

**GEOTHERMAL STEAM PREPURCHASE AGREEMENT**

**Among**

**INTERMOUNTAIN GEOTHERMAL COMPANY**

**and**

**PACIFICORP**

## GEOTHERMAL STEAM PREPURCHASE AGREEMENT

### 1. PARTIES

This Geothermal Steam Prepurchase Agreement, dated March 21<sup>st</sup> 2006 (Agreement) is by and between Intermountain Geothermal Company, a Delaware corporation, (Intermountain) and PacifiCorp, an Oregon corporation, formerly known as Utah Power & Light Company, (PacifiCorp).

### RECITALS

- A. PacifiCorp owns and operates the Electric Generating Unit.
- B. Intermountain owns certain rights to explore for, develop, produce, utilize and sell Geothermal Steam and Geothermal Separator Fluids located in, on or under the Participating Area, pursuant to the Leases and the Unit Agreement, as amended, which applies to the Roosevelt Hot Springs Unit Area. Intermountain also is Unit Operator under a Unit Operating Agreement, as amended, which applies to the Roosevelt Hot Springs Unit Area.
- C. Intermountain also holds access rights, surface rights, use rights, water rights, the right to reinject Geothermal Injection Fluid and other appurtenant rights associated with the exploration for and the development, production, utilization, and sale of the Geothermal Steam and Geothermal Separator Fluids (collectively, the Appurtenant Rights).
- D. With the intent of assuring the supply of Geothermal Steam and Geothermal Separator Fluids to the Electric Generating Unit, the parties have entered into this Agreement and the Related Agreements, pursuant to which PacifiCorp has prepurchased and Intermountain will deliver to PacifiCorp specified quantities of such Geothermal Steam and Geothermal Separator Fluid.
- E. The parties intend that, by virtue of this Agreement and the Related Agreements, PacifiCorp will be irrevocably and unconditionally vested with title to and ownership of the quantity of Geothermal Steam and Geothermal Separator Fluid specified in this Agreement. The parties further intend that the rights of PacifiCorp to develop, produce, utilize and reinject the Geothermal Steam and Geothermal Separator Fluid shall have priority over any other use of Geothermal Steam and Geothermal Separator Fluid developed and produced from the Participating Area.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree and covenant, as follows:

### 2. DEFINITIONS

2.1 Compensating Steam – Steam deliverable to PacifiCorp pursuant to section 17 of the Steam Delivery Agreement as a result of nonpayment of steam shortfall compensation, or

otherwise in lieu of damages for breach or nonperformance of obligations due to PacifiCorp under the Steam Delivery Agreement.

2.2 Delivery Points – Those points immediately downstream of the exits of the Separators where Geothermal Steam and Geothermal Separator Fluids are delivered to PacifiCorp and those points immediately upstream of the injection wells where Geothermal Injection Fluids will be delivered to Intermountain.

2.3 Electric Generating Unit – The Blundell geothermal electric generating unit, which has been constructed and placed into operation by PacifiCorp in the Roosevelt Hot Springs Unit Area and which is powered by Geothermal Steam or Geothermal Fluids from the Roosevelt Hot Springs Unit Area. The Electric Generating Unit shall consist of, but not be limited to, the turbine-generator, condenser, pumps, motors, electrical switchgear, cooling water system, and control systems. The Electric Generating Unit also shall include any heat recovery turbine generating units, and all components thereof, which use the heat from brine deliveries which PacifiCorp is entitled to receive under the Steam Delivery Agreement, as well as any modifications or replacements to the Electric Generating Unit.

2.4 Facilities – All production wells, injection wells, separators, piping systems and other physical assets, along with all necessary related Leases and fee properties, easements and other rights needed to enter upon and use lands and water in the Roosevelt Hot Springs Unit Area, in order to gather and deliver Steam and Geothermal Separator Fluids to the Delivery Points and to reinject all such Steam and Geothermal Separator Fluids.

2.5 Full Load Steam Requirements – The Full Load Steam Requirements of the Electric Generating Unit, which are 392,000 pounds of Steam per hour under rated turbine design conditions and at least 400,000 pounds of Steam per hour at five percent (5%) turbine overpressure, after making any adjustments for Steam pressure, Steam quality and noncondensable gas quantities as specified in the Steam Delivery Agreement.

2.6 Gathering System – The piping system and associated equipment to transfer Geothermal Steam and/or Geothermal Fluids from the Separators and/or wells to the Electric Generating Unit.

