

**FINDING OF NO SIGNIFICANT IMPACT AND
DECISION RECORD
FOR
Reese River Valley Geothermal Exploration Project
Project Number: NV063-EA06-098**

I have reviewed Environmental Assessment (EA) **NV063-EA06-098**. After consideration of the environmental effects of the Bureau of Land Management's (BLM's) preferred alternative (Proposed Action) described in the EA and supporting documentation, I have determined that the Proposed Action with the project design specifications and mitigation measures identified in the EA is not a major federal action and will not significantly affect the quality of the human environment, individually or cumulatively with other actions in the general area. No environmental effects meet the definition of significance in context or intensity as described in 40 CFR 1508.27. Therefore, preparation of an Environmental Impact Statement is not required as per section 102(2)(c) of the National Environmental Policy Act.

I have determined the Proposed Action is in conformance with the approved Shoshone-Eureka Resource Management Plan and is consistent with the plans and policies of neighboring local, county, state, tribal and federal agencies and governments. This finding and conclusion is based on my consideration of the Council on Environmental Quality's (CEQ's) criteria for significance (40 CFR 1508.27), both with regard to the context and the intensity of impacts described in the EA.

Context:

Cayley Geothermal, Inc. (Cayley) has submitted a Notice of Intent to Conduct Geothermal Resource Exploration Operations for the drilling and monitoring up to eight temperature gradient holes to a depth of either 300 or 1,000 feet. Cayley has also submitted an Operations Plan to construct drill pads on up to three of seven sites; and drill and complete a small-diameter (slim) well to a depth of about 5,000 feet from each of the three constructed drill pads. Access roads to the temperature gradient holes and three drill pads would be improved, reconstructed and/or constructed, as necessary. The Project is proposed on portions of federal geothermal leases NVN-78687, NVN-77247, NVN-78688, and NVN-76676 in Lander County, Nevada. The proposed Project area consists of:

- the entirety of Sections 32 and 33 and the W $\frac{1}{2}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 34, Township 24 North, Range 43 East (T24N, R43E), Mount Diablo Baseline and Meridian (MDB&M); and
- the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 3, the entirety of Sections 4 and 5, the E $\frac{1}{2}$ of Section 6, and the N $\frac{1}{2}$ N $\frac{1}{2}$ of Sections 8 and 9, T23N, R43E MDB&M.

The TGH or slim well name and location (by township and range, section number and approximate UTM coordinates) for each of the proposed TGHs and slim wells are provided in Table 1 and Table 2, respectively.

Table 1: Proposed Temperature Gradient Hole Sites

TGH Name	Township/ Range	Section Number	Approximate UTM Coordinates (NAD27)	
			Easting (m)	Northing (m)
TG2	T23N, R43E	5	485744	4415585
TG3	T23N, R43E	5	486445	4415941
TG4	T24N, R43E	32	486233	4416689
TG5	T24N, R43E	32	487019	4417701
TG6	T24N, R43E	33	488065	4417991
TG7	T24N, R43E	34	489335	4417668
TG8	T24N, R43E	34	489538	4416625
TG9	T23N, R43E	3	488857	4415945

Table 2: Proposed Slim Well Sites

Slim Well Name	Township/ Range	Section Number	Approximate UTM Coordinates (NAD27)	
			Easting (m)	Northing (m)
13-4	T23N, R43E	4	487089	4415810
25-4	T23N, R43E	4	487289	4415409
37-34	T23N, R43E	34	489211	4416730
38-33	T24N, R43E	33	487806	4416597
52-4	T23N, R43E	4	488022	4415762
56-4	T24N, R43E	4	487870	4415204
88-5	T23N, R43E	5	486850	4414742

Principal access to the proposed Project area is from State Highway 305, a paved highway. All access roads to the TGH and slim well drill pads would be improved, maintained, reconstructed, and/or constructed by Cayley as needed to safely accommodate the traffic required for the specific exploration activity. The total maximum surface disturbance associated with access to the TGH sites assumes 12 feet of disturbance, and 16 feet of disturbance for access roads to the slim well drill pads.

