

**IDAHO DEPT OF LANDS**

300 North 6<sup>th</sup> Street  
Post Office Box 83720  
Boise ID 83720-0050  
Phone (208) 334-0200  
Fax (208) 334-3698



TOM SCHULTZ, DIRECTOR

**STATE BOARD OF LAND COMMISSIONERS**

*C.L. "Butch", Governor  
Ben Ysursa, Secretary of State  
Lawrence G. Wasden, Attorney General  
Donna M. Jones, State Controller  
Tom Luna, Sup't of Public Instruction*

**Memorandum**

To: Interested Parties

From: Surface and Mineral Resource Bureau

Re: Geothermal Lease Template

The Department is seeking comment from interested parties regarding the following geothermal lease template. Comments should be submitted to the Department by June 15, 2012 via e-mail to [bpietras@idl.idaho.gov](mailto:bpietras@idl.idaho.gov) or to the above address. Following this comment period, the Department will be presenting the completed template as an informational item to the Land Board at their regular monthly meeting on June 19, 2012.



**COMMERCIAL LEASE  
ENERGY RESOURCES-GEOTHERMAL**

*No. XXXXXX*

**LESSEE(S), FULL LEGAL NAME(S)**

ARTICLE I - Definitions .....	1
ARTICLE II - Leased Premises .....	5
2.1 Lessor’s Demise.....	5
2.2 Lessee’s Use of the Leased Premises.....	6
2.3 Lessor’s Reservations. ....	7
2.4 Lessee’s Due Diligence.....	10
ARTICLE III – Lease Term, Termination and Expiration .....	11
3.1 Lease Term.....	11
3.2 Use of Phases. ....	12
3.3 Maximum Phase Terms. ....	12
3.4 Termination.....	12
3.5 Surrender by Lessee Upon Expiration of Lease Term or Upon Termination. ....	15
3.6 Reclamation of Leased Premises. ....	15
3.7 Holding Over. ....	15
3.8 Lease Expiration. ....	15
ARTICLE IV - Lease Phases.....	16
4.1 Phase 1 - Research and Analysis. ....	16
4.2 Phase 2 - Development. ....	17
4.3 Phase 3 - Operation.....	19
4.4 Phase 4 - Decommissioning and Reclamation.....	20
4.5 Transition of Supporting Area. ....	21
ARTICLE V - Rent and Royalty .....	21
5.1 Base Rent. ....	21
5.2 Royalty.....	21
5.3 Apportionment of Rent During Simultaneous Phases .....	22
5.4 Lessee’s Records.....	23
5.5 Payment.....	23
5.6 Readjustment of Rent and Royalty. ....	24
ARTICLE VI - Plans .....	24
6.1 Plans Generally.....	24
6.2 Research and Analysis Plan. ....	24
6.3 Development Plan.....	25
6.4 Decommissioning and Reclamation Plan. ....	27
6.5 Plan Reviews.....	28
ARTICLE VII - Title to Geothermal Facilities and Improvements, Removal, Use and Required Maintenance .....	28
7.1 Title.....	28
7.2 Removal.....	29
7.3 Use and Operation of Geothermal Facilities and Improvements.....	29
7.4 Maintenance of Geothermal Facilities and Improvements. ....	29
7.5 Repair and Replacement: Damaged Geothermal Facilities and Improvements. ..	30
ARTICLE VIII - Performance Security.....	30
8.1 Security Generally. ....	30
8.2 Research and Analysis Security.....	31
8.3 Construction Security.....	32
8.4 Operating Security. ....	32

8.5	Decommissioning and Reclamation Security .....	32
ARTICLE IX - Insurance and Indemnification .....		32
9.1	Insurance .....	32
9.2	Indemnification by Lessee .....	36
ARTICLE X - Permitted Mortgages .....		36
10.1	Mortgages .....	36
10.2	Default Notice .....	37
10.3	Refinancing .....	38
ARTICLE XI - Payment of Expenses, Utilities and Taxes .....		39
11.1	Lessee's Obligations .....	39
11.2	Mode of Payment .....	39
11.3	Net Lease, Lessor Obligations Not Altered .....	39
11.4	Lessee's Default .....	39
ARTICLE XII - Liens .....		40
12.1	No Lien .....	40
12.2	Release of Lien .....	40
ARTICLE XIII - Hazardous Materials .....		40
13.1	Hazardous Substances .....	40
13.2	Environmental Laws .....	41
ARTICLE XIV - Transfer, Assignment, Novation, Subleasing, Subcontractors and Key Employees .....		41
14.1	Prior Approval Required .....	41
14.2	Terms .....	41
14.3	Limited Consent .....	42
14.4	Overriding Royalty .....	42
14.5	Subcontractors .....	42
14.6	Key Employees .....	42
ARTICLE XV - Miscellaneous .....		43
15.1	Governing Law; Venue, Sovereign Immunity .....	43
15.2	Cumulative Remedies .....	43
15.3	Promotion .....	43
15.4	Enforcement .....	43
15.5	Force Majeure .....	44
15.6	Officials, Agents, and Employees Not Personally Liable .....	44
15.7	Relationship of Parties .....	44
15.8	Covenants Running with Land; Binding Effect .....	45
15.9	Non-Waiver .....	45
15.10	Written Modifications .....	45
15.11	Entire Agreement .....	45
15.12	Notices .....	45
15.13	Joint Liability .....	46
15.14	Binding Effect .....	46
15.15	Severability .....	46
15.16	Headings .....	46
15.17	Survival .....	46
15.18	Time of Essence .....	46

15.19	Confidential Information. ....	46
-------	--------------------------------	----

# COMMERCIAL LEASE ENERGY RESOURCES-GEOTHERMAL

No. XXXXXX

This Lease for Geothermal Energy Development and Production (“Lease”) is made and entered by and between the State of Idaho, by and through the Idaho State Board of Land Commissioners, acting by and through the Department of Lands (“Lessor”), and \_\_\_\_\_, a \_\_\_\_\_ company (“Lessee”), collectively referred to herein as the “Parties” or individually as “Party”. In consideration of the mutual covenants and conditions contained herein, the Parties agree as follows:

## ARTICLE I - Definitions

The following terms, together with forms of the following terms in capital letters or otherwise, except where the context indicates otherwise, shall have the respective meanings set forth below.

“Affiliated Party” shall mean a subsidiary, parent, or any other entity that Lessee or an owner of Lessee has a financial interest in, by stock ownership of ten percent (10%) or more.

“By-Products” shall mean anything other than heat derived from production operations or from Geothermal Resources sold or utilized or reasonably susceptible of sale or utilization by Lessee, including, but not limited to, commercially demineralized and mineralized water. This does not include such water if it is used in plant operations for cooling or in the generation of electric energy or a Direct Use.

“Commencement Date” shall mean the date of execution of the Lease by all Parties (it being understood that Lessor shall not execute the Lease until after the Lease has been approved by the Idaho State Board of Land Commissioners).

“Convert” shall mean the conversion of heat energy from any Geothermal Resources into electricity.

“Default Rate” shall mean the rate established by the Idaho State Treasurer for money due on a judgment under Idaho Code § 28-22-104(2).

“Deliver” shall mean the delivery of electricity from the Geothermal Facilities to the transmission grid.

“Direct Use” shall mean the use of any material medium of Geothermal Resources for any purpose other than Power Production, including, but not limited to, space heating of buildings, road surface heating, recreation, resorts, hot spring bathing and spas, greenhouse warming,

aquaculture, or industrial applications where geothermal heat is used in place of other energy inputs.

“Environmental Law” shall mean any federal, state, or local statute, rule, regulation, ordinance, order or decree relating to or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste, substance, or material, presently in effect or that may be promulgated in the future and as may be amended from time to time, including, but not limited to, the statutes listed below:

- Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, *et seq.*;
- Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601, *et seq.*;
- Clean Air Act, 42 U.S.C. § 7401, *et seq.*;
- Federal Water Pollution Control Act (Clean Water Act of 1977), 33 U.S.C. § 1251, *et seq.*;
- Federal Insecticide, Fungicide, and Rodenticide Act (Federal Pesticide Act of 1978), 7 U.S.C. § 136, *et seq.*;
- Toxic Substances Control Act, 15 U.S.C. § 2601, *et seq.*;
- Safe Drinking Water Act, 42 U.S.C. § 300f, *et seq.*;
- Hazardous Materials Transportation Act, 49 U.S.C. § 1801, *et seq.*; and
- Idaho Geothermal Resources Act, Title 42, Chapter 40, Idaho Code.

“Field” shall mean a geographic area overlying a geothermal system with one or more geothermal reservoir or pool, including any porous, permeable geologic layer, formed along one (1) fault or fracture, or a series of connected faults or fractures.

“Geothermal Facilities” shall mean geothermal energy turbines and related overhead and underground electrical transmission and supervisory control and data acquisition (SCADA) system lines, electric transformers, energy storage equipment, wells, pipelines, control buildings, maintenance yards, roads, commercial and residential buildings, power generation facilities, and all other improvements constructed to operate and support a geothermal power plant or a Direct Use of Geothermal Resources or the production of By-Products.

“Geothermal Resources” shall mean the natural heat energy of the earth, the energy, in whatever form, which may be found in any position and at any depth below the surface of the earth present in, resulting from, or created by, or which may be extracted from, such natural heat, and all minerals in solution or other products obtained from the material medium of any geothermal resource. For purposes of this definition, material medium means any substance including, but not limited to, naturally heated fluids, brines, associated gases and steam in whatever form which contains or transmits the natural heat energy of the earth, but excluding, oil, hydrocarbon gas, or other hydrocarbon substances. When used without restriction, it includes associated By-Products.

“Government Approvals” shall mean any authorization, approval, consent, waiver, exception, license, filing, registration, ruling, permit, tariff, certification, exemption, and any other action or requirement by or with any governmental authority relating to Lessee’s activities pursuant to this

Lease, including, but not limited to, the construction, use, operation, placement, replacement, removal or discontinuance of the Geothermal Facilities and Improvements or Lessee's execution, delivery, or performance of this Lease.

“Gross Revenue” shall mean the aggregate total revenue in money and the value of any other consideration actually received by Lessee or a sub-lessee during a calendar month (unless otherwise specified), and applied as follows:

A. for Power Production: all money and value received from the sale, to any purchaser or Affiliated Party, of electrical energy generated by Geothermal Facilities on the Leased Premises or by use of Leased Resources; the sale of credits of any kind to any purchaser, including green tags, renewable energy credits or certificates, tradable renewable certificates, greenhouse gas reduction credits, and renewable energy credits; revenues resulting from Lessee's installation of low voltage ride through equipment; payment received from any purchaser that are based on curtailed energy rather than sold energy; the gross proceeds or other cash benefits received in connection with or under or derived from any legal agreement, compromise, settlement, judgment or arrangement for or relating to the sale, use or other disposition of electricity generated or capable of being generated from the Leased Premises or Leased Resources; proceeds from Lessee's business interruption insurance required under the terms of this Lease, where such proceeds represent lost income from the production or conversion of electrical energy on the Leased Premises or with Leased Resources. If Lessee provides or sells electrical energy generated by Geothermal Facilities on the Leased Premises or with Leased Resources to Lessee for internal uses (recognizing that electrical energy used to operate the geothermal energy turbines is not an internal use) or to a subsidiary or affiliate of Lessee, the revenue for the purposes of calculating Gross Revenue shall be calculated to include a sale price that is not less than the then prevailing commercial rates during the year immediately preceding the most recent anniversary of the Commencement Date on which Rent under this Lease is due.

B. for By-Products: all money and value received from the sale, to any purchaser or Affiliated Party of any By-Products, and any other revenue source on the Leased Premises related to Leased Resources unless otherwise provided herein.

C. for Direct Use: the equivalent value of a natural gas source that would otherwise be used by the direct use in place of the Geothermal Resources as set forth in Section 5.4.2, below.

Gross Revenue shall not include any proceeds received from the sale, lease, financing, or other disposition of any Geothermal Facilities or Improvements; production tax credits, investment tax credits, or any other tax credits arising from this Lease.

“Hazardous Substances” shall mean any chemicals, materials, substances, pollutants or contaminants, including, without limitation, petroleum, crude oil, petroleum wastes, motor fuels and lubricants, radioactive material, hazardous wastes, toxic substances, asbestos, PCBs, leaded paint or any other material similarly defined or listed as hazardous, toxic, dangerous, or similar term, in any Environmental Law.

“Improvements” shall mean all roads, buildings, structures, supporting structures, footings, electrical transformers and substations, electrical distribution and transmission lines, interconnection facilities, wells, any signage or advertising structures, and any associated equipment needed for electricity production, and staging areas for the construction, installation, operation, and maintenance of any such improvements constructed, installed, erected, affixed, placed or operated by Lessee, or caused to be installed erected, affixed, placed, or operated by Lessee or its agents, contractors or subcontractors on the Leased Premises. All materials used for the construction, reconstruction, alteration or repair of any such Improvements now or hereafter constructed, installed, erected, affixed, placed or operated upon the Leased Premises shall be deemed to be included as Improvements immediately upon their use, attachment or connection with any of the Improvements upon the Leased Premises.

“Installed Capacity” shall mean the aggregate megawatt capacity for the geothermal energy turbines located on the Leased Premises (expressed in MW).

“Lease Year” shall mean the period between midnight on the Commencement Date or the anniversary of the Commencement Date, as applicable, and the moment immediately preceding midnight on the day before the next anniversary of the Commencement Date.

“Leased Resources” shall mean the Geothermal Resources produced or drained from the Leased Premises.

“Nameplate Capacity” shall mean the total nominal electric capacity of each geothermal energy turbine installed on the Leased Premises, expressed in megawatts assigned by the manufacturer for each such geothermal energy turbine or as determined in writing by the Parties.

“Power Production” shall mean the generation of electricity using any Geothermal Resources.

“Production Area” shall mean the portion of the Leased Premises associated with geothermal production wells, reinjection wells, geothermal area, or geothermal use, and all facilities, including any portion of the Geothermal Facilities, and any Improvements specified in the “Development Plan” described in Article VI as directly engaged in the production and utilization of Geothermal Resources.

“Prorate or Proration” shall mean apportionment of Rent, fees, or costs based upon the percentage of the Lease Year remaining before the next anniversary of the Commencement Date.

“Rent” shall mean collectively all of the amounts to be paid by Lessee to Lessor in accordance with Article V.

“Royalty” or “Royalties” shall mean payments made by Lessee to Lessor in compensation for the use or extraction of Geothermal Resources from the Leased Premises (Leased Resources).

“State” shall mean the State of Idaho and its departments, boards, commissions and agencies.

“Supporting Area” shall mean the portion of the Leased Premises specified in the Development Plan described in Article VI as generally supporting Lessee’s activities on the Leased Premises and being used by Lessee, such as: roads, operation and management facilities, including any portion of the Geothermal Facilities, and any Improvements for the transmission or storage of electrical energy, but not any portion of the Leased Premises in use for the production or utilization of Geothermal Resources which would be defined as Production Area.

“Use Agreement” sometimes referred to as a Power Purchase Agreement, shall mean an agreement to sell electrical energy converted from Geothermal Resources on the Leased Premises to a third party; an agreement for all required governmental permissions or agreements to distribute electrical energy converted from Geothermal Resources on the Leased Premises through a federal power marketing agency or as a utility regulated by a state government, or a plan to use the electrical energy converted from Geothermal Resources on the Leased Premises for internal purposes of Lessee.

## **ARTICLE II - Leased Premises**

### **2.1 Lessor’s Demise.**

#### 2.1.1 Demise.

Lessor does hereby lease and demise unto Lessee, at the rate and for the use specified herein, the lands known as \_\_\_\_\_ and more particularly described in Attachment A, which is incorporated herein by this reference, (the “Leased Premises”), subject to the terms, covenants, restrictions and conditions of this Lease.

