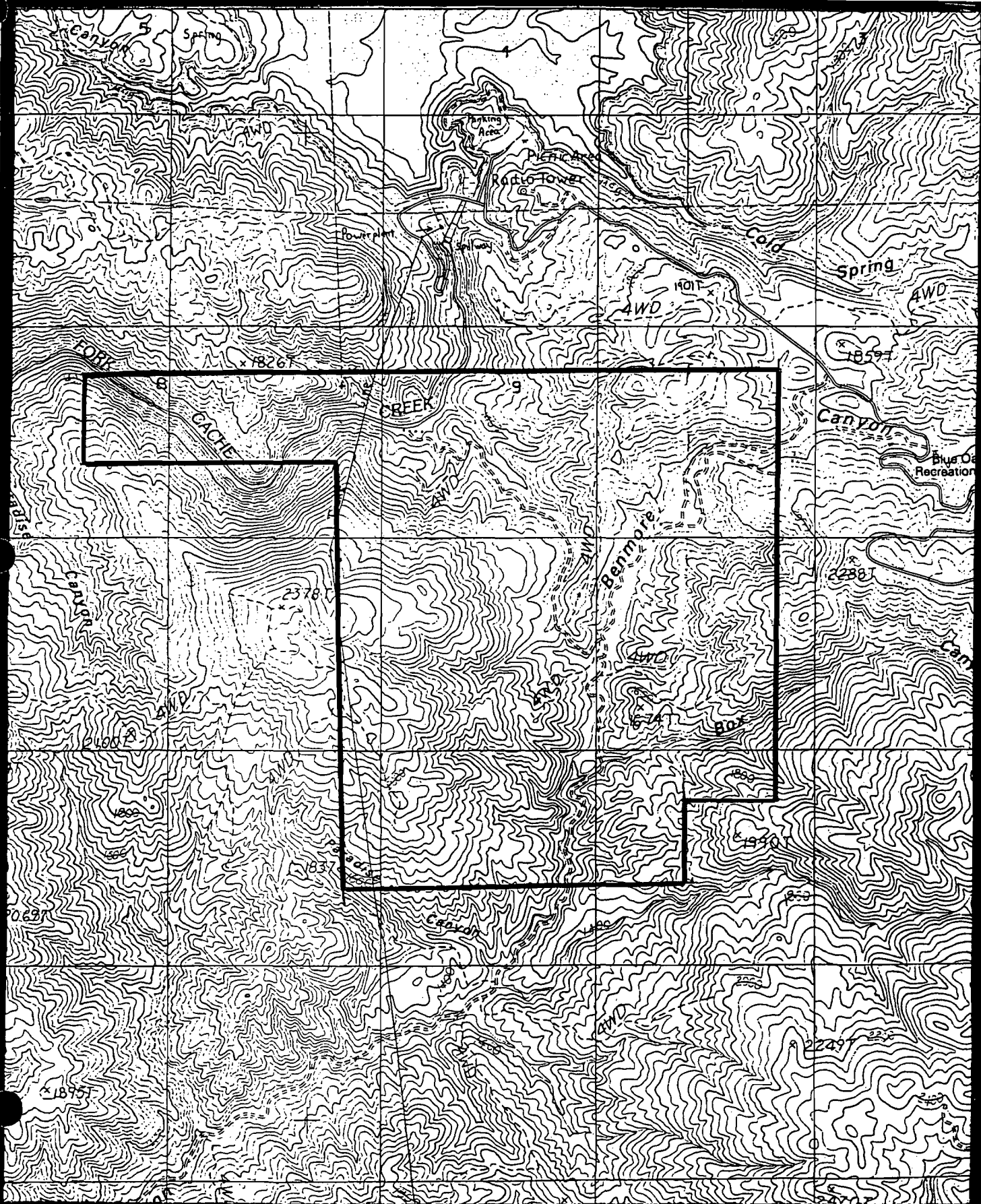
**SOILS:** All class #VI and #VII

**IMPROVEMENTS:** Several old hunting cabins of nominal value

**REMARKS:** This is predominately brush covered hill land suitable for hunting and recreation. The buyers acquired the property primarily for retreat purposes.



