

2009-011091

Klamath County, Oregon

Recording requested by:
PPC Land Consultants



00071232200900110910070079

08/18/2009 12:05:21 PM

Fee: \$51.00

When recorded mail to:

P.O. Box 1060
Dixon, CA 95620

-----SPACE ABOVE THIS LINE FOR RECORDERS' USE-----

MTL: R-3910-015D0-00100-000, R-3910-01400-00100-000,
R-3910-01400-00400-000, R-3910-1400-600, R-3910-01400-00500
R-3910-01400-00600-000, R-3910-01400-00701-000
R-3910-15D-1000

PPC NO.: 655-03

Geothermal Resources Lease (SHORT FORM)

THIS **AGREEMENT**, made and entered into July 30th, 2009, by and between Lowell N. Jones Co., an Oregon Corporation, hereinafter called "Lessor" (whether one or more), and **KODALI, Inc., a Nevada corporation** hereinafter called "Lessee,"

WITNESSETH:

1. Lessor hereby grants, demises, leases and lets unto Lessee, the land hereinafter described (hereinafter the "Leased Land") with the sole and exclusive right to Lessee to drill for, produce, extract, take and remove therefrom:
 - (a) all products of geothermal processes, including indigenous steam, hot water and hot brines;
 - (b) steam and other gases, hot water and hot brines resulting from water, gas, or other fluids artificially introduced into subsurface formations; (c) heat or other associated energy found beneath the surface of the earth; (d) byproducts of any of the foregoing such as minerals (exclusive of oil or hydrocarbon gas that can be separately produced) which are found in solution or association with or derived from any of the foregoing, including, to the extent allowed by law, any water so produced or obtained from condensation of steam. Each of the foregoing is hereinafter sometimes termed "a product" and all thereof are sometimes termed "geothermal resources." Lessee is hereby granted the right to store, utilize, process, convert, and otherwise use such geothermal resources upon the Leased Land and to sell the same or any part thereof off the Leased Land during the term hereof, with the right of entry thereon at all times for said purposes, and to construct, use, maintain, erect, repair and replace thereon, and to remove therefrom all roads, pipelines, ditches and lanes, telephone and telegraph lines, utility installations, power lines, poles, tanks, evaporation or settling basins, extraction or processing plants, machinery, equipment, buildings, electric power plants, and equipment for generation and transmission of geothermal resources and electric power, and for the handling, treatment or storage of geothermal resources, and all structures and facilities relating thereto, which Lessee may desire to erect, construct or install in carrying on Lessee's business and

operations on or from the Leased Land and other lands in the vicinity of the Leased Land; and Lessee shall have the further right to erect, maintain, operate and remove a plant or plants, structures and facilities with all necessary appurtenances for the conversion of geothermal resources into heat, power or another form of energy, and for the extraction of products from steam, brine or water produced from the Leased Land and other lands in the vicinity of the Leased Land, including all rights necessary or convenient thereto, together with rights of way for passage over, upon and across and ingress and egress to and from the Leased Land for any or all of the above mentioned purposes. Lessee shall also have the right to dispose of waste brine and other waste products from a well or wells on the leased land or on other land in the vicinity into a well or wells drilled or converted for that purpose on the leased land or on other land in the vicinity, and the right to inject water, brine, steam and gases from a well or wells on the leased land or on other land in the vicinity into a well or wells on the Leased Land or such other land for the purpose of maintaining or restoring pressure, increasing or maintaining production or testing in the productive zones beneath the Leased Land or other land in the vicinity thereof. The Leased Land included in this lease is situated in the County of Klamath, State of Oregon, and is described as follows, to wit:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

Containing 150.23 acres of land, more or less, including all accretions thereto and all lakes, streams, canals, waterways, dikes, roads, streets, alleys, easement and rights of way, on, within, or adjoining the Leased Land and including all strips or parcels of land contiguous, adjacent to or adjoining the Leased Land and owned or claimed by Lessor.

This agreement is made for the consideration, term and upon and subject to each and all the terms, provisions, covenants, and conditions set forth in the certain Geothermal Resources Lease, of even date herewith, between the parties hereto covering the land hereinabove described, and said Geothermal Resources Lease is hereby incorporated herein with the same force and effect as though herein set forth at length.

IN WITNESS WHEREOF, said parties have caused this lease to be duly executed as of the date first hereinabove written.

See Signature Page attached hereto and made a part hereof.

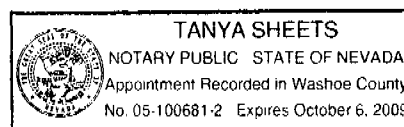
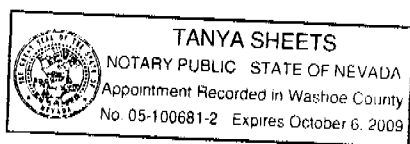
SIGNATURE PAGE

KODALI, INC.

By: [Signature]
Title: PRESIDENT

Lowell N. Jones Co., and Oregon Corporation

By: [Signature]
Title: Pres.



LESSEE

LESSOR

SUBSCRIBING WITNESS:

Tanya Sheets
Notary Public
10/06/09

EXHIBIT "A"

LEGAL DESCRIPTION

Parcel 1:

TOWNSHIP 39 SOUTH, RANGE 10 EAST, WILLAMETTE MERIDIAN

Sections 14 and 15: Portions, being more particularly described as follows:

Lot 1 of Section 15, Township 39 South, Range 10 East, of the Willamette Meridian; Lot 1, Lot 2, Lot 3, Lot 4, Lot 5, and Lot 6 and the NW 1/4 of the NE 1/4 of Section 14, Township 39 South, Range 10 East of the Willamette Meridian.