#### 2.1.2 Conditions of Demise.

The demise is made subject to the following:

A. The Leased Premises and the Leased Resources are leased subject to (1) the rights of any party in possession thereof; (2) the state of the title thereof as of the Commencement Date; (3) any state of facts which an accurate survey or physical inspection thereof might show; (4) all conditions, restrictions, and limitations now appearing of record; (5) all laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction; and (6) all existing encumbrances, if any; and (7) Lessor’s reservations set forth in Section 2.3,

B. Lessee’s proper performance of all the terms and conditions contained in this Lease.

#### 2.1.3 No Representation or Warranty.

Lessee acknowledges that neither Lessor, nor any agent or designee of Lessor, has made any representation or warranty with respect to the Leased Premises or concerning the suitability of the Leased Premises for the uses intended by Lessee. Lessee acknowledges that it has accepted the Leased Premises in an "AS IS CONDITION," accepting any and all known or unknown faults therein subject only to the terms of Section 2.4 below regarding Lessee’s due diligence. Lessor disclaims any and all warranties of merchantability, suitability, or fitness for a particular purpose and any other warranty not expressly set forth in this Lease.

Lessor does not represent or warrant that the Leased Premises is free of encumbrances, liens or prior rights. Lessee has examined the title to the Leased Premises and has found the same satisfactory.

The provisions of this section shall survive the expiration or earlier termination of this Lease.

#### 2.1.4 Lessee's Costs.

Lessee acknowledges that all costs to develop the Leased Premises and Leased Resources for its intended use are the responsibility of Lessee. Lessor shall not contribute financially to Lessee's costs of development or construction.

## **2.2 Lessee's Use of the Leased Premises.**

### 2.2.1 Permitted Uses.

Lessee's use of the Leased Premises shall be for the exploration and development of Geothermal Resources and subject to the reservations in Section 2.3. A report of all exploration, development, and production activities must be submitted to the department at the close of each lease year.

### 2.2.2 No Waste or Nuisance.

Lessee shall not use the Leased Premises or the Leased Resources in any manner that would constitute waste, pollutant or a nuisance, nor shall Lessee allow the same to be committed thereon. Waste shall include any physical loss of geothermal resources including, but not limited to: (1) underground loss of geothermal resources resulting from inefficient, excessive, or improper use, or dissipation of geothermal energy, or of any geothermal resource pool, reservoir, or other source; or the locating, spacing, constructing, equipping, operating, or producing of any well in a manner which results, or tends to result in reducing the quantity of geothermal energy to be recovered from any geothermal area in the state; (2) the inefficient above-ground transporting and storage of geothermal energy; and the locating, spacing, equipping, operating, or producing of any well or injection well in a manner causing or tending to cause unnecessary or excessive surface loss or destruction of geothermal energy; the escape into the open air from a well of steam or hot water in excess of what is reasonably necessary in the efficient development or production of a well; (3) damage to other natural resources; and (4) any environmental pollution or damages that may constitute a violation of state or federal law. Lessee shall not excavate or remove material from the Leased Premises, nor deposit material upon the Leased Premises other than as is necessary for the construction of Geothermal Facilities and Improvements on the Leased Premises according to the approved Development Plan. The natural characteristics of the Leased Premises, including, but not limited to, the topographical, hydrological and natural drainage shall be considered and preserved to the greatest extent possible when determined by Lessor to be in the best interest of the Leased Premises. Excavation or deposit of material for construction of Geothermal Facilities or Improvements on the Leased Premises shall be limited to excavation or deposit at the location of Geothermal Facilities or Improvements, and only such excavation or deposit necessary to prepare the location of the Geothermal Facilities or Improvements for placing the Geothermal Facilities or Improvements thereon shall be allowed. Only clean, non-contaminated, natural fill material may be brought onto the Leased Premises. Lessee shall address disposition of material excavated

from the Leased Premises in the Development Plan described in Section 6.3.

### 2.2.3 Compliance with Law.

Lessee shall at all times comply with all laws, statutes, codes, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, and licenses which now or at any time hereafter may be materially applicable to the Leased Premises or any part thereof, or to any adjoining waterways, roads, sidewalks, streets, or walkways, or to any material use or condition of the Leased Premises or any part thereof; provided however, that with respect to local planning and zoning ordinances, in accordance with Idaho Code § 58-307(4), Lessee and Lessor shall have consulted with the county commissioners of the county in which the Leased Premises are located before the Commencement Date; the use that is the subject of this Lease shall be consistent with the local planning and zoning ordinances insofar as is reasonable and practicable; and, the Idaho Department of Lands shall have held a hearing in the county in which the Leased Premises are located.

## 2.3 **Lessor's Reservations.**

Lessor shall not permit any activities upon the Leased Premises that will materially interfere with Lessee's authorized use of the Leased Premises stated herein. Lessor expressly reserves and accepts the following rights from the Lease:

### 2.3.1 Right of Entry.

To enter upon the Leased Premises, or any portion thereof, at any time during the term of this Lease for any purpose including the purpose of inspecting the Leased Premises.

### 2.3.2 Resources and Fee Title.

All rights for timber, oil and gas, minerals, solar and wind, easements and rights-of-way and fee title to the Leased Premises.

### 2.3.3 Grant of Easements, Licenses, Permits, Leases, and Other Property Interests.

To grant and issue easements, licenses, permits, leases, and any other property interest over, under, through or upon the Leased Premises, providing said easements, licenses, permits, and leases do not materially conflict or interfere with the use of Lessee or with the permitted Geothermal Facilities or Improvements installed and maintained or operated by Lessee upon the Leased Premises. Lessor shall notify Lessee before granting or issuing any easement, license, permit, or lease on the Leased Premises. This Lease is subject to any permit, license, lease, right-of-way, easement, or other encumbrance in existence prior to the execution of this Lease.

### 2.3.4 Ownership of Improvements and Geothermal Facilities.

Throughout the term of this Lease and apart from any rights provided herein by reason of a default by Lessee, Lessor shall have no ownership or other interest in any Geothermal Facilities or Improvements, other than roads and appurtenances thereto, and Lessee may remove any or all such property, other than roads and appurtenances thereto, at any time in accordance with the terms of this Lease, including, but not limited to, Section 7.2.

### 2.3.5 Changes in Use for the Protection of Health and Safety.

To require that changes be made in the use under this Lease, or to the Geothermal Facilities or Improvements on the Leased Premises, including to the sanitation or other facilities, for the protection of public health, safety, or preservation of property or water quality.

### 2.3.6 Reservation of Water Interests.

To reserve as Lessor's sole property any and all water from any source arising on or placed in beneficial use on the Leased Premises and to hold all water rights for any beneficial use that may develop as a result of this Lease; however Lessee shall have use of such water, if approved in the Development Plan, during the term of this Lease without cost.

### 2.3.7 Right of Access Across the Leased Premises.

To the extent such access does not unreasonably interfere with Lessee's activities with regard to the Leased Premises, rights of access across the Leased Premises for Lessor and its assigns on existing roads or on alternative roads provided by Lessee subject to Lessor's prior written approval, unless otherwise provided on Attachment C, if any.

### 2.3.8 Timber and Forest Management.

This Lease is made subject to all present and future timber sale contracts and reforestation or other forest management contracts. Lessee shall be provided with such present contracts or a memoranda of such present contracts prior to the execution of this Lease. Except as specifically approved by Lessor in writing, this Lease does not authorize Lessee to cut any timber growing on the Leased Premises. Lessee shall notify Lessor at least six (6) months prior to cutting or removing timber on the Leased Premises. Lessee shall not remove such timber without the prior written approval of Lessor. Lessee shall pay to Lessor the fair market value of any merchantable timber and pre-merchantable timber cut or cleared from the Leased Premises. Timber value shall be established by Lessor using fair market value approach appraisal techniques. Upon payment by Lessee of the timber value established by Lessor, title to the timber shall pass to Lessee.

### 2.3.9 Direct Use and By-Products.

Lessor reserves the right to determine that production, use or conversion of Leased Resources under this Lease is reasonably susceptible as a Direct Use or to produce or result in valuable By-Products, including, but not limited to, commercially demineralized or mineralized water from such Leased Resources. Lessor may require substantial beneficial production, use or sale as Direct Use or By-Products, except where the department, in consultation with the Lessee, determines that:

- A. Beneficial production for Direct Use or By-Products is not in the interest of conservation of natural resources; or
- B. Beneficial production for Direct Use or By-Products would not be economically feasible for Lessee; or
- C. Beneficial production for Direct Use or By-Products should not be required for other satisfactory reasons.

If Lessor and Lessee are unable to agree as to the viability of production, use or conversion for Direct Use or the sale of By-Products, Lessee shall not inhibit, in any manner, Lessor's ability to lease any such unused portion of the Leased Resources that may be developed for such Direct Use or sale as By-Products to a third party, provided the activities of any such third party would not unreasonably interfere with Lessee's use and development of the Leased Resources.

#### 2.3.10 Sale and Exchange.

Lessor reserves the right to sell or exchange all or any portion of the Leased Premises subject to the terms of this Lease, and subject to the terms of Idaho Code § 58-313. In the event Lessor sells or exchanges all or any part of the Leased Premises, Lessor shall provide Lessee one hundred eighty (180) days prior written notice.

#### 2.3.11 Public Use.

Lessee must allow the general public the right to use the lands described in the Lease for any lawful use authorized by the State Board of Land Commissioners for lands owned by the State, except for any such use which is incompatible with Lessee's use under the terms of this Lease, and further excepting exclusive use areas approved by Lessor pursuant to Section 6.3.5. However, nothing in this Lease authorizes or purports to authorize trespass on private lands to reach State-owned lands. Lessee shall not restrict public use of State lands authorized by the State Board of Land Commissioners without prior written approval of Lessor; provided however, nothing in this Lease shall be deemed a limitation on Lessor's authority to control public use of the Leased Premises where such use is authorized by the State Board of Land Commissioners. This Lease is not an exclusive control lease as described under Idaho Code § 36-1603(b). During operations, the Lessee will regulate public access and vehicular traffic to protect human life, wildlife, livestock and property from hazards associated with the operations. For this purpose, the Lessee will provide warning, fencing, flagmen, barricades, well and hole coverings and other safety measures as appropriate. Restrictions on access must be approved by the Lessor as part of a plan of operations. Lessee will not at any time fence any watering place upon leased lands where the same is the only accessible and feasible watering place upon the lands within a radius of one (1) mile without first having secured the written consent of the Lessor.

#### 2.3.12 Harvest of Seed.

Lessor reserves the right to harvest seed from plants on the Leased Premises. Lessor shall coordinate the harvesting activities with Lessee at the earliest reasonable time to minimize impacts on Lessee's operations.

#### 2.3.13 Closure of Roads.

Lessor reserves the right to close roads for a period reasonably necessary for road protection, water quality protection, wildlife and fish protection, administrative purposes or any other reason deemed necessary by Lessor. Planned road closures will be reviewed with Lessee, and Lessee shall be given notice of any planned road closure at least sixty (60) days in advance of any such closure; and, to the extent reasonably feasible, Lessee shall be provided with alternate access prior to action by Lessor. Lessor shall make reasonable efforts to limit the term of any emergency road closures to the period necessary to resolve the emergency.

#### 2.3.14 Closure of Operations for Safety, Pollution, and Fire Suppression.

Lessor shall have the right, in situations of imminent danger to life or property, upon such notice as is reasonable in the circumstances, to require Lessee to cease operations on the Leased Premises where reasonably necessary, as determined by Lessor or other applicable federal or state agency with jurisdiction, to protect the public safety, environment, or for fire suppression on the Leased Premises or adjacent lands without compensation to Lessee.

#### 2.3.15 Sampling.

When necessary or advisable, Lessor may require that adequate samples be taken and tests or surveys be made using techniques consistent with industry practice, without cost to Lessor, to determine the identity and character of formations; the presence of geothermal resources, water or reservoir energy; the quantity and quality of geothermal, water or reservoir energy; the amount and direction of deviation of any well from the vertical; formation, casing and tubing pressures, temperatures, rate of heat and fluid flow, or whether operations are conducted in a manner looking to the protection of the interest of Lessor. Lessee shall forward a copy of the results obtained from all geochemical, hydrologic, geologic, and other tests or surveys to Lessor within thirty (30) days of receiving the results.

### **2.4 Lessee's Due Diligence.**

#### 2.4.1 Due Diligence Period.

Lessee shall have a period of ninety (90) days after the Commencement Date (the "Due Diligence Period") to complete the due diligence items described below in this Subsection 2.4.1. During such period Lessee shall obtain and review, or waive its right to obtain and review, the following:

A. A survey (the "Survey") of the Leased Premises prepared by a licensed land surveyor satisfactory to Lessee. Lessor shall receive a copy of any Survey prepared by Lessee, or on its behalf, free of charge. Lessee shall pay the cost of the Survey.

B. A commitment for title insurance and/or any title policy thereafter acquired (the "Title Report") insuring Lessee's leasehold interest on the Leased Premises by a recognized, reputable title company in the amount of five hundred thousand dollars (\$500,000) (or such lesser amount as Lessee may choose), insuring Lessee that, as of the Commencement Date, the leasehold interest in the Leased Premises created pursuant to this Lease is vested in Lessee. Lessor shall receive a copy of any Title Report prepared by or on behalf of Lessee free of charge. The cost of such Title Report shall be paid by Lessee.

C. A Level I environmental site assessment of the Leased Premises (the "Environmental Report"). Lessor shall receive a copy of any Environmental Report prepared by or on behalf of Lessee free of charge. The cost of the Environmental Report shall be paid by Lessee.

#### 2.4.2 Right of Review and Cancellation.

Prior to the expiration of the Due Diligence Period, Lessee shall give Lessor written notice of any objection of Lessee to any matter disclosed by the Survey, the Title Report, or the

Environmental Report to which Lessee objects (Disapproved Matters). If Lessee does not object to a matter disclosed by the Survey, the Title Report, or the Environmental Report within the Due Diligence Period, such matter shall be deemed to have been approved by Lessee. If Lessee gives notice of objection as to any such matter within the Due Diligence Period, Lessor shall have the option to immediately cancel the Lease, or if Lessor elects (without, however, Lessor having any obligation to do so), Lessor shall have a reasonable time period (the "Cure Period") following receipt of notice of objection from Lessee, not to exceed ninety (90) days, to attempt to eliminate, cure, or otherwise remediate, at Lessor's cost, such Disapproved Matters. Notice of Lessor's election to attempt to cure shall be given to Lessee within fifteen (15) days following receipt of Lessee's notice of objection. If Lessor does not eliminate, cure, or otherwise remediate such Disapproved Matters within the Cure Period, Lessee's sole and exclusive remedy shall be to cancel this Lease by giving written notice of cancellation to Lessor on or before thirty (30) days after expiration of the Cure Period. If Lessee does not elect to cancel on or before thirty (30) days after expiration of the Cure Period, Lessee shall be deemed to have elected to waive any uncured Disapproved Matters, and the Lease shall continue in full force and effect. In the event this Lease is cancelled by Lessor in response to notice of Disapproved Matters or by Lessee by reason of Lessor's failure to cure such Disapproved Matters within the Cure Period, Rent paid by Lessee shall be refunded.

#### 2.4.3 Limitation on Activities.

Until such time as Lessee has completed Lessee's Due Diligence, and Lessor has cured, or Lessee has waived any Disapproved Matters, Lessee's actions on the Leased Premises shall be limited to those necessary for Lessee's Due Diligence.