# Topographical Map



## SALE NO. 5

**GRANTOR:** Valley Land and Cattle Company

**GRANTEE:** Listing

**DATE RECORDED:** N.A. **DEED REF:** N.A.

**ASKING PRICE:** \$630,000 **ACRE PRICE:** \$687

**FINANCING:** Negotiable

**CONFIRMED BY:** Robert Meyer (Listing Agent)

**PARCEL NUMBER:** 131-010-005  
141-070-008,046

**ACRE SIZE:** 917.00 acres

**LOCATION:** Approximately 6 miles north of JIMTOWN in the Geysers area of Sonoma County.

**ACCESS:** Deeded Right-of-Way

**ZONING:** RRD (Resources and Rural Development, 320 acre density).

**UTILITIES:** Telephone extended to the property. Power by generator and sewage disposal by developed septic system.

**WATER:** Developed domestic spring, small pond and three year-round creeks.

**TOPOGRAPHY:** Predominately moderate to steep hill land with some flat to gentle areas.

## SALE NO. 5 (Cont'd)

### SOILS:

All class #VII and #VIII.

### IMPROVEMENTS:

Summer lodge structure, roughly 1,400 square feet with 3 bedrooms, 2 baths, rec room and kitchen. Older structure converted from residence in the 1930s.

### REMARKS:

Listing agent indicated 7 legal parcels. Marketed as recreational property with long term speculative value for sub-dividing into smaller rural residential sites.

The improvements were allocated \$49,000, leaving a residual land value of \$581,000, or \$634 per acre.

## Topographical Map

## SALE #6

**GRANTOR:** Mission Power Engineering Company

**GRANTEE:** Listing

**DATE RECORDED:** N.A. **DEED REF.:** N.A.

**ASKING PRICE:** \$2,000,000 **ACRE PRICE:** \$736

**FINANCING:** Negotiable

**CONFIRMED:** Robert Moreki (Listing Agent)

**PARCEL NUMBER:** 117-130-002,006,007,009,010,011,012

**ACRE SIZE:** 2,715.75 acres

**LOCATION:** Approximately 7 miles east of Cloverdale in the Geyser Peak area of Sonoma County.

**ACCESS:** County road frontage

**ZONING:** RRD-240 & 320 (Resources and Rural Development, 240 and 320 acre densities)

**UTILITIES:** Power and telephone extended to property. Seage disposal by developed septic system.

**WATER:** Developed springs, three year-round lakes, several seasonal ponds and creeks.

**TOPOGRAPHY:** Mostly steep to very steep.

**SOILS:** Numerous soil types which are rated class #VI, #VII and #VIII.

## SALE #6 (Cont'd)

### IMPROVEMENTS:

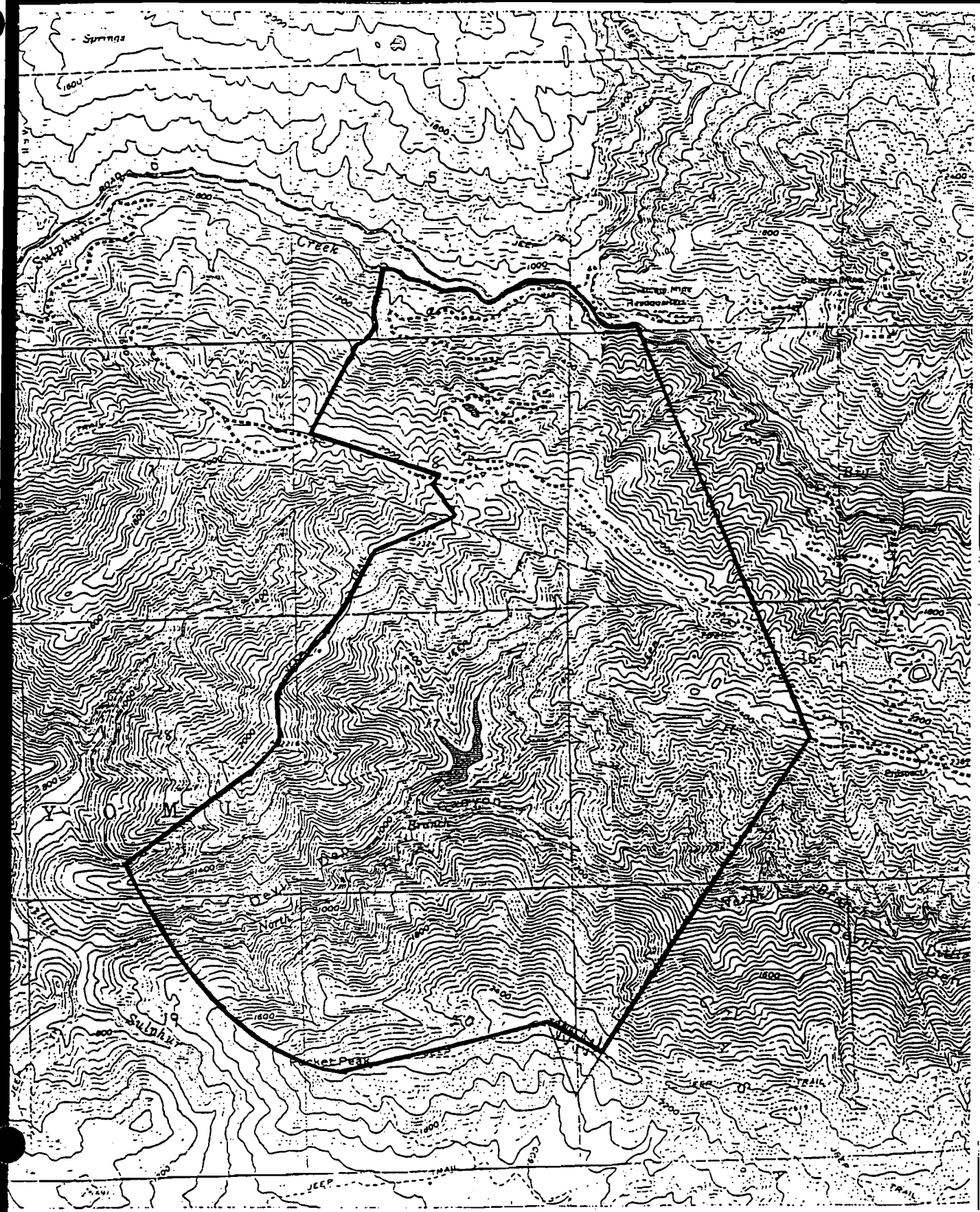
2,748 sf, 7-4-2, two-story residence built in 1964, 999 sf garage, modular home, equipment barn, and two old hay barns.

