

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Serial No.

NVN-089605

**OFFER TO LEASE AND LEASE FOR GEOTHERMAL RESOURCES**  
**(For New Leases Issued Under the Energy Policy Act of 2005 [August 5, 2005])**

The undersigned (see page 2) 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, as amended (30 U.S.C. 1001-1025).

**READ INSTRUCTIONS BEFORE COMPLETING**

1 Name TGP Development Company LLC	1a Street 11521 El Camino Real, Ste 100	
1b City San Diego	1c State CA	1d Zip Code 92130

2 Surface managing agency (if other than BLM) \_\_\_\_\_ Unit/Project \_\_\_\_\_

Legal description of land requested (segregate by public domain and acquired lands) Enter T., R., Meridian, State and County

Total Acres Applied for \_\_\_\_\_

Percent U.S. interest \_\_\_\_\_

Amount remitted Processing Fee \$ \_\_\_\_\_ Rental Fee \$ \_\_\_\_\_ Total \$ \_\_\_\_\_

**DO NOT WRITE BELOW THIS LINE**

3 Land included in lease Enter T., R., Meridian, State and County

T. 24 N., R. 36 E., MDM, NV Churchill County  
sec. 27: All;  
sec. 33: All.

Total Acres in Lease 1,280.00

Rental Retained \$ 2,560.00

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 and subsequent extensions thereof in accordance with 43 CFR subpart 3207. 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 the provisions of this lease, regulations and formal orders hereafter promulgated.

Type of Lease

- ☒ Competitive  
☐ Noncompetitive  
☐ Noncompetitive direct use (43 CFR subpart 3205)

Comments:

NV-11-03-031

THE UNITED STATES OF AMERICA

BY



(Signing Official)

Atanda Clark

(Printed Name)

Chief, Branch of Minerals Adjudication

(Title)

APR 15 2011

(Date)

EFFECTIVE DATE OF LEASE 05/01/2011

Check if this is a converted lease ☐

EFFECTIVE DATE OF LEASE CONVERSION \_\_\_\_\_

- 4 (a) The undersigned certifies that
- (1) The 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 part 3200 and the authorizing Act, (3) The offeror's chargeable interests, direct and indirect, do not exceed those allowed under the Act, and (4) The offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located
  - (b) The undersigned agrees that signing this offer constitutes acceptance of this lease, including all terms, conditions and stipulations of which the offeror has been given notice. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the proper 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. § 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 25<sup>th</sup> day of April, 2011 Vincent J. Sgiorotli   
(Printed Name of Lessee or Attorney-in-fact) (Signature of Lessee or Attorney-in-fact)

#### LEASE TERMS

Sec. 1. Rentals--Rentals must be paid to the proper office of the lessor in advance of each lease year. Annual rental rates per acre or fraction thereof, as applicable, are:

- (a) Noncompetitive lease (includes post-sale parcels not receiving bids, a direct use lease or a lease issued to a mining claimant) \$1.00 for the first 10 years, thereafter \$5.00 or
  - (b) Competitive lease \$2.00 for the first year, \$3.00 for the second through tenth year, thereafter \$5.00
- Annual rental is always due by the anniversary date of this lease (43 CFR 3211.13), regardless of whether the lease is in a unit or outside of a unit, the lease is in production or not, or royalties or direct use fees apply to the production.
- Rental may only be credited toward royalty under 43 CFR 3211.15 and 30 CFR 218.303. Rental may not be credited against direct use fees. Failure to pay annual rental timely will result in late fees and will make the lease subject to termination in accordance with 43 CFR 3213.14.

Sec. 2. (a) Royalties--Royalties must be paid to the proper office of the lessor. Royalties are due on the last day of the month following the month of production. Royalties will be computed in accordance with applicable regulations and orders. Royalty rates for geothermal resources produced for the commercial generation of electricity but not sold in an arm's length transaction are 1.75 percent for the first 10 years of production and 3.5 percent after the first 10 years. The royalty rate is to be applied to the gross proceeds derived from the sale of electricity in accordance with 30 CFR part 206 subpart H.

