

# **APPENDIX C**

## **GEOHERMAL LEASES**

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OBM NO. 1004-0038  
Expires January 31, 1986

OFFER TO LEASE AND LEASE FOR GEOTHERMAL RESOURCES

Serial No. **N79104**

The undersigned (see reverse) offers to lease all or any of the lands in item 2 that are available for lease pursuant to the Geothermal Steam Act of 1970 (30 U.S.C. 1001-1025).

Read Instructions Before Completing

1. Name **Ormat Nevada Inc.**  
Street **980 Greg Street**  
**Sparks, Nevada 89431**

City, State, Zip Code

2. Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project \_\_\_\_\_

Legal description of land requested (segregate by public domain and acquired lands):

T. **T18N** R. **R30E** Meridian **MDB&M** State **Nevada** County **Churchill**

**Sec. 28, all;**  
**Sec. 31, lots 1,3-4, E2, NENW, E2SW;**  
**Sec. 32, all;**  
**Sec. 33, all.**

SN **N74716**

Total acres applied for 2,481  
Percent U.S. interest 100%  
Total \$ 2,556.00

Amount remitted: Filing fee \$ 75.00 Rental fee \$ 2,481.00

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. **T. 18 N., R. 30 E., MDM, Nevada**  
R. **sec. 28, all;**  
**sec. 31, lots 1,3,4, E2, NENW, E2SW;**  
**sec. 32, all;**  
**sec. 33, all.**

**Churchill County**  
**2480.99 acres**

Described lands are not within a ~~10~~/KGRA

**AUG 23 2006**

Rental retained \$2,481.00

as of \_\_\_\_\_

Acting *Rudol Hoop*  
Deputy State Director, Minerals Management

RECEIVED NSD BLM  
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Total acres in lease \_\_\_\_\_  
Rental retained \$ \_\_\_\_\_

In accordance with the above offer, or the previously submitted competitive bid, this lease is issued granting the exclusive right to drill for, extract, produce, remove, utilize, sell, and dispose of all the geothermal resources in the lands described in item 3 together with the right to build and maintain necessary improvements thereupon, for a primary term of 10 years. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance and, when not inconsistent with lease rights granted or specific provisions of this lease, regulations and formal orders hereafter promulgated.

THE UNITED STATES OF AMERICA

Type of lease:

- Noncompetitive
- Competitive
- Other \_\_\_\_\_

by *Rudol Hoop*

Acting Deputy State Director Minerals Management

(Signing Officer)

**AUG 23 2006**

**SEP 01 2006**

EFFECTIVE DATE OF LEASE

4. (a) Undersigned certifies that:

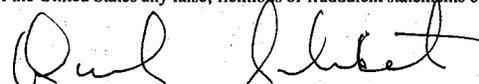
(1) Offeror is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States, any State or the District of Columbia; (2) All parties holding an interest in the offer are in compliance with 43 CFR 3200 and the authorizing Act; (3) Offeror's chargeable interests, direct and indirect, do not exceed that allowed under the Act; and (4) Offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located.

(b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms, conditions and stipulations of which offeror has been given notice, and any amendment or separate lease that may cover any land described in this offer open to lease application at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford the offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments. Title 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this 22 day of Sept

2004



(Signature of Lessee or Attorney-in-fact)

### LEASE TERMS

Sec. 1. Rentals—Rentals shall be paid to proper office of lessor in advance of each lease year until there is production in commercial quantities from the leased lands. Annual rental rates per acre or fraction thereof are: \$1 for noncompetitive leases and \$2 for competitive leases.

If this lease or a portion thereof is committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to this lease. However, annual rentals shall continue to be due for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day if office is closed) shall automatically terminate this lease by operation of law. Rentals may be suspended by the Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid to proper office of lessor. Royalties shall be computed in accordance with regulations and orders. Royalty rates on production are: 10 percent for steam, heat, or energy; 5 percent for byproducts; and 5 percent for demineralized water.

Lessor reserves the right to establish reasonable minimum values on production after giving lessee notice and an opportunity to be heard. Royalties shall be due and payable on the last day of the month following the month in which production occurred.

A minimum royalty shall be due for any lease year beginning on or after the commencement of production in commercial quantities in which royalty payments aggregate less than \$2 per acre. Lessee shall pay such difference at the end of lease year. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced for all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise justified.

Sec. 3. Bonds—Lessee shall file and maintain any bond required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage—Lessee shall perform diligent exploration as required by regulations and shall prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of the area, field, or pool embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee shall file with proper office of lessor, not later than (30) days, after effective date thereof, any contract or evidence of other arrangement for the sale or disposal of production. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plats and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs.

In the form prescribed by lessor, lessee shall keep a daily drilling record, a log, and complete information on well surveys and tests and keep a record of subsurface investigations and furnish copies to lessor when required. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that support costs claimed as manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessee's accounting offices for future audit by lessor. Lessee shall maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations—Lessee shall conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee shall take reasonable measures deemed necessary by

lessor to accomplish the intent of this section. To the extent consistent with leased rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-ways. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessees.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee shall immediately contact lessor. Lessee shall cease any operations that would result in the destruction of such species or objects.