Sites TG5, TG7, TG9, 13-4 and 88-5 are located off of existing dirt roads or tracks needing only minor improvement and/or maintenance. The improvements to the access roads to these sites would create no additional surface disturbance.

Access to sites 38-33, 56-4, 25-4 and partial access to sites TG6, TG8 and 37-4 would require reconstruction (i.e. grading, widening, and blading) of the existing roads or tracks to provide for truck and vehicle access. Additional surface disturbance associated with reconstruction of the access roads to these sites is estimated as follows:

- About 1,220 feet of road would be reconstructed to sites 38-33 and 56-4;
 - An additional 4,950 feet would be reconstructed to reach drill site 56-4.

- About 870 feet of road would be reconstructed to site 25-4;
- About 1,760 feet of road would be reconstructed to site TG6; and
- About 2,450 feet of road would be reconstructed for joint access to sites 37-34 and TG8.

New access roads would be constructed to provide access to the following drill sites:

- About 4,000 feet of new road would be constructed to TG2;
- About 2,360 feet of new road would be constructed to TG3;
- About 1,000 feet of new road would be constructed to TG4;
- About 2,125 feet of new road would be constructed to TG6; and
- About 670 feet of new road would be constructed for joint access to sites 37-34 and TG8;
 - An additional 1,135-foot road would be constructed to reach drill site TG8.

The total maximum surface disturbance associated with access road reconstruction and construction is 7.15 acres. Constructed and reconstructed access roads crossing existing drainages may require installation of culverts.

Each TGH would disturb an area of about 50 feet by 50 feet, for a total disturbed surface area of about 2,500 square feet. Each slim well pad would be about 150 feet by 200 feet, for a total surface area of about 30,000 square feet each. The total estimated area of new surface disturbance required for the TGHs and construction of the slim well drill pads would be about 2.53 acres.

Reserve pits would be constructed on each slim well drill pad for the containment and temporary storage of drill cuttings, waste drilling mud and storm water runoff from the constructed pad. The reserve pit would measure approximately 100 feet by 60 feet by up to 8 feet deep. All machinery, drilling platforms, and oil and fuel storage areas on the drill pads would drain to the reserve pit in order to prevent the offsite release of spills or storm water runoff from these source areas.

Water required for slim well drilling would be approximately 75,000 gallons per day (gpd) during normal slim well drilling. Water requirements for TGH, site and road grading, construction, and dust control would average substantially less. Water requirements could range up to as much as 500,000 gallons per day when drilling without returns over an approximately 1-2 day period for each slim well (if drilled into the production zone). One or more portable water tank(s), each holding a total of at least 20,000 gallons, would be maintained on the well sites during drilling operations. Water necessary for all of these activities would be obtained from an established private ranch source and trucked to each construction or drill site.

Intensity:

1) *Impacts that may be both beneficial and adverse.*

The EA considered both beneficial and adverse impacts of the Proposed Action.

Potential impacts of the Proposed Action include the following: fugitive dust from the disturbance of the local soil profile; impacts on cultural resources; invasive, nonnative species; migratory birds; Native American Communication and Coordination; threatened, endangered and special status species; vegetation; recreation; economic values; wild horse and burros; and visual resources. These impacts, which are described in detail in Chapter 4 of the EA, would be minimized by the lease stipulations and mitigated by measures outlined in Chapter 4, as applicable.

None of the environmental impacts disclosed above and discussed in detail in Chapter 4 of the EA are considered significant.

2) The degree to which the proposed action affects public health or safety.

The Proposed Action would not affect public health or safety. Personnel working on the drill rig would bar the public from the drill site. Trash would be contained on-site and hauled to an approved landfill as burial of trash on-site is not permitted. Portable chemical toilets would be used for human waste and would not be chemically treated or buried on site.