2.7 Geothermal Fluids – The entire geothermal fluid content, liquid and gaseous, that is delivered to the Separators or to the Electric Generating Unit.

2.8 Geothermal Injection Fluid – Fluid delivered at the inlet of the injection wells for injection into the ground consisting of, but not limited to, the Geothermal Separator Fluid and the Unit Cooling Tower Blowdown Fluid.

2.9 Geothermal Separator Fluid – Fluid delivered at the liquid outlet of the Separator.

2.10 Geothermal Steam – Flashed steam delivered at the steam outlet of the Separator, hereinafter referred to as Geothermal Steam or Steam.

2.11 Injection System – The piping, pumps and associated equipment, except injection wells, required to transfer Geothermal Injection Fluids from the Separator and Electric Generating Unit to the injection wells.

2.12 Leases – All leases needed and granted to extract, to sell or use, and to reinject Steam from the Roosevelt Hot Springs Unit Area, or granting rights to enter or use real property appurtenant to the extraction, sale or use, and reinjection of such Steam.

2.13 Participating Area – That part of the Roosevelt Hot Springs Unit Area which is deemed to be productive from a horizon or deposit and to which production would be allocated in the manner described in the Unit Agreement, as amended from time to time.

2.14 Prepurchased Steam – That quantity of Steam to be used by the Electric Generating Unit which PacifiCorp has prepurchased, either pursuant to subsection 3.1 of this Agreement, or pursuant to comparable provisions of other Geothermal Steam Prepurchase Agreements with owners of Working Interests in the Roosevelt Hot Springs Unit Area, and including any Compensating Steam.

2.15 Related Agreements – shall mean the following additional agreements, all dated as of the date hereof, and as modified from time to time:

- a. The Steam Delivery Agreement between PacifiCorp and Intermountain (Steam Delivery Agreement);
- b. The Production Payment Deed between Intermountain and PacifiCorp (Production Payment Deed);
- c. The Trust Deed between Intermountain as grantor and PacifiCorp as Beneficiary (Trust Deed);

2.16 Roosevelt Hot Springs Unit Area – The area specified on the map attached to the Unit Agreement.

2.17 Separator – That device which accepts Geothermal Fluids and/or Geothermal Separator Fluids and separates said Fluids into Geothermal Steam and Geothermal Separator Fluids.

2.18 Supplemental Steam – PacifiCorp previously has purchased a portion of its Full Load Steam Requirements from certain working interest owners who are not parties to any agreement with PacifiCorp providing for the prepurchase by or sale to PacifiCorp of Steam. Supplemental Steam shall be that quantity of steam hereafter requested by PacifiCorp to satisfy that portion of the Full Load Steam Requirements which PacifiCorp declines to purchase from such Working Interest owners.

2.19 Unit Cooling Tower Blowdown Fluid – Fluid from an Electric Generating Unit resulting from the condensing of Steam in excess of that required for use in the cooling tower which is delivered to Intermountain for injection or other uses.

2.20 Unit Agreement – The document title “Unit Agreement,” and the amendments thereto to the date of this Agreement, applicable to the Roosevelt Hot Springs Unit Area.

2.21 Unit Operating Agreement – The document titled “Unit Operating Agreement’ and amendments thereto to the date of this Agreement, applicable to the Roosevelt Hot Springs Unit Area.

2.22 Unit Operator – The person, association, partnership, corporation, or other business entity, designated under the Unit Agreement and the Unit Operating Agreement to conduct operations on the Roosevelt Hot Springs Unit Area as specified therein.

2.23 Weighted Field Injection Pressure – The sum of the products of individual injection well head pressures in pounds per square inch absolute and individual injection well flow rates divided by the sum of the individual injection well flow rates in pounds per hour for the Electric Generating Unit.

2.24 Working Interest – The interest held in geothermal resources or in lands containing the same by virtue of a lease, operating agreement, fee title, or otherwise, under which, except as otherwise provided in this Agreement or the Related Agreements, the owner of such interest is vested with the right to explore for, develop, produce, utilize and sell geothermal resources.

### **3. PREPURCHASED STEAM**

3.1 PacifiCorp prepurchased from Intermountain, and Intermountain sold and agrees to deliver as Preurchased Steam pursuant to the Steam Delivery Agreement, sixty nine and 34/100 percent (69.34%) of the Full load Steam Requirements of the Electric Generating Unit, for the term of this Agreement.