Sec. 7. Production of byproducts—If the production, use, or conversion of geothermal resources from these leased lands is susceptible of producing a valuable byproduct or byproducts, including commercially demineralized water for beneficial uses in accordance with applicable State water laws, lessor may require substantial beneficial production or use thereof by lessee.

Sec. 8. Damages to property—Lessee shall pay lessor for damage to lessor's improvements, and shall save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 9. Protection of diverse interests and equal opportunity—Lessee shall maintain a safe working environment in accordance with standard industry practices and take measures necessary to protect the health and safety of the public. Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly.

Lessee shall comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractor shall maintain segregated facilities.

Sec. 10. Transfer of lease interests and relinquishment of lease—As required by regulations, lessee shall file with lessor, any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 11. Delivery of premises—At such time as all or portions of this lease are returned to lessor, lessee shall place all wells in condition for suspension or abandonment, reclaim the land as specified by lessor, and within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of producible wells or continued protection of the environment.

Sec. 12. Proceedings in case of default—If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation in accordance with the Act. However, if this lease includes land known to contain a well capable of production in commercial quantities, it may be cancelled only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor or any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Whenever the lessee fails to comply in a timely manner with any of the provisions of the Act, this lease, the regulations, or formal orders, and immediate action is required, the Lessor may enter on the leased lands and take measures deemed necessary to correct the failure at the expense of the Lessee.

Sec. 13. Heirs and successors-in-interest—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

## **Special Stipulations for All Leases in Carson City Field Office Management Area**

The following mitigating measures are to be included as special stipulations on all geothermal leases issued in the Carson City Field Office Management area. The lessee shall comply with the following special conditions and stipulations unless they are modified by mutual agreement of the Lessee and the Authorized Officer (AO):

No surface occupancy or disturbance will be allowed within 650 feet (horizontal measurement) of any surface water bodies, riparian areas, wetlands, playas, or 100-year floodplains to protect the integrity of these resources (as delineated by the presence of riparian vegetation and not actual water). Other buffer zones and areas of restricted surface occupancy may be required to protect other resource values, including but not limited to, critical or rare or endangered species habitat.

Endangered Species Act Section 7 Consultation: The lease area may now or hereafter contain plants, animals, or their habitats determined to be threatened, endangered, or other special status species. BLM may recommend modifications to exploration and development proposals to further its conservation and management objective to avoid BLM-approved activity that will contribute to a need to list such a species or their habitat. BLM may require modifications to or disapprove proposed activity that is likely to result in jeopardy to the continued existence of a proposed or listed threatened or endangered species or result in the destruction or adverse modifications of a designated or proposed critical habitat. BLM will not approve any ground-disturbing activity that may affect any such species or critical habitat until it completes its obligations under applicable requirements of the Endangered Species Act, 16 USC § 1531 *et seq.*, as amended, including completion of any required procedure for conference or consultation.

BLM IM 2005-003: This lease may be found to contain historic properties or resources protected under the National Historic Preservation Act, American Indian Religious Freedom Act, Native American Graves Protection and Repatriation Act, EO 13007, or other statutes and executive orders. The BLM will not approve any ground-disturbing activities that may affect any such properties or resources until it completes its obligations under applicable requirements of the NHPA and other authorities. The BLM may require exploration or development proposals to be modified to protect such properties, or it may disapprove any activity that is likely to result in adverse effects that could not be successfully avoided, minimized, or mitigated.

To secure specific compliance with the stipulations under Section 6, paragraph (2) of the geothermal resources lease form, the lessee shall, prior to operations, furnish to the AO a certified statement that either no archaeological values exist or that they may exist on the leased lands to be disturbed or occupied, to the best of the lessee's knowledge and belief, and that they might be impaired by geothermal resource operations. Such a certified statement must be completed in compliance with the BLM Nevada State Protocol by an archaeologist permitted by

BLM for the Carson City Field Office. If the lessee furnishes a statement that archaeological values may exist where the land is to be disturbed or occupied, the lessee will engage a qualified archaeologist, acceptable to the AO, to survey and salvage, in compliance with the BLM Nevada State Protocol, in advance of any operations, such archaeological values on the lands involved. The responsibility for the cost for the certificate, survey and salvage will be borne by the lessee, and such salvaged property shall remain the property of the Lessor or the surface owner.

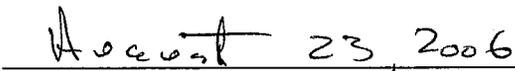
Surface occupancy and use is subject to all valid existing surface rights.

The lands subject to this stipulation are described as all potential lease sections.

