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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Attorneys for V.V. & J. COLEMAN, LLC
In the Matter of the:

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

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EXHIBIT LIST, AND PREHEARING STATEMENT
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.

<table>
<thead>
<tr>
<th>Exhibit #</th>
<th>Document Title</th>
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</table>

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.
Diepenbrock Elkin LLP
Attorneys for
V.V. & J. COLEMAN, LLC
IN THE MATTER OF THE
COMPLAINT AGAINST THE
BOTTLE ROCK GEOTHERMAL POWER PLANT

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Geothermal Resources
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Lake County Community
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CALIFORNIA ENERGY COMMISSION
- DOCKET UNIT
Attn: Docket No. 12-CAI-04
1516 Ninth Street, MS-4
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docket@energy.ca.gov

OTHER ENERGY COMMISSION
PARTICIPANTS (LISTED FOR
CONVENIENCE ONLY):

KAREN DOUGLAS
Commissioner and Presiding Member
ROBERT B. WEISENMILLER
Chair and Associate Member
Galen Lemei
Adviser to Presiding Member
Jennifer Nelson
Adviser to Presiding Member
Sekita Grant
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

*indicates change
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:

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

*indicates change
**Docket Number:** 12-CAI-04  
**Date:** January 11, 2013

**Project Name:** Complaint Against Bottle Rock Geothermal Power Plant

**SUBMIT ALL EXHIBIT LISTS IN WORD FORMAT OR TEXT FILE.**

**PARTY’S EXHIBIT LIST**

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Docket Transaction Number</th>
<th>Brief Description</th>
<th>Offered</th>
<th>Admitted</th>
<th>Refused</th>
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<tbody>
<tr>
<td>300</td>
<td></td>
<td>Geothermal Lease Agreement dated February 25, 1975</td>
<td></td>
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| | | | | | | |
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 BORIAK; VICTOR V. COLEMAN; FLORENCE M. MILES; and FRANKLIN D. COLEMAN

hereinafter called the "Lessee" 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, Lessee is the owner of the following lands (which are hereinafter collectively referred to as "Lands") situated in

Lake County, State of California, and known and described as follows:

Containing 350 acres, more or less

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

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

NOW, THEREFORE, witnesses that:

A. Grant of Lease and Rights.

FOR AND IN CONSIDERATION of the sum of Ten Dollars ($10.00) paid to the Lessee 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, Lessee has Granted, LEASED, LENT AND DEMISED and by these presents does grant, lease, let and demise to Lessee, its successors and assigns upon and subject to the Lands 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 ores other than those specifically excepted below, emanating from the Lands (all of the said minerals, substances), 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 bountiful 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 using of materials, the installation, construction, maintenance, operation, (and resale, removal, and replacement, at 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, tracks, 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 in 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 all materials engaged in accomplishment of the Objectives, and any like activities by or for the Lessee on the 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 (hereinafter referred to as the "Primary Term") and for so long thereafter as (1) 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 the operation 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 intervene between commencement 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 not, and if none of the Substances are being 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-
not be terminated or locked out until a quantified after its primary term if such operations are continuously practiced, as provided above; and, if such operations shall result in production in common, the proportion of such production which shall be credited to the lessee shall be determined by the lessee, in each case, in its discretion, and shall include, among other things, cleaning, testing, repair, and replacement of wells and related facilities, and equipment and other items produced 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 shall terminate unless the Lessee, up to or before such anniversary date, shall pay to the lessor, as provided in Section 9, the sum of 

[Lease amount]

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 and after such anniversary date, the time within which drilling operations may be commenced. Annually thereafter, in like manner and upon the payment of the sum of 

[Lease amount]

Dollars ($100.00) per acre for all lands then held under this Lease, the commencement of such called "rental," which payment shall extend, 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 set forth in paragraph (a) of this Section, this Lease shall not be terminated if the primary term of this Lease shall have lapsed and no person or entity shall lose the right to drill on the Lands then held under this Lease for engineering or economic reasons sufficient in its good faith opinion to warrant such action; provided, however, that if such drilling shall cease for a continuous period of twelve (12) months, then the lessee shall upon the expiration of such period, in writing, declare such drilling to be discontinued as herein described in paragraph (b) of this Section, to pay Lessee, on the anniversary of this Lease, a delay rental in the amount of 

[Delayed lease payment]

Dollars ($100.00) per acre for each acre of the Land then held under this Lease and each such payment shall extend the 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 Lessee, out of the proceeds received by him from the sale of Substances, as follows:

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

(f) 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 payment is made to or on behalf of the lessor.

4. Payment of Royalties. Lessee shall pay Lessee, 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 such royalty payment, Lessee shall deliver to Lessee a statement setting forth the basis for the determination of the royalty then paid by Lessee.

