

SAMPLE - DEE NOTICE OF VIOLATION /TERMINATION PENDING LETTER

In Reply Refer to:

CERTIFIED MAIL – RETURN RECEIPT REQUESTED
(postal certification no.)

NOTICE OF VIOLATION
LEASE SUBJECT TO TERMINATION

(Lessee)
(Address)

Geothermal Resources
Lease (serial no.)

Lease Held for Termination
Evidence of Diligent Exploration Expenditures Required or Additional Rental Due

Regulations at 43 CFR 3210.13 through 3210.16 (October 1, 2006) (copy enclosed) require that, commencing with the sixth lease year, the geothermal lessee must perform diligent exploration expenditures (DEE) exceeding the minimum per acre expenditure or pay an additional \$3.00 in rental per acre or fraction of an acre in lieu of performing the minimum required diligent exploration. These regulations also require you to file a written report of these expenditures with the Bureau of Land Management (BLM) within 60 days after the end of each lease year. Verbal reports of DEE do not meet the regulatory reporting requirements. Additional rental payments are due before the end of each lease year for years 6 through 10 of the lease term.

The current regulations at 43 CFR 3200.4 and 3200.7 (2007) (copies enclosed) explain that the former 2006 version of the geothermal regulations cited above are the proper provisions for diligent exploration requirements that apply to your lease.

Our records indicate that you have not met the minimum DEE requirements nor have you submitted the additional rental in lieu of the DEE for competitive lease (serial no.) for the lease year or years (date-date).

Be advised that leases pending on or issued prior to August 8, 2005 (the date of enactment of the Energy Policy Act), and that have not been converted to the new lease terms and/or royalty rates, are subject to termination under the termination provisions at 43 CFR 3213.15-3213.19 (2007) (copy enclosed). This circumstance is explained in 43 CFR 3200.7(a) (2007). Also, the provisions of 43 CFR 3200.7(a) (2007), require that you must comply with the 2006 version of the regulations for matters involving diligence and annual work requirements. Any violation of the applicable diligence reporting requirements also constitutes a violation of 43 CFR 3200.4.

In accordance with the provisions of 43 CFR 3213.15-3213.19 (2007), the BLM is hereby providing notice of our imminent termination of your lease.

You may prevent termination of your lease if you correct this violation by doing one of the following:

(a) Meet the expenditure reporting requirements in 43 CFR 3210.14(c) (2006), confirming your diligent exploration expenditures as required by 43 CFR 3210.14(b) (2006), for the years of violation within 30 days of receiving this notice of the violation from BLM; or

(b) Pay additional rentals under 43 CFR 3210.15 (2006), for the years of the violation within 30 days of receiving notice of the violation from the BLM.

If you requested that your geothermal lease (serial no.) be converted to the new lease terms and/or royalty rates, your lease cannot be converted until all violations have been corrected and the DEE requirements are met.

In order to meet the DEE requirement for lease year or years (date-date), you must expend funds equal to (\$ amount). In order for a lessee to obtain credit for expenditures, the lessee must report the following information in writing:

- The types of operations conducted;
- The location of the operations;
- When the operations occurred;
- The amount of money spent conducting those operations; and
- All geologic information obtained from the operations.

If you choose to submit a report of DEE expenditures, the BLM will review your report and notify you in writing whether the report is complete and acceptable. If you elect to submit a DEE report, please submit the expenditure amount and details using the enclosed form to this office at the following address:

Bureau of Land Management
(Insert address)

If you choose not to report conducted diligent exploration, or if your total expenditures do not fully meet the requirements for the lease year, you may still meet the diligent exploration requirement for that year by paying additional rental of \$3.00 per acre or fraction of an acre in addition to the yearly base rental. The additional rental due for this (number of acres) acre tract is (\$ amount). If you elect to pay the additional rental, send your payment to:

Department of the Interior
Office of Natural Resources Revenue
(Insert address)

Failure to either pay the additional rental or complete and submit documentation of the minimum required diligent exploration expenditures within 30 days of receipt of this decision will result in termination of your lease pursuant to the regulations at 43 CFR 3210.16 (2006) and 43 CFR 3213.17-19 (2007). The above geothermal lease (serial no.) termination will become effective (on x date or 30 days following your receipt of this decision) unless:

(1) The violations have been corrected; or

(2) If you are unable to correct these violations within the 30-day notice period beginning on the day you receive this decision, you may still be able to prevent termination of your lease if, during the 30-day notice period, you can make a showing to the BLM that you have commenced in good faith to correct the violations, and if thereafter, you proceed diligently to complete the correction (see 30 USC 1011; 43 CFR 3213.19 (2007)).

In accordance with the provisions of 43 CFR 3213.19 (2007), you may appeal this lease termination decision or the underlying finding of violation. You have 30 days after receipt of this notice to file an appeal (see 43 CFR 4; 43 CFR 1840). The BLM will stay the termination of your lease while your appeal is pending. You are also entitled to a hearing on this proposed lease termination if you request a hearing when you file the appeal (see 43 CFR 3213.19(b)). The regulations cited further explain your appeal rights.

If you have any questions, please contact (name) at telephone number (phone no.), send a facsimile to (fax no.), write to the attention of (name) at the address on the letterhead, or send electronic mail to (email address).

Name
Chief, Branch of Minerals Adjudication

5 Enclosures

1. Copy of 43 CFR 3210.13-16 (2006)
2. Copy of 43 CFR 3210.15-19 (2007)
3. Copy of 43 CFR 3200.4 (2007)
4. Copy of 43 CFR 3200.7 (2007)
5. DEE Report Form