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STATE OF CALIFORNIA

**Energy Resources Conservation
and Development Commission**

In the Matter of the:

**COMPLAINT AGAINST THE
BOTTLE ROCK GEOTHERMAL
POWER PLANT (79-AFC-4C)**

Docket No. 12-CAI-04

**V.V. & J. COLEMAN, LLC'S DIRECT TESTIMONY,
EXHIBIT LIST, AND PREHEARING STATEMENT
RELATED TO THE JANUARY 22, 2013 COMMITTEE HEARING**

January 11, 2013

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STATE OF CALIFORNIA

**Energy Resources Conservation
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RELATED TO THE JANUARY 22, 2013 COMMITTEE HEARING**

V. V. & J. Coleman, LLC (the "Landowner"), pursuant to the Notice of Committee Hearing, Possible Amendment of Conditions of Certification and Hearing Orders dated December 21, 2012 (the "Order"), submits its direct testimony, Exhibit List and Prehearing Statement. The Order was issued in response to a complaint filed by David Coleman on October 11, 2012 (the "Complaint"). This direct testimony, Exhibit List and Prehearing Statement are submitted in support of the Landowner's position regarding the Complaint.

I. PREHEARING STATEMENT

A. Response to Committee's Inquiries.

The Landowner responds to the specific inquiries in the Order as follows:

- 1. Regarding the "reduced scope of decommissioning" negotiated with the underlying landowners, the facilities proposed to remain after the project is decommissioned, including, if available, photos depicting the relationship of those facilities to their surroundings. Do the structures conform with Lake County development standards?**

The original Geothermal Lease and Agreement, dated February 25, 1975 (the “Original Lease”), required that the original project owner “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.” (Ex. 300 at ¶16(b)). However, the Landowner and Bottle Rock Power, LLC (the “Project Owner”) have agreed to amend the Original Lease to, in part, reduce the scope of the required decommissioning in favor of a more general scope, as outlined in Exhibit B attached to the Amended and Restated Geothermal Lease and Agreement (Ex. 111, the “Amended Lease”). The reduced scope of decommissioning agreed to in the Amended Lease allows the Project Owner to leave certain structures and infrastructure on the subject property. This includes the turbine building, the nearby standby generator building and certain roads that will be identified at the time of decommissioning. The Landowner agreed to this reduced scope of decommissioning due to the practical difficulties that would be involved in restoring the property to its prior condition. For example, the existing roadways on portions of the property would be difficult to remove and their removal may cause more damage than good. Notwithstanding this reduced scope, the decommissioning obligations under the Amended Lease still require that any and all environmental hazards will be remediated. Only the physical structures that are essentially inert will remain.

For the purposes of the hearing, the Landowner defers to the Project Owner regarding the Lake County development standards. Landowner does expect that all improvements on the property comply with applicable federal, state and local requirements.

2. The estimated costs of remediating the decommissioned facility and steam fields, including underlying assumptions.

The Landowner has not conducted a formal independent study of the costs of remediating the decommissioned facility and has no reason to dispute the study commissioned by the Project Owner.

3. The sale agreement between the Department of Water Resources and the project owner and subsequent amendments thereto.

The Landowner refers the Committee to Exhibits 110 and 112 submitted by the Project Owner.

4. The lease agreement between the project owner and the landowner.

The Landowner refers the Committee to Exhibit 111 submitted by the Project Owner.

5. The amount of and terms of bonds to secure remediation of the steam fields, generating facility, or both, required or held by other entities such as Lake County, the Department of Conservation Division of Oil, Gas & Geothermal Resources, and any others.

For the purposes of the hearing, the Landowner defers to the Project Owner's Prehearing Statement. The Landowner does expect that the Project Owner comply with all applicable federal, state and local requirements.

6. The amount of and terms of environmental impairment insurance held by the project or required to be held by entities such as Lake County, the Department of Conservation Division of Oil, Gas & Geothermal Resources, and any others.

For the purposes of the hearing, the Landowner defers to the Project Owner's Prehearing Statement. The Landowner does expect that the Project Owner comply with all applicable federal, state and local requirements.