3.2 PacifiCorp also prepurchased from Intermountain, and Intermountain sold and agrees to deliver pursuant to the Steam Delivery Agreement, all Geothermal Separator Fluid produced concurrently with the Preurchased Steam.

3.3 PacifiCorp paid to Intermountain, as the completed consideration for the Preurchased Steam and for the prepurchase of Geothermal Separator Fluid associated therewith, the sum of twenty million, three hundred sixteen thousand, six hundred twenty dollars (\$20,316,620.00), and Intermountain acknowledges receipt of such payment.

### **4. SUPPLEMENTAL STEAM**

4.1 In addition to the Preurchased Steam and associated Geothermal Separator Fluid, Intermountain will deliver at the request of PacifiCorp and pursuant to the Steam Delivery Agreement a prorate portion of Supplemental Steam and associated Geothermal Separator Fluid. The percentage of Supplemental Steam and associated Geothermal Separator Fluid which

Intermountain will be obligated to delivery hereunder will be equal to the percentage of all Prepurchased Steam which Intermountain has sold to PacifiCorp.

4.2 Intermountain will be entitled to no additional compensation for the delivery of such Supplemental Steam and associated Geothermal Separator Fluid, except as provided in the Steam Delivery Agreement.

## **5. ROYALTIES**

PacifiCorp will reimburse Intermountain for, or will directly pay, in its discretion, Bureau of Land Management (BLM) royalties, if any (an only such royalties as are charged by BLM), charged with respect to the prepurchase amounts specified in this Agreement. Any such reimbursement will be due and owing to Intermountain as of the date the royalty payments must be paid to BLM. Intermountain shall co-operate in assuring that such royalties do not exceed ten percent (10%) of the prepayment amounts.

## **6. TERM AND PRIORITY OF PREPURCHASED STEAM ENTITLEMNT**

6.1 PacifiCorp shall be entitled to extract and have delivered all Prepurchased Steam prior to the extraction and delivery of any other steam from the Participating Area.

6.2 The rights of PacifiCorp with respect to the Prepurchased Steam and for Delivery of Supplemental Steam shall commence as of the date of this Agreement and shall continue for a "primary term" until January 22, 2021. Such rights thereafter shall continue beyond the primary term for any period of time needed for PacifiCorp to receive any Compensating Steam to which PacifiCorp becomes entitled under the Steam Delivery Agreement.

## **7. RIGHTS OF PACIFICORP TO TAKE OVER AND OPERATE FACILITIES**

7.1 PacifiCorp shall have the right to take over and operate and use the Facilities ("Facilities" for purpose of this section 7 to include the Leases on a non-exclusive basis, as well as future additions to or replacements to the Facilities, including, but not limited to future production and injection wells used to provide Steam to the Electric Generating Unit and to inject Geothermal Injection Fluid), needed to assure the continued supply of the Full Load Steam Requirements of the Electric Generating Unit, as well as the Geothermal Separator Fluid if (1) Intermountain does not make steam shortfall compensation payments when due under the Steam Delivery Agreement, (2) Intermountain is unable to give adequate assurance that it will be able to pay any amount of steam shortfall compensation which PacifiCorp reasonably believes will be incurred pursuant to the Steam Delivery Agreement during a contract year, based on performance during such contract year to date, or (3) for reasons other than Force Majeure, (a) the availability of Steam to the Electric Generating Unit during any two consecutive calendar quarters is less than fifty percent (50%) of the availability level that would be required on a annual basis for Intermountain to avoid liability to PacifiCorp for Steam shortfall compensation, pursuant to section 16 of the Steam Delivery Agreement, or (b) the availability of Steam to the Electric Generating Unit during any calendar year is less than seventy-five percent (75%) of the availability level that would be required for Intermountain to avoid liability to PacifiCorp for

Steam shortfall compensation pursuant to section 16 of the Steam Delivery Agreement, or (c) the average annual availability of Steam to the Electric Generating Unit during any two consecutive calendar years is less than eighty-five percent (85%) of the annual availability level that would be required for Intermountain to avoid liability to PacifiCorp for Steam shortfall compensation, pursuant to section 16 of the Steam Delivery Agreement.

7.2 The rights for PacifiCorp to step in and operate the Facilities shall include all rights granted to the operator under the Unit Operating Agreement. If PacifiCorp is unable to receive any approvals needed to act as operator of the Facilities under the Unit Operating Agreement, and until such approvals have been granted, PacifiCorp may at its option step in and operate the Facilities as a subcontractor of Intermountain.