3) Unique characteristics of the geographic area such as proximity to historic or cultural resources, park lands, prime farmlands, wetlands, wild and scenic rivers, or ecologically critical areas.

The nearest inhabited town is Battle Mountain, NV which lies approximately 50 miles northeast of the project area. There are no ecologically critical areas, prime or unique farmlands, wetlands, or wild and scenic rivers within a mile of the project area. In addition, the EA did not identify any significant impacts to unique species or their habitats.

4) The degree to which the effects on the quality of the human environment are likely to be highly controversial.

The Proposed Action is not expected to be controversial. On May 31, 2006, the BLM sent a letter to tribal entities interested in the Project area (Yomba Shoshone Tribe, Battle Mountain Band, and Duckwater Shoshone Tribe). On August 25, 2006 BLM invited all three tribes to discuss the Project. Only the Yomba Shoshone Tribal Chairman was present at this meeting. The Chairman agreed to contact the Duckwater Shoshone Tribe to coordinate a tour to identify potential issues and/or concerns within the Project boundary. To date, this field trip is pending.

5) The degree to which the possible effects on the human environment are highly uncertain or involve unique or unknown risks.

There are no known effects of the Proposed Action identified in the EA that are considered uncertain or involve unique or unknown risks. This is demonstrated through the effects analysis in the EA.

6) *The degree to which the action may establish a precedent for future actions with significant effects or represents a decision in principle about a future consideration.*

The proposed action would not establish a precedent for future actions with significant effects or represent a decision about future consideration. Completion of the EA does not establish a precedent for other geothermal exploration drilling projects of similar size or scope. Any future projects within the project area or in surrounding areas would be analyzed on their own merits and implemented, or not, independent of the actions currently selected.

7) *Whether the action is related to other actions with individually insignificant but cumulatively significant impacts.*

Past, present and reasonably foreseeable future actions have been considered in the cumulative impacts analysis within Chapter 5 of the EA. The cumulative impacts analysis examined all of the other appropriate actions and determined that the proposed action would not incrementally contribute to significant impacts. In addition, for any actions that might be proposed in the future, further environmental analysis, including assessment of cumulative impacts, would be required prior to surface disturbing activities.

8) *The degree to which the action may adversely affect districts, sites, highways, structures, or objects listed in or eligible for listing in the NRHP or may cause loss or destruction of significant scientific, cultural, or historical resources.*

Prior to commencement of surface disturbing activities, all areas proposed for disturbance would be surveyed by an archeologist acceptable to the BLM; a cultural resources report prepared, submitted, and approved by the BLM; and any areas containing cultural resources of significance would be avoided, or the potential for impacts mitigated in a manner acceptable to the BLM.

If previously unrecorded cultural resources are encountered during grading or other surface-disturbing activities, all grading or other surface-disturbing activities at the location of the discovery would cease, and the BLM notified. Grading or other surface-disturbing activities would not recommence at the location of the discovery until the identified cultural resource(s) have been assessed, any necessary mitigation actions taken, and recommencement was approved by the BLM. Potential impacts to cultural resources are mitigated by measures outlined in Chapter 4, as appropriate.

9) *The degree to which the action may adversely affect an endangered or threatened species or its habitat that has been determined to be critical under the Endangered Species Act (ESA), as amended, of 1973.*

Avoidance standards for sage grouse and ferruginous hawks would be observed as mitigation and any active burrowing owl nest would be avoided. Any potential impacts to these species, which are described in Chapter 4 of the EA, would be minimized by the lease stipulations and mitigated by measures outlined in Chapter 4, as appropriate.

10) *Whether the action threatens a violation of Federal, State, or local law or requirements imposed for the protection of the environment.*

The Proposed Action would not violate or threaten to violate any federal, state, or local law or requirement imposed for the protection of the environment.