7. Lake County's conditions applicable to the steam fields.

For the purposes of the hearing, the Landowner defers to the Project Owner's Prehearing Statement. The Landowner does expect that the Project Owner comply with all applicable federal, state and local requirements.

B. Landowner's Position.

The Landowner is in a unique position among the parties in that it has an interest in the economic success of the Project Owner, but also has a vested interest in maintaining the environmental health of the property. Landowner conducted year-long negotiations with the Project Owner in order to properly balance those interests before agreeing to the reduced scope of decommissioning in the Amended Lease and release of the Department of Water Resources from its restoration obligations under the Original Lease. During the course of the negotiations, the Landowner insisted that a proper and reasonable scope of decommissioning be included, as the property has significant personal value to the members of the Landowner. Landowner was also concerned that the Project Owner demonstrate a commitment to the project and a commitment to fulfilling its obligations in the event the project is ever decommissioned.

After review and consultation, Landowner determined that the reduced scope of decommissioning included in the Amended Lease was the appropriate level for the project, especially in light of the significant difficulties in restoring the property to its natural state. The cost of this reduced scope of decommissioning is significantly less than the cost of fully restoring the property to the condition prior to building the project. As described above, although there is a reduced scope, the decommissioning obligations still require that the Project Owner remediate

all environmental hazards. Certainly, Landowner expects that the decommissioning will comply with all federal, state and local requirements, including all environmental laws.

Landowner also determined that the Project Owner had demonstrated a commitment to the project, and was willing to make additional financial commitments to the project in the form of expanded production. These significant financial commitments to the project indicated to the Landowner that the Project Owner was unlikely to abandon its decommissioning obligations, especially in light of the reduced scope of decommissioning. While the Landowner values David Coleman's opinion as expressed in the Complaint, the Landowner agrees with the Project Owner's assertion that circumstances which prompted the bond requirement have changed and that due to the reduced scope of decommissioning obligations and the Project Owner's commitment to the project described above, the bond requirement should be eliminated.

C. Landowner's Direct Testimony & Time Estimate for Examination.

Landowner does not anticipate submitting any direct testimony and does not anticipate offering any witnesses, but reserves the right to submit direct testimony and offer witnesses based on the direct testimony and prehearing statements submitted concurrently with the Landowner's prehearing statement.

D. Required Time for Cross-Examination.

Landowner does not anticipate that it will cross-examine any witnesses, but reserves the right to identify witnesses and the amount of time needed for cross-examination in its Rebuttal Testimony to be filed on January 17, 2013.

E. Amount of Time Needed for Oral Argument.

Landowner does not anticipate providing oral argument during the January 22, 2013 Committee Hearing, but respectfully requests that 10 minutes be reserved for oral argument.

II. LANDOWNER'S EXHIBIT LIST

The following table identifies all exhibits the Landowner intends to provide to the Committee.

Exhibit #	Document Title
300	Geothermal Lease Agreement dated February 25, 1975.

III. CONCLUSION

The Landowner agrees with the assertion by the Project Owner that the Committee should order that the Project Owner and Department of Water Resources were within their right to amend the Purchase Agreement and that no decommissioning bond should be required for the project.

Date: January 11, 2013

Diepenbrock Elkin LLP



Eileen M. Diepenbrock, Esq.
Mark E. Peterson, Esq.
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V.V. & J. COLEMAN, LLC



**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
1-800-822-6228 – WWW.ENERGY.CA.GOV**

**IN THE MATTER OF THE
COMPLAINT AGAINST THE
BOTTLE ROCK GEOTHERMAL POWER PLANT**

**Docket No. 12-CAI-04
PROOF OF SERVICE
(12/21/2012)**

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Division of Oil, Gas, &
Geothermal Resources
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**OTHER ENERGY COMMISSION
PARTICIPANTS (LISTED FOR
CONVENIENCE ONLY):**

