

JOHN E. MCINNIS 250

59000

AND

RETURN TO

STANDARD OIL CO. OF CALIFORNIA

ORIGINAL

GEOHERMAL RESOURCES LEASE

LAND DEPARTMENT  
P. O. BOX 3495

SAN FRANCISCO, CALIFORNIA 94120

THIS AGREEMENT, made and entered into as of the 21<sup>st</sup> day of May, 1974, by and between  
the undersigned

hereinafter called "Lessor" (whether one or more) and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, hereinafter called "Lessee,"

WITNESSETH:

1. Lessor, for and in consideration of the sum of \$10.00 in hand paid, and of the royalties herein provided and of the covenants and agreements hereinafter contained, hereby grants, demises, leases and lets unto Lessee, the land hereinafter described with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom: (a) all products of geothermal processes, embracing indigenous steam, hot water and hot brines; (b) steam and other gases, hot water and hot brines resulting from water, gas, or other fluids artificially introduced into subsurface formations; (c) heat or other associated energy found beneath the surface of the earth; and (d) byproducts of any of the foregoing such as minerals (exclusive of oil or hydrocarbon gas that can be separately produced) which are found in solution or association with or derived from any of the foregoing. Each of the foregoing is hereinafter sometimes termed "a product" and all thereof are sometimes termed "geothermal resources." For the same consideration, Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such geothermal resources upon said land and to sell the same or any part thereof off said land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of geothermal resources and electric power, and for the handling, treatment or storage of geothermal resources, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and operations on or from said land and other lands in the vicinity of said land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities with all necessary appurtenances for the conversion of geothermal resources into heat, power or another form of energy, and for the extraction of products from steam, brine or water produced from said land and other lands in the vicinity of said land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from said land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products from a well or wells on the leased land or on other land in the vicinity into a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases from a well or wells on the leased land or on other land in the vicinity into a well or wells on said land or such other land for the purpose of maintaining or restoring pressure, increasing or maintaining production, or testing in the productive zones beneath said land

or other land in the vicinity thereof. The said land included in this lease is situated in the County of Eureka, State of Nevada, and is described as follows, to wit:

TOWNSHIP 31 NORTH RANGE 48 EAST M.D.B. & M.

SECTION 9: NW 1/4 SW 1/4 NE 1/4

containing 10 acres of land, more or less, including all accretions thereto and all lakes, streams, canals, waterways, dikes, roads, streets, alleys, easements and rights of way, on, within, or adjoining the lands above described and including all strips or parcels of land contiguous, adjacent to or adjoining the above-described land and owned or claimed by Lessor.

This lease shall cover all the interest in said land now owned or hereafter acquired by Lessor, even though greater than the undivided interest (if any) described above. For the purpose of calculating any payments based on acreage, Lessee, at Lessee's option, may act as if said land and its constituent parcels contain the acreage above stated, whether they actually contain more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a period of ten (10) years from the date hereof, called the "primary term," and thereafter so long as geothermal resources, or any one or more of them, is produced from or Lessee is engaged in operations as defined in paragraph 5 below on said land hereunder or on land pooled or unitized with any of said land as provided in paragraph 19 hereof (said land, together with such pooled or unitized land, being hereinafter sometimes called "the unit area"), or Lessee's performance or obligations are suspended under paragraphs 6 or 9 below.

3. Lessee shall pay to Lessor on or before the last day of each calendar month the royalties accrued and payable for the preceding calendar month, and in making such payments Lessee shall furnish to Lessor statements setting forth the basis for computation of such royalty.

As royalty, Lessee shall pay to Lessor ten percent (10%), hereinafter called the "agreed share," of the market value at the point of removal from the earth (hereinafter referred to as the "well") of all geothermal resources produced from or allocated to said land and saved and sold or used (except for operations hereunder) off said land. If Lessee sells any such geothermal resources at the well, the market value thereof shall be deemed to be the sales price received by Lessee. If Lessee sells any such geothermal resources at any other point, the market value thereof shall be deemed to be the sales price received by Lessee less the cost of transporting the same from the well to the point of sale. If any such geothermal resources are processed, manufactured or converted to other form on or in the vicinity of said land before sale or use by Lessee, the costs thereof incurred by Lessee shall be deducted from the sales price received by Lessee or from the market value thereof if taken and used by Lessee. The costs of transporting, processing, manufacturing or converting geothermal resources shall include the cost of facilities and equipment used, including overhead and amortization charges, computed and allocated to the geothermal resources sold or used in accordance with Lessee's standard accounting practices. Lessee may commingle or cause to be commingled geothermal resources produced from said land with geothermal resources produced from other land and shall meter, gauge, or otherwise determine the volume and quality of all geothermal resources commingled and such metering or gauging shall furnish the basis for computing Lessor's royalties hereunder. Lessee may use, free of royalty, geothermal resources and electric power developed from said land for all operations hereunder, and Lessee shall not be required to account to Lessor for or pay royalty on any geothermal resources reasonably lost or consumed in operations hereunder.