The royalty rate for byproducts derived from geothermal resource production that are minerals specified in section 1 of the Mineral Leasing Act (MLA), as amended (30 U.S.C. 181), is 5 percent, except for sodium compounds, produced between September 29, 2006 and September 29, 2011 (Pub. L. No. 109-538, §102, note to 30 U.S.C. 362) for which the royalty rate is 2 percent. No royalty is due on byproducts that are not specified in 30 U.S.C. § 181. (43 CFR 3211.19.)

If this lease or a portion thereof is committed to an approved communitization or unit agreement and the agreement contains a provision for allocation of production, royalties must be paid on the production allocated to this lease.

(b) Arm's length transactions--The royalty rate for geothermal resources sold by you or your affiliate at arm's length to a purchaser is 10 percent of the gross proceeds derived from the arm's-length sale (43 CFR 3211.17, 3211.18).

(c) Advanced royalties--In the absence of a suspension, if you cease production for more than one calendar month on a lease that is subject to royalties and that has achieved commercial production, your lease will remain in effect only if you make advanced royalty payments in accordance with 43 CFR 3212.15(a) and 30 CFR 218.305.

(d) Direct use fees--Direct use fees must be paid in lieu of royalties for geothermal resources that are utilized for commercial, residential, agricultural, or other energy needs other than the commercial production or generation of electricity, but not sold in an arm's length transaction (43 CFR 3211.18, 30 CFR 206.356). This requirement applies to any direct use of federal geothermal resources (unless the resource is exempted as described in 30 CFR 202.351(b) or the lease is covered by paragraph (e), below) and is not limited to direct use leases. Direct use fees are due on the last day of the month following the month of production.

(e) If the lessee is a State, tribal, or local government covered by 43 CFR 3211.18(a)(3) and 30 CFR 206.366, check here ☐ A lessee under this paragraph is not subject to paragraph (d), above. In lieu of royalties, the lessee under this paragraph must pay a nominal fee of \$\_\_\_\_\_.

Sec. 3. Bonds--A bond must be filed and maintained for lease operations as required by applicable regulations.

Sec. 4. Work requirements, rate of development, unitization, and drainage--Lessee must perform work requirements in accordance with applicable regulations (43 CFR 3207.11, 3207.12), and must prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves the right to specify rates of development and production and to require lessee to commit to a communitization or unit agreement, within 30 days of notice, if in the public interest. Lessee must drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in the amount determined by lessor. Lessor will exempt lessee from work requirements only where the lease overrides a mining claim that has an approved plan of operations and where BLM determines that the development of the geothermal resource on the lease would interfere with the mining operation (43 CFR 3207.13).

Sec. 5. Documents, evidence, and inspection--Lessee must file with the proper office of the lessor, not later than (30) days after the effective date thereof, any contract or evidence of other arrangement for the sale, use, or disposal of geothermal resources, byproducts produced, or for the sale of electricity generated using geothermal resources produced from the lease. At such times and in such form as lessor may prescribe, lessee must furnish detailed statements and all documents showing (a) amounts and quality of all geothermal resources produced and used (either for commercial production or generation of electricity, or in a direct use operation) or sold, (b) proceeds derived therefrom or from the sale of electricity generated using such resources, (c) amounts that are unavoidably lost or rejected before use, used to generate plant parasitic electricity (as defined in 30 CFR 206.151) or electricity for lease operations, or otherwise used for lease operations related to the commercial production or generation of electricity, and (d) amounts and quality of all byproducts produced and proceeds derived from the sale or disposition thereof. Lessee may be required to provide plats and schematic diagrams showing development work and improvements, and reports with respect to parties in interest.

In a formal and manner approved by lessor, lessee must keep a daily drilling record, a log, and complete information on well surveys and tests, keep a record of subsurface investigations, and furnish copies to lessor when required.

Lessee must 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 must maintain copies of all contracts, sales agreements, accounting records, billing records, invoices, gross proceeds and payment data regarding the sale, disposition, or use of geothermal resources, byproducts produced, and the sale of electricity generated using resources produced from the lease, and all other information relevant to determining royalties or direct use fees. All such records must be maintained in lessee's accounting offices for future audit by lessor and produced upon request by lessor or lessor's authorized representative or agent. Lessee must 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.