5. Depositary. All payments required to be made by Lessee to lessor hereunder shall be paid to Lessee by mailing or causing Lessee's check therefor to 

[Lessee's address]

5005 Melvin Drive, Carmichael California 95608

but such depositary, hereby designated by Lessee as depositary, for deposit into a special account, Lessee has power and is authorized to said depositary full power and authority on behalf of Lessee, and all those succeeding to his rights hereunder whether by voluntary act or operation of law, to accept, receive, sign, endorse, and pay over all checks or other instruments payable to Lessee, and to execute any instrument or order for the payment of the same on the depositary's account.

No change in the ownership of the Lands or of any payments due lessor hereunder shall affect the liability of the persons or entities identified in paragraph (b) of this Section, to pay Lessee, on the anniversary of this Lease, a delay rental in the amount of 

[Delayed lease payment]

Dollars ($100.00) per acre for each acre of the Land then held under this Lease and each such payment shall extend the Lease for an additional year.

6. Lessee's Use of Production for its Operation. Lessee shall be entitled, without accountability to Lessee 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 accountability to Lessee 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 reasonable judgment, are uneconomic. Lessee shall have the right to abandon, and, upon written notice to the lessee, to cause the Substances contained in the brines to be removed at the lessee's cost.

8. Title Warranty. Lessee hereby grants and agrees to defend title to the Lands except for rights of way and entries on record, and further agrees that Lessee at his option may pay and discharge any delinquent taxes, mortgages, trust deeds, judgment 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 all actions, to recover payment hereof in the same manner and capacity as if Lessee had paid the same. Until such notice shall be furnished to Lessee, Lessee shall continue to make all payments to the depositary last designated hereunder.

9. Title Warranty. Lessee hereby grants and agrees to defend title to the Lands except for rights of way and entries on record, and further agrees that Lessee at his option may pay and discharge any delinquent taxes, mortgages, trust deeds, judgment 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 all actions, to recover payment hereof in the same manner and capacity as if Lessee had paid the same. Until such notice shall be furnished to Lessee, Lessee shall continue to make all payments to the depositary last designated hereunder.

10. Lessee Interest. If it should hereafter appear that Lessee, at the time of making this Lease, owned a lessor interest in the Lands not assigned to or owned by another person or entity or by the Rents, nor any assignee of the same, then all such interests shall be vested in the Rents or in the successors in interest to the Rents.

11. Taxes. Lessee shall pay all taxes levied and assessed against lessor's leasehold interest in the Lands and against all structures, improvements and personal property placed upon the Lands by Lessee. Lessee shall pay all taxes levied and assessed against the Lands, whether or not covered by this Lease and shall pay all taxes levied and assessed against all structures and improvements placed on the Lands by Lessee.

12. Operations. (a) Lessee will comply with all laws and regulations applicable to its operations hereunder including but not limited to requirements for worker's compensation insurance as required by the law of the State of California.
14. Surrender. Lessee may, at any time, surrender this Lease to Lessor in its entirety or, from time to time, surrender any portion or portions of the Leased Real Estate. The Lessee shall be responsible for the payment of rent in the event of surrender by exercising 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 Lessor for surrender and Lessee shall thereby be relieved of all obligations as to the balance of the surrendered area.

15. Breach of Agreement by Lessee. If Lessee has defaulted in any substantial respect in its obligations hereunder, Lessor shall have the right, but not the obligation, to in the event of surrender by exercising 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 Lessor for surrender and Lessee shall thereby be relieved of all obligations as to the balance of the surrendered area. In the event of cancellation or termination of this Lease for any cause other than surrender by Lessee, this Lease shall nevertheless remain in effect as to forty (40) acres surrounding each well then producing, being drilled or reworked, to which this Lease shall not be in default and having and executing 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 the purpose 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 drain and remove all casing.

(b) Following termination of this Lease or any part thereof for any cause, and following abandonment of any well, drilling, or reworking operations on the Leased Real Estate, Lessee shall within sixty (60) days after receipt of notice, Lessee shall commence to correct the default alleged by Lessor and continue with due diligence, Lessee shall not be deemed in default hereunder. The service of said notice and the lease of sixty (60) days without notice or ability 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 act 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 Lessee, this Lease shall nevertheless remain in effect as to forty (40) acres surrounding each well then producing, being drilled or reworked, to which this Lease shall not be in default and having and executing 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 Lessee for the purpose of Lessee to drill any well hereunder or to pay rental or delay rental in lieu thereof.
ON February 27, 1975, before me, the undersigned, a Notary Public in and for said State, personally appeared
Franklin D. Coleman
known to me,
to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.
WITNESS my hand and official seal.

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, and acknowledged to me that she executed the same.
WITNESS my hand and official seal.

STATE OF CALIFORNIA

COUNTY OF SACRAMENTO

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.

STATE OF CALIFORNIA

COUNTY OF KERN

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 hereeto set my hand and affixed my official seal the day and year in this certificate first above written.

MARIAN I. POWELL
NOTARY PUBLIC - CALIFORNIA
BOND FILED IN KERN COUNTY
MY COMMISSION EXPIRED APRIL 7, 1974
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: N1/4 of SW1/4 of said section 5.
Section 6: N1/4 of SE1/4 of said section 6.

Containing a total of 350 acres, more or less.

"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."