7.3 If PacifiCorp steps in and operates the Facilities, it shall for the period it so operates not be obligated to pay the O&M Fees owed to Intermountain, and may in addition charge to Intermountain a percentage of any costs reasonably incurred by PacifiCorp for necessary additional wells or other capital additions needed to maintain the supply of Steam to the Electric Generating Unit. The percentage of such costs to be paid by Intermountain shall be equal to the percentage of the Full Load Steam Requirements of the Electric Generating Unit that Intermountain is obligated to deliver as Preurchased Steam acquired from Intermountain (which percentage is sixty-nine and 34/100 percent (69.34%) as of the date of this Agreement, and may hereinafter be increased by future sales of Preurchased Steam).

## 8. COVENANTS OF CECI AND INTERMOUNTAIN

### 8.1 Intermountain covenants to PacifiCorp.

a. Compliance with Laws. All operations conducted on the Roosevelt Hot Springs Unit Area shall comply with the Unit Agreement, the Unit Operating Agreement, the Leases and all applicable federal, state and local statutes, regulations, ordinances, rules, decrees, awards, franchises, licenses, permits or orders.

b. Condition of Facilities. Intermountain will maintain the Facilities, as well as future additions to or replacements to the Facilities (including but not limited to future production and injection wells used to provide Steam to the Electric Generating Unit) in good operating condition and repair according to industry standards, reasonable wear and tear excepted. Intermountain will not permit the conveyance of, or the attachment of liens and other encumbrances to the Facilities, except as incurred in the ordinary course of business.

c. Intermountain Shall Remain Unit Operator. With respect to the Facilities, as well as future additions to or replacements of the Facilities (including but not limited to future production and injection wells used to provide Steam to the Electric Generating Unit), Intermountain will not relinquish, assign or subcontract its duties as Unit Operator, except with the written consent of PacifiCorp.

d. Amendments to Unit Agreement or Unit Operating Agreement.

Intermountain will not permit amendments to the Unit Agreement or Unit Operating Agreement, except upon written consent of PacifiCorp and all such amendments made without PacifiCorp's written consent shall be void. PacifiCorp shall be obligated to grant promptly any requested consent, unless the proposed change would impair PacifiCorp's rights under this Agreement or the Related Agreements.

e. No Dilution of Preurchased Steam Rights.

Intermountain will assure that the rights of PacifiCorp under the Production Payment Deed are not diluted as a result of any future reduction of Intermountain's percentage entitlement to Steam produced from the Roosevelt Hot Springs Unit Area below the percentage of the Full load Steam Requirements of the Electric Generating Unit Provided by Preurchased Steam acquired by PacifiCorp from Intermountain.

f. Maintenance of Permits and Approvals.

Intermountain will retain and acquire all such leases, permits, approvals and other rights and authority as are needed to assure PacifiCorp's continuing right to delivery of the Preurchased Steam for the term of this Agreement and PacifiCorp's right to take over and operate the Facilities, including the Leases on a nonexclusive basis, as well as future additions or replacements to the Facilities including, but not limited to future production and injection wells used to provide Steam to the Electric Generating Unit and to reinject Geothermal Injection Fluid, as provided in section 7 of this Agreement.

g. Payment of Taxes, Royalties and Other Costs.

Intermountain shall pay when due all taxes, fees, rentals and other costs arising from or related to its operations under this Agreement and the Related Agreements and shall keep all assets owned or used by it in the performance of this Agreement or the Related Agreements free from liens (except the lien of taxes not yet due and payable). Intermountain shall make all royalties and other payments with respect to the Leases no later than due, but at least ten (10) days prior to the date on which a failure to make such payments would result in a default under or a right by the lessor to terminate or rescind such Lease. Intermountain shall maintain and shall provide PacifiCorp with a current list of such Lease payment due dates and shall provide to PacifiCorp notice of payment concurrently with each such payment. Intermountain shall also take all steps required to cure in a timely manner any default under any leases or other instruments under which Intermountain owns or uses assets in the performance of this Agreement or the Related Agreements. If Intermountain fails to make any such payment or to cure any such default in a timely manner, PacifiCorp shall have the right, but not the duty, to make such payments or to cure such default on behalf of Intermountain. If PacifiCorp does so, PacifiCorp may, in its discretion, do either one or both of the following: (i) offset against the O&M Fees otherwise due to Intermountain under the Steam Delivery Agreement the payment made or sum expended to cure the default, or (ii) require Intermountain to reimburse PacifiCorp for the payment made or the sum so expended (to the extent not previously offset against O&M Fees) within ten (10) days of notice from PacifiCorp demanding such reimbursement. The payments made or sums so expended will be deemed to include interest on such amounts, accrued from the date made or expended by PacifiCorp until the date offset or reimbursed as provided hereunder, with such interest



calculated in the manner specified in section 19 of the Steam Delivery Agreement for interest on late payments.