#### 2.4.4 Offset Well Requirements.

In the event any well is completed or placed on production after the effective date of this Lease on non-State owned Geothermal Resources, with any part of its producing interval within five hundred (500) feet from the exterior boundary of the Leased Premises and within the same Field, or if drainage is a material risk, then Lessor may notify Lessee in writing to commence drilling an offset well within the Leased Premises, and with reasonable time, not to exceed one hundred twenty (120) days, Lessee shall commence operations for drilling that offset well or shall unitize with the well that is draining the Leased Premises or pay compensatory Royalty to Lessor. An offset well shall mean a well, the producing interval of which is situated within or under the Leased Premises, not more than five hundred (500) feet from the point on the exterior boundary of the Leased Premises nearest to the producing interval of the well to be offset. Notwithstanding the foregoing, wells drilled under an approved unit or cooperative plan shall not create an obligation to drill an offset well as to any portion of the Leased Premises that is included within such unit and participating in the revenue therefrom.

### **ARTICLE III – Lease Term, Termination and Expiration**

#### **3.1 Lease Term.**

This Lease shall commence on \_\_\_\_\_ (the "Commencement Date") and continue until the \_\_\_ anniversary of the Commencement Date (the "Expiration Date"), unless earlier terminated as provided herein.

### **3.2 Use of Phases.**

The term of this Lease shall be separated into phases more particularly described in Article IV. These phases may vary in time or occur simultaneously for different portions of the Leased Premises as more particularly described in the Development Plan produced pursuant to Section 6.3. If different phases occur simultaneously, Rent shall be apportioned as set forth in Section 5.3.

### **3.3 Maximum Phase Terms.**

Phases shall not exceed the periods set forth in Article IV.

### **3.4 Termination.**

#### **3.4.1 Termination by Lessee.**

A. During Phase 1 of this Lease, Lessee may terminate this Lease by giving Lessor ninety (90) days' prior written notice of termination. Upon termination during Phase 1, Lessee shall not be entitled to refund or credit of the Rent paid by Lessee under Section 5.1 of this Lease. If this Lease is terminated during Phase 1 Lessee shall restore the Leased Premises to its natural contour and vegetative state.

B. During Phase 2 of this Lease, Lessee may terminate this Lease by giving Lessor one hundred eighty (180) days' prior written notice of termination and completing all Lessee's obligations under the Decommissioning and Reclamation Plan accepted by Lessor under Article IV. Upon termination during Phase 2, Lessee shall not be entitled to refund or credit of the Rent paid by Lessee under Section 5.1 of this Lease.

C. During Phase 3 of this Lease, Lessee may terminate this Lease by giving Lessor one hundred eighty (180) days' prior written notice of termination and completing all Lessee's obligations under the Decommissioning and Reclamation Plan accepted by Lessor under Article IV. Upon termination during Phase 3, Lessee shall not be entitled to refund or credit of the Rent paid by Lessee under Section 5.2 of this Lease.

D. Upon termination during Phase 2, Phase 3, or Phase 4, Lessee's actions on the Leased Premises shall be limited to those necessary for completion of its obligations under the Decommissioning and Reclamation Plan.

E. If different Phases are occurring simultaneously, then the Termination provisions applicable to the most advanced Phase shall apply.

#### **3.4.2 Termination by Lessor for Lessee's Default.**

A. Lessee shall be in default hereunder if any one or more of the following occurs:

1. Lessee fails to pay when due any installment of Rent, or any other sum due hereunder;

2. Lessee fails to observe or perform any other of the terms, covenants, agreements, conditions or undertakings herein contained to be kept, observed and performed by Lessee under this Lease when the same become due;

3. Lessee becomes insolvent or proceedings in bankruptcy or for liquidation, reorganization or rearrangement of Lessee's affairs are instituted by or against Lessee;

4. A receiver or trustee is appointed for all or substantially all of Lessee's business or assets;

5. A trustee is appointed for Lessee after a petition has been filed for Lessee's reorganization under the United States Bankruptcy Code, or if this lease be rejected under § 365 of the United States Bankruptcy Code;

6. Lessee shall make an assignment for the benefit of its creditors;

7. Lessee makes a transfer, novation, assignment, or sublease not approved by Lessor in violation of Article X;

8. Lessee's failure to complete a phase as more particularly described in Section 3.3 and Article IV; or,

9. Lessee's failure to complete a phase prior to the conclusion of its maximum period as more particularly described in Article IV without the prior written approval of Lessor.

10. Lessee allows a lien to be filed or continued in existence in violation of Article XII.

11. Any other event or condition defined as a default in this Lease.

B. The following cure periods shall apply to Lessee's default under this Lease.

1. As to any failure referred to in Subsection 3.4.2.A.1 above, Lessee shall be allowed thirty (30) days from the date of notice thereof to effect a cure by payment in full of such Rent or other sum due hereunder.

2. As to any failure or default referred to in this Lease, Lessee shall be allowed the period specified in this Lease for cure, or if no cure period is specified, Lessee shall be allowed sixty (60) days from the date of notice thereof to effect a cure, provided however, in the case of any curable failure referred to in Subsection 3.4.2.A.2 above, which cannot with diligence be cured within the applicable cure period, if Lessee shall commence to cure within the applicable cure period and thereafter to prosecute continuously to complete the curing of such failure with diligence, the time within which to cure the same shall be extended for such period as may be reasonably necessary to complete the curing of the same with diligence.

3. As to an occurrence of any event described in Subsections 3.4.2.A.3, 3.4.2.A.4 or 3.4.2.A.5 above, but only if such is the result of action brought against Lessee and without Lessee's concurrence, Lessee shall be allowed a period of sixty (60) days from the commencement of proceedings to have the same dismissed and any receiver or trustee appointed thereunder discharged.

4. All default and grace periods shall be deemed to run concurrently and not consecutively.

C. In the event of any default by Lessee, if not cured within the applicable cure period, if any, Lessor, at its election, may enforce, by judicial action or otherwise, any one, or any combination, of any and all remedies available at law or in equity, or without limitation of any such remedies, any one, or any combination, of the following:

1. Lessor may terminate this Lease, re-enter upon all or any part of the Leased Premises, either with or without process of law, Lessee hereby waiving any demand for possession, and remove Lessee and any persons or property from the Leased Premises, and Rent shall become due thereupon and be paid up to the time of such re-entry, dispossession or termination;

2. Lessor may re-let the Leased Premises or any part or parts thereof, either in the name of Lessor or otherwise, for a term or terms, which may at Lessor's option be less than or exceed the period which would otherwise have constituted the balance of the term of this Lease and may grant concessions or free rent or charge a higher rental than that in this Lease; and

3. Lessor may collect from Lessee damages incurred by or resulting to Lessor for the failure of Lessee to observe and perform any term, condition, covenant, duty or obligation of this Lease.

4. Lessor may allow the Lease to remain in full force and effect and enforce all of Lessor's rights and remedies hereunder.

5. Remove Lessee's property and store the same at Lessee's expense, or require Lessee to remove the same.

D. The failure of Lessor to re-let the Leased Premises or any part or parts thereof shall not release or affect Lessee's liability for damages. In computing such damages there shall be added to the said deficiency such expenses as Lessor may incur in connection with re-letting, such as legal expenses, reasonable attorney fees, brokerage, advertising and for keeping the Leased Premises in good order or for preparing the same for re-letting. Any such damages shall be paid in installments by Lessee on the Rent day specified in this Lease and any suit brought to collect the amount of the deficiency for any period shall not prejudice in any way the rights of Lessor to collect the deficiency for any subsequent period by a similar proceeding. Lessor, in putting the Leased Premises in good order or preparing the same for re-letting may, at Lessor's option, make such alterations, repairs, or replacements to the Leased Premises as Lessor, in Lessor's sole judgment, considers advisable and necessary for the purpose of re-letting the

Leased Premises, and the making of such alterations, repairs, or replacements shall not operate or be construed to release Lessee from liability hereunder as aforesaid. Lessor shall in no event be liable in any way whatsoever for failure to re-let the Leased Premises, or in the event that the Leased Premises are re-let, for failure to collect the rent thereof under such re-letting, and in no event shall Lessee be entitled to receive any excess, if any, of such net rents collected over the sums payable by Lessee to Lessor hereunder. In the event of a breach or threatened breach by Lessee of any of the covenants or provisions hereof, Lessor shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Mention in this Lease of any particular remedy, shall not preclude Lessor from any other remedy, in law or in equity. Lessee hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Lessee being evicted or dispossessed for any cause, or in the event of Lessor obtaining possession of Leased Premises, by reason of the violation by Lessee of any of the covenants and conditions of this Lease, or otherwise.

### **3.5 Surrender by Lessee Upon Expiration of Lease Term or Upon Termination.**

Upon expiration of the Lease term or if sooner terminated, Lessee shall peaceably surrender and deliver up the Leased Premises to Lessor.

### **3.6 Reclamation of Leased Premises.**

Prior to or upon expiration or termination of this Lease, Lessee shall complete reclamation of the Leased Premises in accordance with the Decommissioning and Reclamation Plan accepted by Lessor as provided in Article IV and Article VI.

### **3.7 Holding Over.**

If Lessee or any successor in interest of Lessee should remain in possession of the Leased Premises, or continue using the Leased Resources, after expiration or termination of the Lease term without executing a new lease, then such holding over shall be construed as a tenancy from month-to-month, subject to all the covenants, terms, provisions and obligations of this Lease, except that the reasonable rent for the holdover period shall be two times the Rent payable immediately preceding the first day of the holdover period. Nothing contained herein shall be construed as Lessor's permission for Lessee to hold over or as limiting Lessor's remedies at law or in equity against Lessee, and if the Leased Premises or Leased Resources are not surrendered at the end of the Lease term, Lessee shall indemnify Lessor for, from and against any loss or liability resulting from the delay by Lessee in so surrendering the Leased Premises or Leased Resources, including without limitation, any claims made by any succeeding lessee based on such delay.

### **3.8 Lease Expiration.**

If Lessee desires to continue leasing the Leased Premises, and provided Lessee is not in default of any term or condition of this Lease, then at least one hundred eighty (180) days, but not more than one year, prior to the Expiration Date, Lessee shall provide Lessor with a written request for a new geothermal lease or an extension of this Lease. If Lessor elects to enter into another geothermal lease or to extend this Lease, then Lessor will notify Lessee in writing within one hundred twenty (120) days prior to the Expiration Date and shall propose terms and conditions for a new lease and negotiate exclusively with Lessee. If the Parties reach agreement within

thirty (30) days prior to the Expiration Date, a new lease will be executed with no lapse in time between the expired lease and the new lease. If the Parties do not reach agreement, then Lessor may, at its option, offer the new lease to a third party in accordance with Lessor's policies and procedures.

#### **ARTICLE IV - Lease Phases**

##### **4.1 Phase 1 - Research and Analysis.**

Phase 1 shall commence upon the Commencement Date and shall run simultaneously with the Due Diligence Period.

##### **4.1.1 Phase 1 Activities.**

During Phase 1 of this Lease, Lessee shall engage in the activities and submit all the requirements set forth in this Subsection 4.1.1. All such activities shall be described in the Research and Analysis Plan more particularly described in Section 6.2 to be developed by Lessee and submitted to Lessor for acceptance and approval in writing before Lessee commences any Phase 1 activities. All such activities and requirements shall be conducted at Lessee's sole cost and expense. Lessee shall provide to Lessor all geothermal data collected and all reports and studies including, but not limited to, seismic, environmental and aviary studies, temperature gradient wells, spring surveys, electromagnetic surveys, geothermometry analysis, and other data collection and analysis conducted on the Leased Premises and the Leased Resources during Phase 1; all such data, reports and studies may be utilized by Lessor or any subsequent lessee upon the termination of this Lease by default or otherwise. During the term of this Lease, Lessee may mark any such geothermal data collected and any reports and studies including, but not limited to, the above listed studies conducted during Phase 1, as trade secrets, proprietary information or by such other designation as Lessee believes applicable to exempt such documents from public disclosure pursuant to the Idaho Public Records Law (Idaho Code §§ 9-337 through 9-350) and Lessor shall treat the information as confidential as set forth in Section 15.19.

A. Lessee shall conduct all studies necessary for the development of Geothermal Facilities on the Leased Premises and the development of the Leased Resources. These studies may occur off the Leased Premises in the same general geographic location if the studies can be reasonably extrapolated to the Leased Premises as determined by Lessor or any appropriate decision-maker needing to rely on any such study, in Lessor's or such other decision-maker's sole discretion. Studies may include the installation of wells.

B. Lessee shall conduct environmental studies required to obtain Government Approvals for subsequent phases of this Lease, including well drilling permits, if required, avian interaction and migration pattern studies.

C. Lessee shall obtain all required Government Approvals for subsequent phases of this Lease, and shall submit to Lessor an Opinion Letter addressed to Lessor signed by a law firm that includes attorneys admitted to practice and in good standing in the State of Idaho providing an opinion that all Government Approvals necessary for Lessee's commencement of construction and operation of the Geothermal Facilities are legally and validly issued, are held in the name of Lessee and, that Lessee is in substantial compliance with said Government

Approvals as of the date of the Opinion Letter. Lessee shall provide copies of such Government Approvals to Lessor.

D. Lessee shall provide to Lessor evidence of any and all, but at least one existing, valid and enforceable Use Agreement acceptable to Lessor.

E. Lessee shall submit to Lessor the Development Plan more particularly described in Section 6.3.

F. Lessee shall submit to Lessor a Decommissioning and Reclamation Plan and security more particularly described in Section 6.4 and Article VIII, respectively.

G. Lessee shall submit to Lessor a Hazardous Materials/Waste Management Plan more particularly described in Section 13.1 and Article XIII.

#### 4.1.2 Conclusion of Phase 1.

Phase 1 of this Lease shall conclude upon the receipt by Lessor of copies of all required studies, surveys, reports, and Government Approvals for commencement of development under Phase 2 of this Lease; Lessor's acceptance of any and all Use Agreements then existing, with any thereafter existing to be submitted for acceptance by Lessor; Lessor's acceptance of the Decommissioning and Reclamation Plan; Lessor's acceptance of the Development Plan; and, Lessee's provision of the security required by Article VIII. Lessor's acceptance of a Use Agreement and required plans shall be in writing. Progression to Phase 2 shall not occur until Lessee's obligations to Lessor identified in Phase 1 are satisfied and acknowledged by Lessor in writing.

#### 4.1.3 Maximum Phase 1 Length.

Unless extended by Lessor in writing, Phase 1 of this Lease shall not extend longer than sixty (60) months from the Commencement Date. Any acreage not delineated in the Development Plan for either Phase 1 or Phase 2 as either Supporting Area or Production Area may be removed from the terms of this Lease at the discretion of Lessor.

### **4.2 Phase 2 - Development.**

Phase 2 of this Lease shall commence upon the conclusion of Phase 1 of this Lease.