4. Lessee agrees to commence drilling operations on said land or on the unit area within the primary term hereof and to prosecute such operations with reasonable diligence until geothermal resources or any thereof shall have been found and produced or processed in quantities deemed paying quantities by Lessee, or until further operations would, in the judgment of Lessee, be unprofitable or impracticable, or Lessee may at any time within said primary term terminate this lease and surrender said land; provided that,

commencing with the 21<sup>st</sup> day of May, 1975, if Lessee has not theretofore commenced any such operations on said land or on the unit area or terminated this lease, Lessee shall pay or tender to Lessor annually, in advance, as rental, the sum of

Ten & no/100 Dollars (\$10.00) (each of such annual periods being hereinafter referred to as "rental period") until operations are commenced on said land or lands which have been pooled or unitized therewith pursuant to paragraph 19 hereof, or this lease is terminated as herein provided; it being understood that in the event of the surrender or termination of this lease as to any portion or

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BEOWAVE AREA

portions of the land covered thereby, said rental shall be reduced proportionately as provided in paragraph 16 hereof. The consideration expressed in paragraph 1 hereof covers all rental to the date last above mentioned. If Lessee shall elect not to commence operations on said land or on the unit area during the primary term as above provided, this lease shall then terminate. From time to time during the primary term, if (a) Lessee shall drill and abandon a well and there is at the time of abandonment no other well producing, or (b) all production of geothermal resources shall cease, then Lessee may (subject to provisions of paragraph 16 hereof) commence or resume operations (as defined in paragraph 5 hereof), the production of any of said geothermal resources or the payment of rental and in such event this lease shall remain in full force and effect as though there had been no interruption in operations, production, or rental payments, as the case may be. If abandonment under (a) above or the cessation of production under (b) above occurs more than six months before the next ensuing anniversary date of this lease, Lessee shall have until such anniversary date in which to commence or resume operations, production or rental payments; if such abandonment or cessation of production occurs less than six months before the next ensuing anniversary date of this lease, Lessee shall have until the second ensuing anniversary date in which to commence or resume operations, production or rental payments.

If Lessee shall encounter a geothermal resource in any well drilled on said land or the unit area, Lessee may suspend further operations hereunder; provided, however, that if at the expiration of any calendar year after such suspension Lessor shall not have received as royalty on geothermal resources an amount equal to or in excess of the rental hereinabove provided, Lessee shall on or before the 20th of January next succeeding, pay to Lessor an amount (hereinafter called "in-lieu royalty") equal to the difference between the total amount of all such royalties paid to Lessor during such calendar year on geothermal resources and the rental hereinabove provided. Any in-lieu royalty so tendered to Lessor shall be recoverable by Lessee out of future production of any or all of the above said geothermal resources and Lessee is hereby authorized and directed to deduct the same from royalties thereafter due and payable. Regardless of the provisions of this paragraph 4 to the contrary, if within ten (10) years from the date of the completion of a well on said land or unit area capable of producing geothermal resources Lessee shall have failed to make or arrange for a bona fide commercial sale or sales of any of said geothermal resources produced from a well or wells on said land, or on the unit area, then Lessor, at its option, may consider such circumstances a default on the part of Lessee hereunder for the purpose of paragraph 10 below. Payment of the in-lieu royalty as aforesaid shall constitute production for the purposes of paragraph 2.