### REMARKS:

This is a large acreage hill land property which was acquired by the grantee for \$1,950,000 in 1988. The grantee needed this property to obtain access for an electrical transmission line which is now an easement through the ranch.

The improvements were allocated \$143,000, leaving a residual land value of \$1,857,000, or \$684 per acre.

## Topographical Map





RECORDING REQUESTED BY

WHEN RECORDED MAIL TO

J. W. Covello

2920 H. St., Buckenfield, CA 93301

SPACE ABOVE THIS LINE FOR COUNTY RECORDER USE

J. W. Covello  
MAR 13 11 59 AM 1975

LAKE COUNTY RECORDER

## GEOTHERMAL LEASE AND AGREEMENT

THIS GEOTHERMAL LEASE AND AGREEMENT (hereinafter the "Lease") is made and entered into as of the 25th day of February, 1975, by and between

THE RESPECTIVE PARTIES WHOSE NAMES ARE SUBSCRIBED HERETO, who are MARJORIE J. FRANCISCO; MARGARET HODGES, formerly Margaret Stewart; VALENTINE R. COLEMAN; VERA BORIACK; VICTOR V. COLEMAN; FLORENCE M. MILES; and FRANKLIN D. COLEMAN

hereinafter called the "Lessor" and GEOTHERMAL KINETICS INC., a Nevada Corporation, having its principal office at 801 W. Indian School Road, Phoenix, Arizona 85018, hereinafter called the "Lessee".

WHEREAS, Lessor is the owner of the following lands (which are hereinafter collectively referred to as "Lands") situate in Lake County, State of California, known and described as follows:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Containing 350 acres, more or less

DOCUMENTARY TRANSFER TAX	38.50
COMPUTED ON FULL VALUE OF PROPERTY	
COMPUTED ON FULL VALUE LESS THE	
ENUMERATIONS REMAINING AT END OF YEAR	
Signature of Declarant or Agent determining tax. Firm Name	Unincorporated

WHEREAS, both of the parties hereto are desirous of having the Lands developed for the production of geothermal resources.

NOW, THEREFORE, witnesseth that:

A. Grant of Lease and Rights.

FOR AND IN CONSIDERATION of the sum of Ten Dollars (\$10.00) paid to the Lessor by the Lessee and other good and valuable considerations, receipt of which is hereby acknowledged by the parties, and in consideration of the covenants and agreements by the Lessee hereinafter contained to be kept and performed by it, Lessor has GRANTED, LEASED, LET AND DEMISED and by these presents does grant, lease, let and demise to Lessee, its successors and assigns upon and subject to the terms hereinafter set forth, the Lands as above described with the sole and exclusive right to the Lessee:

(a) To explore, drill for, produce, extract, take, treat, refine, convert or otherwise process, store upon, and remove from the Lands, and to appropriate and/or sell for its sole account and risk, all minerals, chemical elements and compounds, whether in solid, liquid, or gaseous form, all steam and other forms of thermal energy, and all gases other than those specifically excepted below, emanating from the lands (all of the said minerals, etc., produced from the Lands being hereinafter collectively referred to as "Substances"); and