DECISION:

As a result of the analysis presented in the Environmental Assessment (EA), it is my decision to approve the Notice of Intent to Conduct Geothermal Resource Exploration Operations and the Operations Plan for the Reese River Valley Geothermal Exploration Project, subject to the mitigation measures detailed in the EA and listed below. This decision is issued under the Geothermal Steam Act of 1970, as amended, Part 3200 of Title 43, Code of Federal Regulations (CFR) and 43 CFR §3250, and is effective immediately upon signing of this Decision Record (DR).

The preceding rationale for the Finding of No Significant Impact (FONSI) supports this decision. The Proposed Action coupled with project design features, mitigation measures and environmental protection detailed in the EA and FONSI have led to my decision that all practicable means to avoid or minimize environmental harm have been adopted and that unnecessary or undue degradation of the public lands will not result. This decision is consistent with the Shoshone-Eureka Resource Management Plan.

All resource values impacted by the proposed action have been evaluated for cumulative impacts. It has been determined that cumulative impacts would be negligible for all resources.

ENVIRONMENTAL PROTECTION MEASURES

A. ADOPTED ENVIRONMENTAL PROTECTION MEASURES

- Water would be applied to the ground during the construction and utilization of the drill pads and access roads as necessary to control dust.
- Portable chemical sanitary facilities would be available and used by all personnel during periods of well drilling and/or flow testing. These facilities would be maintained by a local contractor.

B. LEASE STIPULATIONS

As stated above, the proposed well would be located on lease numbers NVN-78687, NVN-77247, NVN-78688, and NVN-76676. The proponent is required to comply with all relevant lease stipulations. These stipulations are provided as Attachment 1 to this Decision Record.

C. MITIGATION MEASURES FOR THE PROPOSED ACTION

The following mitigation measures would be undertaken in addition to the adopted environmental protection measures outlined in section 2.1.9 of the EA and the lease stipulations included as Appendix A to the EA.

- Each area proposed for any new surface disturbance, including an appropriate buffer, would be surveyed by a professional archeologist acceptable to the BLM, and the results of this survey reported to the BLM with the request to commence surface disturbance. Drill pads would be constructed in such a way so as to ensure that recorded archaeological site materials are inventoried, documented and reported to the BLM, and a determination of their eligibility for the National Register of Historic Places and appropriate mitigation, if any, be completed by the BLM prior to disturbance to the site. To ensure that identified cultural resource sites adjacent to areas of disturbance are not disturbed, the limits of surface disturbing activities, including an adequate buffer zone, would be clearly marked and flagged prior to the start of all grading or other surface-disturbing activities. The flagging would be set with the assistance of a professional archeologist, and the construction/grading contractor and each of the workers would be trained to understand the flagging and its importance. BLM may determine that an on-site monitor is necessary.
- If previously unrecorded cultural resources are encountered during grading or other surface-disturbing activities, all grading or other surface-disturbing activities at the location of the discovery would cease, and the BLM would be notified. Grading or other surface-disturbing activities would not recommence at the location of the discovery until the identified cultural resources(s) have been assessed, any necessary mitigation actions taken, and the expressed approval of the BLM granted.
- Human activity within view (or within at least 0.5 miles) of sage grouse leks, especially between midnight and 10:00 a.m., shall be minimized between March 1-May 15. Sage grouse nesting and brood rearing areas shall be avoided by 0.5 miles between

April 1-August 15. Sage grouse wintering areas shall be avoided by 0.5 miles while occupied. Vegetation disturbance shall be minimized in all known sage grouse habitats.

- Active ferruginous hawk nests shall be avoided by 0.5 miles between March 15-July 1
- All areas proposed for surface disturbing activities shall be surveyed for the pygmy rabbit by a qualified biologist acceptable to the BLM prior to commencement of construction. Depending on time of year conducted, pygmy rabbit surveys would also detect burrowing owls nests and/or the potential for them.
- Seeding of disturbed areas associated with range site R028XY010 would be completed using the following native seed mixture and application rate. Any variance in the mix would be coordinated first with the BLM Battle Mountain Field Office.