5. If any operations or geothermal resource production or any combination of such activities shall occur hereunder and if at any time or times after the primary term or within three (3) months before expiration of the primary term, such operations or production or any combination of such activities shall cease for any cause so that none of such activities continues, such cessation shall not cause this lease to terminate and this lease shall remain in force if and so long as (a) payments are made under paragraph 4 (if applicable) or (b) any operations or production are commenced or resumed hereunder during a period for which any such payment was made or within three (3) months after cessation of the last of the operations or production occurring from time to time under this lease, or (c) the cause of cessation is covered by paragraphs 6 or 9 hereof. Wherever used in this paragraph 5, or wherever else used in this lease, unless the context requires otherwise, the meaning of the word "operations" shall without limitation include: operations for producing, reworking, plugging back and drilling wells; remedial and repair work on wells and equipment; testing; manufacturing, processing, treating, handling and storing geothermal resources or any component thereof; and operations for construction of facilities or equipment to accomplish or aid in the accomplishment of any of the foregoing.

6. Lessee shall not be obligated to produce geothermal resources if it is unable to market at the well or wells, plant or plants. It is recognized that the market demand for geothermal resources may vary from time to time and during such periods as there is no market at the well or plant for any geothermal resources, Lessee's obligation to produce, process and extract such geothermal resources shall be suspended. Lessee shall have no obligation to save or process byproducts described in clause (d) in paragraph 1 above.

Subject to the foregoing and except as herein otherwise provided, Lessee agrees to drill wells and operate each completed well with reasonable diligence and in accordance with good operating practice and all applicable laws so long as such wells shall produce geothermal resources in paying quantities while this lease is in force as to the portion of said land on which such well or wells are situated.

7. The possession by Lessee of said land shall be sole and exclusive excepting only that Lessor reserves the right to occupy and use or to lease the surface of said land for agricultural, horticultural or other surface uses, except those granted to Lessee hereunder, which uses shall be carried on by Lessor subject to, and with no interference with, the rights or operations of Lessee hereunder. No well shall be drilled closer than 100 feet to any residence or barn now on said land without written consent of Lessor. Lessee shall pay for damages caused by Lessee's operations to houses, barns, growing crops, fences and irrigation systems. Lessee shall not be liable to Lessor for damages to any geothermal resources reservoir underlying said land or for the loss of geothermal resources therein or therefrom resulting from its operations hereunder unless such damage or loss is caused by Lessee's gross negligence or willful misconduct. Lessee shall have the right to drill such wells on said land as Lessee may deem desirable for the purposes hereof and Lessee shall utilize or use only so much of said land as is necessary or reasonably convenient for Lessee's operations hereunder and shall interfere as little as reasonably necessary with the use and occupancy of said land by Lessor. No default of Lessee hereunder with respect to any well or portion of this lease shall impair Lessee's rights with respect to any other well or portion of this lease. If Lessee or anyone purchasing geothermal resources from Lessee constructs on said land a plant for the conversion of geothermal resources into heat, power or another form of energy or for the extraction and processing of byproducts, or both, and if any such plant utilizes geothermal resources produced or obtained from said land and from other land in the vicinity, Lessee or such purchaser shall have the right and easement to continue to maintain and operate such plant and connected pipeline, transmission line and other associated facilities so long as it utilizes geothermal resources from other land notwithstanding any cessation of production from said land or the expiration, termination or forfeiture of this lease. In such event, Lessor shall be paid annually the fair rental value per year of the area so occupied.

8. The rights of Lessor and Lessee hereunder may be assigned in whole or in part. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner, and failure by one to pay rental or in-lieu royalty shall not affect the rights of others—rental or in-lieu royalty being apportionable in proportion to acreage. No change in ownership of Lessor's interest, however accomplished, shall be binding on Lessee until Lessor has furnished Lessee with written notice of such change, and then only with respect to payments thereafter made; such notice to consist of original or certified copies of all recorded instruments, documents and other information necessary to establish a complete chain of record title from Lessor, and written instructions from Lessor and Lessor's transferee directing the disbursement of any payments which may be made thereafter. No other kind of notice, whether actual or constructive, shall be binding on Lessee, and in the absence of such notice Lessee may make payments precisely as if no change had occurred. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations, particularly as to the drilling and location of wells and the measurement of production, may be conducted without regard to any such division.