(b) to do upon any portions of the Lands all things necessary or appropriate in its sole bonafide judgment to exercise fully and efficiently all of the rights granted by the foregoing item (a) under this section (hereinafter referred to collectively as the "Objectives"), including but not limited to the storing and use of materials, the installation, construction, maintenance, operation, (and repair, removal, and replacement, as the case may be, where the same have been placed on the Lands by the Lessee) of all buildings, power and other plants, refineries and other treatment and processing facilities, structures, machinery, tools, equipment, fixtures, tanks, pipe lines, booster plants, pumping stations, roads, trackage and other means of transportation for both materials and personnel, communication, power and water systems, and other like and unlike facilities including sump and other ponds, of whatever nature deemed appropriate by the Lessee to the accomplishment of the Objectives. The foregoing specific enumeration shall in no way be regarded as a limitation upon or as a reduction of the general rights included within the Objectives.

TOGETHER WITH A RIGHT OF WAY ENTRY into and upon, transit through and across, and egress from the Lands for all men and material engaged in accomplishment of the Objectives, and any like activities by or for the Lessee on property in the vicinity of the Lands, and for all products of a like nature as Substances produced by or for Lessee from lands in the vicinity of the Lands.

B. Terms and Conditions

1. Lease Term and Rentals. (a) This Lease shall be for a term of ten (10) years from and after the date hereof (hereafter referred to as the "Primary Term") and for so long thereafter as (i) any of the Substances shall be produced in commercial quantities from any of the Lands or (ii) for so long as this Lease may be kept in force under any other provision hereof.

(b) If at the expiration of the primary term hereof none of the Substances are being produced, but on or before that date reworking operations or operations for the drilling of a well in search of any of the Substances are commenced on said Lands, this Lease will continue in force for so long as such operations are continuously prosecuted; and, such operations shall be considered to be continuously prosecuted if not more than three (3) months shall elapse between completion or abandonment of one well and beginning of operations for the drilling or reworking of another well. If, as a result of such operations, any of the Substances are produced in commercial quantities or production is restored, this Lease will remain in force for so long as any of the Substances shall be so produced. If said Substances or any of them are being so produced from any part of said Lands at or after expiration of the primary term hereof and all of such production shall thereafter cease, Les-



see may, within three (3) months in cessation of such production, resume drilling or reworking operations in an effort to obtain or restore such production of any of the Substances, in which event this Lease shall remain in force for so long as such operations are continuously prosecuted, as provided above; and, if such operations shall result in production in commercial quantities of any of the Substances for so long as any of them are produced in commercial quantities. "Reworking," as used herein, shall include, among other things, cleaning, testing, repair, and replacement of wells and related facilities and equipment necessary to production from such wells.

(c) If drilling operations are not commenced on said Lands on or before one (1) year from the date hereof, this Lease all terminate unless the Lessee, on or before said anniversary date, shall pay to the depository, as provided in Section 5, the sum of One Hundred Dollars (\$ 100.00) per acre for all lands then held under this Lease, such sum being hereinafter called "rental," which payment shall extend, for twelve (12) months from said anniversary date, the time within which drilling operations may be commenced. Annually thereafter, in like manner and upon the payment of the sum of One Hundred Dollars (\$ 100.00) per acre for all lands then held under this Lease, the commencement of such drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term but not beyond.

(d) Notwithstanding the limitation of the term of this Lease as set forth in paragraph (a) of this Section, this Lease shall not be terminated for lack of production in commercial quantities after its primary term if Lessee shall have shut-in any or all producing wells for engineering or economic reasons sufficient in its good faith opinion to warrant such action; provided, however, that in the case of such shutdowns, Lessee shall have the option, in each year, in lieu of drilling or reworking as described in paragraph (b) of this Section, to pay Lessor, on the anniversary of this Lease, a delay rental in the amount of One Dollar (\$1.00) per acre for each acre of the Land then held under this Lease and each such payment shall extend the term of this Lease for an additional year.

2. Acreage. For the purpose of calculating all payments hereunder, the Lands shall be considered to comprise 350 acres whether more or less in fact.

3. Royalties. Lessee shall pay royalty to Lessor, out of the proceeds received by him from the sale of Substances, as follows:

(a) On Steam: Ten per cent (10%) of the gross receipts received by Lessee.