Species	LBS./Acre
Crested wheatgrass (Siberian)	2.00
Indian ricegrass	2.00
Needleandthread	2.00
Bottlebrush squirreltail	1.00
Forage kochia	0.50
Scarlet globemallow	0.50
Palmer's penstemon	0.50
Wyoming big sagebrush	0.10
Spiny hopsage	1.00
Fourwing Saltbrush	2.00
Totals	11.60

- Seeding of disturbed areas associated with range sites R024XY005 and R024XY020 would be completed using the following native seed mixture and application rate. Any variance in the mix would be coordinated first with the BLM Battle Mountain Field Office.

Species	LBS./Acre
Thurber needlegrass	2.00
Bluebunch wheatgrass	2.00
Crested wheatgrass	2.00
Basin wildrye	2.00
Scarlet globemallow	0.50
Palmer's penstemon	0.50
Forage kochia	0.50
Wyoming big sagebrush	0.10
Spiny hopsage	1.00
Totals	10.60

- Seeding of disturbed areas associated with range site R024XY002 would be completed using the following native seed mixture and application rate. Any variance in the mix would be coordinated first with the BLM Battle Mountain Field Office.

Species	LBS./Acre
Crested wheatgrass	2.00
Bottlebrush squirreltail	2.00
Forage kochia	0.50
Scarlet globemallow	1.00
Shadscale	4.00
Spiny hopsage	2.00
Totals	11.50

- Seeding of disturbed areas associated with range site R024XY030 would be completed using the following native seed mixture and application rate. Any variance in the mix would be coordinated first with the BLM Battle Mountain Field Office.

Species	LBS./Acre
Thurber needlegrass	2.00
Crested wheatgrass	2.00
Indian ricegrass	2.00
Scarlet globemallow	1.00
Yarrow	0.10
Black sagebrush	0.10
Forage kochia	0.25
Shadscale	4.00
Totals	11.45

- For a period of two years following the commencement of construction, revegetated Project sites shall be inventoried by the lessee for success of the revegetation program.
- Wellhead equipment left on the drill site following the completion of drilling would be painted a color, subject to approval by the authorized officer that would blend with the landscape. Prior to painting, Cayley would contact the Battle Mountain Field Office

APPEAL AND PETITION FOR STAY

This decision for the Emigrant #17-31 Geothermal Drilling Permit is issued under 43 §CFR 3250 and is effective immediately upon signing of this Decision Record (DR). Thus, notwithstanding the provisions of 43 CFR 4.21(a) (1), filing a notice of appeal under 43 CFR Part 4 does not automatically suspend the effect of the decision. The Interior Board of Land Appeals must decide an appeal of this decision within 60 days after all pleadings have been filed, and within 180 days after the appeal was filed.

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4. If an appeal is taken, your notice of appeal must be filed in this office (Tonopah Field Station) within 30 days from the effective date of this decision. The appellant has the burden of showing that the decision appealed from is in error.

United States Department of the Interior
Office of the Secretary
Board of Land Appeals
4015 Wilson Blvd., Arlington, Virginia 22203

If you wish to file a petition pursuant to regulation 43 CFR 4.21 (b) for a stay of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named on this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

WHERE TO FILE
NOTICE OF APPEAL

U.S. Department of the Interior
Bureau of Land Management
Tonopah Field Station
1553 S. Main Street
Tonopah, NV 89049

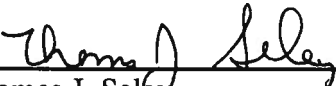
SOLICITOR
ALSO COPY TO

U.S. Department of the Interior
Office of the Field Solicitor
Pacific Southwest Region
2800 Cottage Way, Room E-2753
Sacramento, CA 95825-1890

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards:

- (1) The relative harm to the parties if the stay is granted or denied,
- (2) The likelihood of the appellant's success on the merits,
- (3) The likelihood of immediate and irreparable harm if the stay is not granted, and
- (4) Whether the public interest favors granting the stay.