Sec. 6. Conduct of operations--Lessee must 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 must 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-way. Such uses will be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee. Prior to disturbing the surface of the leased lands, lessee must contact lessor to be appraised 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. Lessor may require lessee 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 must immediately contact lessor. Lessee must cease any operations that are likely to affect or take such species, or result in the modification, damage or destruction of such habitats 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 must pay lessor for damage to lessor's improvements, and must 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 must maintain a safe working environment in accordance with applicable regulations and standard industry practices, and take measures necessary to protect public health and safety. Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. Lessee must 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 may maintain segregated facilities.

Sec. 10. Transfer of lease interests and relinquishment of lease--As required by regulations, lessee must file with lessor any assignment or other transfer of an interest in this lease. Subject to the requirements of 43 CFR subpart 1213, lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which will be effective as of the date BLM receives it, subject to the continued obligation of the lessee and surety to be responsible for paying all accrued rentals and royalties, plugging and abandoning all wells on the relinquished land, restoring and reclaiming the surface and other resources, and complying with 43 CFR 3200.4.

Sec. 11. Delivery of premises--At such time as all or portions of this lease are returned to lessor, lessee must 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 or other applicable requirements under 43 CFR 3200.4, and the noncompliance continues for 30 days after written notice thereof, this lease will be subject to termination in accordance with the Act and 43 CFR 1213. This provision will not be construed to prevent the exercise by lessor of any other legal and equitable remedy or action, including waiver of the default. Any such remedy, waiver, or action will not prevent later termination 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 other applicable requirements under 43 CFR 3200.4, and immediate action is required, the lessor may enter on the leased lands and take measures deemed necessary to correct the failure at the lessee's expense.

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

### NOTICE

Washington Office Instruction Memorandum No. 2010-171, dated March 5, 2010, supplements the Bureau of Land Management's 2004 National Sage-Grouse Habitat Conservation Strategy and provides the following guidance pertaining to the sale of parcels for oil/gas development:

"Attach a lease notice to new leases alerting the lessee that additional conditions will be applied to approvals to develop the lease, including Applications for Permit to Drill (APDs), sundry notices and associated rights-of-way, if future sage-grouse conservation efforts are appropriate."

NOTICE

NV-NSO-GEO-MIN

Stipulation

This parcel may contain existing mining claims and/or mill sites located under the 1872 Mining Law. To the extent it does, the geothermal lessee must conduct its operations, so far as reasonably practicable, to avoid damage to any known deposit of any mineral for which any mining claim on this parcel is located, and should not endanger or unreasonably or materially interfere with the mining claimant's operations, including any existing surface or underground improvements, workings, or facilities which may have been made for the purpose of mining operations. The provisions of the Multiple Mineral Development Act (30 U.S.C. 521 et seq.) shall apply on the leased lands.

Description of Lands

PARCEL NV-11-03-002 THRU PARCEL NV-11-03-005	ALL LANDS
PARCEL NV-11-03-007	ALL LANDS
PARCEL NV-11-03-008	ALL LANDS
PARCEL NV-11-03-010 THRU PARCEL NV-11-03-026	ALL LANDS
PARCEL NV-11-03-028	ALL LANDS
PARCEL NV-11-03-030 THRU PARCEL NV-11-03-055	ALL LANDS
PARCEL NV-11-03-057	ALL LANDS
PARCEL NV-11-03-058	ALL LANDS
PARCEL NV-11-03-059	ALL LANDS

NV-NSO-GEO-MIN



NV-CCDO-ES

Stipulation

The lessee shall comply with the following conditions and stipulation unless they are modified by mutual agreement of the Lessee and the Authorized Officer:

**Endangered Species.** 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 objectives 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 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.