#### 4.2.1 Phase 2 Activities.

During Phase 2 of this Lease, Lessee shall engage in construction of the Geothermal Facilities and related Improvements on the Leased Premises or on offset properties that result in production of Leased Resources, as more particularly described in the Development Plan accepted by Lessor. A well is considered to be completed thirty (30) days after drilling operations have ceased and the drill rig is removed from the premises or thirty (30) days after the initial production or injection test has been completed, whichever occurs last. All costs and expenses of construction and development in Phase 2, and all subsequent additions and modifications to the Geothermal Facilities and related Improvements shall be at the sole cost and expense of Lessee. If Lessor, in good faith, believes that Lessee has violated or failed to obtain any Governmental Approvals necessary for activities during Phase 2 of this Lease, then Lessor

shall grant Lessee a ninety (90) day period and opportunity to seek the Governmental Approvals, and if such approval is deemed necessary for Lessee's activities and any such Governmental Approvals are not obtained, Lessor shall have the right, without limitation, to require Lessee to cease activities related to such violation until the violation has been remedied to the satisfaction of Lessor in its sole discretion. Lessee will use due diligence to market or utilize geothermal resources in paying quantities. If Leased Premises are capable of producing geothermal resources in paying quantities, but production is shut-in, the lease will continue in force upon payment of rentals for the duration of the Lease term or two (2) years after shut-in, whichever is shorter. If Lessor determines that the Lessee is proceeding diligently to acquire a contract to sell or to utilize the production or is progressing with installations needed for production, the Lease may continue in force for one (1) additional year if rental payments are kept current. Lessor will continue to review a shut-in lease every year until production and payment of royalties takes place, or the Lease is terminated for Lessee's lack of due diligence or surrendered by the Lessee.

#### 4.2.2 Conclusion of Phase 2.

Phase 2 of this Lease shall conclude upon:

A. Lessor's acknowledgement of receipt and completeness of copies of all easements for connecting lines and pipelines, transmission lines, substations, and other improvements outside the Leased Premises necessary to carry out any and all Use Agreements submitted under Phase 1 of this Lease or subsequently submitted for use and accepted by Lessor;

B. Lessor's acknowledgement of receipt and completeness of "as built" drawings showing the exact location of all completed Geothermal Facilities and Improvements on the Leased Premises; and

C. Lessor's acknowledgement of receipt and completeness of electrical energy converted from Geothermal Resources on the Leased Premises or from Leased Resources under any and all Use Agreements submitted under Phase 1 of this Lease or subsequently submitted for use and accepted by Lessor.

D. The Direct Use of Geothermal Resources for the intended commercial, industrial, public, or residential purposes on the Leased Premises or with Leased Resources under the Lease.

E. Usage of By-Products on the Leased Premises or with Leased Resources under the Lease.

#### 4.2.3 Partial Transition to Phase 3.

Lessee may submit the items required in Subsection 4.2.2 for the conclusion of Phase 2 of this Lease for individual Geothermal Facilities or groupings of Geothermal Facilities; provided that conclusion of Phase 2 of this Lease for such individual or groupings of Geothermal Facilities must be consistent with any and all Use Agreements submitted under Phase 1 of this Lease or subsequently submitted for use and accepted by Lessor.

#### 4.2.4 Maximum Phase 2 Length.

Unless extended by Lessor in writing, Phase 2 of this Lease shall not extend longer than sixty (60) months from the Commencement of Phase 2. Progression to Phase 3 shall not occur until Lessee's obligations to Lessor identified in Phase 2 are satisfied and acknowledged in writing by Lessor.

### **4.3 Phase 3 - Operation.**

Phase 3 of this Lease shall commence upon the conclusion of Phase 2 of this Lease.

#### 4.3.1 Phase 3 Activities.

During Phase 3 of this Lease, Lessee shall engage in the production and delivery of electrical energy converted from Geothermal Resources on the Leased Premises or with Leased Resources under the Use Agreements submitted under Phase 1 of this Lease or subsequently submitted for use and accepted by Lessor, or through Direct Use of the Geothermal Resources or use of By-Products on the Leased Premises or with Leased Resources. Lessee shall measure or gauge all production in accordance with methods approved by Lessor. The quantity and quality of all production will be determined in accordance with the standard practices, procedures and specifications generally used in industry. All measuring equipment must be tested consistent with industry practice and, if found defective, Lessor will determine the quantity and quality of production from the best evidence available. Lessee shall, at least annually, furnish Lessor the results of periodic tests showing the content of by-products in the produced geothermal resources. Such tests will be taken as specified and by the method of testing approved by Lessor, except that tests not consistent with industry practices will be conducted at the expense of the state of Idaho. If Lessor, in good faith, believes that Lessee has violated or failed to obtain any Governmental Approvals necessary for activities during Phase 3 of this Lease, Lessor shall grant Lessee a ninety (90) day period and opportunity to seek the Governmental Approvals, and if such approval is deemed necessary for Lessee's activities and such Governmental Approvals is not obtained, Lessor shall have the right, without limitation, to require Lessee to cease activities related to such violation until the violation has been remedied to the satisfaction of Lessor in its sole discretion.

#### 4.3.2 Modifications to Geothermal Facilities and Improvements in Phase 3.

No material modifications to the Leased Premises or to the accepted Development Plan may be made without Lessor's prior written consent. Lessor reserves the right to approve any and all modifications, design, location, and construction. Lessee shall submit a revised Development Plan to Lessor prior to modifying the Geothermal Facilities or Improvements during Phase 3. Modifications to the Geothermal Facilities or Improvements shall not remove any Production Area subject to such modifications from the requirements, including the payment of Rent, applicable to Phase 3 of this Lease without the prior written consent of Lessor. Lessee shall submit updated drawings showing subsequent modifications to the Geothermal Facilities and Improvements on the Leased Premises as such modifications are completed.

#### 4.3.3 Conclusion of Phase 3.

Phase 3 of this Lease shall conclude upon:

A. Written notice by either Party of termination of this Lease as more particularly set forth in Section 3.4;

B. Failure of Lessee to convert eighty five percent (85%) of the total Nameplate Capacity of the geothermal energy turbines installed on the Leased Premises for a period of one hundred twenty (120) consecutive days, unless such failure arises from: replacement of Geothermal Facilities or Improvements under a Development Plan accepted by Lessor; replacement of Geothermal Facilities or Improvements as a result of casualty or loss; or force majeure under Section 15.5;

C. Failure of Lessee to deliver eighty five percent (85%) or more of the total Nameplate Capacity of the geothermal energy turbines installed on the Leased Premises under the Use Agreements submitted under Phase 1 of this Lease or subsequently submitted for use and accepted by Lessor for a period of one hundred twenty (120) consecutive days, unless such failure arises from a serial defect in the geothermal energy turbines (a serial defect is defined as a manufacturer's defect affecting all or a substantial portion of the geothermal energy turbines causing simultaneous failures which Lessee is not able to correct through reasonably diligent efforts due to the failure to obtain all necessary parts within said timeframe from the manufacturer due to manufacturer's failure); replacement of Geothermal Facilities or Improvements under a Development Plan accepted by Lessor; replacement of Geothermal Facilities or Improvements as a result of casualty or loss; or force majeure under Section 15.5;

D. Failure of Lessee to operate the Direct Use of Geothermal Resources at eighty-five percent (85%) of the design capacity for a period of one hundred twenty (120) consecutive days, unless such failure arises from replacement of Geothermal Facilities or Improvements as a result of casualty or loss; or force majeure under Section 15.5; or

E. Upon the date set forth in the Decommissioning and Reclamation Plan accepted by Lessor.

#### **4.4 Phase 4 - Decommissioning and Reclamation.**

Phase 4 of this Lease shall commence upon Lessor's written confirmation that all Phase 3 Lease requirements have been fulfilled to Lessor's satisfaction or upon earlier termination as more particularly described in Section 3.4. The Decommissioning and Reclamation obligations shall survive the termination of this Lease. Phase 4 of this Lease shall conclude upon Lessor's written confirmation that all Phase 4 Lease requirements have been fulfilled to Lessor's satisfaction. If Lessor, in good faith, believes that Lessee has violated or failed to obtain any Governmental Approvals necessary for activities during Phase 4 of this Lease, Lessor shall grant Lessee a ninety (90) day opportunity to seek the Governmental Approvals, and if such Governmental Approvals is deemed necessary for Lessee's activities and such Governmental Approvals is not obtained, Lessor shall have the right, without limitation, to require Lessee to cease activities related to such violation until the violation has been remedied to the satisfaction of Lessor in its sole discretion.

#### **4.5 Transition of Supporting Area.**

Supporting Area shall be transitioned into Phases 2 and 3 concurrently with the first Production Area transitioning to such phase. Supporting Area shall be transitioned into Phase 4 concurrent with the last Production Area transitioning to such phase. A Production Area may not be transitioned or converted to a Supporting Area without the prior written permission of Lessor.

### **ARTICLE V - Rent and Royalty**

#### **5.1 Base Rent.**

Lessee shall pay in advance Base Rent annually on the Commencement Date and on each anniversary of the Commencement Date, the Base Rent as hereinafter set forth. During Phase 1 of the Lease, Lessee shall pay annual Base Rent in the amount of \$\_\_\_\_, which is calculated at a rate of \$\_\_\_\_ per acre multiplied by \_\_\_\_\_, the total acreage of the Leased Premises. Land values shall be increased annually (indexed) at the rate of \_\_\_\_\_% following the Commencement Date or any subsequent appraisal provided herein, which upwards adjustments to land value shall be cumulative in and for all of Phases of this Lease. Starting with Phase 2, and continuing through all remaining phases, Base Rent shall be modified to account for surface impacts associated with construction and operations activities which significantly alter the Leased Premises. Prior to Phase 2, Lessor will conduct an appraisal of all portions of the Leased Premises identified in the approved Development Plan to be utilized for either Production Area or Supporting Area as defined in “Article I – Definitions”. Annual rent for the lands identified as Production Area and Supporting Area shall be calculated at the rate of \_\_\_\_\_% of the appraised value of the lands per acre so utilized multiplied by the number of acres so utilized, and indexed annually at \_\_\_\_\_%,. In calculating the amount of land to be utilized by or associated with Production Area and Supporting Area, pipelines are assumed to require a minimum of a 10-foot wide corridor, unless otherwise identified, and such width for transmission lines as may be identified. Annual rent for all other lands not utilized by Production Area or Supporting Area shall be calculated as previously described in this section. Annual Base Rent beginning in Phase 2 shall be calculated by adding the rent for the acres utilized for Production Area and Supporting Area and the rent for the remaining acres comprising the Leased Premises; provided however, that Base Rent during Phase 2 and thereafter shall never be less than the Base Rent set for Phase 1.

**5.2 Royalty.** After the Lease enters Phase 3, Royalties based on Gross Revenue, which Royalty shall be due and payable not later than the last day of the calendar month following the calendar month of production, will be paid as follows:

##### 5.2.1 Geothermal Power Production.

Leased Resources used for Power Production will require Lessee to pay Lessor \_\_\_\_% of the Gross Revenue for Power Production.

##### 5.2.2 Geothermal Direct Use.

Leased Resources used for Direct Use by Lessee or any third party will require Lessee to pay Lessor \_\_\_\_% of the equivalent value of a natural gas source (fuel) for the Direct Use. The equivalent value of a natural gas energy source will be based on the amount of thermal energy that would otherwise be used by the direct use facility in place of the geothermal resource. That amount of thermal energy (in Btu) displaced by the geothermal resource will be determined by the equation:

$$\text{thermal energy displaced} = \frac{(h_{in} - h_{out}) \times \text{density} \times 0.113681 \times \text{volume}}{\text{efficiency factor}}$$

Where h(in) is the enthalpy in Btu/lb at the direct use facility inlet (based on measured inlet temperature), h(out) is the enthalpy in Btu/lb at the facility outlet (based on measured outlet temperature), density is in lbs/cu ft based on inlet temperature, the factor 0.113681 (cu ft/gal) converts gallons to cubic feet, and volume is the quantity of geothermal fluid in gallons produced at the wellhead or measured at an approved point. The efficiency factor of the alternative energy source will be 0.8 for natural gas or an efficiency factor proposed by the lessee and approved by Lessor. The resulting factor will be multiplied by the General Service 1 (GS-1) rate (over 2,000 therms/bill usage) for natural gas. The GS-1 rate will be obtained from Intermountain Gas Company or any other source as approved by Lessor. The methods of measuring resource parameters (temperature, volume, etc.) and the frequency of computing and accumulating the amount of thermal energy displaced will be determined and approved by Lessor.

### 5.2.3 Geothermal By-Products.

The use or sale of By-Products, which shall include the market value of any By-Products used by Lessee's operations (or removed from the Leased Premises, will require Lessee to pay Lessor \_\_\_% of Gross Revenue for any By-Products.

### 5.2.4 Commingled Geothermal Resources.

Lessor may authorize Lessee to commingle production from wells on the Leased Premises with production from non-state lands. Lessor approval of commingling will not be unreasonably withheld, and will consider the following: (1) Lessee's economic necessity of commingling; (2) the type of geothermal use proposed for any commingled geothermal resources; and (3) sufficient measurement and accounting of all the commingled geothermal resources to ensure that the Lessor is appropriately compensated by royalties. If Leased Resources are commingled or otherwise covered by a unit or cooperative agreement, then Gross Revenue due to Lessor will be calculated to include the commingled Geothermal Resources by determining the percentage contribution of Leased Resources to the overall production.

### 5.2.5 Royalty Separate From Rent.

All Royalties paid in this section will be in addition to the annual rental payments.

### 5.2.6 Royalty for Usage of Leased Resources Off the Leased Premises.

Whether or not it is explicitly stated elsewhere in the Lease, Lessee shall pay a proportionate share of Royalties to Lessor when the Leased Resources are either produced from the Leased Premises and utilized off the Leased Premises, or produced from off the Leased Premises due to drainage and utilized on or off the Leased Premises. The proportionate share will be based on the measured or estimated contribution of Leased Resources to the total production.

## **5.3 Apportionment of Rent During Simultaneous Phases.**

If different Phases are occurring simultaneously, then the Acreage Fee applicable to the most advanced Phase shall apply.

#### **5.4 Lessee's Records.**

The Lessee shall file with Lessor within thirty (30) days after execution a copy of any contract for the utilization of geothermal resources from the Lease. Reports of sales or utilization by Lessee and royalty for each productive lease must be filed each month once production begins, even though production may be intermittent, unless otherwise authorized by Lessor. Total volumes of geothermal resources produced and utilized or sold, including associated By-Products, the value of production, and the royalty due Lessor must be shown. This report is due on or before the last day of the month following the month in which production was obtained and sold or utilized, together with the royalties due Lessor. Lessee shall keep full, complete and proper books, records and accounts of Gross Revenue according to Generally Accepted Accounting Principles as would be normally examined and required to be kept by an independent accountant when performing an audit of Lessee's business to verify the accuracy of Lessee's statements of Gross Revenue. All such books, records and accounts shall be kept for a period of at least seven (7) years following the end of each Lease Year. Within three (3) years after the end of any Lease Year, Lessor, its agents and employees, upon at least seven (7) days' prior written notice, may examine and inspect all of the books and records relating to the Leased Premises and Leased Resources, including relevant income tax returns, for the purpose of investigating and verifying the accuracy of any prior statement of Gross Revenue. During the term of this Lease, Lessee may mark any records provided under this section as trade secrets, proprietary information or by such other designation as Lessee believes applicable to exempt such documents from public disclosure pursuant to the Idaho Public Records Law (Idaho Code §§ 9-337 through 9-350), and Lessor shall treat the information as confidential as set forth in Section 15.19. If the results of the audit show that Lessee's statement or statements of Gross Revenue for any period has been understated, then, within ten (10) days of the receipt of notice of the determination of such deficiency, Lessee shall pay any applicable deficiency to Lessor, together with interest thereon at the Default Rate, from the date such payment should originally have been made until the date actually paid, provided however, this provision for payment of a deficiency shall not be deemed a waiver of any default remedies available to Lessor as a result of such deficiency. If the results of the audit show that Gross Revenue for the audit period have been understated by five percent (5%) or more, Lessee shall also pay Lessor the cost of the audit. Lessee shall submit monthly net metering reports on the first business day of each month to Lessor during Phase 3 for verification of Production Capacity. Lessor must approve the format and content of the monthly net metering report in writing.