9. The performance by Lessee hereunder shall be suspended while Lessee is prevented or hindered from complying therewith in part or in whole, by strikes, lockouts, labor disturbances, acts of God, unavoidable accidents, laws, rules, regulations or orders of any Federal, State, County, municipal or other governmental agency, acts of war or conditions arising out of or attributable to war, shortage of necessary material, equipment or labor, or restrictions in, or limitations upon the use thereof, inability to secure or absence of a market for the sale of geothermal resources which can be produced or recovered in commercial quantities from said land, delays in transportation, and other matters beyond the control of Lessee, whether similar to the matters herein specifically enumerated or not. This lease shall remain in full force and effect during any suspension of Lessee's performance under any provisions of this paragraph, and for a reasonable time thereafter, provided that after the removal of the cause or causes preventing or hindering performance, Lessee, subject to the other provisions of this lease, diligently commences or resumes performance. Notwithstanding anything to the contrary herein provided, if any of Lessee's obligations under this lease conflict with or violate the provisions of any reasonable conservation program or plan of orderly development, whether now or hereafter adopted, to which Lessee may voluntarily subscribe, or of any conservation program or plan which is now or may hereafter be prescribed by any order of any governmental agency, Lessee shall not be obligated to perform such obligation.

If the permission or approval of any governmental agency is necessary before drilling or producing operations may be commenced on said land, then if such permission or approval has been applied for at least thirty (30) days prior to the date upon which such operations must be commenced under the terms hereof, the obligation to commence such operations shall be suspended until thirty (30) days after the governmental permit is granted or approval given, or if such permit or approval is denied initially, then so long as Lessee in good faith appeals from such denial or conducts further proceedings in an attempt to secure such permit or approval and thirty (30) days thereafter.

10. If Lessee shall fail to pay any installment of royalty, rental or in-lieu royalty when due and if such default shall continue for a period of fifteen (15) days after receipt by Lessee of written notice thereof from Lessor to Lessee, then at the option of Lessor this

lease shall terminate as to any portions thereof or any interests therein as to which Lessee is in default; provided, however, that if there be a bona fide dispute as to the amount due and all undisputed amounts are paid, said 15-day period shall be extended until five (5) days after such dispute is settled by final court decree, arbitration or agreement.

If Lessee shall be in default in the performance of any obligations under this lease other than the payment of rental, royalty or in-lieu royalty, and if for a period of 90 days after written notice is given to Lessee by Lessor of such default Lessee shall fail to commence and thereafter diligently and in good faith prosecute action to remedy such default, Lessor may terminate this lease. No default in the performance of any condition or obligation hereof shall affect the rights of Lessee hereunder with respect to any drilling, injection, disposal, or producing well or wells in regard to which Lessee is not in default, together with a parcel of forty (40) acres surrounding each such well then completed or being drilled.

11. Lessee shall pay all taxes that may be levied against the improvements, plant, machinery and personal property owned by Lessee and located upon any part of said land.

12. Lessee shall also pay, except the agreed share, any and all taxes assessed during the term of this lease upon any products of Lessee's operations hereunder and ad valorem taxes on geothermal resources together with all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of geothermal resources or any thereof on or from said land, or on or from such portion of said land as Lessee may be holding under this lease on the date of such tax lien.

Lessor agrees to pay the agreed share of any and all taxes assessed upon any products of Lessee's operations hereunder and ad valorem taxes on geothermal resources together with the agreed share of all severance, production and license taxes or other taxes or assessments levied or assessed on account of the production of geothermal resources from or allocated to said land, and to pay all of any other taxes assessed against said land, whether the same are assessed to Lessor or Lessee or otherwise, and Lessee is hereby authorized to pay all such taxes and assessments on behalf of Lessor and to deduct the amount so paid from any royalties or moneys due Lessor hereunder.

13. In addition to the rights granted to Lessee in paragraph 1 hereof, Lessor hereby grants to Lessee the sole and exclusive right to explore said land by geological, geophysical or other methods, whether now known or not, and to take water from said land for operations hereunder.

14. All royalties, rentals and other payments payable in money hereunder shall be paid to Lessor by Lessee mailing or delivering a check therefor to Lessor at ~~5000 East Baseline, San Bernardino, California~~