(b) On All Other Substances: Two per cent (2%) for the first ten (10) years of the Lease term and Four per cent (4%) thereafter of Lessee's selling price at the wellhead or at Lessee's processing plant as may be the case.

All taxes required to be paid by the Lessee for or on account of each sale of any of the Substances upon which royalty shall be payable under the foregoing paragraphs of this Section shall be deducted from Lessee's selling price therefor, before computation of royalties hereunder.

4. Payment of Royalties. Lessee shall pay Lessor, on or before the last day of each and every calendar month, the royalties accrued and payable for the preceding calendar month. Concurrently with making each such royalty payment, Lessee shall deliver to Lessor a statement setting forth the basis for the determination of the royalty then paid by Lessee.

5. Depository. All payments required to be made by Lessee to Lessor hereunder shall be paid to Lessor by mailing or delivering Lessee's check therefor to Lessor, c/o Marjorie J. Francisco,

5005 Melvin Drive, Carmichael California 95608

~~its successors or assigns, herein designated by Lessee as depository, for deposit into a special account, Lessor hereby granting to said depository full power and authority on behalf of Lessor, and all those succeeding to his rights hereunder whether by voluntary act or operation of law, to collect and receipt for all sums of money which may become due and payable from Lessee to Lessor hereunder, and said power is hereby declared by Lessor to be coupled with an interest and to be irrevocable, and the consent of Lessee. No change in the ownership of the Lands or of any payments due Lessor hereunder shall be binding on Lessee until it shall have been furnished adequate written evidence thereof. In the event more than one person or entity shall at any time be entitled to receive sums of money payable hereunder to Lessor, all such persons shall have the right, jointly, to designate any other single depository to receive all payments hereunder on their joint and several behalf, and by jointly executed and acknowledged instrument so to advise Lessee, it being intended that Lessee shall never be required to make payment to more than one person or entity nor to draw more than one check for any separate payment becoming due hereunder. Until such notice shall be furnished to Lessee, Lessee shall continue to make all payments to the depository last designated hereunder.~~

6. Lessee's Use of Production for Its Operation. Lessee shall be entitled, without accountability to Lessor therefor whether by payment of royalty or otherwise, to use in its production and processing operations hereunder such amounts of steam or other thermal energy produced from the Lands as may be reasonably required by Lessee for such purposes. Lessee shall be entitled, without accounting to Lessor therefor in any manner, to flow and/or blow wells without restriction for testing purposes.

7. Uneconomic Substances. Nothing herein contained shall require Lessee to produce any Substance or to recover, save and market any of the Substances contained in the brines or other well output produced from wells on the Lands, which, in Lessee's judgment, is not economic to produce, recover, save or market. Lessee shall have the right, without accountability to Lessor therefor, to waste or dispose of any such uneconomic Substances by such lawful manner or means as Lessee shall deem appropriate in the circumstances.

8. Damages Resulting From Lessee's Operations. Promptly following Lessor's notice to do so, Lessee shall adequately fence all of Lessee's drill sites on the Lands against Lessor's livestock if any shall then be kept upon the Lands. No well shall be drilled within one hundred feet (100') of any residence or other building now on said Lands without the prior written consent of the owner thereof. Lessee shall pay for damages to growing crops caused by its operations on the Lands.

9. Title Warranty. Lessor hereby grants and agrees to defend title to the Lands except for rights of way and easements of record, and further agrees that Lessee at his option may pay and discharge any delinquent taxes, mortgages, trust deeds or other delinquent liens or encumbrances existing, levied or assessed on or against the said Lands; and, in the event Lessee shall exercise such option Lessee shall be subrogated to the rights of any holder or holders thereof and shall have the right, in addition to other remedies provided by law or equity, to reimburse himself by applying to the discharge of any such mortgage, tax or other lien or encumbrance any and all payments accruing to Lessor hereunder.

10. Lessor Interest. If it should hereafter appear that Lessor, at the time of making this Lease, owned a lesser interest in the Lands than the fee simple estate therein and thereto, or less than the entire interest in the Substances contained in and under the Lands, then the rentals, royalties and the like accruing to Lessor hereunder shall be paid to Lessor in the proportion which Lessor's interest bears to the entire fee simple estate in the Lands or to the entire interest in said Substances.

11. Taxes. Lessee shall pay all taxes levied and assessed against Lessee's leasehold interest in the Lands and against all structures, improvements and personal property placed upon the Lands by Lessee. Lessor shall pay all taxes levied and assessed against the Lands as such and against any rights thereto not covered by this Lease and shall pay all taxes levied and assessed against all structures and improvements placed on the Lands by Lessor.