**Special Stipulation for Water Resources:** As exploration and development activities begin, the lessee will institute and pay for a hydrologic monitoring program, which will be site specific and its intensity will be commensurate with the level of exploration. For example, if the proponent were to conduct seismic studies, the monitoring would be limited to identifying water resources to be monitored as activities continue; if a drilling program were to be undertaken, the number of aquifers encountered, their properties, their quality, and their saturated thickness would be documented. The information collected would be submitted to the BLM and would be used to support future NEPA documentation as development progresses. Adverse impacts on surface expressions of the geothermal reservoir (hot springs), and threatened and endangered species habitat are not acceptable. The lessee will monitor the quality, quantity, and temperature of any hot springs or other water resource within the project area when conducting activities that could affect those resources. If adverse impacts do occur, the BLM will require the lessee to take corrective action to mitigate the impact. Corrective action may include shutting down the operation. These are lease stipulations, not operational, and the information gathered under the monitoring stipulation will be used to identify future impacts at the operational stage.

**Special Stipulation for Native American Consultation:** All proposed exploration and development is subject to the requirement for Native American consultation before the BLM will authorize the activity. Depending on the nature of the proposed lease development and the resource of concern, the time to complete Native American consultation and to conduct any mitigation measures may extend the time for authorization. It may also change the ways in which developments are implemented. New lease applications would require Native American consultation.

  
\_\_\_\_\_  
Signature of Lessee, Agent, or Attorney in Fact

  
\_\_\_\_\_  
Date

## **Bureau of Reclamation Stipulation**

The Lessor reserves the ownership of brines and condensates and the right to receive or take possession of all or any part thereof following the extraction or utilization by Lessee of the heat energy and byproducts other than demineralized water associated therewith subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. If the Lessor elects to take the brines and condensates, the Lessee shall deliver all or any portion thereof to the Lessor at any point in the Lessee's geothermal gathering system after separation of the steam and brine products or from the disposal system as specified by the Lessor for the extraction of said brines and condensates by such means as the Lessor may provide and without cost to the Lessee. There is no obligation on the part of the Lessor to exercise its reserved rights. The Lessor shall not be liable in any manner if those rights are not exercised, and, in that event, the Lessee shall dispose of the brines and condensates in accordance with applicable laws, rules and regulations.

The Lessor reserves the right to conduct on the leased lands, testing and evaluation of geothermal resources which the Lessor determines are required for its desalinization research programs for utilization of geothermal fluids. These programs may include shallow temperature gradient hole underground exploration, if they are conducted in a manner compatible with lease operations and the production by Lessee of geothermal steam and associated geothermal resources. Lessor reserves the right to erect, maintain, and operate any and all facilities, pipelines, transmission lines, access roads, and appurtenances necessary for desalinization on the leased premises. Any desalting plants, piping, wells, or other equipment installed by the Lessor on the leased premises shall remain the property of the Lessor; and the Lessee shall conduct his operations in a manner compatible with the operation and maintenance of any desalting plants, piping, wells, or other equipment installed by the Lessor. Any brines and condensates removed by the Lessor shall be replaced without cost to the Lessee with fluids as compatible with reservoir fluids as the brines or condensates that the Lessor removed and where the Lessor and Lessee determine that they are needed by the Lessee for his operation or for reinjection into the geothermal anomalies.

The Lessor and the Lessee, if authorized by law, may enter into cooperative agreements for joint development and production of geothermal resources from the leased premises consistent with applicable laws and regulations.

Any geophysical, geological, geochemical, and reservoir hydraulic data collected by either the Bureau of Reclamation or the Lessee will be made available upon request to the other party, and the data furnished to Reclamation by the Lessee shall be considered confidential so long as the following conditions prevail:

- a. Until the Lessee notifies Reclamation that there is no requirement to retain the submitted data in confidential status or until Lessee relinquishes all interest in the leased area from where the information was obtained.
- b. Reclamation shall not incorporate data received from the Lessee in its publications or reports during the period that confidential data are being retained without written authorization from the Lessee.
- c. Information obtained by Reclamation, and upon request submitted to the Lessee, shall not

be used in publications or reports issued by Lessee without written consent of Reclamation until the data have been published or otherwise given distribution by Reclamation.

The United States reserves the right to flood, seep and overflow the lands, permanently or intermittently, in connection with the operation or maintenance of the Newlands Project.

The Lessee will not interfere with the operation and maintenance of the Newlands Project. Prior to use of operation or maintenance roads within the Newlands Project, the Lessee will notify the AO in order to be appraised of areas that should be avoided to prevent interference with the operation and maintenance of the project. Reclamation will review all road or bridge crossing, piping or closure of any Newlands Project feature, and review NEPA and Cultural clearances on an individual basis.

There is also reserved to the United States, the right of its officers, agents, employees, licensees and permittees, at all proper times and places freely to have ingress to, passage over, and egress from all of said lands for the purpose of exercising, and protecting the rights reserved herein.

The Lessee further agrees that the United States, its officers, agents and employees and its successors and assigns shall not be held liable for any damage to the Lessee's improvements or works by reason of the exercise of the rights here reserved; nor shall anything contained in this paragraph be construed as in any manner limiting other reservations in favor of the United States contained in this lease.