Thomas J. Seley
Assistant Field Manager
Nonrenewable Resources
Battle Mountain Field Office

October 26, 2006
Date

Attachment A: Geothermal Lease Stipulations

Springs within ½ mile of exploration activities shall be inventoried by BLM approved and supervised personnel for the presence of invertebrates. If a rare genus, such as *Pyrgulopsis*, is found, identification to species level and monitoring of effects of the proposed action will be required and site-specific mitigation may be developed by the BLM. BLM could require measures listed below for activities in sage grouse and ferruginous hawk habitat.

Sage grouse:

Operations shall avoid active leks (strutting grounds) by 2 miles during strutting season (see Management Guidelines for Sage Grouse and Sagebrush Ecosystems in Nevada, October 2000). Approximate dates: March 1 - May 15

Operations shall avoid nesting and brood rearing habitat (especially riparian habitat where broods concentrate beginning usually in June) by ½ mile during the time such areas are in use. Approximate dates: April 1 - August 15

Operations shall avoid sage grouse wintering habitat by ½ mile while occupied. Most known wintering grounds in the Shoshone-Eureka Resource Area occur at high elevations and are not likely to be affected. Avoidance dates would vary with severity of the winter.

BLM shall limit the disturbance to and fragmentation of all known sage grouse habitat.

Ferruginous hawks:

Operations shall avoid active nests by ½ mile.

Approximate dates: March 15 - July 1

Hydrology and Water Quality and Quantity

All applicants for exploration permits will be required to submit a surface water inventory to the Authorized Officer before authorization will be granted. The inventory shall include a map of appropriate scale (such as 1:24,000) indicating the location of all surface water on public land within ½ mile radius from the surface-disturbing activity.

The NOTICE OF INTENT TO CONDUCT GEOTHERMAL RESOURCE EXPLORATION OPERATIONS (Form 3200-9), terms and conditions, number 10 states that "Vegetation shall not be disturbed within 300 feet of waters designated by the Authorized Officer, except at approved stream crossing."

At the commencement of surface disturbing activities for the drilling of exploration wells, the BLM shall require that the drilling company monitor the water temperature and / or outflow of water from local springs and existing wells as directed by the Authorized Officer. If the temperature and outflow of the water from the spring or well were impacted to a degree determined by the Authorized Officer to be more than negligible, the BLM shall require the operator to take corrective actions. Failure of the operator to take the corrective measures as directed could result in BLM's terminating the operation. Results will be reported to Federal and State agencies on the status of these hydrologic systems during drilling.

Impacts include, but are not limited to, the following:

Change in water temperature

Change in discharge rate

Substantial decrease in water table level

Surface subsidence

Vegetation

Disturbed areas shall be reseeded with native or introduced plant species, depending on the site conditions. Disturbed areas shall be reseeded with pure live seed (certified weed free) with the mixes in Appendix C. Native vegetation would be used wherever possible. However, to compete with invasive nonnative species, introduced species, as suggested in the seed list in Appendix C, will be used.

Visual Resources

None identified.

Migratory Birds

The BLM shall limit the amount of ground clearing or other disturbance (such as the creation of cross-country access to drill sites) that an operator may do during the migratory bird nesting season. Areas to be disturbed shall be surveyed, by personnel approved and supervised by the BLM to determine the existence and location of any nests. If any nests were located, the nest would be avoided by ¼ mile. If the nest area cannot be avoided, mitigation shall be developed on a case-by-case basis.

Wildlife

If operations cause a water source to become unavailable to wildlife, the Authorized Officer may require a new well to be drilled, or another water development to be constructed in the general area to provide adequate water for wildlife.

Wild Horses and Burros

If operations cause a water source to become unavailable to wild horses, the Authorized Officer may require a new well to be drilled, or another water development to be constructed in the general area to provide adequate water for the wild horses. The lease area is within a HMA, the Authorized Officer may require additional measures for the protection of wild horses and burros, such as seasonal restrictions.

All Resources

Operators shall adhere to all Standard Operating Procedures as outlined in this EA, unless specifically waived by the Authorized Officer.