Excepting those portions thereof heretofore sold to the United States for reclamation and canal use, as located on the ground.

Also excepting 19.61 acres of land, more or less, conveyed to the City of Klamath Falls, Oregon, by deed recorded in Book 47 at Page 428.

Also excepting one acre heretofore sold to School District No. 4, described as follows:

Beginning at North line of Klamath Falls and Bonanza County Road and West line of Lot 1 Section 15, Township 39 South, Range 1- East of the Willamette Meridian; thence East 3 1/5 chains; thence North 3 1/5 chains; thence West 3 1/5 chains; thence South 3 1/5 chains to the point of beginning.

Also excepting those lands granted to the State of Oregon by deed recorded March 31, 2005 in Book M05, Page 22272, shown therein as Parcels 1, 2, 3, 4 and 5 on Exhibit "A" of said Deed.

MTL: R-3910-015D0-00100-000 & R-3910-01400-00100-000; R-3910-01400-00400-000

Parcel 2:

TOWNSHIP 39 SOUTH, RANGE 10 EAST, WILLAMETTE MERIDIAN

Section 14: A portion, more particularly described as follows:

All that portion of Lot 7, Section 14, Township 39 South, Range 10 East of the Willamette Meridian, included in the parcel of land described as follows:

Beginning at a point on the North boundary of Lot 7, Section 14, Township 39 South, Range 10- East, of the Willamette Meridian, from which the one-quarter section corner common to Sections 14 and 15 said, Township and Range aforesaid, bears North 34° 44' West 1607.5 feet and running thence south 513.5 feet to an iron pin; thence West 341.7 feet to an iron pin; thence North 33° 43' West 54.6 feet to an iron pip; thence North 34° 37' East 204.4 feet; thence North 30° 21' East 347.5 feet to an iron pin; thence East 80.4 feet to

the iron pin marking the place of beginning.

Saving and excepting that portion of the above described parcel of land now occupied by the right of way for the F-1 lateral of the Klamath Project.

R-391-0-1400-600

Also, a parcel of land lying in Lot 7 of Section 14, Township 39 South, Range 10 East of the Willamette Meridian and being that part within Section 14 of the following described tract lying partly in Section 14 and partly in Section 15, to-wit:

Beginning at a one-inch iron pin set on the South bank of Lost River, said point being South 89° 30' West a distance of 1054.0 feet from the section corner common to Sections 14, 15, 22 and 23, Township 39 South, Range 10 East of the Willamette Meridian, said distance being measured along the East-West Section line between Sections 15 and 22; thence North 89° 30' East a distance of 366.0 feet to the North right of way of the Klamath Irrigation District Canal, said point being monumented by a 5/8 inch iron pin; thence following right of way of said canal, North 54° 45' East a distance of 200.0 feet; thence North 62° 33' East a distance of 452.0 feet; thence North 44° 11' East a distance of 400.0 feet; thence North 55° 25' East a distance of 215.0 feet to a

point on the North bank of said canal and the South boundary of the County Road; thence North 52° 05' West a distance of 93.0 feet to the South bank of Lost River, said point being monumented by a 5/8 inch iron pin; thence following the South bank of Lost River downstream to the point of beginning.

It is the intent that this description does not cover any of the Tract lying within Section 15.

MTL: R-3910-01400-00500-000; R-3910-01400-00600-000

Parcel 3:

Section 14: A portion, more particularly described as follows:

A tract of land situated on Government Lot 7, Section 14, T39S, R10E, Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

That portion of said Lot 7 lying Northwesterly of Crystal Springs Road, a county road.

Except therefrom that portion conveyed to Peter Boor, and more particularly described as follows:

Beginning at a point on the bank of Lost River, said point being 1054 feet West of the Northeast corner of Section 22, of said Township and Range; thence East 366 feet to the right of way line of the U.S.B.R. ditch; thence following said right of line North 54° 45' East 200 feet; thence North 64° 30' East, 452 feet; thence 45° 45' East 400 feet; thence North 57° East, 275 feet; thence North 48° West, 138 feet to Lost River; thence following Lost River down stream, to the point of beginning.

MTL: R-3910-01400-00701-000

Parcel 4:

Section 15: A portion, more particularly described as follows:

All that portion of the SW 1/4 of the SE 1/4 of Section 15, Township 39 South, Range 10 East, Willamette Meridian, lying between the Southeasterly line of the right of way of the O. C. & E. and the Northerly line of the Klamath Falls Lakeview Highway.

Also that portion of Lot 1 of said Section 15, Township 39 South, Range 10 East, Willamette Meridian, described as follows:

Beginning at the intersection of the North line of the Klamath Falls-Lakeview Highway and the West line of said Lot 1; running thence $3 \frac{1}{5}$ chains East, thence $3 \frac{1}{5}$ chains North, thence $3 \frac{1}{5}$ chains West, thence South $3 \frac{1}{5}$ chains to the point of beginning.

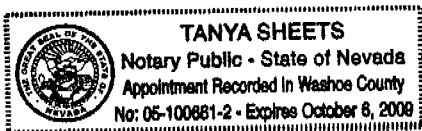
Saving and excepting therefrom portions contained in the O.C. & E. Railway right of way and the U.S.R.S. "B" Canal.

MTL: R-3910-15D-1000

State of Nevada

County of Washoe

This instrument was acknowledged before me on July 30, 2009 (date) by Howard Lowell Jones (name(s) of person(s)) as President (type of authority, e.g., officer, trustee, etc.) of Lowell N. Jones Cp., an Oregon Corporation (name of party on behalf of whom instrument was executed).



(Seal, if any)

Tanya Sheets

(Signature of notarial officer)

Notary Public

(Title)