The lands subject to this stipulation include all or part of the following lease sections:

Salt Wells Lease Area

T. 17 N., R. 30 E., sections 05, 06, 07 and 08;

T. 17 N., R. 29 E., sections 01 and 02;

T. 18 N., R. 29 E. section 35;

T. 18 N., R. 30 E., sections 05 and 06;

T. 19 N., R. 30 E., sections 29, 31, 32, and 33.

Hazen Lease Area

T. 19 N., R. 26 E., section 04;

T. 20 N., R. 25 E., section 22;

T. 20 N., R. 26 E., sections 30 and 32.



\_\_\_\_\_  
Signature of Lessee, Agent, or Attorney in Fact

August 23, 2006

Date

## Contingency Rights Stipulation

BLM has reviewed existing information and planning resources documents and, except as noted in other attached stipulations, knows of no reason why normal development, subject to the controls of applicable laws and regulations and the lease terms and conditions, can not proceed on the leased lands. However, specific development activities could not be identified prior to lease issuance since the nature and extent of geothermal resources were not known and specific operations have not been proposed. The lessee is hereby made aware that consistent with 43 CFR 3200.4, all post lease operations will be subject to appropriate environmental review and may be limited or denied only if unmitigable and significant impacts on other land uses or resources would result.

The lands subject to this stipulation are described as all potential lease sections.



\_\_\_\_\_  
Signature of Lessee, Agent, or Attorney in Fact

August 23, 2006

Date

NVN-79104

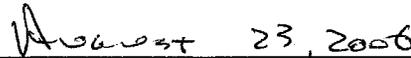
### **Material Site Stipulation**

The Lessee accepts this lease subject to the right of the State of Nevada to remove material from the land embraced in Material Sites and agrees that operations performed by the lessee will not interfere with operations of the State of Nevada, Department of Transportation.

The lands subject to this stipulation are described as all potential lease sections.



\_\_\_\_\_  
Signature of Lessee, Agent, or Attorney in Fact



\_\_\_\_\_  
Date

## NO SURFACE OCCUPANCY STIPULATION

No surface occupancy due to high resource values on the following lands:

T. 18 N., R. 30 E., MDM, Nevada  
sec. 28, all;  
sec. 32, E2, NW;  
sec. 33, all.

Should the operator determine the occupancy of additional surface is needed for resource development in the public interest, the current No Surface Occupancy stipulation may be revised if both BLM and the operator mutually agree.



\_\_\_\_\_  
Signature of Lessee, Agent, or Attorney in Fact

August 23, 2006

\_\_\_\_\_  
Date

**SPECIAL STIPULATION FOR WATER RESOURCES**

As exploration and development activities commence, the lessee shall institute and pay for a hydrologic monitoring program. The details of the monitoring programs will be site specific and the intensity shall be commensurate with the level of exploration. For example, if the proponent will be conducting seismic studies the monitoring would be limited to the identification of water resources to be monitored as activities continue; if a drilling program were to be undertaken the number of aquifers encountered, their properties, their quality, and their saturated thickness would be documented. The information collected will be submitted to the BLM and will be used to support future NEPA documentation as development progresses. Adverse impacts to surface expressions of the geothermal reservoir (hot springs), and Threatened and Endangered Species habitat are not acceptable. The lessee will monitor the quality, quantity, and temperature of any hot springs or other water resource within the project area whenever they are conducting activities which have the potential to impact those resources. If adverse impacts do occur, BLM will require the lessee to take corrective action to mitigate the impact. Corrective action may include shutting down the operation. These are lease stipulations, not operational, the information gathered under the monitoring stipulation will be used to identify future impacts at the operational stage.

Lands subject to this stipulation are:

T. 18 N., R. 30 E.  
sec. 31, all.



\_\_\_\_\_  
Signature of Lessee, Agent, or Attorney in Fact

August 23, 2006

Date

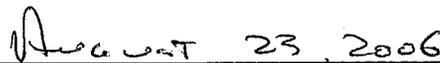
**SPECIAL STIPULATION FOR NATIVE AMERICAN  
CONSULTATION**

All exploration and development activities proposed under the authority of this lease are subject to the requirement for Native American consultation prior to BLM authorizing the activity. Depending on the nature of the lease developments being proposed and the resources of concerns to tribes potentially effected, Native American consultation and resulting mitigation measure to avoid significant impacts may extend time frames for processing authorization for development activities, as well as, change in the ways in which developments are implemented. New lease applications would require Native American consultation.

Mitigation Measures: This lease may be found to contain historic properties and/or resources protected under the National Historic Preservation Act (NHPA), American Indian Religious Freedom Act, Native American Graves Protection and Repatriation Act, E.O. 13007, other statutes and executive orders. The BLM will not approve any ground disturbing activities that may affect any such properties or resources until it completes its obligations under applicable requirements of the NHPA and other authorities. The BLM may require modification to exploration or development proposals to protect such properties, or disapprove any activity that is likely to result in adverse effects that cannot be successfully avoided, minimized or mitigated.