P.O. Box 5362, Big Bear Lake, Calif. - 92315  
or Lessee may, at its option, pay any or all royalties, rentals and other payments payable in money hereunder by mailing or delivering a check therefor to \_\_\_\_\_

at \_\_\_\_\_, its successors and assigns, herein designated by Lessor as depository, hereby granting to said depository full power and authority on behalf of Lessor and on behalf of the heirs, executors, administrators, successors and assigns of Lessor, and each of them, to collect and receipt for all sums of money due and payable from Lessee to Lessor hereunder, and to settle all accounts and accounting of rentals, royalties and other payments payable in money hereunder. Said depository above named shall continue to act as such until the owners and holders of Lessor's estate hereunder shall in writing designate a different depository and notify Lessee in writing at Land Department, P.O. Box 3495, San Francisco, California 94119, of the name and address of such new depository. The payment of any and all rentals, royalties and other payments hereunder by Lessee to the depository designated herein or to any other depository hereafter designated by Lessor, as aforesaid, shall be a full acquittance and discharge of Lessee of and from any and all liability to Lessor, and to the heirs, executors, administrators, successors and assigns of Lessor, and each of them, for any part of such rentals, royalties or other payments, and Lessee will not be responsible at any time for the disposition or disbursement by any such depository of all or any part of any moneys received by it hereunder.

15. It is agreed that if Lessor owns a less interest in the rights herein granted Lessee than the entire and undivided fee simple estate therein, then any royalties, rentals or other payments herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee. In the event Lessee's estate hereunder shall fail, for a cause other than Lessee's default hereunder, in regard to any portion of said land or any interest therein, such failure shall not affect or invalidate Lessee's estate hereunder in regard to the remaining portions of said lands or the remaining interests therein and this lease shall nevertheless continue in full force and effect with respect to said remaining portions of said land or remaining interests therein, and Lessee shall not be accountable to Lessor for any payment made with respect to said portion of said land or such interest in regard to which Lessee's estate hereunder has failed. Lessee shall have the right to hold or acquire rights to geothermal resources or leases from others claiming any interest in any part of said land deemed necessary by Lessee for its operations hereunder and to withhold from Lessor payment of rentals, royalties and other payments attributable to any interest so claimed or to any other interest which is subject to adverse claim, dispute or litigation and the same shall not be due until the ownership of such interest has been determined, and Lessee shall not thereby be held in default of any provision hereof or to have disputed Lessor's title. In the event Lessor has no interest in the geothermal resources produced hereunder but has an interest in said land, Lessee shall pay Lessor annually the proportionate part attributable to Lessor's interest of the fair rental value per year of the surface occupied by Lessee in the conduct of its operations hereunder. If and whenever it shall be necessary so to do in order to protect Lessee's interest under this lease, Lessee may at its option pay and discharge at any time any mortgage or other lien now or hereafter attaching to said land or any part thereof and in such event Lessee shall be subrogated to all of the rights of the owner or holder of such mortgage or other lien and Lessee may in addition thereto, at its option, apply to the discharge of any such mortgage or other lien, or to the reimbursement to Lessee for any amount so paid by it, any rentals, royalties or other sums accruing or payable hereunder to the owner of the lands to which such mortgage or other lien attaches.

16. Lessee may at any time or times surrender this lease as to all or any portion of said land and be relieved of all obligations thereafter accruing as to the acreage surrendered, and thereafter the rental and in-lieu royalty shall be reduced in the same proportion that the acreage covered hereby is reduced. In the event this lease shall be surrendered under the provisions of this paragraph, or assigned as hereinabove provided as to any portion or portions of said land, Lessee shall have such rights of way or easements hereunder, over, upon and across the land as to which this lease is so surrendered or assigned as shall be necessary or convenient for Lessee's operations on the land retained by it and other lands in the vicinity thereof. Upon any surrender or assignment of this lease as to all or any portion of said land, Lessee shall be relieved of all further obligations hereunder with respect to the lands so surrendered or assigned. Any such surrender shall become effective upon delivery to Lessor, or to the depository bank herein designated, or the deposit in the United States mail, postage prepaid, of a duly executed duplicate of an instrument of surrender properly addressed to Lessor or to such depository bank. Within a reasonable time thereafter, Lessee shall record the original of such instrument of surrender.

17. Lessee shall have the right at any time and from time to time during the continuance hereof and within a reasonable time after the surrender or any termination of this lease, to remove from said land all equipment, machinery, installations, and any other property or improvements belonging to or furnished by Lessee or Lessee's permittees.

18. All labor to be performed and material to be furnished in the operations of Lessee hereunder shall be paid for by Lessee, and Lessor shall not be liable for any part thereof. Lessee shall protect said land from liens arising from Lessee's operations thereon.

