

SAMPLE - HELD FOR TERMINATION LETTER

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

DECISION

:
: Geothermal Resources
:
:

Lease Held for Termination
Diligent Exploration Expenditures Required

This is to inform you that geothermal resources lease (serial no.) is subject to termination under the termination provisions of the current regulations at 43 CFR 3213.17 (copy enclosed) due to your failure to comply with the pre-2007 regulations at 43 CFR 3210.13 through 43 CFR 3210.16 (10 – 1 –06 addition) (copy enclosed).

During the first 5 years of the primary term of the lease, you were only required to pay your base annual rental. However, regulation 43 CFR 3210.13(a) (2006) requires you to perform diligent exploration activities. Exploration activities must begin by the sixth year of the primary term (43 CFR 3210.13(b) (2006)). Regulations at 43 CFR 3210.14(b) (2006) require diligent efforts expenditures (DEE) on the lease exceeding the minimum per acre amount shown in the table below be performed annually during the primary lease term until there is a well capable of commercial production on the lease:

<u>Lease Year</u>	<u>Expenditure per acre</u>
6	\$4.00
7	\$6.00
8	\$8.00
9	\$10.00
10	\$12.00

If you chose not to conduct diligent exploration, or if your total expenditures did not fully meet the requirements for any lease year, you have the alternative to meet the diligent exploration requirement for that year by paying an additional rental of \$3.00 per acre or fraction of an acre in addition to your yearly base rental (see 43 CFR 3210.15 (2006)). You must pay the additional rental by the end date of the lease year.

For the Bureau of Land Management (BLM) to credit qualifying expenditures toward DEE, the BLM must receive your report no later than 60 days after the end of the lease year (see 43 CFR 3210.14(c)). The referenced lease completed its (lease year) year on (date). As of this date, our records reflect that the BLM did not receive a DEE report or additional rental in lieu of DEE. This failure to meet lease requirements and applicable regulations constitutes a violation of 43

CFR 3204. The BLM is therefore holding your lease for termination pending resolution of this matter.

You may remedy this failure by either (a) meeting the reporting requirements in 43 CFR 3201.14(c) (2006) within 30 days of receiving this notice, or (b) paying the additional rentals under 43 CFR 3210.15 (2006) and any and all accrued interest and/or late fees within 30 days of receiving this notice.

Failure to either pay the additional rental or complete and submit documentation of the minimum required diligent exploration expenditures within 30 days of receipt of this decision will result in termination of your lease pursuant to the regulations at 43 CFR 3210.16 (2006) and 43 CFR 3213.17-19 (2007). The above geothermal lease (serial no.) termination will become effective (on x date or 30 days following your receipt of this decision) unless:

(1) The violations have been corrected; or

(2) If you are unable to correct these violations within the 30-day notice period beginning on the day you receive this decision, you may still be able to prevent termination of your lease by showing the BLM, within the 30-day notice period, that you cannot correct the violation within the 30-day period, that you are making a good faith attempt to correct the violation as quickly as possible, and thereafter proceeding to correct the violation. Failure to do so will result in the termination of your lease per the geothermal regulations at 43 CFR 3213.19 (2007).

In accordance with the provisions of 43 CFR 3213.19 (2007), you may appeal this lease termination decision or the underlying finding of violation. You have 30 days after receipt of this notice to file an appeal (see 43 CFR 4; 43 CFR 1840). The BLM will stay the termination of your lease while your appeal is pending. You are also entitled to a hearing on this proposed lease termination if you request a hearing when you file the appeal (see 30 U.S.C 1011; 43 CFR 3213.19(b)). The regulations cited further explain your appeal rights.

This lease contains (number) acres for which DEE exceeding (\$ amount) must be performed or for which additional rental must be paid. Please contact Leona Reilly, Office of Natural Resources Revenue (ONRR), at (303) 231-3024 for the exact amount of rental in lieu of DEE, interest and/or late fees owed on this lease.

If submitting DEE, send your report to:

Bureau of Land Management
(insert applicable address)

If you elect to pay the additional rental in lieu of DEE, send your payment together with accrued interest and/or late fees to ONRR. To ensure that ONRR properly credits your payment to the appropriate lease, please identify the entire lease serial number on the face of your remittance. Additional payment information can be found on ONRR's website, www.onrr.gov. Be sure to note with your payment that you are submitting additional rental in lieu of DEE.

If you have any questions, please contact (name) at telephone number (phone number), send a facsimile to (fax number), write to the attention of (name) at the address on the letterhead, or send electronic mail to (email address).

Chief, Branch of Minerals Adjudication

Enclosures

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1. Copy of 43 CFR 3210.13-16 (2006)
2. Copy of 43 CFR 3210.15-19 (2007)
3. Copy of 43 CFR 3200.4 (2007)
4. Copy of 43 CFR 3200.7 (2007)
5. DEE Report Form