#### **5.5 Payment.**

All payments of Rent and Royalty, of any kind, shall be paid in lawful money of the United States of America forwarded to Lessor at the address for notices under this Lease or as otherwise directed by Lessor in writing. All Rent and Royalty due hereunder shall be paid to Lessor without offset or netting of any costs or expenses paid or incurred by Lessee, whether or not such payments were for obligations or to fulfill duties of Lessor. If any payment of any Rent or Royalty is not made to Lessor on or before the date the same is due hereunder, Lessee shall pay to Lessor as a late payment fee an amount equal to the greater of \$25.00 or one percent (1%) of the amount due. In the event payment is not made within thirty (30) days after the same becomes due, Lessee shall pay an additional one percent (1%) of the amount due for each subsequent month until such amount is paid in full. Payment of the late payment fee hereunder shall be in addition to applicable interest and shall accrue interest at the Default Rate. The

unpaid amount of Rent, Royalty, late charge, and interest shall constitute a lien in favor of Lessor and State of Idaho against all of Lessee's property on the Leased Premises, including, but not limited to, Geothermal Facilities and Improvements.

#### **5.6 Readjustment of Rent and Royalty.**

Lessor may adjust the Rent or Royalty provisions in this Lease as needed to follow market rates. A change of twenty-five percent (25%) or more in Lessee's sale price of electricity made with Leased Resources, or other products made on the Leased Premises or from Leased Resources, shall result in an adjustment. Such adjustments may occur every five years following lease execution. Lessee shall be given one hundred eighty (180) days' written notice of any such adjustment. Lessor shall have the right to request and receive copies of all lease documents, agreements, memorandums of understanding and compensation agreements that Lessee has with adjoining landowners or landowners within a fifty (50) mile radius of the Leased Premises to determine if Lessor is obtaining fair market value for Leased Premises under this Lease. Lessor reserves the right to adjust the Rent and Royalty rates associated with this Lease to reflect current market rates as determined from reviews of other landowner leases. Lessee shall provide copies of such leases within forty-five (45) days of request from Lessor. Such adjustments may occur upon ninety (90) days from the date of written notice to Lessee.

### **ARTICLE VI - Plans**

#### **6.1 Plans Generally.**

Lessee shall provide a Research and Analysis Plan, the Development Plan, a Decommissioning and Reclamation Plan and a Hazardous Materials/Waste Management Plan ("HMWMP"), as more particularly set forth below in accordance with the schedule set forth in Article IV and Article XIII. The Development Plan, HMWMP, and the Decommissioning and Reclamation Plan may be submitted as a single plan with the information required by this Lease or as separate plans. Each plan shall include a detailed schedule in a format approved by Lessor. The schedule shall include critical path and major milestones with sufficient detail to assess project progress. Updates to the schedule shall be provided to Lessor on a quarterly basis or more frequently if critical path is lengthened by more than two (2) weeks. Lessor's approval or acceptance of such plans, as the case may be, shall be in writing. Throughout the term of this Lease, Lessee shall provide a report of all exploration, development, and production activities at the close of each lease year.

#### **6.2 Research and Analysis Plan.**

The Research and Analysis Plan shall describe all due diligence and exploratory activities, as described below, to be conducted on the Leased Premises or with Leased Resources during Phase 1 necessary to complete and/or obtain all studies, surveys, reports, and Government Approvals required for commencement of development under Phase 2 of this Lease.

##### **6.2.1 Exploratory Activities.**

The type, location, and schedule of all exploratory activities which have or will occur on the Leased Premises or with Leased Resources, including, but not limited to, soil testing, surveys, and all seismic reports and studies, temperature gradient wells, spring surveys, electromagnetic surveys, geothermometry analysis, and other data collection and analysis, including, but not limited to, seismic, environmental and aviary studies. To the extent that any proposed

exploratory activity impacts, disturbs, or damages the Leased Premises, including any impact, disturbance, or damage to lands described in Section 6.3, then such proposed exploratory activity and any impact, disturbance, or damage to the Leased Premises shall be described in the Research and Analysis Plan.

### **6.3 Development Plan.**

Lessee must submit a Development Plan to the Lessor before any exploration using motorized equipment or before otherwise engaging in operations which may lead to an appreciable disturbance or damage to lands, timber, other resources, or improvements on or adjacent to the Leased Premises. The proposed activities may not start until Lessor approves the plan. The Development Plan shall describe all Geothermal Facilities and Improvements to be constructed on the Leased Premises or for the use of Leased Resources, and all activities to be conducted on the Leased Premises. The Development Plan shall include, at a minimum, (1) well drilling information such as the proposed location of each well including a layout showing the position of the mud tanks, reserve pits, etc; (2) existing and planned access, access controls, and lateral roads; (3) location and source of water supply (if needed) and road building material; (4) location of camp sites, air-strips, buildings, pipelines, and other supporting facilities; (5) other areas of potential surface disturbance; (6) the topographic features of the land and the drainage patterns; (7) methods for disposing of waste material; (8) map or maps of sufficient scale to depict the information required in this Article VI; and (9) shall include the following components:

#### **6.3.1 Administrative Information.**

The names and mailing addresses of Lessee's primary Development Plan supervisors and operators; the names and mailing addresses of any company providing project services to Lessee and the names of each company's contact person; and any other contract operators who will be involved in the operations on the Leased Premises.

#### **6.3.2 Development Strategy.**

Lessee's strategy for developing the geothermal energy, including, but not limited to, the number of wells to be drilled; the depth of each well; the casing and cementing program; well pad layout and design; a description of existing and planned access roads; a description of any ancillary facilities; the source of drill pad and road building material; the water source; a description of procedures to protect the environment and other resources; plans for surface reclamation; the potential operation capacity; and any other information Lessor may require. No drilling shall occur in the bed of any navigable water course.

#### **6.3.3 Facilities and Improvements.**

Maps and other information sufficient to locate the proposed location and specifications of all Geothermal Facilities and Improvements on the Leased Premises or for the use of Leased Resources. Topographic maps should show the approximate size of any surface area that may be disturbed with the placement of proposed Geothermal Facilities and Improvements. Information concerning the construction of roads on the Leased Premises shall identify all gates and culverts and identify road construction materials, including those materials, if any, proposed to be acquired from the Leased Premises. Information concerning the construction of pipelines on the Leased Premises shall identify where pipes are to be installed on the surface or buried and how they cross existing or planned roads. Information concerning geothermal energy turbines shall

include numbers, type, size, manufacturer, model, plant design and Nameplate Capacity. Information concerning Direct Use or By-Products production shall include information on the type of use, processes involved with that use, and the plant design, and shall include points of diversion and reinjection for Direct Use and the production and processing of By-Products that would include, allow and facilitate access for By-Products production for the purposes of and in accordance with Section 2.3.9. All Geothermal Facilities and Improvements shall be shown on, and constructed upon, either Production Area or Supporting Area.

#### 6.3.4 Commingled Production Plan and Agreements.

If Lessee plans to commingle electricity generated on the Leased Premises or with the Leased Resources from any two or more wells, Lessee must submit a Commingled Production Plan for Lessor's prior written approval. The approval shall be contingent on adequate provisions for the measurement of the quantity and quality of the commingled Geothermal Resources, electricity produced, and the appropriate allocation of Royalties based on those measurements. Commingling may be the result of a unitization or cooperative agreements as described in IDAPA 20.03.15.085, and as amended.

#### 6.3.5 Areas of Exclusive Lessee Use.

The portion(s) of the Leased Premises that Lessee proposes to hold for its exclusive use and to exclude the public and other lessees of Lessor from accessing. Lessee shall describe the basis for excluding the public and other lessees of Lessor from such portions of the Leased Premises.

#### 6.3.6 Development Schedule.

The schedule of construction and development on the Leased Premises (Development Schedule). If Lessor includes partial transitions of the Leased Premises to phases of this Lease, the Development Plan shall set forth the portions of the Leased Premises to be transitioned separately; the power generation projected for each phase; the planned schedule for the partial transitions; and the contingencies and factors that determine the timing of each transition. Lessee shall further include a pictorial and numerical apportionment of the Leased Premises into Production Area (including those to be transitioned separately), and Supporting Area.

#### 6.3.7 Government Approvals.

A complete and accurate list of all Government Approvals that are known or reasonably believed to be necessary for the commencement of construction under Phase 2 and for operation under Phase 3, including the Opinion Letter required pursuant to Subsection 4.1.1.C above. In the event that additional Government Approvals necessary for the commencement of construction under Phase 2 or operation under Phase 3 come to the attention of either Party to this Lease, that Party shall immediately notify the other Party in writing and the Development Plan shall be amended accordingly.

#### 6.3.8 Vegetation and Soil Management.

A description of the means whereby Lessee will maintain the natural vegetation, control erosion, and control noxious weeds on the Leased Premises. The description shall also include the means whereby Lessee will ensure that Lessee's activities on the Leased Premises do not adversely impact the waters on or adjoining the Leased Premises. The description shall also address the disposition of material excavated from the Leased Premises.

#### 6.3.9 Surveys.

A list of all environmental, biological, habitat, and cultural resources survey data, including archeological and historic surveys concerning the Leased Premises conducted by or on the behalf of Lessee. Lessee shall provide copies of such surveys to Lessor. The surveys submitted to Lessor must include the study protocol, survey locations and complete results.

#### 6.3.10 Pollution Prevention.

A narrative statement describing the proposed measures to be taken for protection of the environment, including, but not limited to the prevention or control of: (1) Fires; (2) Soil loss and erosion; (3) Pollution of surface and ground waters; (4) Damage to fish and wildlife or other natural resources; (5) Air and noise pollution; and (6) Hazards to public health and safety during lease activities.

#### 6.3.11 Security Requirements.

An estimate prepared by an outside party of the dollar amounts reasonably required for: (1) all proposed construction activity, Construction Security; (2) projected Rent due or projected to be due for one year in full operation as described in the Development Plan, as Operating Security; and, (3) reclamation costs for reclamation, Decommissioning Security under Article VIII.

### **6.4 Decommissioning and Reclamation Plan.**

The Decommissioning and Reclamation Plan shall set forth the means whereby Lessee shall restore the Leased Premises to its natural contour and vegetative state following construction or modification of Geothermal Facilities and Improvements upon the expiration or termination of this Lease, other than for default. Lessee must reclaim any of the Leased Premises disturbed by exploration, development, operation and marketing of geothermal resources in accordance with applicable reclamation procedures, including, but not limited to, those contained in Sections 47-1509 and 47-1510, Idaho Code, as now existing and hereafter amended. Lessee shall conserve, stockpile, and protect topsoil to enhance reclamation. Lessee shall take all necessary steps in the exploration, development, operation, and marketing of geothermal resources to avoid a threat to life or property or an unreasonable risk to subsurface, surface, or atmospheric resources. The Decommissioning and Reclamation Plan shall address the decommissioning and reclamation of all planned construction of Geothermal Facilities and Improvements by Lessee, including, but not limited to, decommissioning of any wellhead so that the well stops flowing or producing, and any other planned alteration of the Leased Premises. The Decommissioning and Reclamation Plan shall include a complete and accurate list of all Government Approvals that are known or reasonably believed to be necessary for the activities under such plan, along with an Opinion Letter satisfying the same requirements as set forth in Subsection 4.1.1.C above. In the event that additional Government Approvals necessary for the activities under the Decommissioning and Reclamation Plan come to the attention of either Party to this Lease, that Party shall immediately notify the other Party in writing and the Decommissioning and Reclamation Plan shall be amended accordingly. The Decommissioning and Reclamation Plan shall address the disposal of any known or unknown Hazardous Substances that are located on the Leased Premises at the termination of this Lease. No construction of any Geothermal Facilities or Improvements, and no alteration of the Leased Premises, nor any change in such construction or

alteration, shall occur until Lessor has accepted, in writing, the Decommissioning and Reclamation Plan.

#### **6.5 Plan Reviews.**

The Research and Analysis Plan, the Development Plan, and the Decommissioning and Reclamation Plan shall call for an annual operating review during which time Lessee shall disclose to Lessor any construction or alteration of the Leased Premises planned by Lessee during the ensuing year. Lessor may require modification to any approved plan to ensure that the plan, and the corresponding amount of Lessee's security, adequately addresses such planned construction or alteration. In any event, Lessor may review any plan required under the terms of this Lease on an annual basis and require reasonable modifications to any such plan which may be reasonably necessary to protect the Leased Premises or the Leased Resources, including taking into account the nature and extent of Lessee's use or alteration of the Leased Premises and the work reasonably necessary to restore the Leased Premises to its natural state or pre-lease state.

### **ARTICLE VII - Title to Geothermal Facilities and Improvements, Removal, Use and Required Maintenance**

#### **7.1 Title.**

##### **7.1.1 Title During Term and Upon Expiration or Early Termination.**

Title to any Geothermal Facilities and Improvements constructed by or at the request of Lessee shall remain in Lessee during the term of this Lease. Upon the Expiration Date or earlier termination of this Lease pursuant to Subsection 3.4.1, all Geothermal Facilities and Improvements shall be removed by Lessee, unless Lessor exercises its option to acquire title pursuant to Section 7.1.2, and the Leased Premises restored to conditions similar to when this Lease was first issued, as nearly as is reasonably practical, all at Lessee's sole cost and expense and pursuant to the approved Decommissioning and Reclamation Plan.

##### **7.1.2 Title Upon Termination for Default.**

Upon the termination or cancellation of this Lease for Lessee's default prior to the Expiration Date, and at Lessor's option, title to the Geothermal Facilities and Improvements shall vest in Lessor. Lessee shall prepare and record any documents that Lessor may require to evidence such ownership in Lessor. In the event Lessor leases the Leased Premises to a new lessee for continued generation of electrical energy using the Geothermal Facilities and Improvements within twenty-four (24) months of such early termination, Lessor shall sell the Geothermal Facilities and Improvements to the new lessee. Lessor shall apply the proceeds of such sale first to any Rent, Royalty or other obligations due and owing from Lessee at the time of the sale and pay the remainder, if any to Lessee. Upon payment to Lessor, title to such Geothermal Facilities and Improvements shall vest in the new lessee, subject to the terms of the State's lease with the new lessee. The value of the Geothermal Facilities and Improvements shall be as agreed between Lessee and Lessor; provided however, that if they are unable to agree, the value shall be determined through an appraisal that determines the current market value of the Geothermal Facilities and Improvements. Lessee and Lessor shall each be responsible for one-half of the cost of such appraisal.

## **7.2 Removal.**

Without Lessor's prior written approval, Lessee shall not remove Geothermal Facilities or Improvements from the Leased Premises other than as is necessary for replacement of worn out or outdated Geothermal Facilities or Improvements, and Lessee shall continue to maintain and restore or replace worn out Geothermal Facilities and Improvements on the Leased Premises sufficient to maintain the operations contemplated under the approved or modified Development Plan. Any Permitted Mortgage (as defined in Article X) of the leasehold interest of this Lease and any security interest in the personal property constituting the Geothermal Facilities or Improvements shall be subject to the terms of this Article VII.