Description of Lands

PARCEL NV-11-03-001	ALL LANDS
PARCEL NV-11-03-002	ALL LANDS
PARCEL NV-11-03-003	ALL LANDS
PARCEL NV-11-03-005	ALL LANDS
PARCEL NV-11-03-007	ALL LANDS
PARCEL NV-11-03-010	ALL LANDS
PARCEL NV-11-03-014	ALL LANDS
PARCEL NV-11-03-015	ALL LANDS
PARCEL NV-11-03-016	ALL LANDS
PARCEL NV-11-03-017	ALL LANDS
PARCEL NV-11-03-018	ALL LANDS
PARCEL NV-11-03-019	ALL LANDS
PARCEL NV-11-03-024	ALL LANDS
PARCEL NV-11-03-025	ALL LANDS
PARCEL NV-11-03-026	ALL LANDS
PARCEL NV-11-03-027	ALL LANDS
PARCEL NV-11-03-031	ALL LANDS
PARCEL NV-11-03-034	ALL LANDS
PARCEL NV-11-03-040	ALL LANDS

NV-CCDO-ES

NV-CCDO-NAC

Stipulation

The lessee shall comply with the following conditions and stipulation unless they are modified by mutual agreement of the Lessee and the Authorized Officer:

**Native American Consultation.** All 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 or concerns to tribes potentially affected, Native American consultation and resulting mitigation measures to avoid significant impacts may extend time frames for processing authorizations for development activities, as well as change in the ways in which developments are implemented.

Description of Lands

PARCEL NV-11-03-001	ALL LANDS
PARCEL NV-11-03-002	ALL LANDS
PARCEL NV-11-03-003	ALL LANDS
PARCEL NV-11-03-005	ALL LANDS
PARCEL NV-11-03-007	ALL LANDS
PARCEL NV-11-03-010	ALL LANDS
PARCEL NV-11-03-014	ALL LANDS
PARCEL NV-11-03-015	ALL LANDS
PARCEL NV-11-03-016	ALL LANDS
PARCEL NV-11-03-017	ALL LANDS
PARCEL NV-11-03-018	ALL LANDS
PARCEL NV-11-03-019	ALL LANDS
PARCEL NV-11-03-024	ALL LANDS
PARCEL NV-11-03-025	ALL LANDS
PARCEL NV-11-03-026	ALL LANDS
PARCEL NV-11-03-027	ALL LANDS
PARCEL NV-11-03-031	ALL LANDS
PARCEL NV-11-03-034	ALL LANDS
PARCEL NV-11-03-040	ALL LANDS

NV-CCDO-NAC

NV-CCDO-RA

Stipulation

The lessee shall comply with the following conditions and stipulation unless they are modified by mutual agreement of the Lessee and the Authorized Officer:

**Riparian Areas.** No surface occupancy 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). Exceptions to this restriction may be considered on a case-by-case basis if the BLM determines at least one of the following conditions apply: 1) additional development is proposed in an area where current development has shown no adverse impacts, 2) suitable off-site migration will be provided if habitat loss is expected, or 3) BLM determines development proposed under any plan of operations ensures adequate protection of the resources.

	<u>Description of Lands</u>	
PARCEL NV-11-03-001	ALL LANDS	
PARCEL NV-11-03-002	ALL LANDS	
PARCEL NV-11-03-003	ALL LANDS	
PARCEL NV-11-03-005	ALL LANDS	
PARCEL NV-11-03-007	ALL LANDS	
PARCEL NV-11-03-010	ALL LANDS	
PARCEL NV-11-03-014	ALL LANDS	
PARCEL NV-11-03-015	ALL LANDS	
PARCEL NV-11-03-016	ALL LANDS	
PARCEL NV-11-03-017	ALL LANDS	
PARCEL NV-11-03-018	ALL LANDS	
PARCEL NV-11-03-019	ALL LANDS	
PARCEL NV-11-03-024	ALL LANDS	
PARCEL NV-11-03-025	ALL LANDS	
PARCEL NV-11-03-026	ALL LANDS	
PARCEL NV-11-03-027	ALL LANDS	
PARCEL NV-11-03-031	ALL LANDS	
PARCEL NV-11-03-034	ALL LANDS	
PARCEL NV-11-03-040	ALL LANDS	NV-CCDO-RA