\_\_\_\_\_  
Signature of Lessee, Agent, or Attorney in Fact



\_\_\_\_\_  
Date

OFFER TO LEASE AND LEASE FOR GEOTHERMAL RESOURCES

Serial No. **N79105**

The undersigned (see reverse) offers to lease all or any of the lands in item 2 that are available for lease pursuant to the Geothermal Steam Act of 1970 (30 U.S.C. 1001-1025).

Read Instructions Before Completing

1. Name **Ormat Nevada Inc.**  
Street **980 Greg Street**  
**Sparks, Nevada 89431**  
City, State, Zip Code

2. Surface managing agency if other than BLM: \_\_\_\_\_ Unit/Project \_\_\_\_\_

Legal description of land requested (segregate by public domain and acquired lands):

T. **T18N** R. **R30E** Meridian **MDB&M** State **Nevada** County **Churchill**

**Sec. 19, lot 1, E2, E2W2;**  
**Sec. 20, all;**  
**Sec. 29, all;**  
**Sec. 30, lots 3-4, E2, E2W2.**

SN **N74715**

Amount remitted: Filing fee \$ **75.00**

Rental fee \$ **2,357.00**

Total acres applied for 2357  
Percent U.S. interest 100%  
Total \$ 2,432.00

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. \_\_\_\_\_ R. \_\_\_\_\_ Meridian \_\_\_\_\_ State \_\_\_\_\_ County \_\_\_\_\_

**T. 18 N., R. 30 E., MDM, Nevada**  
**sec. 19, lot 1, E2, E2W2;**  
**sec. 20, all;**  
**sec. 29, all;**  
**sec. 30, lots 3,4, E2, E2W2.**  
**Churchill County**  
**2356.36 acres**

Described lands are not within a ~~BLM~~/KGRA  
as of **AUG 23 2006**

Rental retained \$2,357.00

**Acting** *Richard Hooper*  
Deputy State Director, Minerals Management

Total acres in lease \_\_\_\_\_  
Rental retained \$ \_\_\_\_\_

RECEIVED NSO BLM  
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In accordance with the above offer, or the previously submitted competitive bid, this lease is issued granting the exclusive right to drill for, extract, produce, remove, utilize, sell, and dispose of all the geothermal resources in the lands described in item 3 together with the right to build and maintain necessary improvements thereupon, for a primary term of 10 years. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance and, when not inconsistent with lease rights granted or specific provisions of this lease, regulations and formal orders hereafter promulgated.

THE UNITED STATES OF AMERICA

Type of lease:

- Noncompetitive
- Competitive
- Other \_\_\_\_\_

by *Richard Hooper*

**Acting** Deputy State Director Minerals Management

(Signing Officer)

**AUG 23 2006**

(Title)

(Date)

EFFECTIVE DATE OF LEASE

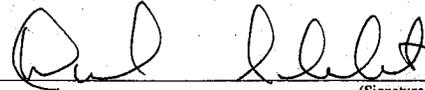
**SEP 01 2006**

4. (a) Undersigned certifies that:

- (1) Offeror is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States, any State or the District of Columbia; (2) All parties holding an interest in the offer are in compliance with 43 CFR 3200 and the authorizing Act; (3) Offeror's chargeable interests, direct and indirect, do not exceed that allowed under the Act; and (4) Offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located.
- (b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms, conditions and stipulations of which offeror has been given notice, and any amendment or separate lease that may cover any land described in this offer open to lease application at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford the offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments. Title 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this 22 day of Sept 2004



(Signature of Lessee or Attorney-in-fact)

LEASE TERMS

Sec. 1. Rentals—Rentals shall be paid to proper office of lessor in advance of each lease year until there is production in commercial quantities from the leased lands. Annual rental rates per acre or fraction thereof are: \$1 for noncompetitive leases and \$2 for competitive leases.

If this lease or a portion thereof is committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to this lease. However, annual rentals shall continue to be due for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day if office is closed) shall automatically terminate this lease by operation of law. Rentals may be suspended by the Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid to proper office of lessor. Royalties shall be computed in accordance with regulations and orders. Royalty rates on production are: 10 percent for steam, heat, or energy; 5 percent for byproducts; and 5 percent for demineralized water.

Lessor reserves the right to establish reasonable minimum values on production after giving lessee notice and an opportunity to be heard. Royalties shall be due and payable on the last day of the month following the month in which production occurred.

A minimum royalty shall be due for any lease year beginning on or after the commencement of production in commercial quantities in which royalty payments aggregate less than \$2 per acre. Lessee shall pay such difference at the end of lease year. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced for all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise justified.

Sec. 3. Bonds—Lessee shall file and maintain any bond required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage—Lessee shall perform diligent exploration as required by regulations and shall prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of the area, field, or pool embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee shall file with proper office of lessor, not later than (30) days, after effective date thereof, any contract or evidence of other arrangement for the sale or disposal of production. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plats and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs.

