

BEFORE THE OIL & GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE
ESTABLISHMENT OF SURFACE
LOCATIONS FOR OIL AND GAS
OPERATIONS UPON CERTAIN
LANDS COMPRISING THE
SOLARRESERVE PROJECT
LOCATED IN SAGUACHE
COUNTY, COLORADO

Cause No. _____
Docket No. _____

APPLICATION

Skyline Land Company, LLC, a Colorado limited liability company, Sam Investments, Inc., an Illinois corporation, Ernest M. Myers and Virginia K. Myers, Mountain Coast Enterprises, LLC, a Colorado limited liability company, and Wijaya Colorado, LLC, a Colorado limited liability company ("Applicants"), by their attorney, Randall J. Feuerstein of Dufford & Brown, P.C., hereby apply to the Colorado Oil and Gas Conservation Commission ("Commission") for an order establishing drill site and surface equipment locations within the SolarReserve project located in Saguache County, Colorado to enable compatible surface and oil and gas development. In support, Applicants state as follows:

A. Applicants and other Mineral Owners

1. Applicants are individuals, Colorado limited liability companies and an Illinois corporation duly authorized to conduct business in the State of Colorado. Applicants, along with the owners listed on Exhibit "A" (attached and incorporated by reference), own surface and mineral interests in portions of the following lands:

Township 41 North, Range 9 East, 6th P.M., Saguache County, Colorado

Section 3: All

Section 4:	All
Section 7:	SE/4
Section 8:	All, except E/2NE/4NE/4
Section 9:	All
Section 10:	All
Section 11:	S/2SW/4
Section 15:	NW/4
Section 16:	N/2, SW/4
Section 17:	All
Section 18:	All
Section 20:	All
Section 21:	S/2

("SolarReserve Project Lands")

2. Applicants, farmers in the San Luis Valley, conduct their farming operations under pivot sprinkler irrigation. They have granted to SolarReserve, a limited liability company, an option to purchase the SolarReserve Project Lands.

3. The SolarReserve Project Lands are unleased for oil and gas exploration and are not spaced by any Commission order. There are recorded unleased oil and gas leases upon portions of the SolarReserve Project Lands that are beyond their primary terms but, according to Commission website records, they are not held by production.

4. SolarReserve is a clean technology company that constructs and operates utility-scale solar power plants. The proposed SolarReserve project will use two large heliostat solar

mirror arrays, each directing the sun's light to the top of a 656 foot tower located concentrically within each of the solar arrays. Atop the tower is a receiver, through which liquid (molten) salt is circulated. The sun's energy heats the molten salt and that energy is then transferred to surface equipment for the purpose of generating electricity. Each of the two arrays proposed for the SolarReserve Project Lands is estimated to provide a generating capacity of 100 MW. Exhibit "B" (attached and incorporated by reference) contains a concept plan, demonstration photo, array configuration and technology diagram for the heliostat arrays and other surface equipment. Each array covers a significant land area of approximately 1,500 acres with both arrays jointly comprising almost seven sections of ground. The project area that requires protection from competing oil and gas surface uses ("Protected Project Area") covers approximately 4,000 acres, and includes solar arrays and attendant surface equipment located between each heliostat circle. Exhibit "C" (attached and incorporated by reference) is SolarReserve's Fact Sheet describing the Saguache County SolarReserve Project. The Protected Project Area must be free from surface interference or use related to oil and gas development to enable use of the surface for commercial generation of electricity from solar resources.

B. Jurisdiction of the Commission

5. Colorado's oil and gas policy is contained in the Oil and Gas Conservation Act, C.R.S. § 34-60-101 *et. seq.*, ("Act"). According to the legislature, it is in the public interest to, among other things, foster the responsible production and utilization of oil and gas natural resources consistent with the protection of, among other things, the public welfare and the environment. The Commission's Director administers the Act, enforces the Commission's rules and regulations, and implements and administers the Commission's orders. The legislature has

granted the Commission broad powers, authority, and discretion. *See also Voss v. Lundvall Bros., Inc.*, 830 P.2d 1061, 1065 (Colo. 1992) (the Commission is charged with enforcing the Act's provisions). Under section 34-60-105 ("Powers of the Commission"), the Commission:

- Has "jurisdiction over all persons and property, public and private, necessary to enforce the provisions of this article";
- Has "the power to make and enforce rules, regulations, and orders pursuant to this article"; and
- Can "do whatever may reasonably be necessary to carry out the provisions of this article."¹

Under section 34-60-106, which requires the Commission to consider cost-effectiveness and technical feasibility, the Commission has the authority to regulate drilling and all other operations for the production of oil or gas to prevent and mitigate significant adverse environmental impacts on air, water, and the public health, safety and welfare.

The Act's Legislative Declaration provides that it is in the public interest to (I) "[f]oster the responsible, balanced development, production and utilization of...oil and gas...in a manner consistent with protection of public health, safety, and welfare, including protection of the environment..., (II) [p]rotect the public and private interests against waste in the production and utilization of oil and gas..., (III) [s]afeguard, protect and enforce the coequal and correlative rights of owners and producers ... , and (IV) [p]lan and manage oil and gas operations in a manner that balances development with wildlife conservation ... [to implement

¹ "Any person...may apply for any hearing before the commission, or the commission may initiate proceedings upon any question relating to the administration of this article, and jurisdiction is conferred upon the commission to hear and determine the same and enter its rule, regulation, or order with respect thereto."

Colorado's policy] that wildlife and their environment are to be protected, preserved, enhanced and managed for the use, benefit, and enjoyment of the people of this state and its visitors." § 34-64-102(1)(a). The compatible surface and oil and gas development sought in this Application will accomplish those public interest goals and Colorado's public policy.

6. Applicants request that: (i) oil and gas operating areas ("OGOAs") be established outside the Protected Project Area by the Commission and (ii) oil and gas activities and operations on the SolarReserve Project Lands be restricted to those OGOAs.

7. Applicants have obtained a Feasibility Study of Directional and Horizontal Drilling Techniques for the Solar Reserve Project Area - dated May 9, 2012, and prepared by A.R. Briggs, P.E., a consulting petroleum engineer at A.R. Briggs & Associates (the "Briggs Feasibility Study"). The Briggs Feasibility Study is Exhibit "D" (attached and incorporated by reference). That study concludes that oil and gas reserves located beneath the SolarReserve Project Lands, if any, could be adequately explored and developed from the OGOAs shown on Exhibit "E" (attached and incorporated by reference). Except for the five-acre parcel mentioned below, those OGOAs are outside the approximate 4,000 acre SolarReserve Protected Project Area but within the SolarReserve Project Lands. An additional five-acre OGOA, owned by Applicants and included in Exhibit "E", will be established in the northeast corner of Section 3 (at the intersection of County Roads G and 57) within the boundary of the approximate 4,000 acre Protected Project Area.²

² To the extent any roads, buildings or structures encroach on the acreage within an OGOA, upon request by an affected mineral holder or operator, SolarReserve will substitute the lost acreage with suitable additional acreage adjacent to the OGOA to accommodate the request.

8. Exhibit "E" incorporates the Briggs Feasibility Study and designates 500 foot-wide OGOAs located outside the Protected Project Area, except for one OGOA mentioned above. Those OGOAs would be set aside by Applicants, and their successors and assigns, for use by a Commission licensed operator. In Mr. Briggs' opinion, each OGOA could site a sufficient number of directional or horizontal wells - along with their attendant surface equipment and facilities - to allow for adequate exploration, development, and production of oil and gas from the Protected Project Area. Exhibit "E" also depicts OGOAs, access easements, and pipeline and flow-line easements in a manner that will avoid any planning, financing or operational conflicts between: (a) planning, development, construction, and maintenance of the SolarReserve project; and (b) exploration, development, production and operation of oil and gas that may underlie the Protected Project Area.

The wells, surface equipment and facilities may be moved in various directions within the OGOAs such that a potential operator will have flexibility in developing oil and gas - as long as activities in the OGOAs do not intrude upon the Protected Project Area (except for the available location in the northeast corner of Section 3).

Exhibit "E" further demonstrates that SolarReserve would set aside up to approximately 300 acres (shown in purple on Exhibit "E"), for the location of seven OGOAs. Those OGOAs will provide surface access to explore for, develop and produce oil and gas from multiple locations. Thus, any oil and gas wells, surface equipment and facilities could be moved within that land area (shown in purple) for purposes of operator flexibility. Such flexibility will promote and insure compatible mutual development of both the surface and of oil and gas - as long as any oil and gas operations on the surface are confined to the OGOAs.

9. Based on Mr. Briggs' opinions, the OGOAs requested by Applicants – to be determined through this Application and which will establish designated locations for wells, oil and gas related roads, pipelines, and production facilities – are sufficient and adequate to allow for the exploration, development, and production of oil and gas.

10. Applicants have also obtained a report of June 1, 2012 prepared by Jewel Wellborn, a certified petroleum geologist at Hydrocarbon Exploration and Development, Inc. ("The Wellborn Report"). An executive summary of Ms. Wellborn's report of June 1, 2012 is shown on Exhibit "F" (attached and incorporated by reference). That report concludes that there is no potential for commercial development of oil and gas beneath the SolarReserve Project Lands as the geologic sediment in this area lacks the ability to have a quality reservoir. Further, there is nothing to indicate that there is a reservoir of adequate size or continuity, nor is there an effective trapping mechanism underlying the area to contain any hydrocarbons.

Ms. Wellborn concluded that if a reservoir could exist under the area, it would be at depths of 4,500 to 8,000 feet, where Precambrian rock is encountered.

11. There is precedent for the Commission to consider this type of Application and to issue an order establishing drill site locations. Previously, SWD, LLC, a real estate developer and contract surface and mineral owner, had asked the Commission to establish a Surface Use Plan designating approved well site locations within the Stillwater Planned Unit Development project located in Silt, Colorado. The Commission issued an order which established drill site and other surface equipment locations within that project's boundaries. *See* Report of the Commission entered on August 1, 2002 and Amended Order of September 2005 in Cause No. 523, Order No. 523-1.