12. Operations. (a) Lessee will comply with all laws and regulations applicable to its operations hereunder including but not limited to requirements for workmen's compensation insurance as required by the law of the State of

California

(b) Lessee will ever save harmless and defend Lessor from and against any and all manner of claims, judgments or suits whatsoever arising out of Lessee's operations hereunder other than those arising in whole or in part from Lessor's act or failure to act and this Section shall survive termination of this Lease.

(c) All of the labor to be performed and all of the materials to be furnished in the operations of Lessee hereunder shall be at Lessee's sole cost and expense, and Lessor shall not be chargeable with or liable for any part thereof. Lessee shall protect the said Lands against liens of every character arising from its operations thereon.

(d) Lessee shall have the right, at its sole option from time to time, to pool or communitize all or any part of the Lands with other lands to comprise one or more development units of not more than 2560 acres each, and drilling operations or production on any such unit shall constitute compliance herewith to the same extent as though such operations or production were on the Lands. In lieu of the royalties elsewhere herein provided, Lessor shall participate in the royalty from any such unit in the proportion that the number of acres owned by him within the unit bears to the total number of acres in such unit. Lessee shall at all times keep Lessor informed of the lands embraced in any unit of which the lands hereby leased form a part. Lessee shall execute in writing and record in the conveyance records of the county in which the Lands are situated an instrument identifying and describing the pooled or communitized acreage.

13. Force Majeure. Lessee's obligations hereunder shall be suspended, and the term of this Lease and the period for removal of Lessee's property in the event of termination shall be extended while Lessee is prevented from complying therewith by: strikes; lockouts; riots; action of the elements; accidents; delays in transportation; inability to secure labor or materials in the open market; laws, rules or regulations of any Federal, State, Municipal or other governmental agency, authority or representative having jurisdiction; inability to secure or absence of a market for commercial sale of Substances or any of them produced from the Lands or of derivatives developed by Lessee therefrom; or by other matters or conditions beyond the reasonable control of Lessee, whether or not similar to the conditions or matters in this paragraph specifically enumerated.

14. Surrender. Lessee may, at any time, surrender this Lease to Lessor in its entirety or, from time to time, surrender only so much of the Lands as Lessee may elect in the instrument of surrender by executing and delivering to the Lessor or placing of record in the county in which the Lands are located a quitclaim deed or deeds covering all or any part of the Lands so selected by Lessee for surrender and Lessee shall thereby be relieved of all obligations as to the acreage so surrendered, except for obligations already accrued by the terms hereof or as provided by Section 16 hereof. Notwithstanding such surrender, Lessee shall nevertheless retain such rights of way, easements and privileges over, upon, through and across the lands so surrendered as shall be necessary or convenient for Lessee's operations on so much of the Lands as shall then be retained by Lessee under this Lease.

15. Breach of Agreement by Lessee. If Lessee has defaulted in any substantial respect in its obligations hereunder, Lessor shall so notify Lessee in writing, setting out in what respects Lessor deems Lessee to be in such default. If, within sixty (60) days after receipt of such notice, Lessee shall commence to correct the default alleged by Lessor and continue the same with due diligence, Lessee shall not be deemed in default hereunder. The service of said notice and the lapse of sixty (60) days without Lessee's commencing to correct the alleged default shall be a condition precedent to any action by Lessor for or on account of such default. Neither the service of said notice nor the doing of any acts by Lessee aimed to correct all or any of the alleged defaults shall be deemed an admission or presumption that Lessee has failed in any respect to perform its obligations hereunder. In the event of cancellation or termination of this Lease for any cause other than surrender by the Lessee, this Lease shall nevertheless remain in effect as to forty (40) acres surrounding each well then producing, being drilled or reworked, as to which Lessee shall not be in default, and saving and excepting rights of way across the Lands necessary for Lessee's operations on the lands so retained by Lessee. Termination or cancellation of this Lease pursuant hereto shall be the sole remedy of Lessor for failure of Lessee to drill any well hereunder or to pay rental or delay rental in lieu thereof.

16. Removal of Lessee's Property. (a) Lessee may at any time during the term of this Lease remove all or any of the property and fixtures placed by it in or upon the Lands, including the right to draw and remove all casing.