## **7.3 Use and Operation of Geothermal Facilities and Improvements.**

Use and operation of the Geothermal Facilities and Improvements on the Leased Premises shall be in conformance with the terms of this Lease and shall comply with all applicable federal, state and local laws and rules and safety standards whether currently existing, amended, or enacted during the term of this Lease including, but not limited to:

- A. Idaho water quality standards and waste water treatment requirements established in Title 39, Chapter 1, Idaho Code; IDAPA 58.01.02, "Water Quality Standards and Wastewater Treatment Requirements"; and IDAPA 58.01.11, "Ground Water Quality Rule," administered by the IDEQ.
- B. Requirements and procedures for hazardous and solid waste management, as established in Title 39, Chapter 44, Idaho Code, and rules promulgated thereunder including, IDAPA 58.01.05, "Rules and Standards for Hazardous Waste" and IDAPA 58.01.06, "Solid Waste Management Rules," administered by the IDEQ.
- C. Idaho Stream Channel Protection Act, Title 42, Chapter 38, Idaho Code, and applicable rules as promulgated and administered by the IDWR

## **7.4 Maintenance of Geothermal Facilities and Improvements.**

During the Lease term, Lessee, at its sole cost and expense, shall keep and maintain all of the Geothermal Facilities and Improvements and all additions thereto, in good condition and repair and shall make all necessary repairs, replacements and renewals, whether structural or nonstructural, foreseen or unforeseen, ordinary or extraordinary, in order to maintain such state of repair and condition; it being the intention of the Parties that Lessor shall have no liability for any of the foregoing. Except as otherwise provided in Subsection 7.1.1 above, Lessor shall obtain possession of and title to the Geothermal Facilities and Improvements upon a termination of the Lease by Lessee's default, and the Geothermal Facilities and Improvements will be in good repair and condition at said time, reasonable wear and tear excepted and insured casualty loss excepted; provided however, that Lessee shall not be required to restore, repair or replace any Geothermal Facilities or Improvements that are at or near the end of their useful life other than as is necessary to maintain the operations contemplated by the Development Plan; provided further however, that such Geothermal Facilities and Improvements at or near the end of their useful life are removed by Lessee in accordance with its Decommissioning and Reclamation Plan which shall include, but shall not be limited to, the decommissioning of any wellhead so that the well stops flowing or producing. Lessee, at Lessee's expense, shall be responsible for all

Improvements, additions, alterations, maintenance, and repairs necessary or appropriate such that the Leased Premises and all Geothermal Facilities and Improvements thereon are in compliance with law. Lessee waives any provisions of law that may require any duty of repair by Lessor or permit Lessee to make repairs at the expense of Lessor.

## **7.5 Repair and Replacement: Damaged Geothermal Facilities and Improvements.**

### **7.5.1 Continuation of Lease.**

No loss or damage by fire or any other cause resulting in either partial or total destruction of the Leased Premises, or of any Geothermal Facilities or Improvements now or hereafter located in, upon or on the Leased Premises, or any fixtures, equipment or machinery used, or intended to be used, in connection with the Leased Premises or the Geothermal Facilities or Improvements thereon, shall operate to terminate this Lease or to relieve or discharge Lessee from the payment of any Rent, or other amounts payable hereunder, as Additional Rent or otherwise, as and when such Rents become due and payable, or from the performance and observance of any of the agreements, covenants and conditions herein contained to be performed and observed by Lessee.

### **7.5.2 Restoration.**

In the event of any damage by fire or any other cause resulting in either the partial or total destruction of any Geothermal Facilities or Improvements now or hereafter located in, upon or on the Leased Premises, or any fixtures, equipment or machinery used, or intended to be used, in connection with the Leased Premises or the Geothermal Facilities or Improvements, Lessee shall, at its sole expense and whether or not the insurance proceeds, if any, on account of such damage or destruction shall be sufficient for the purpose, promptly commence and complete the restoration, replacement or rebuilding of the Geothermal Facilities and Improvements, fixtures, equipment or machinery, as nearly as possible to its value, condition and character immediately prior to such damage or destruction. Nothing in Subsections 7.5.1 or 7.5.2 shall limit Lessee's right to terminate under Subsection 3.4.1.C.

### **7.5.3 Application of Insurance Proceeds.**

Insurance proceeds on account of any damage to or destruction of the Leased Premises or any part thereof shall be applied first to restoration of the Geothermal Facilities and Improvements, and any fixtures, equipment or machinery associated therewith. Lessor may elect to require that insurance proceeds be paid into a depository chosen by Lessor and held pending payment of the costs and expenses of restoration.

## **ARTICLE VIII - Performance Security**

### **8.1 Security Generally.**

#### **8.1.1 Format and Renewal.**

All bonds, letters of credit, and either cash or certificates of deposits (which may be referred to throughout this Lease generically as "bonds") shall be in a form acceptable to Lessor, conditioned upon Lessee's good faith compliance with all laws and rules of the State of Idaho, all provisions of this Lease, and all terms and conditions imposed by the State of Idaho. All bonds shall be issued by an Idaho qualified U.S. Bonding Corporation and all letters of credit, and cash or certificates of deposits shall be subject to Lessor's approval and shall provide for

notice to Lessor prior to any cancellation or lapse thereof. Upon the failure of Lessee to maintain any required bond, letter of credit, or cash or certificate of deposit in full force and effect at all times during the life of this Lease, Lessor shall have the right to cancel this Lease or to declare a default and terminate this Lease. A substitute bond, a new letter of credit, or a new cash or certificate of deposit, or an extension of the expiration date of any existing bond, letter of credit, or cash or certificate of deposit, must be received by Lessor no later than thirty (30) days before the expiration, cancellation or other termination of the bond, letter of credit, or cash or certificate of deposit. Failure to provide such replacement thirty (30) days prior to the expiration, cancellation or other termination shall constitute a material breach of this Lease and shall be grounds for Lessor to terminate this Lease, pursue any other remedy at law or in equity, including, but not limited to, presenting any such letter of credit, or cash or certificate of deposit for payment, or to make demand under any such bond. Presentation of any such bond, letter of credit, or cash or certificate of deposit for payment, or the demand and payment under any such bond, letter of credit, or cash or certificate of deposit, shall in no way limit the liability or obligations of Lessee, or the rights and remedies of Lessor, under this Lease. The form of any bonds, letters of credit, and cash or certificates of deposit shall be presented to Lessor for acceptance prior to the issuance of such bonds or letters of credit, or cash or certificates of deposit, or they may be rejected as insufficient in Lessor's discretion, or shall be modified or amended as may be reasonably required by Lessor.

#### 8.1.2 Lessor Determined Bond

The amount of bond or other security to be obtained by Lessee for the aspect of Lessee's operation described in Sections 8.2, 8.3, 8.4, and 8.5 of this Lease shall be determined by Lessor.

#### 8.1.3 Adjustment of Security Amount.

At intervals of not less than one (1) year after approval of the Development Plan and the Decommissioning and Reclamation Plan, as applicable, Lessor may, in Lessor's reasonable discretion, following consultation with Lessee, revise the estimate of the cost of development or reclamation in accordance with the approved plan to reflect then current costs and prices for the work and materials necessary for work under the plan. Within thirty (30) days of receipt of such revised estimate, Lessee shall then cause the existing security to be adjusted to reflect the amount of the revised estimate.

### **8.2 Research and Analysis Security.**

Prior to the commencement of Research and Analysis related activities described in Section 4.1, Lessee shall furnish a payment bond and a performance bond, letter of credit, cash or certificate of deposit in an amount to be determined by Lessor upon Lessor's written approval of the Research and Analysis Plan, which security will be in favor of Lessor to protect Lessor against loss due to Lessee's failure to reclaim areas disturbed by the Research and Analysis activities or Lessee's failure to pay contractors, subcontractors and others who may provide goods and services to Lessee. The period of liability of the security shall not be terminated until the completion of the Phase 1 activities and satisfactory reclamation of all affected areas. Lessor reserves the right at any time to increase or decrease the amount of the bond, letter of credit, cash or certificate of deposit to an amount Lessor reasonably believes necessary to reclaim disturbed areas or areas to be disturbed by Lessee's proposed or actual Research and Analysis related

activities, including, but not limited to, motorized ground disturbance. At the conclusion of Lessee's Research and Analysis activities, the performance security shall be released to Lessee.

### **8.3 Construction Security.**

Prior to the commencement of construction related activities described in Section 4.2, Lessee shall furnish good and sufficient payment and performance bonds, letters of credit, cash or certificate of deposit, all subject to approval by Lessor in Lessor's discretion. Any such bonds, letters of credit, cash or certificates of deposit shall be in an amount prorated for that portion of the contracted construction activity to take place in or upon the Leased Premises and shall be in the full contract amount required for all such construction activities of Geothermal Facilities and Improvements on the Leased Premises; said security shall be in favor of Lessor to protect Lessor against any and all loss due to Lessee's failure to complete such construction in accordance with the Development Plan or Lessee's failure to pay contractors, subcontractors or others who may provide goods and services to Lessee. Any bond, letter of credit, cash or certificate of deposit accepted by Lessor pursuant to this Lease shall be made payable to Lessor upon demand or presentment for payment. The period of liability to maintain the security shall not be terminated until the completion of construction of all Geothermal Facilities and Improvements to be constructed on the Leased Premises under the applicable contract for construction as determined by Lessor; the expiration of the timeframe under applicable law for filing of lien claims with respect to such construction has expired; and upon the prior written notice by Lessee to Lessor certifying the satisfaction of such events, and the written consent of Lessor to release such security, which consent shall not be unreasonably withheld.

### **8.4 Operating Security.**

Prior to the commencement of Phase 3 of this Lease, Lessee shall furnish a good and sufficient security bond, letter of credit, cash, or certificate of deposit satisfactory to Lessor in the amount of one year's Rent due or projected to be due during Phase 3. The amount of security during Phase 3 may be adjusted annually, in Lessor's discretion, to reflect changes to Rent.

### **8.5 Decommissioning and Reclamation Security.**

Upon approval of the Decommissioning and Reclamation Plan, Lessee shall furnish a good and sufficient letter of credit, bond, cash or certificate of deposit in the amount equal to Lessor's reasonable estimate of the cost of reclamation in accordance with the approved Decommissioning and Reclamation Plan. The period of liability of the letter of credit, bond, cash or certificate of deposit shall not be terminated until all terms and conditions of the approved Decommissioning and Reclamation Plan have been completed, and the security is released in writing by the Director of the Department of Lands.

## **ARTICLE IX - Insurance and Indemnification**

### **9.1 Insurance.**

#### **9.1.1 Required Insurance.**

For the duration of this Lease and until all activity in accordance with this Lease is completed, Lessee shall have and maintain or cause to be maintained, at Lessee's expense, the types of insurance set forth below and shall comply with all limits, terms and conditions of such insurance, and shall require all of its contractors and subcontractors to maintain the same types of

insurance and limits. By requiring the insurance herein, Lessor does not represent that coverage and limits will necessarily be adequate to protect Lessee, and such coverage and limits shall not be deemed as a limitation on Lessee's liability to Lessor or under any indemnities granted to Lessor in this Lease.

A. Commercial General and Umbrella Liability Insurance. Lessee shall maintain commercial general liability ("CGL") with a combined limit of not less than five million dollars (\$5,000,000) each occurrence. If such CGL insurance, or any umbrella policy, contains a general aggregate limit, it shall apply separately to the Leased Premises, shall not be less than five million dollars (\$5,000,000), and shall provide that defense costs shall be and remain outside policy limits. Lessee waives all rights against Lessor and any additional insured for recovery of damages to the extent these damages are covered by the CGL or commercial umbrella liability insurance maintained pursuant to this Lease. CGL insurance and any umbrella policy shall:

1. Be in a form and from an insurance company satisfactory to Lessor and shall cover liability for bodily injury, property damage, and personal injury arising from Lessee's use and/or occupation of the Leased Premises including, without limitation, operations, independent contractors, products, completed operations, personal injury and advertising injury, and liability assumed under an insured contract including the tort liability of another assumed in a business contract; and,

2. Include the State of Idaho, the Board of Land Commissioners, the Idaho Department of Lands, and their officers, agents, and employees respectively as additional insureds, and such status as an additional insured shall be evidenced by an endorsement acceptable to Lessor. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to, and non-contributory with, any additional insured.

B. Builders Risk/Installation Floater Insurance. During the course of any construction or alteration of Geothermal Facilities or Improvements on the Leased Premises by Lessee, Lessee shall maintain in force, at its own expense, Builders Risk/Installation Floater Insurance, including soft costs and any offsite locations, on an all risk of direct physical loss from, including earthquake and flood (if reasonably available), for an amount proportionate to the amount of the construction contracts performed on the Leased Premises. Any deductible amount shall not exceed two hundred fifty thousand dollars (\$250,000) for each loss, except earthquake and flood deductibles shall not exceed two percent (2%) of the value at risk at the time of each loss or two hundred fifty thousand dollars (\$250,000) for each loss, whichever is more. The policy shall include, as an additional insured, Lessor as its interests may appear and such status as an additional insured shall be evidenced by an endorsement acceptable to Lessor.

C. Property Insurance. Lessee shall throughout the term of this Lease, at its own expense, keep and maintain in full force and effect commercial property insurance covering the Geothermal Facilities and Improvements located on the Leased Premises. Commercial property insurance shall, at a minimum, cover all perils insured under the ISO Special Causes of Loss Form. The amount insured shall equal the full estimated replacement cost of the property insured. Any coinsurance requirement in the policy shall be eliminated through the attachment of an agreed amount endorsement, the activation of an agreed value option, or as otherwise

appropriate under the particular policy form. Lessor shall be included as a loss payee under the commercial property insurance, and such status as an additional insured shall be evidenced by an endorsement acceptable to Lessor. During Phase 3 of this Lease, Lessee shall purchase, as part of Lessee's property insurance, business income, business interruption, extra expense or similar coverage, for actual loss sustained. In no event shall Lessor be liable for any business interruption or other consequential loss sustained by Lessee, whether or not it is insured.

D. Automobile and Umbrella Liability Insurance. Lessee shall maintain during the term of this Lease, at Lessee's expense, automobile liability and, if necessary, commercial umbrella liability insurance with a limit of not less than one million dollars (\$1,000,000) each accident. Such insurance shall cover liability arising out of any auto (including owned, hired, and non-owned auto).

E. Environmental Impairment/Pollution Insurance. Lessee shall maintain during the term of this Lease, at Lessee's expense, Pollution Legal Liability (PLL) insurance with a limit of not less than five million dollars (\$5,000,000) per pollution condition, and with a limit of not less than five million dollars (\$5,000,000) annual aggregate, with coverage for: (1) bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death; (2) property damage including physical injury to or destruction of tangible property including the resulting loss of use thereof, cleanup costs, and the loss of use of tangible property that has not been physically injured or destroyed; (3) defense costs including costs, charges and expenses incurred in the investigation, adjustment or defense of claims for such compensatory damages. Such limits shall apply separately to the Leased Premises, and shall provide that defense costs shall be and remain outside policy limits.

Coverage shall apply to sudden and non-sudden pollution conditions including the discharge, dispersal, release or escape of smoke, vapors, steam, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere, ground water, or any watercourse or body of water, which results in bodily injury or property damage. Lessor, its officials and employees shall be covered as additional insureds as with respect to liability arising out of activities performed by or on behalf of Lessee. The coverage shall contain no special limitations on the scope of protection afforded to Lessor, its subsidiaries, officials and employees.

PLL policies shall be written on a claims made basis. The policy must be maintained for the length of the Lease with the retroactive date being the date the Lease is signed. Multi-year policy terms are acceptable. Lessee warrants that continuous coverage will be maintained or an extended discovery period will be exercised for a period of three years beginning from the time the Lease is terminated. For any claim related to this Lease, Lessee's insurance coverage shall be primary insurance with respect to Lessor, its subsidiaries, officials and employees. Any insurance or self-insurance maintained by Lessor, its subsidiaries, officials and employees shall be excess of Lessee's insurance and shall be noncontributing. Lessee's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

F. Workers Compensation and Umbrella Liability Insurance. Lessee and its subcontractors, if any, shall maintain all statutorily required Workers Compensation coverage. Coverage shall include Employer's Liability, at minimum limits of (\$500,000/\$500,000/\$500,000). Lessee must maintain coverage issued by a surety licensed to write workers' compensation insurance in the state of Idaho or from a surety issued an extraterritorial certificate approved by the Idaho Industrial Commission from a state that has a current reciprocity agreement with the Idaho Industrial Commission.