In the form prescribed by lessor, lessee shall keep a daily drilling record, a log, and complete information on well surveys and tests and keep a record of subsurface investigations and furnish copies to lessor when required. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that support costs claimed as manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessee's accounting offices for future audit by lessor. Lessee shall maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations—Lessee shall conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee shall take reasonable measures deemed necessary by

lessor to accomplish the intent of this section. To the extent consistent with leased rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-ways. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessees.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee shall immediately contact lessor. Lessee shall cease any operations that would result in the destruction of such species or objects.

Sec. 7. Production of byproducts—If the production, use, or conversion of geothermal resources from these leased lands is susceptible of producing a valuable byproduct or byproducts, including commercially demineralized water for beneficial uses in accordance with applicable State water laws, lessor may require substantial beneficial production or use thereof by lessee.

Sec. 8. Damages to property—Lessee shall pay lessor for damage to lessor's improvements, and shall save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 9. Protection of diverse interests and equal opportunity—Lessee shall maintain a safe working environment in accordance with standard industry practices and take measures necessary to protect the health and safety of the public. Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly.

Lessee shall comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractor shall maintain segregated facilities.

Sec. 10. Transfer of lease interests and relinquishment of lease—As required by regulations, lessee shall file with lessor, any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 11. Delivery of premises—At such time as all or portions of this lease are returned to lessor, lessee shall place all wells in condition for suspension or abandonment, reclaim the land as specified by lessor, and within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of producible wells or continued protection of the environment.

Sec. 12. Proceedings in case of default—If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation in accordance with the Act. However, if this lease includes land known to contain a well capable of production in commercial quantities, it may be cancelled only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor or any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Whenever the lessee fails to comply in a timely manner with any of the provisions of the Act, this lease, the regulations, or formal orders, and immediate action is required, the Lessor may enter on the leased lands and take measures deemed necessary to correct the failure at the expense of the Lessee.

Sec. 13. Heirs and successors-in-interest—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

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RENO, NEVADA

## **Special Stipulations for All Leases in Carson City Field Office Management Area**

The following mitigating measures are to be included as special stipulations on all geothermal leases issued in the Carson City Field Office Management area. The lessee shall comply with the following special conditions and stipulations unless they are modified by mutual agreement of the Lessee and the Authorized Officer (AO):

No surface occupancy or disturbance will be allowed within 650 feet (horizontal measurement) of any surface water bodies, riparian areas, wetlands, playas, or 100-year floodplains to protect the integrity of these resources (as delineated by the presence of riparian vegetation and not actual water). Other buffer zones and areas of restricted surface occupancy may be required to protect other resource values, including but not limited to, critical or rare or endangered species habitat.

Endangered Species Act Section 7 Consultation: The lease area may now or hereafter contain plants, animals, or their habitats determined to be threatened, endangered, or other special status species. BLM may recommend modifications to exploration and development proposals to further its conservation and management objective to avoid BLM-approved activity that will contribute to a need to list such a species or their habitat. BLM may require modifications to or disapprove proposed activity that is likely to result in jeopardy to the continued existence of a proposed or listed threatened or endangered species or result in the destruction or adverse modifications of a designated or proposed critical habitat. BLM will not approve any ground-disturbing activity that may affect any such species or critical habitat until it completes its obligations under applicable requirements of the Endangered Species Act, 16 USC § 1531 *et seq.*, as amended, including completion of any required procedure for conference or consultation.

BLM IM 2005-003: This lease may be found to contain historic properties or resources protected under the National Historic Preservation Act, American Indian Religious Freedom Act, Native American Graves Protection and Repatriation Act, EO 13007, or other statutes and executive orders. The BLM will not approve any ground-disturbing activities that may affect any such properties or resources until it completes its obligations under applicable requirements of the NHPA and other authorities. The BLM may require exploration or development proposals to be modified to protect such properties, or it may disapprove any activity that is likely to result in adverse effects that could not be successfully avoided, minimized, or mitigated.

To secure specific compliance with the stipulations under Section 6, paragraph (2) of the geothermal resources lease form, the lessee shall, prior to operations, furnish to the AO a certified statement that either no archaeological values exist or that they may exist on the leased lands to be disturbed or occupied, to the best of the lessee's knowledge and belief, and that they might be impaired by geothermal resource operations. Such a certified statement must be completed in compliance with the BLM Nevada State Protocol by an archaeologist permitted by

BLM for the Carson City Field Office. If the lessee furnishes a statement that archaeological values may exist where the land is to be disturbed or occupied, the lessee will engage a qualified archaeologist, acceptable to the AO, to survey and salvage, in compliance with the BLM Nevada State Protocol, in advance of any operations, such archaeological values on the lands involved. The responsibility for the cost for the certificate, survey and salvage will be borne by the lessee, and such salvaged property shall remain the property of the Lessor or the surface owner.

Surface occupancy and use is subject to all valid existing surface rights.

The lands subject to this stipulation are described as all potential lease sections.