Additionally, in Cause No. 1-94, the Commission considered the City of Longmont's application to establish a recreational park area in the City (known as Sandstone Ranch) as a designated outside activity area which required the oil and gas lessee (TOP Operating) to explore for, develop, and produce oil and gas directionally from surface locations outside Sandstone Ranch and at a 350-foot setback from the park. *See* Report of the Commission dated March 19, 2001 in Cause No. 1, Order No. 1-94. In finding number 14, the Commission encouraged the City and TOP to cooperate and agree on well locations. Absent such an agreement, the Commission indicated it would convene a hearing to consider testimony regarding proposed locations. *See also Tarrant v. Haupt*, 854 S.W.2d 909 (Tex. 1993) (holding that surface development did not interfere unreasonably with the right to develop minerals because directional drilling under the reservoir constituted a reasonable means of accessing those minerals).

12. For those reasons, and under the above statutes, the Commission has jurisdiction to issue the requested order by establishing drilling and operating areas to enable development of the SolarReserve Project while simultaneously providing OGOAs for oil and gas owners (and their lessees) if there is future exploration or development of oil and gas under the SolarReserve Project Lands. The compatible surface and oil and gas development will accomplish the Act's purposes and promote its public policy goals.

C. Additional Justifications for the Order

13. While the following may not provide a basis for the Commission's jurisdiction, the requested order is consistent with Colorado's "reasonable accommodation doctrine" (adopted in *Gerrity Oil & Gas v. Magness*, 946 P.2d 913 (Colo. 1997) and codified at C.R.S. § 34-60-127)

and will promote the public policy goals underlying it by protecting correlative rights and preventing waste.

Under that doctrine, both the “mineral estate” and the “surface estate” must “exercise their rights in a manner consistent with the other” and “each owner must have due regard for the rights of the other.” While mineral owners cannot be denied access and have a right to “reasonable surface use,” because that right “does not include the right to destroy, interfere with or damage the surface owner’s correlative rights to the surface,” they are entitled to access only that portion of the surface “that is reasonably necessary to develop the severed mineral interest.” The “due regard concept” “requires [them] to accommodate surface owners to the fullest extent possible consistent with their right to develop the mineral estate.” When their operations “would preclude or impair uses by the surface owner, and when reasonable alternatives are available to [them], the doctrine of reasonable surface use requires [them] to adopt an alternative means.” *Gerrity*, *supra* at 926-27; *see also* C.R.S. § 34-60-127 (providing that oil and gas operations “shall” be conducted “in a manner that accommodates the surface owner by minimizing intrusion upon and damage to the surface of the land; and defining “minimizing” as “selecting alternative locations for wells, roads, pipelines, or production facilities, or employing alternative means of operation, that prevent, reduce, or mitigate the impacts of the oil and gas operations on the surface, where such alternatives are technologically sound, economically practicable, and reasonably available to the operator”).

14. The San Luis Valley (“Valley”) has been designated by Xcel Energy, the Western Governors’ Association and the U.S. Department of Energy as an Energy Resource Zone because of the Valley’s potential to support competition among renewable energy

companies for the development of renewable resource generation projects. The Valley is thus a promising location for SolarReserve's large-scale solar project.

15. The State of Colorado has fostered and encouraged renewable energy development. The legislature passed HB 10-1001 (codified at, among other sections, C.R.S. § 40-2-124 *et seq.*), which requires that utilities generate at least 30% of their retail sales of electricity from eligible energy resources - including solar - by 2020.

16. The SolarReserve Project will boost the Valley's lagging economy by adding hundreds of construction jobs for many months and then dozens of full-time jobs to operate the plant. In addition, the Valley will benefit significantly from tax revenue, local spending on goods and services, housing for plant employees, and long-term expenditures related to the plant's maintenance and operation.

17. There will also be significant environmental benefits, including a reduction in CO₂ emissions by reducing consumption of combustion fuel for electric generation. The plant's life expectancy is estimated at fifty (50) years.

18. The two large heliostat solar mirror arrays, each encompassing approximately 1,500 acres, along with the attendant surface fixtures and equipment, must be planned, constructed, operated and developed free from interference of other incompatible surface uses including oil and gas development. Except as proposed in this Application, oil and gas development, would be incompatible with the construction, operation and maintenance of the SolarReserve project. Exhibit "G" (attached and incorporated by reference) depicts one of the solar heliostat arrays and its attendant surface equipment, buildings, fixtures and facilities – all

of which are necessary for the plant's operation. In addition to the mirrors, there will be a 656 foot tower, equipment contained at the central "power block" (including heat exchangers and steam turbines to generate electricity), and other equipment and buildings located outside the mirror array for plant operation, electricity transmission and other purposes.

19. The SolarReserve project involves a huge capital expenditure of approximately \$700 million for each of the two 100 MW units. In addition, SolarReserve has contractually obligated itself to Saguache County to fund certain public services including, but not limited to, road improvements, vocational training programs, and a local Visitors Information Center to stimulate eco-tourism interest.

20. For those numerous reasons, it is essential that compatibility of respective surface and oil and gas development is established by order of the Commission. Such an order will allow the SolarReserve project to be planned, financed, developed, constructed, operated and maintained without interference from oil and gas surface uses. Such an order will also enable compatible potential oil and gas development.

21. SolarReserve filed its preliminary application for a 1041 Permit with Saguache County in July of 2010 and its final application in October of 2011. A public hearing on the application was held February 2, 2012. Saguache County's approval of the 1041 Permit is Exhibit "H." (attached and incorporated by reference). SolarReserve's support for and consent to this Application is Exhibit "I" (attached and incorporated by reference).

D. Conclusion

WHEREFORE, Applicants respectfully seek approval of a surface use plan ("Surface Use Plan") and implementation of that Surface Use Plan by Commission Order to provide for future development of the oil and gas underlying the SolarReserve Project Lands, including:

(A) To provide for the exploration, development, and production of oil and gas that enables compatible surface use for the Saguache County SolarReserve Project by establishing OGOAs for all oil and gas activities and operations - including the drilling of wells and the location of surface equipment and other facilities, roads, utility pipelines, flow lines, and any other easements (as set forth on Exhibit "E").

(B) That any surface access for oil and gas activities and operations on the SolarReserve Project Lands be limited to lands outside the Protected Project Area, and the 5-acre parcel described in Paragraph 7 above.

(C) That adoption of the Surface Use Plan will enable the contemplated surface development of solar resources while protecting the correlative rights of owners of oil and gas interests to develop oil and gas resources and thereby avoid waste in a manner consistent with the public health, safety, and welfare.

(D) Applicants request that the Commission enter an Order adopting the proposed Surface Use Plan and that any applications for permits to drill or for permits for locations filed with the Commission be required to conform to the approved Surface Use Plan and all oil and gas surface activities and operations be restricted to lands as set forth above.

(E) That any subsequent order entered by the Commission pursuant to § 34-60-116 or its rules and regulations to establish spacing and/or well density for the SolarReserve Project Lands be deemed to include and incorporate by reference this order's provisions.

(F) That any order of the Commission establishing the requested OGOAs on the SolarReserve Project Lands, and thereby restricting oil and gas surface activities and operations to those OGOAs, remain in effect for a period of ten years from the date of the order's entry; and that the order describe the affected lands and be recorded in the real property records of Saguache County, Colorado.

Applicants further respectfully request that a hearing be held, and that at its conclusion, an Order as set forth above be entered by the Commission.

Respectfully submitted this 20th day of June, 2012.

**SKYLINE LAND COMPANY, LLC, SAM
INVESTMENTS, INC., ERNEST M. MYERS and
VIRGINIA K. MYERS, MOUNTAIN COAST
ENTERPRISES, LLC, and WIJAYA COLORADO, LLC**

By: _____

Randall J. Feuerstein
Randall J. Feuerstein (#10479)
Attorney for Applicants
Dufford & Brown, P.C.
1700 Broadway, Suite 2100
Denver, Colorado 80290
(303) 861-8013

Applicants' Addresses:

Skyline Land Company, LLC
c/o Skyline Potato Company
Attn: Victor Smith
701 West 16th Street, Suite 101
Yuma, AZ 85366

Sam Investments Inc.
c/o Ernest Myers and Virginia Myers
3501 County Road 53
Center, CO 81125

Ernest Myers and Virginia Myers
3501 County Road 53
Center, CO 81125

Mountain Coast Enterprises, LLC
c/o Jeffrey A. Silzell
7252 County Road 12 So.
Alamosa, CO 81101

Wijaya Colorado, LLC
c/o Jeffrey A. Silzell
7252 County Road 12 So.
Alamosa, CO 81101

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF SAGUACHE)

Victor Smith, Manager of Skyline Land Company, LLC, of lawful age, being first duly sworn upon oath, deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

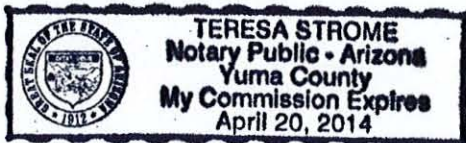



Manager of Skyline Land Company, LLC, a
Colorado limited liability company

Subscribed and sworn to before me this 11th day of JUNE, 2012.

Witness my hand and official seal. [SEAL]

My commission expires: 4-20-2014





Notary Public

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF ALAMOSA)

JEFF SILZELL, Manager of Wijaya Colorado, LLC, of lawful age, being first duly sworn upon oath, deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

Jeff Silzell
Manager of Wijaya Colorado, LLC, a Colorado
limited liability company

Subscribed and sworn to before me this 11th day of June, 2012.