*After docketing, the Docket Unit will
provide a copy to the persons listed
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Adviser to Associate Member
Eileen Allen
Commissioners' Technical
Adviser for Facility Siting
Paul Kramer
Chief Hearing Adviser
Camille Remy-Obad
Compliance Project Manager
Kevin W. Bell
Staff Counsel

DECLARATION OF SERVICE

I, Serena Albaeck, declare that on January 11, 2013, I served and filed copies of the attached V.V. & J. COLEMAN, LLC'S DIRECT TESTIMONY, EXHIBIT LIST, AND PREHEARING STATEMENT RELATED TO THE JANUARY 22, 2013 COMMITTEE HEARING dated January 11, 2013. This document is accompanied by the most recent Proof of

Service list, which I copied from the web page for this project at:

<http://www.energy.ca.gov/sitingcases/bottlerock/documents/index.html#cai-04>.

The document has been sent to the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, as appropriate, in the following manner:

(Check one)

For service to all other parties and filing with the Docket Unit at the Energy Commission:

 X I e-mailed the document to all e-mail addresses on the Service List above ~~and personally delivered it or deposited it in the US mail with first class postage to those parties noted above as "hard copy required"; OR~~

 Instead of e-mailing the document, I personally delivered it or deposited it in the US mail with first class postage to all of the persons on the Service List for whom a mailing address is given.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am over the age of 18 years.

Dated: January 11, 2013


Serena Albaeck

Date: January 11, 2013

SUBMIT ALL EXHIBIT LISTS IN WORD FORMAT OR TEXT FILE.

Party name: V.V. & J. Coleman, LLC

[illegible]

Exhibit 300

RECORDING REQUESTED BY

BOOK 789 PAGE 167

RECORDED AT REQUEST OF

WHEN RECORDED MAIL TO

J. W. Covello

2920 H. St., Bakersfield, Cal 93301

2862

MAR 13 11 59 AM 1975

LAKE COUNTY RECORDER

SPACE ABOVE THIS LINE FOR COUNTY RECORDER

GEOHERMAL LEASE AND AGREEMENT

THIS GEOHERMAL LEASE AND AGREEMENT (hereinafter the "Lease") is made and entered into as of the 25th day of February, 19 75, 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 GEOHERMAL 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	
-OR- COMPUTED ON FULL VALUE LESS EXEMPTIONS	
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 honest 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-

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see may, within three (3) months from the 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 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 Lessor 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 without 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 encumbrances 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 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 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. **Surrenders.** 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 event 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, grantors, 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 Boriack, by Marjorie J. Francisco, attorney in fact
VERA BORIACK

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

By: *[Signature]*
Attorney-In Fact
Lessee

STATE OF California
COUNTY OF San Diego } ss.

BOOK 9 PAGE 171

ON February 27, 19 75,
before me, the undersigned, a Notary Public in and for said State, personally appeared

Franklin D. Coleman

to be the person whose name is known to me,
and acknowledged to me that he executed the same.

WITNESS my hand and official seal.



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

Franklin D. Coleman

STATE OF California
COUNTY OF Sacramento } ss.

ON February 25, 19 75,
before me, the undersigned, a Notary Public in and for said State, personally appeared

Marjorie J. Francisco

to be the person whose name is known to me,
and acknowledged to me that she executed the same.

WITNESS my hand and official seal.



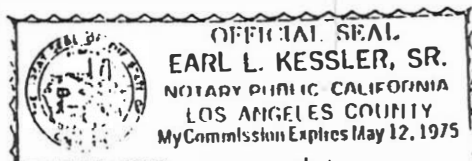
10676 Ledeen Dr., Lake View Terrace, Calif. 91342

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.



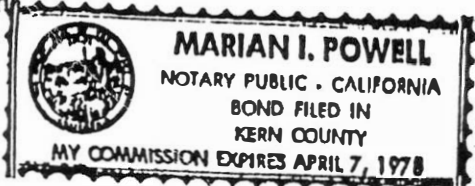
10676 Ledeen Dr., Lake View Terrace, Calif. 91342

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

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. Powell

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

"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