**Special Stipulation for Water Resources:** As exploration and development activities begin, the lessee will institute and pay for a hydrologic monitoring program, which will be site specific and its intensity will be commensurate with the level of exploration. For example, if the proponent were to conduct seismic studies, the monitoring would be limited to identifying water resources to be monitored as activities continue; if a drilling program were to be undertaken, the number of aquifers encountered, their properties, their quality, and their saturated thickness would be documented. The information collected would be submitted to the BLM and would be used to support future NEPA documentation as development progresses. Adverse impacts on surface expressions of the geothermal reservoir (hot springs), and threatened and endangered species habitat are not acceptable. The lessee will monitor the quality, quantity, and temperature of any hot springs or other water resource within the project area when conducting activities that could affect those resources. If adverse impacts do occur, the BLM will require the lessee to take corrective action to mitigate the impact. Corrective action may include shutting down the operation. These are lease stipulations, not operational, and the information gathered under the monitoring stipulation will be used to identify future impacts at the operational stage.

**Special Stipulation for Native American Consultation:** All proposed exploration and development is subject to the requirement for Native American consultation before the BLM will authorize the activity. Depending on the nature of the proposed lease development and the resource of concern, the time to complete Native American consultation and to conduct any mitigation measures may extend the time for authorization. It may also change the ways in which developments are implemented. New lease applications would require Native American consultation.

August 23, 2006  
Signature of Lessee, Agent, or Attorney in Fact

Don Hellet  
Date

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## **Bureau of Reclamation Stipulation**

The Lessor reserves the ownership of brines and condensates and the right to receive or take possession of all or any part thereof following the extraction or utilization by Lessee of the heat energy and byproducts other than demineralized water associated therewith subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. If the Lessor elects to take the brines and condensates, the Lessee shall deliver all or any portion thereof to the Lessor at any point in the Lessee's geothermal gathering system after separation of the steam and brine products or from the disposal system as specified by the Lessor for the extraction of said brines and condensates by such means as the Lessor may provide and without cost to the Lessee. There is not obligation on the part of the Lessor to exercise its reserved rights. The Lessor shall not be liable in any manner if those rights are not exercised, and, in that event, the Lessee shall dispose of the brines and condensates in accordance with applicable laws, rules and regulations.

The Lessor reserves the right to conduct on the leased lands, testing and evaluation of geothermal resources which the Lessor determines are required for its desalinization research programs for utilization of geothermal fluids. These programs may include shallow temperature gradient hole underground exploration, if they are conducted in a manner compatible with lease operations and the production by Lessee of geothermal steam and associated geothermal resources. Lessor reserves the right to erect, maintain, and operate any and all facilities, pipelines, transmission lines, access roads, and appurtenances necessary for desalinization on the leased premises. Any desalting plants, piping, wells, or other equipment installed by the Lessor on the leased premises shall remain the property of the Lessor; and the Lessee shall conduct his operations in a manner compatible with the operation and maintenance of any desalting plants, piping, wells, or other equipment installed by the Lessor. Any brines and condensates removed by the Lessor shall be replaced without cost to the Lessee with fluids as compatible with reservoir fluids as the brines or condensates that the Lessor removed and where the Lessor and Lessee determine that they are needed by the Lessee for his operation or for reinjection into the geothermal anomalies.

The Lessor and the Lessee, if authorized by law, may enter into cooperative agreements for joint development and production of geothermal resources from the leased premises consistent with applicable laws and regulations.

Any geophysical, geological, geochemical, and reservoir hydraulic data collected by either the Bureau of Reclamation or the Lessee will be made available upon request to the other party, and the data furnished to Reclamation by the Lessee shall be considered confidential so long as the following conditions prevail:

- a. Until the Lessee notifies Reclamation that there is no requirement to retain the submitted data in confidential status or until Lessee relinquishes all interest in the leased area from where the information was obtained.
- b. Reclamation shall not incorporate data received from the Lessee in its publications or reports during the period that confidential data are being retained without written authorization from the Lessee.
- c. Information obtained by Reclamation, and upon request submitted to the Lessee, shall not

be used in publications or reports issued by Lessee without written consent of Reclamation until the data have been published or otherwise given distribution by Reclamation.

The United States reserves the right to flood, seep and overflow the lands, permanently or intermittently, in connection with the operation or maintenance of the Newlands Project.

The Lessee will not interfere with the operation and maintenance of the Newlands Project. Prior to use of operation or maintenance roads within the Newlands Project, the Lessee will notify the AO in order to be appraised of areas that should be avoided to prevent interference with the operation and maintenance of the project. Reclamation will review all road or bridge crossing, piping or closure of any Newlands Project feature, and review NEPA and Cultural clearances on an individual basis.

There is also reserved to the United States, the right of its officers, agents, employees, licensees and permittees, at all proper times and places freely to have ingress to, passage over, and egress from all of said lands for the purpose of exercising, and protecting the rights reserved herein.