**9. TITLE INSURANCE**

9.1 PacifiCorp shall be an insured lender in the amount of twenty million, three hundred sixteen thousand, six hundred twenty dollars (\$20,316,620.00) on the lender's CLTA policy of title insurance issued by First American Title Insurance Company of Nevada with respect to the Leases and the fee property including the Facilities. In the event Intermountain and/or PacifiCorp make claims under such policy of title insurance, the claims of PacifiCorp shall be primary and shall be paid prior to payments to Intermountain.

**10. NOTICES**

10.1 Unless otherwise permitted under this Agreement or the Related Agreements, all notices, requests, demands, consents or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed properly given when delivered in person to the party to be notified, or when mailed by registered or certified United States mail, return receipt requested and addressed to the party to be notified, at its address set forth below, or such other address within the continental United States of America as the party to be notified may have designated prior thereto by written notice to the other:

If to Intermountain                      Intermountain Geothermal Company  
1407 W. North Temple  
Salt Lake City, UT 84116-3171  
Attn: President

If to PacifiCorp:                              PacifiCorp  
1407 W. North Temple  
Salt Lake City, UT 84116-3171  
Attn: General Counsel

A copy of all notices  
To PacifiCorp shall also  
Be addressed to:                              Plant Manager  
Blundell Geothermal Plant  
Milford, Utah 84751

**11. ASSIGNMENT**

11.1 This Agreement may not be assigned by either party without the written consent of the other, except that either party may, without such consent, assign this Agreement to a successor to all or substantially all of its property and assets concerned with the subject matter hereof or where such assignment occurs as a result of a statutory merger, consolidation or reorganization, or is required by law or court order. PacifiCorp also may assign this Agreement

to any company in any chain of one hundred percent (100%) common ownership, as a parent, subsidiary or otherwise commonly owned company with PacifiCorp.

11.2 This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

11.3 In the event of an assignment hereof by either party, such assignment shall be made specifically subject to all the terms and conditions hereof, and the assignee shall assume all of the obligations hereunder of the assigning party; however, the assigning party shall not thereby (nor by the consent to such assignment) be relieved of any of its obligations hereunder, it being understood that each party hereto shall in all respects remain fully obligated and responsible for the performance of its obligations under this Agreement unless and until expressly released therefrom in writing by the other party, except that in the case where the assigning party is required by law or court order to assign, such assigning party shall be relieved of all obligations thereafter accruing hereunder if such release from liability is required by said law or court.

## **12. GENERAL PROVISIONS**

12.1 The interpretation and performance of this Agreement will be governed by the laws of the state of Utah.

12.2 The remedies granted to the parties by this Agreement and by the Related Agreements are cumulative. The exercise of any remedy provided shall not constitute a waiver of the right of the exercising party to exercise any other remedy provided by this Agreement or the Related Agreements or otherwise provided by applicable law or at equity.


12.3 This Agreement and the Related Agreements set forth the entire agreement of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements, whether oral or written, with respect to the subject matter hereof and thereof. No such document shall be supplemented amended or modified or any provision thereof waived without the written consent of the party against which such supplementation, amendment or modification is to be enforced. A waiver of any provision of this Agreement or of the Related Agreements shall not constitute a waiver of any other provision of such agreements or a waiver of such provision in any instance except the instance for which such waiver was explicitly granted.

12.4 In the event of a dispute under this Agreement or the Related Agreements, the prevailing party will be entitled to recover its reasonable attorneys' fees in any arbitration proceeding or at trial, on appeal or any petition for review or in any bankruptcy proceeding, including but not limited to all fees or expenses permitted or defined by statutory law.


12.5 Each party will cooperate with the others to effect the overall transaction described in this Agreement and the Related Agreements. Such cooperation will include, but not necessarily be limited to, execution, acknowledgement and delivery of all conveyances, documents and assurances as any party may reasonable request in order to carry out the intent and purposes of this Agreement and the Related Agreements.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective corporate names as of the date set forth in the introduction to this Agreement.

INTERMOUNTAIN GEOTHERMAL COMPANY

By   
Its PRESIDENT

PACIFICORP

By   
Its Vice President