Witness my hand and official seal. [SEAL]

My commission expires: 9-18-2015

Nicole Jaramelo
Notary Public

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF ALAMOSA)

JEFF SILZELL, Manager of Mountain Coast Enterprises, LLC, of lawful age, being first duly sworn upon oath, deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

Jeff Silzell
Manager of Mountain Coast Enterprises, LLC,
a Colorado limited liability company

Subscribed and sworn to before me this 11th day of June, 2012.

Witness my hand and official seal. [SEAL]

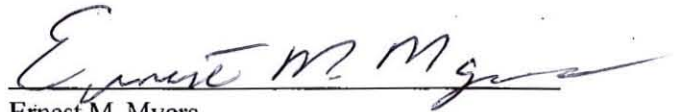
My commission expires: 9-18-2015

Nicole Jaramello
Notary Public

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF Saguache)

Ernest M. Myers, of lawful age, being first duly sworn upon oath, deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.



Ernest M. Myers

Subscribed and sworn to before me this 15th day of June, 2012.

Witness my hand and official seal. [SEAL]

My commission expires: 10-24-15




Notary Public

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF Sequoia)

Ernest m. myers, Officer of Sam Investments, Inc., of lawful age, being first duly sworn upon oath, deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

Ernest M. Myers
Officer of Sam Investments, Inc., an Illinois corporation

Subscribed and sworn to before me this 5th day of June, 2012.

Witness my hand and official seal. [SEAL]

My commission expires: 10-24-15



Marta D.
Notary Public

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF Saguache)

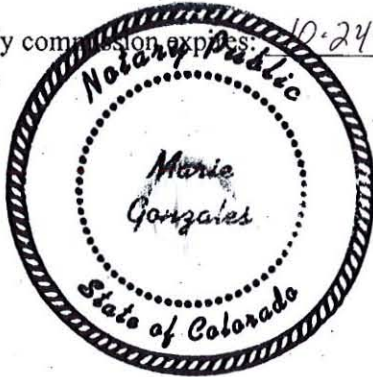
Virginia K. Myers, of lawful age, being first duly sworn upon oath, deposes and says that she has read the foregoing Application and that the statements contained therein are true to the best of her knowledge, information and belief.

Virginia K. Myers
Virginia K. Myers

Subscribed and sworn to before me this 5th day of June, 2012.

Witness my hand and official seal. [SEAL]

My commission expires: 10-24-15



M. Gonzales
Notary Public

EXHIBIT "A"
Surface and Mineral Owners

A. Applicant Owners

Skyline Land Company, LLC
c/o Skyline Potato Company
Attn: Victor Smith
701 West 16th Street, Suite 101
Yuma, AZ 85366

Sam Investments Inc.
c/o Ernest Myers and Virginia Myers
3501 County Road 53
Center, CO 81125

Ernest Myers and Virginia Myers
3501 County Road 53
Center, CO 81125

Mountain Coast Enterprises, LLC
c/o Jeffrey A. Silzell
7252 County Road 12 So.
Alamosa, CO 81101

Wijaya Colorado, LLC
c/o Jeffrey A. Silzell
7252 County Road 12 So.
Alamosa, CO 81101

B. Other Owners

George Newmyer
10482 North Road 4 West
Center, CO 81125

Hughes Company
8008 Slide Road #26
Lubbock, TX 79494-2828

American State Bank
Trustee of E. Hayes Sieber Trust
P. O. Box 1401
Lubbock, TX 79408-1401

Olive Virginia Morris Carpenter
8470 Vance Court
Colorado Springs, CO 80919

Estate of Dan Glaxner
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Hotchkiss, CO 81419

Estate of Laura Harvey
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Anna B. Kennedy
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Alfert E. King
(address unknown)

Clarence N. Miller
(address unknown)

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A. L. Houston
2219 Pleasant Shade Court
Richmond, TX 77406

Stephen J. Milliken
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Mayflower, AR 72106

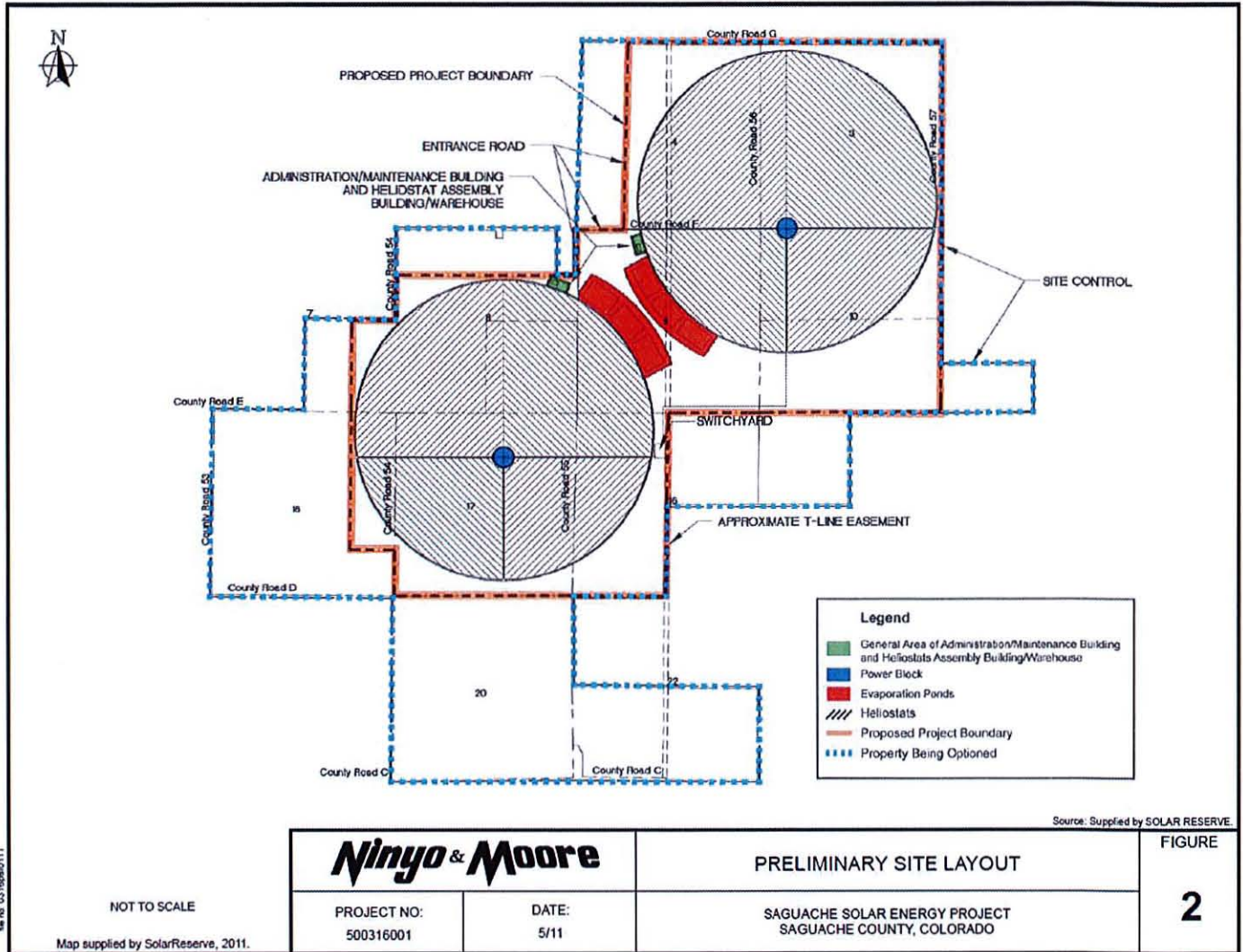
James D. Ellison
a/k/a James Douglas Ellison
(address unknown)

Caroline Hunt Trust Estate
100 Crescent Court, Suite 1700
Dallas, TX 75201-1878

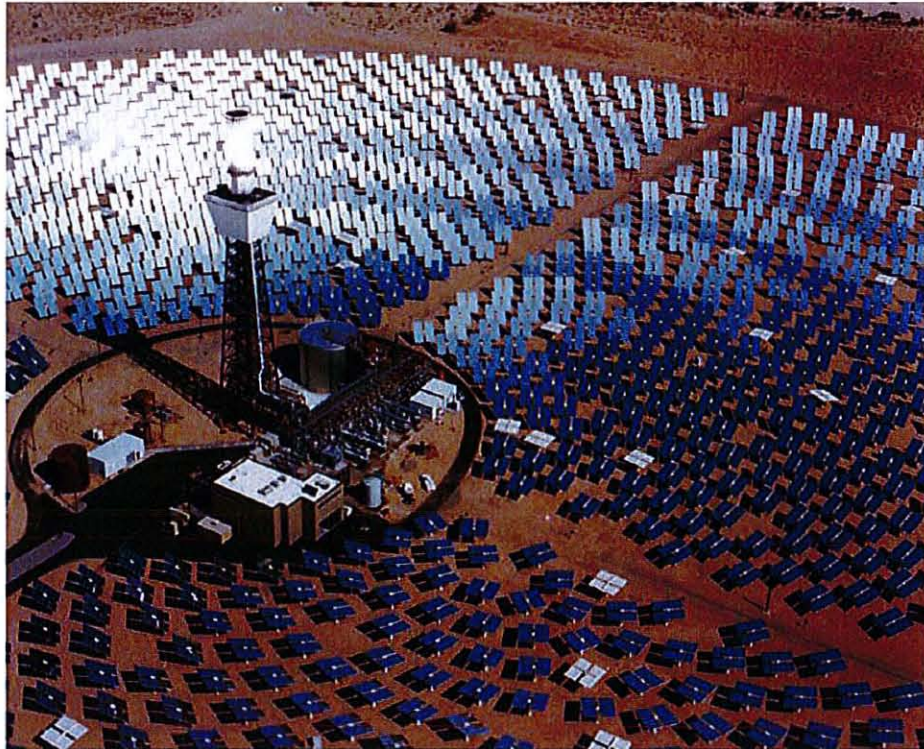
Loren Dunham
5280 E. Wolfer Drive
Tucson, AZ 85742