19. (a) Lessee is given the sole right and option by written declaration of pooling at any time or from time to time, within twenty (20) years from the date hereof, to combine, pool, or unitize in whole or in part as to any stratum or strata all or any part of said lands with other lands not subject to this lease so as to create one or more reasonably compact operating units for any operating or producing purpose. Such written declaration of pooling shall describe the pooled lands and shall become effective when recorded in the Office of the County Recorder in the County where the land is situated. Lessee shall give written notice of such pooling to those Lessors whose lands are so pooled. Lessor agrees that with respect to all geothermal resources obtained from any lands, included within any such operating unit, whether or not from lands covered by this lease, there shall be allocated to and deemed to have been produced from the lands covered by this lease and included in such operating unit, only that proportion of the entire production from such operating unit that the amount of acreage within the lands herein leased and included in such operating unit bears to the total acreage of all of the land in such operating unit, and royalty payable under this lease with respect to leased land included in such

operating unit shall be computed only on that portion of such production as allocated to such leased lands. The entire acreage so pooled or unitized shall be treated as if it were covered by one lease and the drilling of a well or performance of any other obligations in any part of such operating unit, whether or not on land subject to this lease, shall fulfill Lessee's drilling and other obligations under this lease to the same extent as if such well were drilled and other obligations performed on land subject to this lease. Lessee may, at its sole option, at any time when there is no production in such operating unit of geothermal resources in quantities deemed paying by Lessee terminate such operating unit by a written declaration thereof, in the same manner in which it was created.

(b) Lessee is hereby granted the right at any time or times within the period hereinafter provided to unitize this lease and the lands covered hereby, in whole or in part or as to any stratum or strata, with other lands and leases and to increase or decrease the size of any such unit. Any change in the amount of Lessor's royalties resulting from unitization of this lease or from any increase or decrease in the size of any such unit shall not be retroactive. In the event of any such unitization, this lease, unless sooner terminated by Lessee, shall continue in effect for so long as any of the lands hereby leased remain subject to any such unit. The drilling and producing operations conducted on any of the unitized lands shall constitute full compliance with the drilling and producing obligations of Lessee hereunder and Lessor shall be entitled to the royalties in this lease provided, on the fractional part only, if any, of the unit production allocated to this lease in accordance with the provisions of any said unit. The method of allocation of production from lands subject to a unit shall be set forth therein and may be based upon: (i) the surface acreage, or (ii) the estimated volumetric content or units of energy of recoverable geothermal resources, or (iii) any weighing of either or both (i) and (ii), of lands within such unit or within the estimated productive limits of such unit; or such allocation may be made upon any other basis approved by State or Federal authorities having jurisdiction thereof. The provisions of this paragraph authorizing the establishment and enlargement or contraction of units and change of the ratio of participation thereunder shall not extend beyond the period of twenty (20) years from the date of this lease; provided, however, that if a unit is established before the expiration of said twenty-year period, such unit may continue in effect beyond said twenty-year period. Any such unit may be established, enlarged, or diminished, and, in the absence of production therefrom, may be dissolved by Lessee's filing for record an instrument so declaring. A copy of such instrument shall be delivered to Lessor or to the depository.

(c) If any taxes of any kind are levied or assessed to the unit area as a whole (other than taxes on the land and on Lessor's improvements), any portion of which is chargeable to Lessor under paragraph 12 hereof, then the share of such taxes to be borne by Lessor as provided in this lease shall be in proportion to the share of the production from such operating unit or unitized lands allocated to the leased land. No offset obligation shall accrue under this lease as a result of any well drilled within any such operating unit or unitized lands.

20. For the consideration paid at the time of execution of this agreement and without any additional consideration to be paid therefor, except as provided below, Lessor hereby grants to Lessee, its successors and assigns, the following rights, rights of way and easements in, under, upon, through and across said land which may be exercised at any time or from time to time during the duration of this lease and as long thereafter as Lessee exercises any of the rights granted in this paragraph: (a) The sole and exclusive right to locate a well or wells on the surface of said land and to slant drill said well or wells into, under, across and through said land and into and under lands other than said land together with the right to repair, redrill, deepen, maintain, inject in, rework and operate or abandon such well or wells for the production of geothermal resources from such other lands together with the right to develop water from said land for any of Lessee's operations pursuant to this paragraph and together with the right to construct, erect, maintain, use, operate, replace, and remove all pipelines, power lines, telephone lines, tanks, machinery, and other facilities, together with all other rights necessary or convenient for Lessee's operations under this paragraph and together with rights of way for passage over and upon and across and ingress and egress to and from said land; (b) The sole and exclusive right to drill into and through said land below a depth of five hundred feet (500') from the surface thereof, by means of a well or wells drilled from the surface of lands other than said land, and the right to abandon or repair, redrill, deepen, maintain, inject in, rework and operate such well or wells for the production of geothermal resources from lands other than said lands.