(b) Following termination of this Lease or any part thereof for any cause, and following abandonment of any well drilled pursuant to the provisions hereof, Lessee shall within six (6) months thereafter, remove all personal property which Lessee shall have brought upon the lands affected by such termination or upon the drill site of such abandoned well; shall fill all sumps, remove all foundations and so nearly as practicable restore the areas affected by such termination or abandonment to the condition in which they were prior to the commencement of its operations hereunder; and, in the case of termination, shall deliver to the Lessor a quitclaim deed, in recordable form, surrendering to the Lessor all right, title and interest of the Lessee in that part of the said lands as to which this Lease shall have been so terminated, saving and excepting necessary easements and rights of way on the Lands for Lessee's further operations on any part of the said Lands as to which this Lease shall not have been terminated. The ownership of any of Lessee's property not removed by it during the period herein provided shall, in the absence of force majeure as defined in Section 13, be deemed abandoned by Lessee and shall pass to Lessor without further act of the parties or either of them effective upon expiration of such period.

17. Assignment. (a) Lessee shall have the absolute right to assign all or any part of its interest in and to this Lease. No assignment by either party hereunder shall be effective for any purpose whatsoever until and unless a certified copy of the recorded instrument of assignment; or, if such assignment shall have been recorded only in short form, a true and complete copy of the instrument described in such short form under the true signatures of each of the parties thereto, together with a certified copy of such recorded short form, shall be delivered to the other party, in the same manner as is provided for a notice hereunder.

(b) In the event of assignment by the Lessee of this Lease as to a segregated portion of the Lands, payments due the Lessor hereunder shall be apportionable among the several leasehold owners according to the surface area of each of their respective leaseholds, and default in such payment by one or more of such leasehold owners shall in no wise affect the rights of any other leasehold owner hereunder.

18. Notices. Any notice or other communication hereunder from Lessor to Lessee shall be given in writing by sending the same by prepaid registered mail, with return receipt requested, addressed to Lessee as shown at the head of this Lease agreement. Any notice or other communication hereunder from Lessee to Lessor shall be given in like manner to Lessor addressed to Lessor at the address shown for him at the head of this Lease agreement. Any notice mailed as aforesaid shall be deemed given and received within forty-eight (48) hours after the deposit thereof in the United States mail if mailed within the State of Arizona to an address within the same state; and, if mailed from any state to an address in a different state, such notice shall be deemed to have been given and received within seventy-two (72) hours after deposit in the United States mail. The parties may, by like notice at any time and from time to time change their respective addresses for the purposes hereof. Postmark dates on registry receipts for such notices shall be conclusive as to the date of mailing.

19. Entirety Clause. If the leased premises shall hereafter be owned in severalty, or in separate tracts, the premises, nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety, and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the Lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks.

20. Severability. If any part, portion or provision of this Lease shall be found or declared to be null, void or unenforceable for any reason whatsoever by any court of competent jurisdiction or by any governmental agency having authority thereover, then only such part, portion or provision shall be affected thereby and the remainder of this instrument shall continue in full force and effect. The foregoing provisions of this paragraph shall be severable for the purposes of the provisions of this Section.

21. Binding Effect. This Lease and Agreement and all of the terms, covenants and conditions hereof shall extend to and be binding upon the respective heirs, executors, administrators, grantees, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date hereinabove first written.

Marjorie J. Francisco  
MARJORIE J. FRANCISCO

Margaret Hodges, by Marjorie J. Francisco, attorney in fact  
MARGARET HODGES, formerly Margaret Stewart

Valentine R. Coleman, by Marjorie J. Francisco, attorney in fact  
VALENTINE R. COLEMAN

Vera Borjack, by Marjorie J. Francisco, attorney in fact  
VERA BORJACK

Victor V. Coleman, by Marjorie J. Francisco, attorney in fact  
VICTOR V. COLEMAN

Florence M. Miles, by Marjorie J. Francisco, attorney in fact  
FLORENCE M. MILES

Franklin D. Coleman  
FRANKLIN D. COLEMAN

Lessor

GEOTHERMAL KINETICS INC.

By: [Signature]  
Attorney-In Fact  
Lessee

STATE OF CaliforniaCOUNTY OF San DiegoBOOK 739 PAGE 171ON February 2719 75

before me, the undersigned, a Notary Public in and for said State, personally appeared

Franklin D. Colemanto be the person whose name is known to me,  
and acknowledged to me that he subscribed to the within instrument,  
executed the same.

WITNESS my hand and official seal.



10676 Ledcon Dr., Lake View Terrace, Calif. 91342

Franklin D. ColemanSTATE OF CaliforniaCOUNTY OF Sacramento

ss.

ON February 2519 75

before me, the undersigned, a Notary Public in and for said State, personally appeared

Marjorie J. Franciscoto be the person whose name is known to me,  
and acknowledged to me that she subscribed to the within instrument,  
executed the same.

WITNESS my hand and official seal.



10676 Ledcon Dr., Lake View Terrace, Calif. 91342

Earl L. Kessler Sr.  
Notary Public in and for said State.