EXHIBIT "B"

SolarReserve Project Concept Plan, Demonstration Photo, Array Configuration and Technology Diagram



SOLAR TWO DEMONSTRATION FACILITY



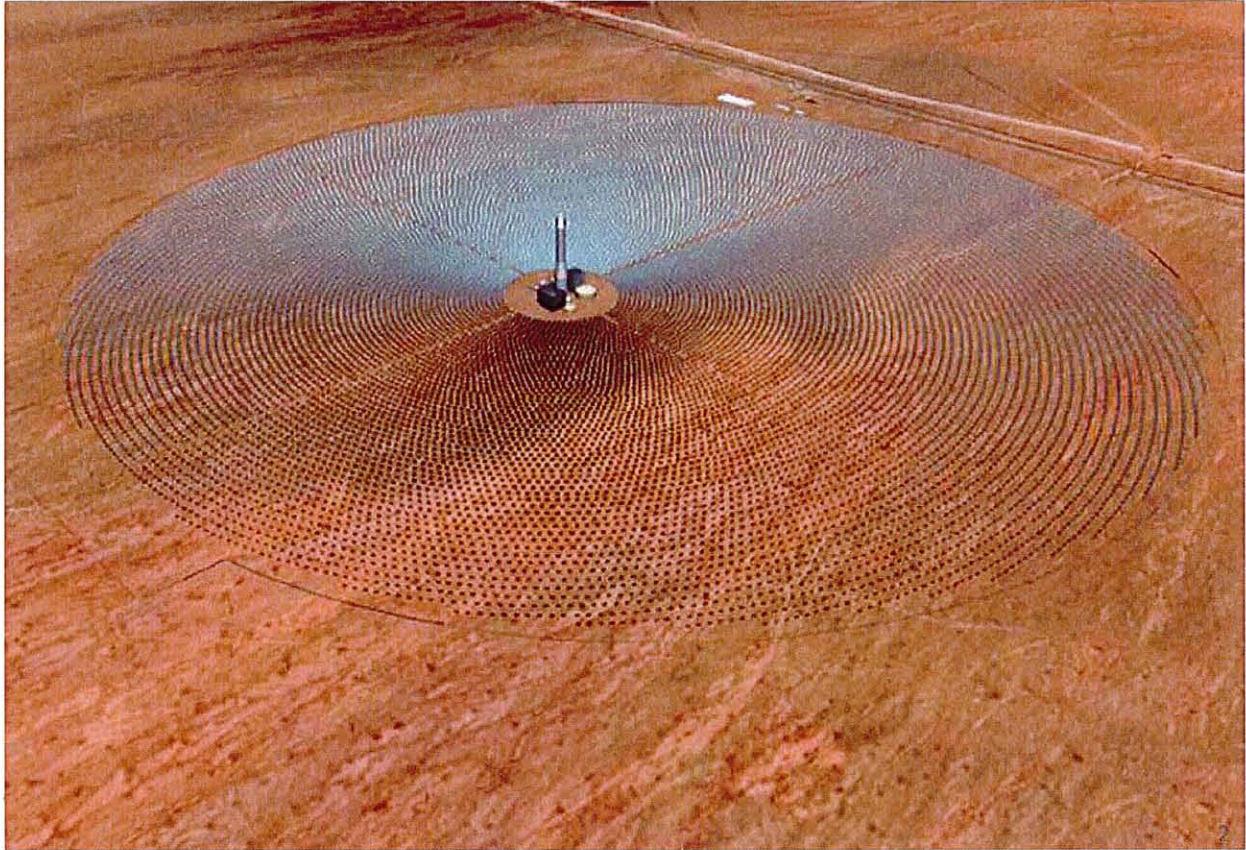
SOLARRESERVE®

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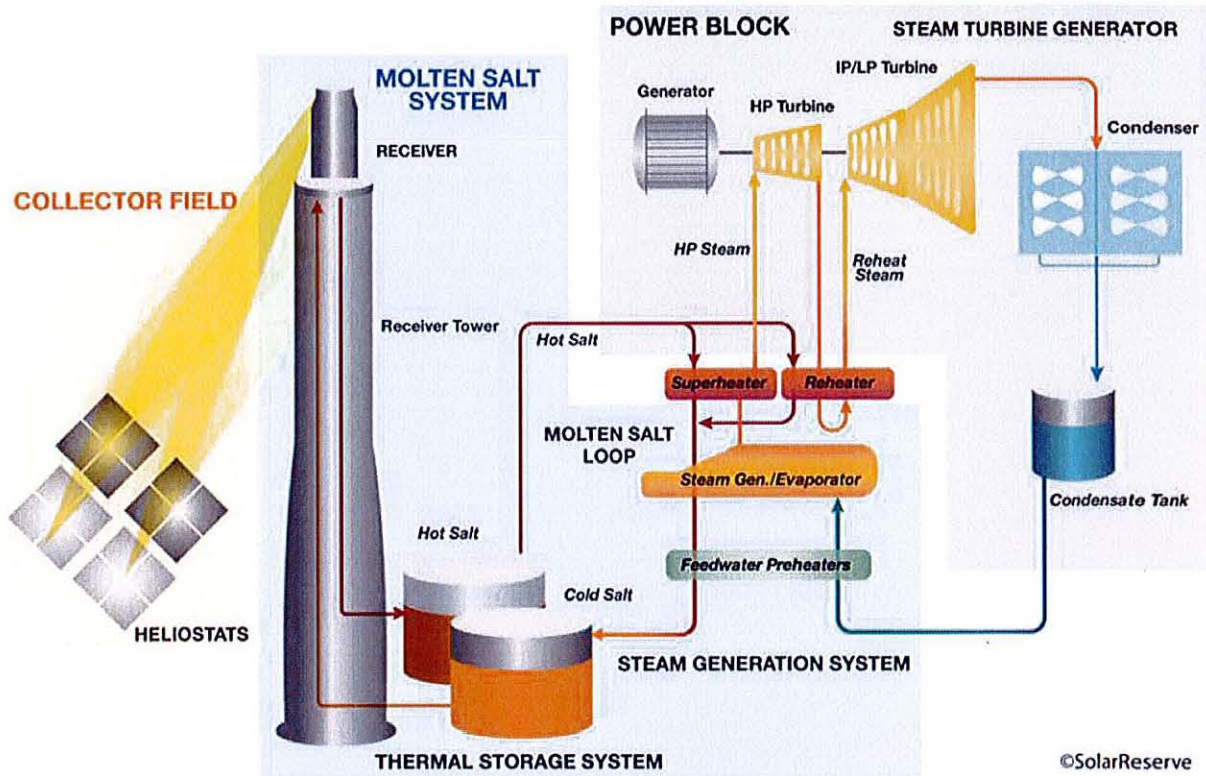
RENDERING OF SOLARRESERVE CONFIGURATION



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B-3

MOLTEN SALT POWER TOWER TECHNOLOGY



SOLARRESERVE®

3

EXHIBIT "C"

SolarReserve Saguache County Project Fact Sheet

SOLARRESERVE®

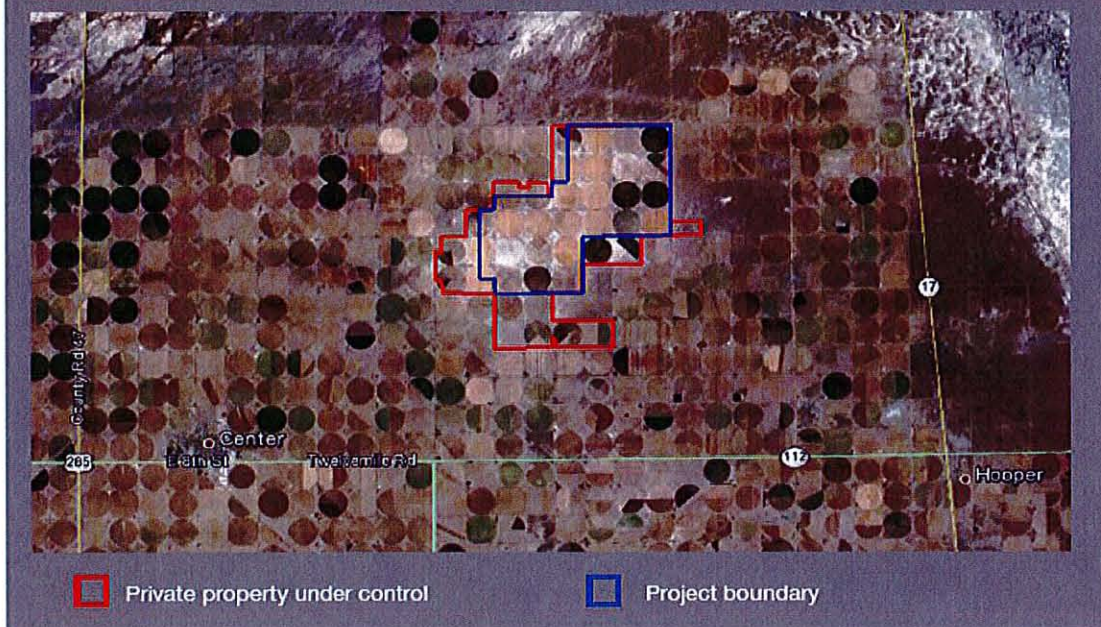
SAGUACHE SOLAR ENERGY PROJECT

SolarReserve's Saguache Solar Energy Project is a proposed facility designed to capture solar energy, store it, and then produce renewable electricity on demand. It would be located in Saguache County, about six miles northeast of the Town of Center. The proposed project consists of two separate 100 megawatt (MW) facilities, each consisting of a field of mirrors and a tall tower in the center. Each facility would produce enough energy for about 75,000 Colorado homes.