9.1.2 Lessee's Insurance Policy Requirements.

All insurance required under this Article shall be with companies licensed and admitted in Idaho and approved for this Lease by Lessor. Lessor's general requirements for such approval include a current A.M. Best's rating of A- or better. Prior to taking occupancy or commencing construction and at least annually thereafter, Lessee shall furnish Lessor with a certificate of insurance executed by a representative of each insurer duly authorized to bind coverage, and a copy of any applicable policy or policy endorsement showing compliance with all insurance requirements set forth herein. All policies required under this Article shall be written as primary policies and not contributing to or in excess of any coverage Lessor may choose to maintain. Lessee shall provide Lessor with certificates of insurance and policy endorsements as follows:

<u>Coverage</u>	<u>Evidence of Coverage</u>
CGL	<ul style="list-style-type: none"> <li>• Policy Endorsement and copy of policy evidencing each required coverage</li> </ul>
Builders Risk/Installation Floater Insurance	<ul style="list-style-type: none"> <li>• Policy Endorsement and copy of policy evidencing each required coverage</li> </ul>
Property Insurance	<ul style="list-style-type: none"> <li>• Policy Endorsement and copy of policy evidencing each required coverage</li> </ul>
Automobile Liability	<ul style="list-style-type: none"> <li>• Certificate of Insurance evidencing required coverage</li> </ul>
Environmental Impairment/Pollution Insurance	<ul style="list-style-type: none"> <li>• Certificate of Insurance evidencing required coverage</li> </ul>
Workers Compensation/ Employers Liability Insurance	<ul style="list-style-type: none"> <li>• Certificate of Insurance evidencing required coverage</li> </ul>

Should any of the polices described herein be cancelled or terminated prior to the expiration date thereof, the insurer affording coverage, and Lessee shall also provide Lessor thirty (30) days' written notice prior to any such cancellation or termination or, if such prior advanced written

notice cannot reasonably be provided, then either the insurer or Lessee shall immediately notify Lessor of any such cancellation or termination as soon as either becomes aware of any such cancellation or termination. Any failure to comply with the reporting provisions of this insurance, except for the potential exhaustion of aggregate limits of insurance exhausted by Lessor, shall not affect coverages provided to Lessor, the State of Idaho, the Board of Land Commissioners and the Idaho Department of Lands, its officers and employees. Failure of Lessor to demand such certificate or other evidence of full compliance with these insurance requirements or failure of Lessor to identify a deficiency from evidence that is provided shall not be construed as a waiver of Lessee's obligation to maintain such insurance. Lessee shall provide certified copies of all insurance policies required above within thirty (30) days of Lessor's written request for said copies. If Lessee's liability policies do not contain the standard ISO separation of insured provision, or a substantially similar clause, they will be endorsed to provide cross-liability coverage.

#### **9.1.3 Payment of Premiums - Policy Renewals - Lessor's Right to Purchase.**

Lessee shall pay premiums and be responsible for all deductibles for all of the insurance policies it is required to carry under the terms of this Lease, and shall deliver to Lessor evidence of such payment before the payment of any premiums become in default. Lessee shall also cause renewals of expiring policies and shall furnish Lessor with certificates showing such renewed policies at least ten (10) days before the policy's expiration date. If Lessee fails to maintain the insurance as set forth herein, while such failure is a default under the terms of this Lease, Lessor shall have the right but not the obligation to purchase said insurance at Lessee's expense, in addition to any other remedy available at law or in equity.

#### **9.2 Indemnification by Lessee.**

During the entire term of the Lease, Lessee shall indemnify and hold harmless Lessor, including without limitation, Lessor's officers, agents and employees against any and all losses, claims, actions, debts, demands, obligations, judgments for damages or injury to persons or property, which may be made against Lessor, Lessor's officers, agents and employees or against its title in the Premises, arising out of, or in connection with, any alleged act or omission of Lessee or any person claiming under, by, or through Lessee. If it becomes necessary for Lessor to defend any action seeking to impose any such liability, Lessee shall pay Lessor all costs of court, litigation expenses, and attorney fees incurred by Lessor in effecting such defense in addition to all other sums that Lessor may be called upon to pay by reason of the default or the entry of a judgment against it in the litigation in which such claim is asserted. Without limiting the survival of any other provision of this Lease, this Section 9.2 shall survive the termination of this Lease and any cause of action to enforce it shall not accrue until Lessor's discovery of such losses, claims, actions, debts, demands, obligations, or judgments.

### **ARTICLE X - Permitted Mortgages**

#### **10.1 Mortgages.**

Upon Lessor's prior written consent, which consent shall not be unreasonably withheld, Lessee shall have the right to subject Lessee's leasehold interest in the Lease to one or more mortgages or deeds of trust, and Lessee may grant a security interest in any personal property constituting the Geothermal Facilities or Improvements in accordance with the Uniform Commercial Code, Idaho Code § 28-9-101 et seq. (which mortgages, deeds of trust and security interests in personal

property may generically be referred to herein simply as mortgage or mortgages) related to the construction or purchase money financing of any of the Geothermal Facilities or Improvements, or related to an approved assignment of Lessee's interest in the Lease together with an assignment of Lessee's interest in any personal property constituting the Geothermal Facilities and Improvements ("Permitted Mortgage" or "Permitted Mortgages"); provided that:

A. Such Permitted Mortgages and all rights acquired under them shall be subject to each and all of the covenants, conditions, and restrictions stated in this Lease, and in addition subject to all rights and interests of Lessor as provided in this Lease;

B. Lessee shall give Lessor prior notice of any such Permitted Mortgage, and shall accompany the notice with a true copy of the note and mortgage and Lessee shall promptly provide Lessor with a copy of any amendment or other modification or supplement to such documents;

C. Such Permitted Mortgages contain a statement which disclaims any interest or lien against Lessor's fee interest in the Leased Premises and provide that Lessor shall have no liability whatsoever in connection with any such mortgage or the instruments or obligations secured thereby; and,

D. Such Permitted Mortgages provide that, in the event of any assignment of such mortgage, or in the event of a change of address of the interested party named in any Permitted Mortgage ("mortgagee"), notice of the new name and address shall be provided to Lessor.

Only the Permitted Mortgages allowed by this Article are authorized, and in no event shall Lessee's interest in the Lease or Lessee's interest in any personal property constituting the Geothermal Facilities or Improvements, or any part thereof, be otherwise encumbered by Lessee.

## **10.2 Default Notice.**

### **10.2.1 Default Notice to Mortgagee.**

Lessor shall serve a copy of any notice of default under this Lease on a mortgagee identified to Lessor pursuant to Section 10.1. The notice shall provide that the mortgagee shall have thirty (30) days after service of notice of default within which, at mortgagee's election, either:

A. To cure the default if it can be cured by the payment or expenditure of money; or,

B. If mortgagee does not elect to cure the default on Lessee's behalf by the payment or expenditure of money, or if Lessee's default cannot be cured, to cause the prompt initiation of foreclosure, or other remedies available to the mortgagee under the terms of the Permitted Mortgage, to prosecute it diligently to conclusion, and to promptly perform and comply with all covenants and conditions of this Lease it can reasonably perform, including the payment or expenditure of money until the leasehold interest in the Lease shall be released from the effect of the Permitted Mortgage.

### 10.2.2 Mortgagee's Acquisition of Lessee's Leasehold Interest.

A Permitted Mortgage shall be subject to all provisions of this Lease and shall provide that if Lessee defaults under the terms of any Permitted Mortgage, and if the mortgagee of any Permitted Mortgage acquires Lessee's leasehold interest under this Lease, whether by exercising its power of sale, judicial or non-judicial foreclosure, or an assignment in lieu of foreclosure, then mortgagee shall be liable for the performance all of Lessee's obligations under the Lease; provided however, that mortgagee's obligations may be limited to the obligations provided in Subparagraphs A, B and C below for a maximum term of one hundred eighty (180) days in order to provide mortgagee an opportunity to sell or assign the leasehold interest to a new assignee that meets all of the qualifications of a permitted assignee and assumes the Lease; provided further, however, that if mortgagee has not found an acceptable assignee to assume the Lease, then mortgagee shall be responsible to satisfy all of the terms and conditions of the Lease the same as Lessee, and mortgagee shall assume the Lease. Nothing contained herein shall be deemed to be or to effect a release of Lessee, and Lessee shall at all times remain liable and responsible to comply with each and every term and condition of this Lease. The obligations that a mortgagee shall be responsible for during the above described period of one hundred eighty (180) days are as follows:

A. Payments of all Rent, taxes, assessments, and insurance premiums required by this Lease to be paid by Lessee are current, or are promptly brought current by mortgagee, and are kept current;

B. Payments of all utility charges and assessments required to be paid by Lessee are current, or are promptly brought current by mortgagee, and are kept current; and

C. The mortgagee performs all Lessee's obligations for maintaining the Leased Premises in good order and repair.

### **10.3 Refinancing.**

Lessee may refinance a Permitted Mortgage periodically provided that all of the following conditions are met:

A. The holder or mortgagee of the new mortgage must be an institutional lender such as a bank, trust company, savings and loan association, insurance company, pension fund or title insurance company, or other commercial business authorized and licensed to make mortgage loans in Idaho and in the county in which the Leased Premises are located;

B. The new mortgage given for refinancing shall comply with the provisions this Lease, including the terms of Section 10.1.

If the new Permitted Mortgage complies with the above conditions, Lessee may execute, acknowledge, and deliver the new mortgage as a Permitted Mortgage for the purpose of subjecting Lessee's respective interests in the Geothermal Facilities and/or Improvements to the lien thereof, and the new mortgage shall cover and be a lien on the Geothermal Facilities and/or Improvements, subject to the terms and conditions of this Lease.

## **ARTICLE XI - Payment of Expenses, Utilities and Taxes**

### **11.1 Lessee's Obligations.**

Lessee shall pay, before any fine, penalty, interest, or cost may be added, become due, or be imposed for nonpayment thereof, including, but not limited to, the following: all taxes, assessments, water and sewer rents, rates and charges, transit taxes, charges for public utilities, excises, levies, impact fees, licenses and permit fees and other governmental charges, general and special, ordinary and extraordinary, which at any time during the term of this Lease may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on, the Leased Premises, or any Geothermal Facilities or Improvements thereon, or any part thereof or any appurtenance thereto, or otherwise arising out of the rent and income received by Lessee from subtenants, any use or occupation of the Leased Premises, and such franchises as may be appurtenant to the use of the Leased Premises, or any document to which Lessee is a party creating or transferring any interest or estate in the Leased Premises.

### **11.2 Mode of Payment.**

Lessee shall pay the taxes and other charges enumerated in this Article and deliver to Lessor official receipts evidencing payment, at least thirty (30) days before the tax or obligation itself would become delinquent in accordance with the then applicable law governing such payments. If, however, Lessee desires to contest the validity of any tax, tax claim or obligation, it may do so without being in default hereunder, provided it gives Lessor written notice of its intention to contest the tax, claim or obligation, and also furnishes Lessor with a bond made by a surety company qualified to do business in the State of Idaho, or pays cash to a recognized Escrow Agent in the County in which the Leased Premises are located, or as otherwise agreed in writing by Lessor, equal to one hundred sixty percent (160%) of the amount of the tax or obligation it intends to contest, conditioned to pay the tax or obligation when its validity has been determined. Lessee shall give Lessor the notice and post the bond (or cash equivalent) not later than sixty (60) days before the tax, item or obligation it proposes to contest would otherwise become delinquent.

### **11.3 Net Lease, Lessor Obligations Not Altered.**

This Lease is intended to be an absolute triple net "net lease", and Lessor shall not be required to make any expenditure, incur any obligation, or incur any liability of any kind whatsoever in connection with the ownership, construction, operation, maintenance, repair or reconstruction of Geothermal Facilities or Improvements. Lessor is exempt from payment of any federal, state or local taxes. Nothing herein shall require Lessee to pay any municipal, state, or federal income tax or other tax of any nature or kind that may be assessed against Lessor or Lessor's assigns.

### **11.4 Lessee's Default.**

If Lessee defaults, fails, refuses, or neglects to make any payment required in this Article, Lessor may do so. In that event, Lessee shall, upon Lessor's demand repay to it the amounts so paid, including reasonable attorney fees and all other court costs and expenses reasonably incurred because of or in connection with such payments, together with interest thereon at the Default Rate. Lessor may collect or enforce any such payment in the same manner as though it were an installment of Rent specifically required by the terms of the Lease to be paid by Lessee, on the

day when Lessor demands repayment of or reimbursement therefor. However, Lessor's election to pay the taxes or obligations shall not waive Lessee's default.

## **ARTICLE XII - Liens**

### **12.1 No Lien.**

Lessee shall not subject Lessor's leasehold interest in the Lease or in the Leased Premises to any mechanic's or material liens or other lien of any kind, except to the extent that the creation of such lien or liens is specifically authorized by a provision in this Lease.

### **12.2 Release of Lien.**

Lessee shall not allow a lien or claim of any kind, except for Permitted Mortgages to be filed or claimed against Lessee's leasehold interest in the Lease during the continuance of this Lease. If any lien other than a Permitted Mortgage is claimed or filed against the Lease or any portion of the Leased Premises, Lessee shall cause the Lease and Leased Premises to be released from the claim within thirty (30) days after Lessee is given written notice that a claim has been filed, or within thirty (30) days after Lessor is given written notice of the claim and transmits written notice of its receipt to Lessee, whichever thirty (30) day period expires earlier. Lessee will cause such release either by paying to the court the amount necessary to relieve and release the Lease and Leased Premises from the claim, or in any other manner which, as a matter of law, will result, within the thirty (30) day period, in the release of the Lease and Leased Premises, Lessor, or Lessor's title from the claim.

## **ARTICLE XIII - Hazardous Materials**

### **13.1 Hazardous Substances.**

Lessee will not cause or permit any Hazardous Substance to be brought upon, kept, used or generated by Lessee, its agents, employees, contractors or invitees on the Leased Premises, unless the use or generation of the Hazardous Substance is necessary for the prudent generation, conversion or transmission of electrical energy generated on the Leased Premises or the construction or preparation of the Leased Premises for the construction of the Geothermal Facilities or the maintenance of the Geothermal Facilities, and no functional and reasonably economic nonhazardous substance or process which does not generate Hazardous Substances can be used in place of the Hazardous Substance or the process which generates the Hazardous Substance. Other than for maintenance of inventories necessary for the prudent generation, conversion or transmission of electrical energy generated on the Leased Premises, Lessee will not cause or permit long-term storage of any Hazardous Substance on the Leased Premises. In the event that Lessee must utilize Hazardous Materials for the prudent generation, conversion or transmission of electrical energy generated on the Leased Premises, or the construction or preparation of the Leased Premises for the construction of the Geothermal Facilities or the maintenance of the Geothermal Facilities, Lessee will provide to Lessor, prior to Phase 2, an HMWMP. The HMWMP will include, at a minimum, a detailed map indicating planned location of Hazardous Materials/Waste storage areas on the Leased Premises, location of spill containment/cleanup materials, location of drains in the storage areas and destination of those drains, and location of fire suppression equipment. The HMWMP shall include a detailed Spill Prevention Plan that includes information regarding the handling of hazardous materials/wastes and the procedures to be followed in the case of an inadvertent spill. All hazardous materials

will be marked in accordance with National Institute for Occupational Safety and Health (NIOSH) standards, and storage facilities will be marked in accordance with National Fire Protection Association (NFPA) 704 Hazardous Material Information System approved markings.