STATE OF CALIFORNIA

County of Sacramento

ss.

On February 25, 1975, before me, the undersigned, a Notary Public in and for said State, personally appeared Marjorie J. Francisco known to me to be the person whose name is subscribed to the within instrument, as the Attorney-in-Fact of Margaret Hodges, Valentine R. Coleman, Vera Boriack, Victor V. Coleman and Florence M. Miles, and acknowledged to me that she subscribed the names of Margaret Hodges, Valentine R. Coleman, Vera Boriack, Victor V. Coleman and Florence M. Miles thereto as principals and her own name as Attorney-in-Fact.

WITNESS my hand and official seal.



10676 Ledcon Dr., Lake View Terrace, Calif. 91342

STATE OF CALIFORNIA

County of Kern

ss.

On February 28, 1975, before me, the undersigned, a Notary Public in and for said County and State, residing therein, duly commissioned and sworn, personally appeared J. W. COVELLO, personally known to me to be the person described in and whose name is subscribed to the within instrument, as the Attorney-in-Fact of GEOTHERMAL KINETICS INC. and acknowledged to me that he subscribed the name of Geothermal Kinetics Inc. thereto as principal and his own name as Attorney-in-Fact.

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

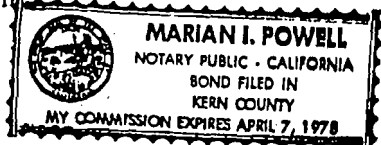
Marian I. PowellBOOK 789 PAGE 171

EXHIBIT "A"

Township 11 North, Range 8 West, M.D.M.

Parcel 1:

Section 5: Lots 5, 6, 9 and 10 of said section.

Parcel 2:

Section 6: Lot 10 of said section; EXCEPTING THEREFROM the following:

Beginning at the Southwest corner of Lot 10 and running North 608.6 feet; thence East 715 feet; thence South 608.6 feet; and thence westerly 715 feet to the place of beginning.

Parcel 3:

Section 5:  $N\frac{1}{2}$  of  $SW\frac{1}{4}$  of said section 5.

Section 6:  $N\frac{1}{2}$  of  $SE\frac{1}{4}$  of said section 6.

Containing a total of 350 acres, more or less.

*W. A. 3DE W*

"All taxes, assessments or charges of whatever kind assessed, levied or collected by reason of the production, sale or removal of "Substances" from the land included in this lease, or from lands pooled therewith, shall be borne by the parties hereto in proportion to the royalty share by Lessor and the remainder by Lessee."

*W* INITIAL *W. A. 3DE*

## DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836

CRAMENTO, CA 94236-0001

(6) 653-5791



August 7, 1997

Dean Stahr, M.A.I.  
Associated Services  
1039 Walnut Street  
Napa, California 94559-0412

Dear Dean:

At our meeting you requested that we furnish you with a general statement as to the permit obligations the Department of the Water Resources has for the Bottle Rock Project First, it must be kept in mind that the steam field and the powerplant have separate permits largely because at the time the project was constructed MCI owned the steam field and the Department owned the powerplant.

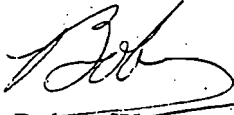
Now the Department owns both, but the separate permit arrangement has not been changed. We will first discuss the power plant permits and then the steam field permits. The powerplant is licensed by the California Energy Commission, 79-AFC-4, dated November 1980. This license imposes conditions relating to air quality, water quality, etc. We believe that these conditions are consistent with the permits we have with the Regional Water Quality Control Board and the Lake County Air Pollution Control District. We will take the necessary steps to terminate the Energy Commission license and the other permits as part of our plant closure plan. We do not expect any major problems in terminating these permits.

The steam field permits were secured by MCR and were transferred by MCR to the Department. The Energy Commission has no jurisdiction over the steam field and, therefore, there is no Energy Commission license for the steam field. There are, however, permits or agreements from the Regional Water Control Board, the Lake County Air Pollution Control District, the Division of Oil, Gas and Geothermal Resources and the County of Lake. Here again, we will take the necessary steps to terminate any permits or agreements which apply to the Department as part of the closure plan. We do not anticipate any problems with these permits and agreements.

Dean Stahr, M.A.I.  
August 7, 1997  
Page Two

Please call me if you have any questions regarding this matter at (916) 653-3949 (office)  
or (916) 489-3048 (home).

Sincerely,



Robert W. James  
Staff Counsel

Rjames:Pat Cannedy  
Stahr.ltr  
Spell Checked:August 7, 1997