Playas

Because playas are important recreational places, apt to have cultural sites nearby and provide critical habitat for some migratory waterbirds and shorebirds, including Special Status Species such as the Snowy Plover, mitigation measures shall be developed if an exploration or development proposal would impact the playa. No surface occupancy would be allowed on or within ¼ mile of the playa, unless waived by the Authorized Officer. No drilling would be allowed on the playa, unless waived by the Authorized Officer. All surface disturbance would be recontoured to match the natural surface.

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,

Serial Number N-78688**GEOHERMAL LEASE STIPULATIONS**

The following is a list of mitigating measures for critical elements significantly impacted by the proposed action.

Air Quality

The operator would be required to implement, at the direction of the Authorized Officer, testing of emissions for H₂S and other noxious / deadly gases where there is indication that these gases may occur.

Cultural-Historical Resources

Cultural resource mitigation would be developed on a case-by-case basis as required by federal law and regulation. Stipulations would be developed during site-specific NEPA analysis.

Native American Issues

Considering the characteristics or description of the action (geothermal lease) it has been determined that Native American consultation is unnecessary at this time. Upon the receipt of an application for exploration or development, Native American consultation would be initiated with the appropriate Tribal governments and other Native groups. As surface disturbing activities occur, the BLM would require that the operator monitor the water temperature and outflow of water from local hot springs and existing wells as directed by the Authorized Officer. If the temperature and outflow of the water from the spring or well were impacted to a degree determined by the Authorized Officer to be more than negligible, the BLM would require the operator to take corrective actions. Failure of the operator to take the corrective measures as directed could result in BLM terminating the operation.

Special Status Species

The lease area may now or hereafter contain plants, animals, or their habitats determined to be threatened, endangered, or other special status species. The special status species list is reviewed and / or updated annually and as species are added, new mitigations / stipulations may add further restrictions. 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 modification of a designated or proposed critical habitat. BLM would 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 as amended, 16 U.S.C. § 1531 *et seq.*, including completion of any required procedure for conference or consultation. Exploratory endeavors on the lease would require a Special Status Species review, and may require a field survey for the presence of Special Status Species. Potential impacts to Special Status Species would be analyzed on a case-by-case basis. Mitigation measures would be developed on an individual project basis depending upon the results of the survey. Springs within ½ mile of exploration activities would be inventoried by BLM approved and supervised personnel for the presence of invertebrates. If a rare genus, such as *Pyrgulopsis*, is found, identification to species and monitoring of effects of the proposed action would be required and site-specific mitigation may be developed by the BLM.

BLM could require measures listed below for activities in sage grouse and ferruginous hawk habitat.

Sage grouse:

Operations would avoid active leks (strutting grounds) by 2 miles during strutting season (see Management Guidelines for Sage Grouse and Sagebrush Ecosystems in Nevada, October 2000).

Approximate dates: March 1 - May 15

Operations would avoid nesting and brood rearing habitat (especially riparian habitat where broods concentrate beginning usually in June) by ½ mile during the time such areas are in use. Approximate dates: April 1 - August 15

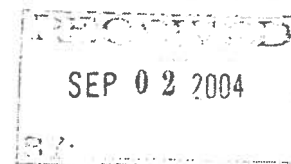
Operations would avoid sage grouse wintering habitat by ½ mile while occupied. Most known wintering grounds in the Shoshone-Eureka Resource Area occur at high elevations and are not likely to be affected. Avoidance dates would vary with severity of the winter.

BLM would limit the disturbance to and fragmentation of all known sage grouse habitat.

Ferruginous hawks:

Operations would avoid active nests by ½ mile.

Approximate dates: March 15 - July 1



Migratory Birds

The BLM would limit the amount of ground clearing or other disturbance (such as the creation of cross-country access to drill sites) that an operator may do during the migratory bird nesting season. Areas to be disturbed would be surveyed, by personnel approved by the BLM to determine the existence and location of any nests. If any nests were located, a buffer zone would be established to avoid disturbance. The terms of this mitigation would have to be negotiated with the United States Fish and Wildlife Service, who administers the Migratory Bird Treaty Act.