If Lessee exercises the rights granted by Lessor in subparagraph (a) hereof, Lessee shall pay to Lessor an annual rental computed at the rate of one hundred dollars (\$100.00) per acre for each surface acre of said lands being exclusively occupied by Lessee pursuant to such grant. If Lessee exercises the rights granted in subparagraph (b) hereof, and thereafter completes a well capable of producing geothermal resources in quantities deemed paying quantities by Lessee or operated by Lessee as an injection well, then Lessee shall within sixty (60) days after such completion pay Lessor an annual rental computed at the rate of one dollar (\$1.00) per rod of horizontal projection of the survey course of that part of the bore hole of such well traversing the subsurface of such land. Any such rentals shall continue until such well is abandoned. Any well drilled under the provisions of this paragraph shall be drilled so that the producing or injecting interval thereof shall lie wholly outside the boundary of said land and Lessor recognizes and agrees that Lessor has no interest in any such well or wells drilled pursuant to this paragraph or any production therefrom.

Any surrender or termination under any other provision of this lease shall be effective notwithstanding the fact that Lessee in and by such surrender or termination reserves the rights granted to Lessee under this paragraph, and regardless of such surrender or termination, the rights granted under this paragraph shall continue for the term hereinabove granted in this paragraph.

21. Whenever used herein, the expression "drilling operations" shall mean, for all purposes hereof, any work or actual operations undertaken or commenced for the purpose of drilling of a well on or into said land, including without limiting the generality hereof, the preparation of the ground therefor, the building of roads and other facilities therefor, the construction of a derrick and other necessary structures for the drilling of a well followed by the actual operation of drilling in the ground. Any such work or operations preliminary to the drilling in the ground may be undertaken in any order Lessee shall see fit. All such work and operations shall be prosecuted with reasonable diligence.

22. This agreement may be executed in any number of counterparts with the same force and effect as if all parties signed the same document.

23. This lease shall be binding upon all who execute it, whether or not they are named in the granting clause hereof and whether or not all parties named in the granting clause execute this lease. All the provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this agreement.

LESSEE:

STANDARD OIL COMPANY OF CALIFORNIA

By

*A. Smith*  
Contract Agent

By

*Barbara F. Perry*  
Assistant Secretary

LESSOR:

*John E. McKinney*  
John E. McKinney, a married man as his sole and separate property

STATE OF CALIFORNIA,  
COUNTY OF SAN BERNARDINO



} ss.

On July 2, 1974,  
before me, the undersigned, a Notary Public in and for said State, personally appeared  
JOHN E. MCKINNEY

person whose name is known to me to be the  
and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

*Anthony Sgroi*  
Notary Public in and for said State.

ACKNOWLEDGMENT—General—Wolcott—Form 232—Rev. 3-64

State of California )  
City and County of San Francisco ) ss

On August 9 1974, before me, Edmond Lee Kelly, a Notary Public  
in and for said City and County and State, residing therein, duly commissioned and sworn, personally appeared A. T. SMITH  
and BARBARA F. PEREZ known to me to be CONTRACT AGENT and ASSISTANT SECRETARY, respectively, of  
STANDARD OIL COMPANY OF CALIFORNIA the Corporation described in and that executed the within instrument, and  
also known to me to be the persons who executed it on behalf of the said Corporation therein named, and they  
acknowledged to me that such Corporation executed the same.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal, at my office in the City and  
County and State aforesaid the day and year in this certificate above written.



EDMOND LEE KELLY  
NOTARY PUBLIC-CALIFORNIA  
CITY AND COUNTY OF  
SAN FRANCISCO  
My Commission Expires Jan. 22, 1976

*Edmond Lee Kelly*  
Notary Public in and for said City and  
County of San Francisco, State of California

18.2

RECORDED AT THE REQUEST OF STANDARD OIL CO. OF CALIF.  
on Aug. 15, 1974, at 46 min. past 10 A. M. b  
Book 49 of OFFICIAL RECORDS, page 164-168 RECORDS OF  
EUREKA COUNTY, NEVADA. *Walter A. McPool* Recorder  
File No. 59000 Fee \$ 7.00  
FILE NO. 59000