The SolarReserve technology was developed by Rocketdyne, a division of United Technologies, for the U.S. Department of Energy-sponsored Solar One and Solar Two projects in the 1980's and 1990's. It employs concentrating solar power (CSP) technology with an integral storage system. The technology focuses sunlight from an array of sun-tracking mirrors onto a central receiver atop a tall tower. Liquid or "molten" salt, which flows like water when melted, is circulated through the receiver, collecting the heat gathered from the sun. The hot salt is then routed to a well-insulated storage tank. On demand, the hot salt can be used to produce steam, which generates electricity in a steam turbine, just like conventional power plants all over the world. The liquid salt is then returned to the cold salt storage tank, ready to be reheated by the sun and reused the following day.

SolarReserve has permitted and financed and is currently constructing a similar 110 MW facility near Tonopah, Nevada. Molten salt storage projects owned by other solar companies are in operation today in Spain and in construction in the US. SolarReserve has fully permitted projects in Nevada, Spain, California, and Arizona.

Map of Project Site



Saguache Solar Energy Project 01 12 | 1

Frequently Asked Questions

What would this mean for our community?

This project would be a significant benefit to the San Luis Valley for many reasons. First and foremost, it would generate investment in the community and a substantial amount of jobs. Each of the two 100 MW facilities would create hundreds of construction jobs during its 30-month construction period. Once built, each facility would require approximately 50 full-time employees with a wide range of skill levels throughout its 30-year life. While not all jobs will be filled locally, efforts are already underway to support local job training and local hiring.

In addition, the project will support indirect and induced jobs in the San Luis Valley such as material supplies, transportation, foodservice and hospitality. Through its tax revenues, the project would also help fund Saguache County schools, roads, and emergency services. It would also diversify the local economy, bringing a new source of economic growth, stability, and prosperity to the region.

Will it use water?

The project will actually conserve a significant amount of water. The land associated with the project currently pumps approximately 8,800 acre-feet (or 2.9 billion gallons) of water per year from the aquifer. In contrast, each of the two SolarReserve facilities would use 150 acre-feet per year. Water would be used primarily to wash mirrors, replenish the steam cycle, and support water treatment processes.

Why use this technology?

SolarReserve's technology incorporates molten salt storage, which allows solar energy to be generated for the grid on-demand – during periods of cloud cover, after the sun has gone down, and even 24/7 if need be. This solves the intermittency issue that limits other sources of renewable energy such as wind or photovoltaics. In fact, a recent National Renewable Energy Laboratories study shows that a solar facility using storage actually supports higher levels of photovoltaics and wind elsewhere on the grid.

Why this location?

The project location is between Saguache County Roads G and D, and 53 and 57. It is private land that is currently being intensively used for agriculture and thus has lower value for wildlife, recreation, wetlands, or cultural resources. It is a location that would benefit significantly from reducing its water use. The large 230 kilovolt transmission line serving the San Luis Valley runs through the site, and the project would connect directly to it. More broadly, the San Luis Valley is well recognized as having the best solar potential in all of Colorado due to its high altitude, flat topography, clear skies, and low temperatures.

What will it look like?

Each of the two facilities would include one circular field of mirrors around one tower in the center. The approximately 1,500-acre mirror field would contain thousands of flat, sun-tracking mirrors, which would turn throughout the day to focus sunlight inward, onto the tower. The proposed tower in the center would be 656 feet in height. Visual simulations from likely observation points (the property boundary, the highway, Center, etc.) are available in the 1041 Permit documentation.

Is it safe for wildlife?

As presented in our 1041 Permit documents, on-site biological studies have shown that the site is not valuable habitat for wildlife species, and the project is anticipated to have a low impact on wildlife. SolarReserve is committed to working with the appropriate agencies to develop an Avian and Bat Protection Plan which will provide for mitigation efforts. It is worth noting that the common alternatives to solar energy – coal and natural gas power – create emissions that are detrimental to wildlife worldwide. The SolarReserve technology produces emission-free, renewable electricity.

Where can I learn more?

The 1041 Permit documents are all available on Saguache County's website at www.saguachecounty.net. The opportunity to submit public comment to Saguache County is open until January 26th, 2012. On February 1st, SolarReserve will hold an informational open house at the Center schools from 5:00 to 8:00 PM, and all members of the public are invited to attend. Finally, the project's public hearing will be held February 2nd in the Center Schools auditorium from 2:00 to 8:00 PM. Questions are always welcome at the Saguache Solar Energy Project email hotline at Saguache@solarreserve.com.

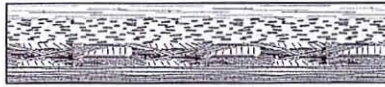
SAGUACHE@SOLARRESERVE.COM (310) 315.2208

WWW.SOLARRESERVE.COM

Saguache Solar Energy Project 01 12 | 2

EXHIBIT "D"

The Briggs Feasibility Study



A. R. BRIGGS & ASSOCIATES

ARB&A

PETROLEUM CONSULTANTS

A. R. (Ron) Briggs, PE

19 Abernathy Court

Highlands Ranch, CO 80130

Phone & Fax 303/554-5575

Cell 303/550-7117

Toll Free 800/441-8318

E-mail briggsaron@gmail.com

May 9, 2012

Mr. Victor Smith
Skyline Land Company, LLC
701 West 16th Street, Suite 101
Yuma, AZ 85366

Mr. Ernie Myers
Sam Investments, Inc.
3501 County Road 53
Center, CO 81125

Mr. Jeff Silzell
Mountain Coast Enterprises, LLC
Wijaya Colorado, LLC
7252 County Road 12 So.
Alamosa, CO 81101

Re: Feasibility Study of Directional and Horizontal Drilling Techniques
SolarReserve Project Area / San Luis Valley of Colorado

Gentlemen:

Background

At your request, I have conducted an analysis of the feasibility of using directional or horizontal drilling techniques for the purpose of exploration and development of oil and gas reserves under the proposed SolarReserve project located in Saguache County in the San Luis Valley in Colorado. The proposed project is located upon 6,200 acres of privately owned farmland. As part of the proposed project, and within the project boundary, there are two heliostat circles, or fields, that are approximately 9,000 feet in diameter. (See Exhibit B - attached to the proposed Application before The Oil & Gas Conservation Commission of the State of Colorado ["Application"]). Within the heliostat circles, SolarReserve proposes placing two molten salt towers. My understanding is that SolarReserve desires to use the facility within the two heliostat circles for electric power generating purposes and that SolarReserve has included the two heliostat circles in the area that it desires to protect (referred to in the Application as the "Protected Project Area") comprising 4,000 acres. Construction of the proposed project facility, including the two heliostat circles, will involve substantial investment to SolarReserve.

The purpose of preparing this analysis is to determine how and in what manner an explorer of oil and gas reserves could use directional or horizontal drilling techniques under the heliostat circles to access the reserves in a manner that would not adversely impact the project, and the heliostat circles, once built. Directional or horizontal drilling techniques are often referred to as techniques that can be used to drill under one parcel and access oil and gas reserves under an adjoining parcel without disturbing the surface use of the adjoining parcel.

In preparing this analysis, I have relied upon the following: (a) SolarReserve project information as provided comprised of the Saguache Solar Energy Project Brochure dated March 7, 2011 with a modified footprint of the proposed project as well as various emails between myself and Michael Jones with Southern Colorado Farms and attachments to the Application; (b) My research as to opinions from oil and gas drilling contractors and directional drilling experts as to current state of drilling technology including, but not limited to, Ensign United States Drilling, Inc., Ensign Directional, Unit Drilling Company, Nabors Drilling Company and Cathedral Energy Services; (c) Information as to the ownership of the property; and (d) Applicable Colorado Oil & Gas Conservation Commission ("COGCC") regulations, as well as applicable Colorado law.

My curriculum vitae is set forth in the attached Exhibit A. As a petroleum engineer, I have been involved in various projects in my career which include the following: oil and gas well drilling and completion, water flood operations, oil and gas well work over and recompletions, oil and gas production micro economics, oil and gas reserves estimation, corporate planning, negotiation and administration of natural gas purchase and sales contracts, appraisal of oil and gas properties and testifying as an expert witness before the Courts and Regulatory Commissions in matters pertaining to oil and gas production and operations.

My opinion is based upon: (a) the size and configuration of the contemplated SolarReserve project and (b) the ability to use designated sites within the proposed project boundary to locate drilling pads and surface production equipment to accomplish the intended purpose.

Opinion

My opinion is that the current technology provides an explorer of oil and gas reserves the ability to use directional and horizontal drilling techniques to access oil and gas reserves under the proposed SolarReserve project without interference or impairment of the project and surface use of the land. As part of my opinion, I have reviewed specific designated oil and gas operating areas ("OGOAs") that are set aside by Solar Reserve (See Exhibit D attached to the Application). The oil and gas explorer will have access to these OGOAs. In total, seven OGOAs comprising over 300 acres are set aside and situated to accommodate future drilling operations and, if the drilling operation is successful, to also accommodate any additional related

production equipment, facilities, roads, utility pipelines, flow lines, and easements that may be required. A drilling pad, or OGOA, is defined as a specific area which, once designated, will remain available for potential future use of an explorer of oil and gas interests to access oil and gas reserves. Once an OGOA is established, it can accommodate up to four drill sites per 500 feet wide and 100 feet long sections. With 30,860 feet of available length in the OGOAs, these sections could accommodate more than 1,000 wells which is more than an adequate number to allow full development of the area underlying the Solar Reserve Project Lands through horizontal or directional drilling.

In addition, these designated OGOAs will adequately accommodate any necessary roads to allow the developer access from the existing county roads (or other designated locations if the county roads are no longer in existence) to each of the surface well locations. Also, the OGOAs are of sufficient size to provide an adequate means to allow movement of heavy equipment, as well as pipelines and related production needs. The OGOA boundaries will be located at a sufficient distance from the heliostat fields to avoid any potential interference with the project.