Wildlife

If operations cause a water source to become unavailable to wildlife, the Authorized Officer may require a new well to be drilled, or another water development to be constructed in the general area to provide adequate water for wildlife.

Wild Horses and Burros

If operations cause a water source to become unavailable to wild horses, the Authorized Officer may require a new well to be drilled, or another water development to be constructed in the general area to provide adequate water for the wild horses. The lease area is within a HMA, the Authorized Officer may require additional measures for the protection of wild horses and burros, such as seasonal restrictions.

All Resources

Operators would adhere to all Standard Operating Procedures as outlined in Appendix B, unless specifically waived by the Authorized Officer.

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 unmitigatable and significant impacts on other land uses or resources would result. The lands subject to this stipulation are all noncompetitive lease sections.

Standard Operating Procedures:

1. All roads, drill pads, and other disturbed surfaces will be watered or in other ways treated for dust suppression as required by the Assistant Field Manager, Nonrenewable Resources.
2. The operator is required to obtain permits as required by Federal, State and Local laws and regulations. The BLM will not permit any operation that would violate Federal, State, or County water quality regulations. All operations would be required to comply with all State and Federal regulations concerning wetlands and riparian areas (Form 3200-9).
3. Reclamation and/or reseeded of new roads and trails shall be made as requested by the Authorized Officer (Form 3200-9).
4. All traffic associated with exploration is required to follow routes that avoid cultural resources. Operators identify and flag anticipated routes and detours on the route.
5. A cultural inventory may be required. The decision to require a cultural inventory is made by the Assistant Field Manager for Nonrenewable Resources.

The inventory would be one of the following types:

- a. Class I: A review of existing historic documentation and BLM office records. This type of inventory is generally used when the proposed project is located in an area of complete disturbance, or where the area has been previously inventoried using methods consistent with existing standards
- b. Class II: A review of existing historic documentation and BLM office records, and some fieldwork. This type of inventory is generally used when only a portion of the project area has been disturbed, or portions of the project area have been previously inventoried using methods consistent with existing standards. It may also include a determination of significance for cultural properties located within the project area, and a determination of effect.
- c. Class III: A complete inventory that includes a review of existing historic documentation and BLM office records, and a complete inventory of the project area. It includes an evaluation of significance for cultural properties located within the project area and a determination of effect. This type of inventory is used in

**United States Department of the Interior
Bureau of Land Management
BATTLE MOUNTAIN FIELD OFFICE
50 BASTIAN RD.
BATTLE MOUNTAIN, NV 89820 -1420
Phone: (775) 635-4000**

Receipt

No: 1363825

Transaction #: 1409426	
Date of Transaction: 09/25/2006	
CUSTOMER:	CAYLEY GEOTHERMAL, INC 1068 FIR ST SE OLYMPIA, WA 98501

LINE #	QTY	DESCRIPTION	REMARKS	UNIT PRICE	TOTAL
1	1.00	MINERAL MATERIALS / MINERAL MATERIAL BOND / CASH BOND (455) CASES: NVN 082349/\$3050.00		- n/a -	3050.00
TOTAL:					\$3,050.00

PAYMENT INFORMATION					
1	AMOUNT:	\$3,050.00	POSTMARKED:	9/25/06 0:00	
	TYPE:	CHECK	RECEIVED:	09/25/2006	
	CHECK NO:	1032			
	NAME:	CAYLEY GEOTHERMAL, INC. 1068 FIR ST SE OLYMPIA WA 98501			

REMARKS

This receipt was generated by the automated BLM Collections and Billing System and is a paper representation of a portion of the official electronic record contained therein.

Steve: Do you want these funds to be held in suspense? Is the work completed? If so, we can refund the funds, or transfer them to 5320 reclamation. Or, they can stay in suspense.

JACKIE