The Lessee further agrees that the United States, its officers, agents and employees and its successors and assigns shall not be held liable for any damage to the Lessee's improvements or works by reason of the exercise of the rights here reserved; nor shall anything contained in this paragraph be construed as in any manner limiting other reservations in favor of the United States contained in this lease.

The lands subject to this stipulation include all or part of the following lease sections:

Salt Wells Lease Area

T. 17 N., R. 30 E., sections 05, 06, 07 and 08;

T. 17 N., R. 29 E., sections 01 and 02;

T. 18 N., R. 29 E. section 35;

T. 18 N., R. 30 E., sections 05 and 06;

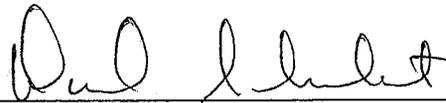
T. 19 N., R. 30 E., sections 29, 31, 32, and 33.

Hazen Lease Area

T. 19 N., R. 26 E., section 04;

T. 20 N., R. 25 E., section 22;

T. 20 N., R. 26 E., sections 30 and 32.



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Signature of Lessee, Agent, or Attorney in Fact

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## SPECIAL STIPULATION FOR WATER RESOURCES

As exploration and development activities commence, the leasee shall institute and pay for a hydrologic monitoring program. The details of the monitoring programs will be site specific and the intensity shall be commensurate with the level of exploration. For example, if the proponent will be conducting seismic studies the monitoring would be limited to the identification of water resources to be monitored as activities continue; if a drilling program were to be undertaken the number of aquifers encountered, their properties, their quality, and their saturated thickness would be documented. The information collected will be submitted to the BLM and will be used to support future NEPA documentation as development progresses. Adverse impacts to surface expressions of the geothermal reservoir (hot springs), and Threatened and Endangered Species habitat are not acceptable. The leasee will monitor the quality, quantity, and temperature of any hot springs or other water resource within the project area whenever they are conducting activities which have the potential to impact those resources. If adverse impacts do occur, BLM will require the lessee to take corrective action to mitigate the impact. Corrective action may include shutting down the operation. These are lease stipulations, not operational, the information gathered under the monitoring stipulation will be used to identify future impacts at the operational stage.

Lands subject to this stipulation are:

T. 18 N., R. 30 E.  
sec. 30, NW, S2.



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## SPECIAL STIPULATION FOR NATIVE AMERICAN CONSULTATION

All exploration and development activities proposed under the authority of this lease are subject to the requirement for Native American consultation prior to BLM authorizing the activity. Depending on the nature of the lease developments being proposed and the resources of concerns to tribes potentially effected, Native American consultation and resulting mitigation measure to avoid significant impacts may extend time frames for processing authorization for development activities, as well as, change in the ways in which developments are implemented. New lease applications would require Native American consultation.

Mitigation Measures: This lease may be found to contain historic properties and/or resources protected under the National Historic Preservation Act (NHPA), American Indian Religious Freedom Act, Native American Graves Protection and Repatriation Act, E.O. 13007, other statutes and executive orders. The BLM will not approve any ground disturbing activities that may affect any such properties or resources until it completes its obligations under applicable requirements of the NHPA and other authorities. The BLM may require modification to exploration or development proposals to protect such properties, or disapprove any activity that is likely to result in adverse effects that cannot be successfully avoided, minimized or mitigated.



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Signature of Lessee, Agent, or Attorney in Fact

August 26, 2006

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## NO SURFACE OCCUPANCY STIPULATION

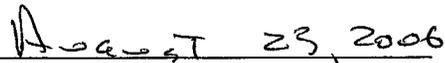
No surface occupancy due to high resource values on the following lands:

T. 18 N., R. 30 E., MDM, Nevada  
sec. 19, E2;  
sec. 20, all;  
sec. 29, all;  
sec. 30, NE.

Should the operator determine the occupancy of additional surface is needed for resource development in the public interest, the current No Surface Occupancy stipulation may be revised if both BLM and the operator mutually agree.



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Signature of Lessee, Agent, or Attorney in Fact



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## Contingency Rights Stipulation

BLM has reviewed existing information and planning resources documents and, except as noted in other attached stipulations, knows of no reason why normal development, subject to the controls of applicable laws and regulations and the lease terms and conditions, can not proceed on the leased lands. However, specific development activities could not be identified prior to lease issuance since the nature and extent of geothermal resources were not known and specific operations have not been proposed. The lessee is hereby made aware that consistent with 43 CFR 3200.4, all post lease operations will be subject to appropriate environmental review and may be limited or denied only if unmitigable and significant impacts on other land uses or resources would result.

The lands subject to this stipulation are described as all potential lease sections.



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Signature of Lessee, Agent, or Attorney in Fact

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### Material Site Stipulation

The Lessee accepts this lease subject to the right of the State of Nevada to remove material from the land embraced in Material Sites and agrees that operations performed by the lessee will not interfere with operations of the State of Nevada, Department of Transportation.

The lands subject to this stipulation are described as all potential lease sections.



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Signature of Lessee, Agent, or Attorney in Fact

August 23, 2006

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Date