### **13.2 Environmental Laws.**

With respect to the Leased Premises, Lessee will at all times and in all respects comply with all Environmental Laws. Lessee's duty of compliance with Environmental Laws includes, without limitation, the duty to undertake the following specific actions:

A. Lessee will, at its own expense, procure, maintain in effect, and comply with all conditions of any and all Governmental Approvals required by all Environmental Laws, including, without limitation, permits required for discharge of appropriately treated Hazardous Substances into the ambient air or any sanitary sewers serving operations on the Leased Premises; and

B. Except as discharged into the ambient air or a sanitary sewer in strict compliance with all applicable Environmental Laws, any and all Hazardous Substances to be treated or disposed by Lessee from the Leased Premises will be removed and transported solely by duly licensed transporters to a duly licensed treatment or disposal facility for final treatment or disposal.

## **ARTICLE XIV - Transfer, Assignment, Novation, Subleasing, Subcontractors and Key Employees**

### **14.1 Prior Approval Required.**

Lessee shall not have the right to transfer, assign, novate, or sublease all or any part of this Lease without Lessor's prior written consent. Such consent shall not be unreasonably withheld, conditioned or delayed. Lessor, in determining whether to consent to a requested transfer, assignment, novation, or sublease, shall require submission of information including, but not limited to, the assignment or sublease agreements, the proposed assignee or sublessee's experience and abilities to plan, develop, operate and decommission the Geothermal Facilities and other Improvements, and such other documents that Lessor may reasonably require. Assignments and subleases, if consented to, shall require Lessee to remain liable for full performance of Lessee's obligations under this Lease. Any transfer, assignment, novation, or sublease without Lessor's prior written consent is a default and shall make the assignee, along with Lessee responsible for performing each and every Lessee obligation under this Lease. Lessor's acceptance of Rent or any other payment from any person shall not constitute consent to any transfer, assignment, novation, or sublease.

No request for Lessor's approval of any assignment or release will be considered unless all Rent and Royalty due, late payment fees, and interest have been paid in full, and Lessee is in good standing under all other terms and conditions of the Lease.

If Lessee transfers or assigns its interest in this Lease, Lessee shall provide to Lessor one copy of the purchase agreement, contract of sale, or assignment, signed and acknowledged by Lessee and the assignee. Lessor may require additional documentation as necessary.

#### **14.2 Terms.**

Any assignment or sublease shall be subject to all of the terms, covenants, conditions and obligations of this Lease, including termination of Lessee's interest under this Lease; shall require any assignee or sublessee to assume each and every term, covenant, condition and obligation of Lessee under the Lease; and shall require Lessor's prior written approval of the terms and conditions of any assignment or sublease. Lessee's making of any assignment, mortgage, pledge, encumbrance or subletting, in whole or in part, shall not relieve Lessee for the performance of each and every term, covenant, condition and obligation contained in this Lease unless a written release is subsequently granted and executed by Lessor, which release shall be at Lessor's sole discretion.

#### **14.3 Limited Consent.**

Any consent by Lessor herein contained or hereafter given to any act or assignment, shall be held to apply only to the specific transaction hereby or thereby approved. Such consent shall not be construed as a waiver of the duty of Lessee, or its successors or assigns, to obtain Lessor's prior written consent to any other or subsequent assignment, mortgage or encumbrance or as a modification or limitation of the right of Lessor.

#### **14.4 Overriding Royalty.**

Leases may be assigned with an aggregate, maximum overriding royalty interest (exclusive of any Rent or Royalty due to Lessor), however, the aggregate of all overriding royalties cannot exceed a total of five percent (5%) of all combined Gross Revenue for Power Production, By-Products and Direct Use. Lessee must state whether it intends to grant overriding royalties in Lessee's application for lease assignment. Lessor may suspend or terminate overriding royalty if it affects the economic viability of electricity production.

#### **14.5 Subcontractors.**

At least ninety (90) days prior to any contractor or subcontractor entering upon the Leased Premises, Lessee shall provide to Lessor a list of all contractors and subcontractors that it will use upon the Leased Premises, including any subcontractor that may be assigned to manage or oversee the day-to-day operations at the Leased Premises. Lessee must obtain Lessor's prior written approval of contractors and subcontractors assigned to manage or oversee the day-to-day operations. Lessor may decline to approve a candidate for management of the day-to-day operations if the candidate's relevant experience in similar work is reasonably insufficient; if the candidate's financial resources, including insurance, are reasonably insufficient, or if the candidate has failed to perform as required by any agreement between the subcontractor and the United States, the State of Idaho, or any subdivision of the State of Idaho.

#### **14.6 Key Employees.**

As soon as practicable after initiating a Phase, Lessee shall provide a list of key employees assigned to oversee as many of the following responsibilities as apply for all operations on the Leased Premises: resource assessment and energy projections; financing; design, engineering, procurement and construction specifications; interconnection and substation design; environmental assessments; community liaison; permits and related approvals; regulatory compliance; construction; commissioning potential; decommissioning/reclamation; risk management; insurance; performance bonding; operations; and maintenance. Lessee shall

update this list of key employees at the start of each new Phase of the Lease, and Lessee shall notify Lessor of all changes to any such key employees within ten (10) business days, and shall seek and receive Lessor's prior written approval for the assignment of replacement key employees. Lessor may decline to approve a candidate for a key employee position if the candidate's relevant experience materially varies from the experience of the prior holder of the position; however, Lessor's failure to object to such key employees or the replacement of any such key employee shall not be deemed in any manner to relieve Lessee of any duty or obligation under this Lease or in any way be deemed to constitute an approval of any such employee. Lessee shall designate a local representative empowered to receive service of civil or criminal process, and notices from Lessor for breach of this Lease, or any order that may be issued by Lessor pursuant to any applicable rules.

## **ARTICLE XV - Miscellaneous**

### **15.1 Governing Law; Venue, Sovereign Immunity.**

All of the rights and remedies of the Parties shall be governed by the provisions of this Lease and by the laws of the State of Idaho, exclusive of the conflicts of law provisions. Any action brought to enforce this Lease shall only be brought in an appropriate Idaho State Court with jurisdiction in the county where the Leased Premises are located, or in Ada County, Idaho. Lessee irrevocably waives any objection, including any objection to personal jurisdiction or the laying of venue or based on the grounds of *forum non conveniens*, that it may now or hereafter have to the bringing of any action or proceeding in such jurisdiction with respect to this Lease or any document related hereto. Nothing contained in this Lease shall be construed as a waiver of sovereign immunity of Lessor, which immunity is hereby expressly reserved.

### **15.2 Cumulative Remedies.**

During the continuance of this Lease, Lessor shall have all rights and remedies which this Lease and the laws of the State of Idaho may provide, in law or in equity. All rights and remedies accruing to Lessor shall be cumulative; that is, Lessor may pursue all rights that the law and this Lease afford to it, in whatever order Lessor desires and the law permits, without being compelled to resort to any one remedy in advance of any other.

### **15.3 Promotion.**

Except as allowed by prior written approval of Lessor, neither Lessee nor its successors or assigns shall use the name of the State of Idaho or the fact that its' or their operations are to be conducted in whole or in part on state-owned lands, under lease or otherwise, in any advertisement or prospectus promoting the sale of stock; provided however, that the reflection on the accounting and financial records and statements of Lessee of this Lease as an asset of Lessee shall not constitute a breach of this paragraph.

### **15.4 Enforcement.**

The prevailing Party in any litigation or other enforcement action or proceeding between the Parties arising under this Lease shall be entitled to recover against the non-prevailing Party all reasonable costs and expenses incurred by the prevailing Party by reason of any default by the non-prevailing Party, which costs and expenses shall include reasonable attorney fees, and any such costs and expenses incurred on appeal. In the event any litigation or other enforcement action or proceeding is required or effected by either Party to enforce any term, covenant,

condition, duty or obligation of this Lease, and Lessor is the prevailing Party, Lessor shall be entitled to recover its reasonable attorney fees for any legal counsel representing Lessor therein, and the calculation of fees incurred for any services performed by any attorney with the Office of the Attorney General using reasonable hourly rates commensurate with similarly qualified counsel for similar legal services.

### **15.5 Force Majeure.**

If Lessor or Lessee is delayed, hindered, or prevented from performing any act required hereunder by reason of any act of God; strike; lockout; labor trouble; inability to procure materials; failure of power; restrictive government laws or regulations enacted after the Commencement Date which precludes the activities the subject of this Lease; riot; insurrection; war; escalation of hostilities; or other reason beyond the Party's control making performance impossible ("Force Majeure Condition"), then performance of that act, and that act only, shall be excused for the reasonable period of the delay. In that event, the period for the performance of the act shall be extended for a reasonable period equivalent to the period of the delay, provided that Lessee works diligently to eliminate the delay. Notwithstanding the foregoing, this provision shall not extend the time for commencement of Phase 3 unless the Force Majeure Condition impacts the entire Production Area. Lessee's financial condition, nor the financial condition of any of Lessee's contractors or subcontractors, or any other party with whom Lessee contracts, shall be a Force Majeure Condition.

If non-performance continues for more than twelve (12) months, Lessor may terminate the Lease upon thirty (30) days' notice to Lessee; provided however, that Lessee may seek a twelve (12) month extension of the initial twelve (12) month period if the following conditions are met:

- A. The Force Majeure Condition can reasonably be expected to end within the additional twelve (12) month period;
- B. Lessee notifies Lessor in writing prior to the expiration of the initial twelve (12) month period that it intends to work to eliminate the Force Majeure Condition; and
- C. The Force Majeure condition was a natural disaster.

### **15.6 Officials, Agents, and Employees Not Personally Liable.**

In no event shall any official, officer, employee or agency of Lessor, or of the State of Idaho, be in any way liable or responsible for any covenant or agreement herein contained, whether expressed or implied, nor for any statement, representation or warranty made herein or in any way connected with this Lease. In particular, and without limitation of the foregoing, no full-time or part-time agent or employee of Lessor shall have any personal liability or responsibility hereunder, and the sole responsibility and liability for the performance of this Lease and all of the provisions and covenants herein contained pertaining to Lessor shall rest in and be vested with the State of Idaho.

### **15.7 Relationship of Parties.**

Nothing contained in this Lease shall be construed as creating any relationship between the Parties other than that of landlord and tenant; and nothing contained in this Lease shall be construed to create any other relationship between the Parties, including, but not limited to, any relationship of principal-agent, master-servant, employer-employee, partnership or joint venture.

**15.8 Covenants Running with Land; Binding Effect.**

All covenants, conditions, and obligations contained herein or implied by law are covenants running with the land and shall attach and bind and inure to the benefit of Lessor and Lessee and their respective heirs, personal representatives, successors, and assigns, except as otherwise provided herein.

**15.9 Non-Waiver.**

No waiver of a breach of any term, condition, covenant, duty, liability or obligation in this Lease shall be construed to be a waiver of any succeeding breach of the same. No delay or failure by either Party to exercise any right under this Lease, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly waived by the other Party or provided herein.

**15.10 Written Modifications.**

No modification, release, discharge, change or waiver of any provision hereof shall be of any force, effect, or value unless signed in writing by Lessor, or its duly authorized agent or attorney. Unit or cooperative agreements, as described in IDAPA 20.03.15.085, and as amended, entered into after Phase 1 will be evaluated as lease modifications.

**15.11 Entire Agreement.**

This Lease contains the entire agreement between the Parties. The execution hereof has not been induced by either Party by any representation, promise, or understanding not expressed herein. There is no other or collateral agreement, stipulation, promise, or undertaking whatsoever between the respective Parties in any way touching the subject matter of this Lease which is not expressly contained herein. This Lease was drafted with full participation of Lessor and Lessee. If there is any ambiguity in the Lease, it should not be resolved against either Party, but by a fair reading of what the Parties intended the Lease to provide.

**15.12 Notices.**

All notices between the Parties in connection with this Lease shall be in accordance with terms of this Lease. All notices allowed or required herein shall be given by registered or certified mail, deposited in the United States mail with postage prepaid. The notices shall be addressed as follows:

To Lessor:

Idaho Department of Lands  
300 North 6th Street, Suite 103  
P.O. Box 83720  
Boise, Idaho 83720-0050

To Lessee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Either Party may change the place for giving notice by written notice in the manner set forth in this section.

**15.13 Joint Liability.**

If Lessee consists of more than one person, such persons shall be jointly and severally liable for each term, condition, covenant, duty and obligation of this Lease.

**15.14 Binding Effect.**

This Lease shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of the Parties.

**15.15 Severability.**

In the event any provision of this Lease shall be held invalid or unenforceable according to law, the validity, legality or enforceability of the remaining provisions and the application thereof shall not in any way be affected or impaired. In such event, the remaining provisions of this Lease shall be interpreted as closely as possible to provisions held invalid or unenforceable.

**15.16 Headings.**

Headings in this Lease are for convenience and reference only and shall not be used to interpret or construe its provisions.

**15.17 Survival.**

Any provision of this Lease that expressly or by implication comes into or remains in force following the termination of this Lease shall survive the termination or expiration of this Lease for the period set forth in such provision, or if no period is set forth in such provision, for the period that is coextensive with the applicable statute of limitations. Notwithstanding anything to the contrary in this Lease, any indemnification obligations provided for under this Lease shall survive the termination of this Lease.

**15.18 Time of Essence.**

Time is expressly declared to be of the essence of each and every term, covenant, condition, duty and obligation of this Lease.

**15.19 Confidential Information.**

Insofar as Lessee seeks to maintain the confidentiality of its confidential or proprietary information, Lessee must clearly identify in writing the information it claims to be confidential or proprietary. Lessee acknowledges that Lessor is subject to the Idaho Public Records Law (Idaho Code §§ 9-337 through 9-350). Lessor shall maintain the confidentiality of the identified information insofar as it is consistent with applicable laws or regulations. In the event Lessor receives a request for the information identified by Lessee as confidential, Lessor shall notify Lessee and specify the date Lessor will be releasing the requested information. Any effort to prohibit or enjoin the release of the information shall be Lessee's sole responsibility and at Lessee's expense. If Lessee fails to obtain a court order enjoining the disclosure, Lessor shall release the information on the date specified in Lessor's notice to Lessee without any liability to Lessee.

**IN WITNESS WHEREOF**, the Parties hereto have caused these presents to be duly executed the day and year of the last signature hereto.

**IDAHO STATE BOARD OF LAND COMMISSIONERS**

\_\_\_\_\_  
President of the State Board of Land Commissioners  
Governor of the State of Idaho

Date: \_\_\_\_\_

\_\_\_\_\_  
Secretary of State

Date: \_\_\_\_\_

\_\_\_\_\_  
Director, Department of Lands

Date: \_\_\_\_\_

**STATE OF IDAHO )**  
**) SS**  
**COUNTY OF ADA )**

On the date set forth by each of the above signatures, before me, a Notary Public in and of said State, personally appeared Butch Otter, known to me to be the President of the Idaho State Board of Land Commissioners and the Governor of the State of Idaho; and Ben Ysursa, known to me to be the Secretary of the State of Idaho; and Thomas M. Schultz, Jr., known to me to be the Director of the Department of Lands, that executed the within instrument, and acknowledged to me that the State Board of Land Commissioners of the State of Idaho and the State of Idaho executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Residence

\_\_\_\_\_  
Commission Expires



**ATTACHMENT A**

**DESCRIPTION OF THE LEASED PREMISES**

DRAFT