Solar Energy Project

It is contemplated that the SolarReserve project will be constructed upon properties currently owned by Ernest M. and Virginia K. Myers, Skyline Land Company, Sam Investments, Inc., Mountain Coast Enterprises, LLC, and Wijaya Colorado, LLC, ("Land owners"). These properties are now farmed for purposes of growing potatoes, vegetables and grain. There are no structures upon the properties at the present time that could not be removed. Presumably all irrigation equipment, sprinklers, and related accessories will be removed from the Protected Project Area as part of constructing the project. My understanding is that the property could be legally owned and fully accessible to SolarReserve based upon the contractual arrangement between the parties.

Once constructed, the SolarReserve project will consist of the two large heliostat fields, each of which includes a molten salt tower and related systems used for generating solar power. Once installed, the heliostat fields cannot be disturbed for the life of the project. Accordingly, my evaluation deals with the feasibility of setting aside dedicated drilling pads that are placed in locations to facilitate the potential exploration of oil and gas reserves, and allow exploration in a manner that will not interfere with the SolarReserve project. My understanding is that currently there are no ongoing oil and gas operations on the flat portion of the San Luis Valley. The Land owners' properties are located on the flat portion of the Valley.

Current State of the Technology of Directional and Horizontal Drilling

There are several techniques used in oil and gas operations to explore for minerals. The conventional drilling technique is to drill straight down. However, directional

and horizontal drilling techniques provide an ability to drill some distance from the surface location to the targeted area where the oil and gas reserves are located, and to provide a means to access those reserves. Both directional and horizontal drilling techniques have been in common practice for many years.

Directional drilling means that the drilling rig is placed at a location in which drilling commences in a downward direction, but moves at an angle some distance from the original location, and then commences again in a downward direction. It is not uncommon for directional drilling to commence at a remote location, penetrate some depth vertically, then move at an angle several thousand feet before it commences to move back vertically and then reach the oil or gas reserves at depths of 10,000 feet below the ground or greater. Horizontal drilling is similar to directional drilling except that the drilling commences vertically to a certain point, and then moves horizontally through the target zone for a distance of up to two miles or more. Depending upon the rock characteristics, location of reserves, and other considerations, either directional or horizontal techniques can be elected by the driller for use. The advantages of both directional and horizontal drilling techniques is that it permits exploration for oil and gas reserves from locations some distance from the targeted area, yet does not interfere with the surface use.

Drilling techniques have developed to the point where nearly half the oil and gas wells drilled in the United States this past year were drilled either directionally or horizontally. These techniques have been used on hundreds of wells drilled within the State of Colorado.¹ Both techniques are such common practices that both are considered routine practices in the industry.

As part of my analysis, I have reviewed with several drilling contractors and directional drilling experts the current state of drilling techniques for both directional and horizontal wells and posed a hypothetical case to them. I proposed that if one drilled a directional well with a true vertical depth ("TVD") of 10,000 feet (the ultimate location) and a horizontal offset of 4,500 feet (the distance on the surface between the drilling pad and the furthest reaches of the targeted area), could such a well be reliably drilled considering the current technology. The unanimous answer was that such a well can be drilled with a horizontal offset of 4,500 feet or more and have the ability to drain any reservoir under the targeted area. Although some additional costs are associated with directional drilling versus conventional drilling (currently directional drilling costs about 25% more than conventional drilling), this cost component should not be a significant impediment to an election to drill directionally as opposed to use of the conventional vertical approach. It has been my experience that under certain reservoir characteristics, horizontal drilling can capture up to ten times the reserves of a vertical well, which in applicable reservoirs is a driving force behind the economics of horizontal drilling.

¹ HORIZONTAL WELLS IN COLORADO, STAFF PRESENTATION TO THE COLORADO OIL AND GAS CONSERVATION COMMISSION, NOVEMBER 29, 2010

I used the above hypothetical case because the diameter of each heliostat field is 9,000 feet. Accordingly, if one drills from a designated site, on an OGOA, one can access reserves located under the center of the heliostat field.

Surface Requirements for Drilling and Production Equipment

Once the decision is made to drill directionally or horizontally, the wells can be drilled from surface locations within 25 feet of each other. I have personally observed sites in Mamm Creek Field and Wattenberg Field in Colorado where wells were drilled on the surface only 25 feet apart. Although the drilling equipment is relatively large in size and scope, each well can be accommodated within the OGOAs. The mast (derrick) on the drilling rig will extend approximately 135 feet above the ground during the drilling process. The drilling equipment is normally in place for less than a month, which is the usual time period needed to drill and complete a well for production. However, once a well is drilled, completed and equipped as a producing well, the remaining production and treating equipment are typically less than 30 feet tall. This equipment will remain on the site for the life of the well, which is often more than 30 years.

COGCC statewide safety regulations require that any offset from the targeted area for initial drilling of the well shall be a minimum 150 feet or one and one-half times the height of the derrick, whichever is greater. (See Code 603(a)(1)). The 150 foot limitation refers to a setback from a habitable building unit. SolarReserve does not anticipate any habitable building from the edge of the heliostat field.

As shown on Exhibit D, Solar Reserve has proposed establishing seven (7) 500 foot wide strips of land outside the exterior boundary of the Proposed Project Boundary area (including a five acre parcel in the NE corner of Section 3 that is within the boundary) for use as OGOAs for drilling, completion, production and related oil and gas operations. As indicated above, these OGOAs are large enough to accommodate all potential oil and gas operations without infringing upon the Solar Reserve project, and provides oil and gas explorers flexibility in determining a location of a well site within each of the OGOAs. In addition, each of the OGOAs as depicted on Exhibit D are located within a reasonable safety setback from the edge of each heliostat field. The location of the OGOAs are designed to accommodate both SolarReserve surface uses as well as uses of oil and gas operators.

The OGOAs will be owned and controlled by SolarReserve, but set aside for use by a qualified oil and gas explorer as needed for its operations.

As noted above, it is contemplated that the road easements will also include pipeline easements for gas transportation from the drilling pads to regional or interstate gas transmission lines. Well flow lines for either oil or gas transmission from the well heads should be located entirely within an OGOA so that separate flow line

Skyline Land Company, LLC et al

May 9, 2012

Page 6 of 6

easements will not be required for mineral operations. Oil and gas operators should be encouraged to utilize, to the extent practicable, related production equipment such as tanks, compressors, and separators for multiple wells in order to minimize the amount of surface area needed for production operations.

Further, this plan comports with underlying policies found in Colorado law. Colorado law requires that there be reasonable accommodation by minimizing intrusion upon the surface owner. Colorado Revised Statute 34-60-127 provides that an operator shall conduct oil and gas operations in a manner that accommodates that surface owner by minimizing intrusion which is defined as "minimizing intrusion upon and damage to the surface" through selection of alternative locations for wells, roads, pipelines or production facilities, or employing alternative means of operation that prevent, reduce, or mitigate the impacts of the oil and gas operation on the surface, where such alternatives are technologically sound, economically practicable and reasonably available to the operator.

Conclusions and Recommendations

This report is designed to demonstrate that there are sound, practical, and reasonably available alternatives to the operator of oil and gas reserves in which specific designated OGOAs are set aside for drilling purposes, as a means to avoid interference with the surface use of the land.

Accordingly, in my opinion, once the solar project is installed, oil and gas drilling and production activities can take place on the designated OGOAs as set forth on Exhibit D. Further, if such activities occur, the OGOAs are placed at locations that will not interfere with SolarReserve's facilities within the heliostat circles. This is due to the fact that the directional and horizontal drilling techniques are recognized as technologically sound, economically practicable, and reasonably available to the oil and gas operator in the industry.

In my view, the additional costs attaching to directional drilling is not an impediment to making this concept useable as costs can be negotiated between the surface user and mineral rights explorer. Because oil and gas drilling technology has advanced to the point that it permits reasonable access to oil and gas reserves some distance from the designated target area, both the surface user and the mineral rights explorer now have the opportunity to meet their respective needs in a compatible manner.

Sincerely yours,

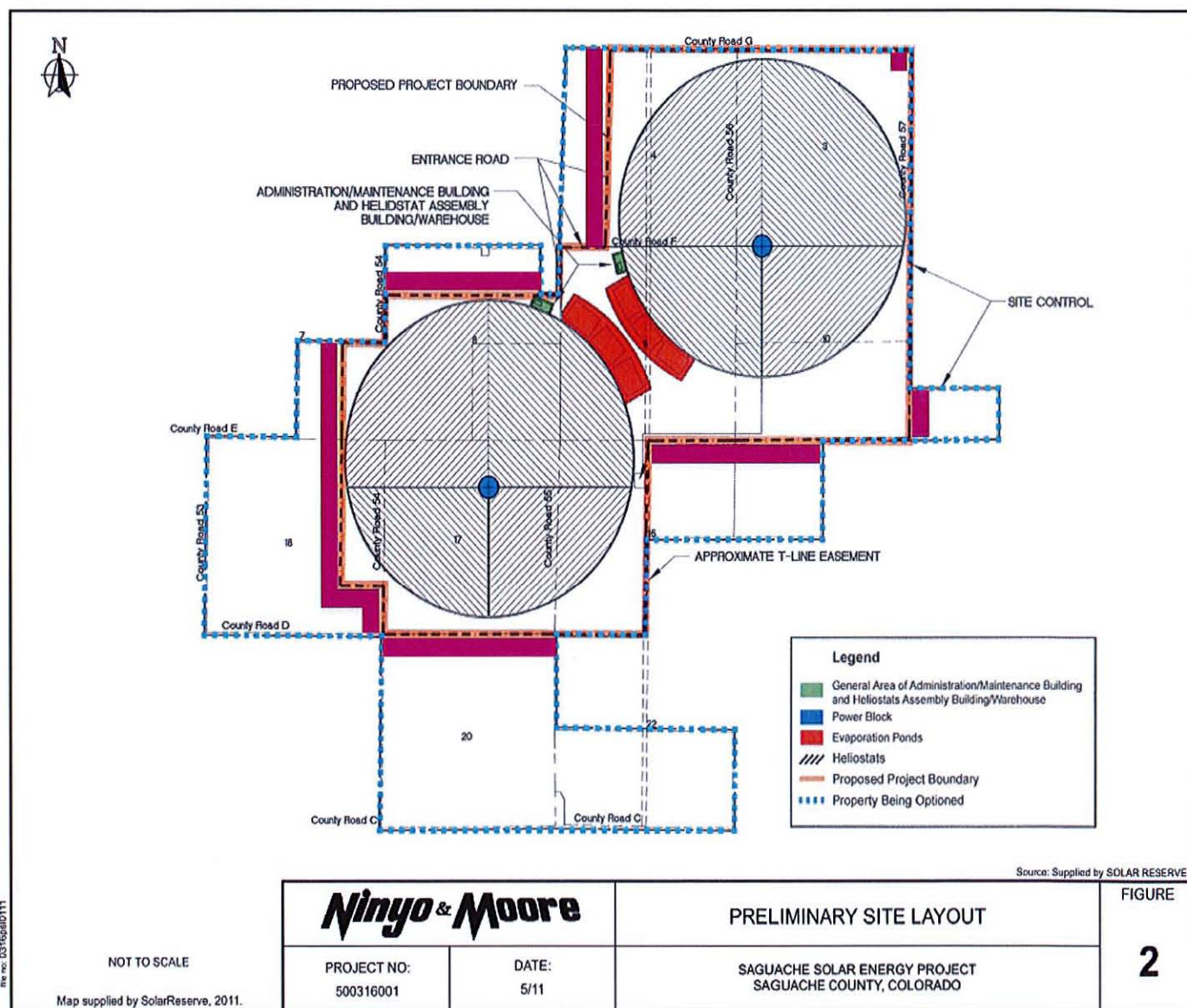
A.R. Briggs

A. R. Briggs, P.E.



EXHIBIT "E"

OGOAs, Road, Pipeline and Flow Line Easements



Proposed Land Area for Oil and Gas Operations Areas (OGOAs)

The land area in which the proposed Oil and Gas Operations Areas (OGOAs) could be located consists of the following parcels, all located in Township 41 North, Range 9 East of the 6th P.M., Saguache County, Colorado:

1. A strip of land consisting of the East five hundred (500) feet of the West half of the West half (W/2W/2) of Section 4;
2. A strip of land consisting of the South five hundred (500) feet of the North half of the North half (N/2N/2) of Section 8, less and except those tracts of land specifically excluded from Section 8 as described in Exhibit A of the Real Estate Purchase Option Agreement dated August 1, 2010 and recorded August 28, 2010 at Reception No. 367576 of the Saguache County records (E/2NE/4NE/4);
3. A strip of land consisting of the East five hundred (500) feet of the West half of the Southeast quarter (W/2SE/4) of Section 7;
4. A strip of land consisting of the East five hundred (500) feet of the West half of the Northeast quarter (W/2NE/4) of Section 18;
5. A strip of land consisting of the East five hundred (500) feet of the Northwest quarter of the Southeast quarter (NW/4SE/4) of Section 18;
6. A strip of land consisting of the East five hundred (500) feet of the Northeast quarter of the Southwest quarter of the Southeast quarter (NE/4SW/4SE/4) of Section 18;
7. A strip of land consisting of the North five hundred (500) feet of the Southeast quarter of the Southeast quarter (SE/4SE/4) of Section 18;
8. A strip of land consisting of the East five hundred (500) feet of the Southeast quarter of the Southeast quarter of the Southeast quarter (SE/4SE/4SE/4) of Section 18;
9. A strip of land consisting of the North five hundred (500) feet of Section 20;
10. A strip of land consisting of the North five hundred (500) feet of the Northeast quarter (NE/4) of Section 16;
11. A strip of land consisting of the North five hundred (500) feet of the Northwest quarter (NW/4) of Section 15;
12. A strip of land consisting of the West five hundred (500) feet of the Southwest quarter of the Southwest quarter of Section 11; and
13. A parcel of land, five hundred (500) feet by five hundred (500) feet, located in the Northeast (NE) corner of Section 3.

EXHIBIT "F"
Report of Geologist
"The Wellborn Report"

HYDROCARBON EXPLORATION & DEVELOPMENT, INC


*2 Mountain Cedar Lane
Littleton, CO 80127
303.933.0533 Office
720.981.9080 Fax*

June 1, 2012

Re: Mountain Valley/Skyview/SolarReserve – Project Area Geological Report

EXECUTIVE SUMMARY OF OPINION

A review of the potential for oil and gas development for an area of interest in Saguache County, Colorado (Figure 1) has been completed. The area of interest are lands underlying a proposed solar project ("Project Area") that are subject to an Option Agreement with the above entities or individual landowners.

The purpose of the study was to evaluate the history of previously drilled oil and gas wells in and around the Project Area, and also to determine the potential for development of oil and gas beneath the Project Area. The Project Area is located in Township 41 North, Range 9 East. Figure 2 includes those wells used in this study.

Based upon this study, there is no reasonable basis to support any potential to develop oil and gas reserves under the Project Area.

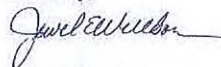
In order to have a commercially developable hydrocarbon reservoir, certain criteria must be met. The reservoir must be of a sufficient size to provide a containment area capable of economically producing oil and/or gas. The reservoir must also have a "trap," or an enclosed area that would consist of an encasement of impervious rock surrounding and contain the reservoir fluids and gases. The reservoir must also have a hydrocarbon source rock. The source rock, a geologic formation from which hydrocarbons are generated, provides the source for the expulsion of the hydrocarbons which then migrate into the reservoir. Based upon the review of the available data, none of the three criteria have been satisfied as it impacts the area underneath the Project Area.

As to the twelve wells that were studied, all are found within a thirty mile radius of the Project Area. These wells were drilled from 1911 to 1959, with three of them having a slight "show" or an indication of oil and gas. All have now been plugged and abandoned. The investigation determined that these "shows" were extremely limited in size and were found at different intervals or geologic levels. There is nothing to indicate any continuity between the geologic intervals, nor of a reservoir of sufficient extent to support commercial development (Figures 3 and 4, Map and Cross-Section). If a reservoir did exist under the Project Area, it would only exist at depths between 4,500 feet and 8,000 feet, an interval below the volcanic layers and above Precambrian rocks or Basement.

In summary, it is my professional opinion that there is no potential to develop oil and gas underlying the Project Area. Even with advanced and new technologies for exploration and development, such as horizontal drilling techniques and hydraulic fracturing, the geologic sediments in this area lack the ability to have a quality reservoir. As indicated above, there is no indication of a reservoir of adequate size or continuity, nor is there an effective trapping mechanism to contain hydrocarbons. It is very likely that any reservoir which may have existed has been breached or compromised during the emplacement of volcanic layers in the San Luis Valley. There is no potential to develop oil or gas resources on a commercial basis underlying the Project Area.

Please feel free to contact me with any questions.

Sincerely,



Jewel Wellborn
Certified Petroleum Geologist #4353
Hydrocarbon Exploration and Development, Inc.

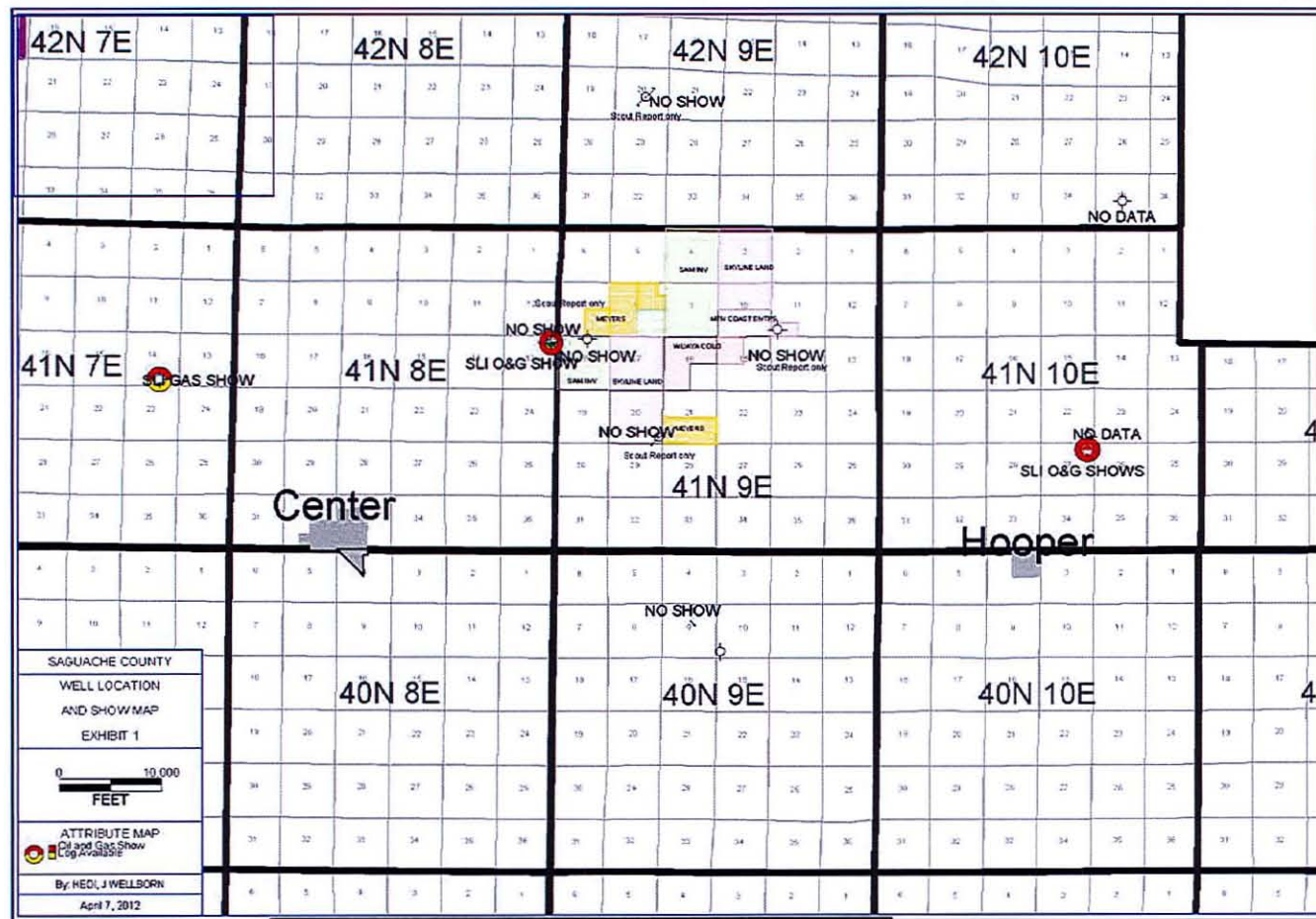


Figure 1. Project Area, Well Locations and Show Map

Figure 2 shows the Well's Unique Well Identification number (UWI), the Well Name and Location (TRS), the Total Depth of the well (TD), and the Date of Completion of the well:

UWI (APINum)	Well Name and Location (TRS)	TD	COMP DATE
05109050060000	FINNEL RANCH 42N-10E-35	NA	9/19/1909
05109050000000	GIBSON #1 41N-10E-22	4308	6/22/1923
05109050100000	JOHNSON #1 41N-9E-20	700	9/10/1952
05109050070000	JOHNSON #2 42N-9E-20	702	12/31/1952
05109050050000	KENNEDY-WILLIAMS #1 41N-9E-11	6831	8/24/1952
05109050030000	KILLIAM #1 41N-9E-18	1043	1/29/1952
05109050030001	KILLIAM #1 (Recompletion) 41N-9E-18	3985	12/7/1952
05109050110000	STATE #1 41N-10E-27	4308	6/29/1924
05109050010000	STATE-B #1 41N-7E-14	10350	5/5/1959
05109050120000	THOMAS R K #2 41N-8E-13	3784	7/13/1956
05109050020000	TUCKER-THOMAS #1 41N-8E-13	8024	12/31/1952
05003050030000	WHITTIER #1 40N-9E-10	2428	5/10/1951

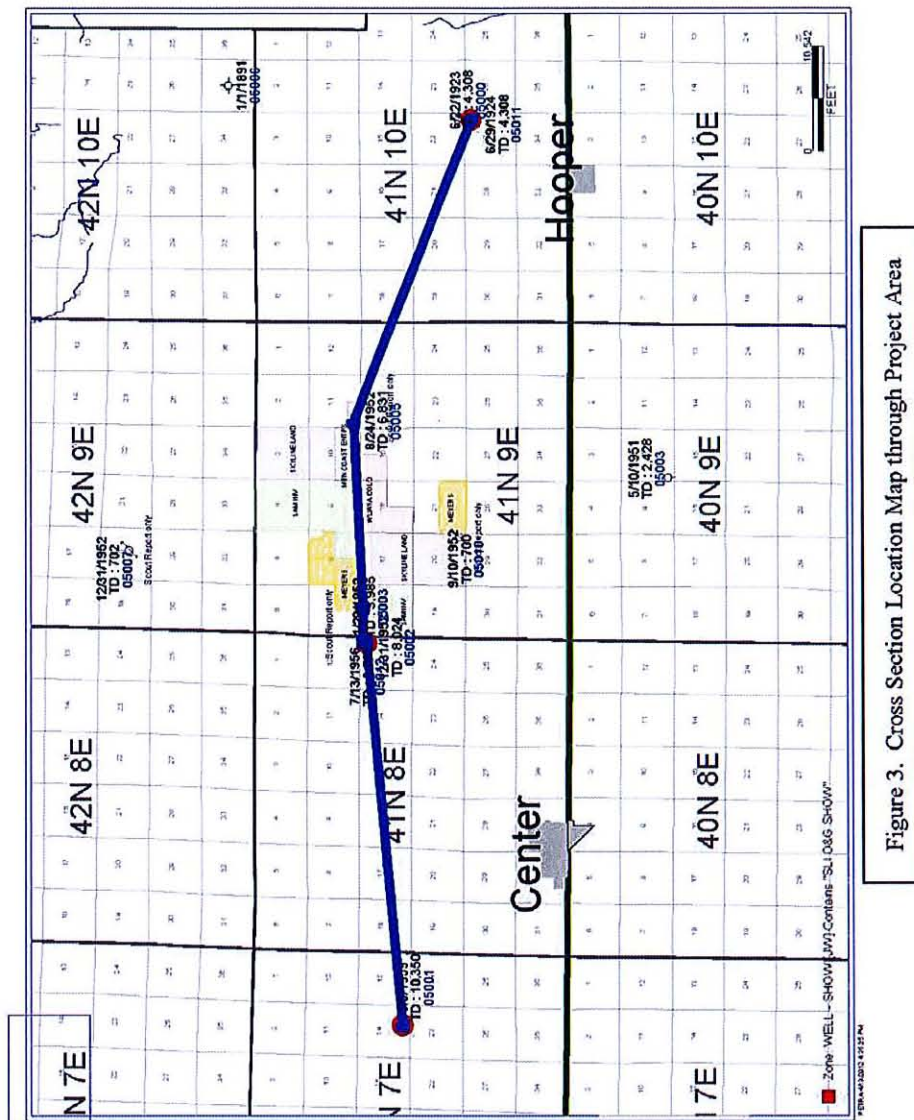


Figure 3. Cross Section Location Map through Project Area

Figure 3 shows the location of the Project Area, Cross section line in Blue (Figure 4), associated wells, the well Completion Date, Total Depth, and API Series number. Also shown is the statement of oil and gas shows, and data availability.

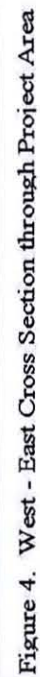


EXHIBIT "G"

Depiction of Array, Buildings, Fixtures and Equipment

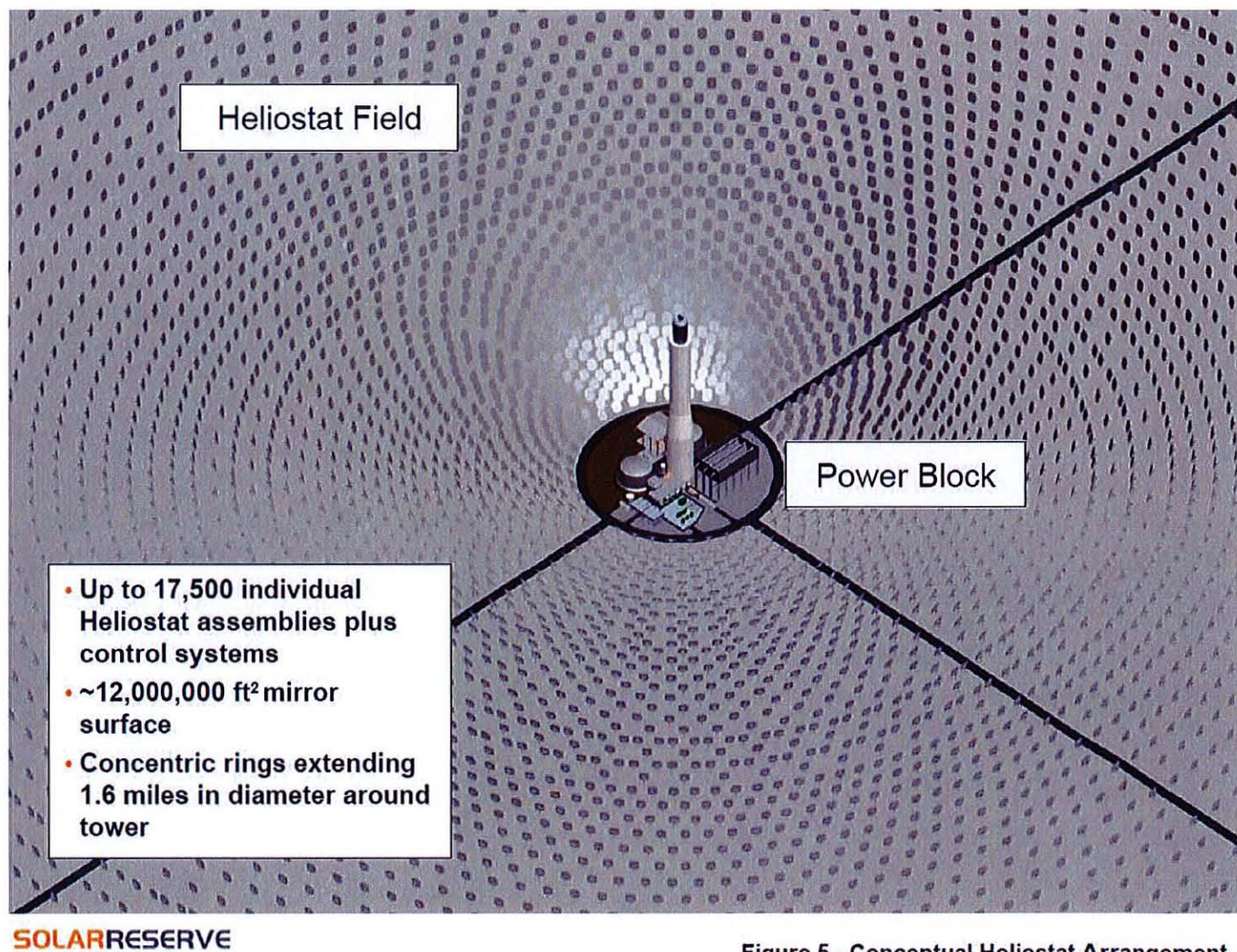
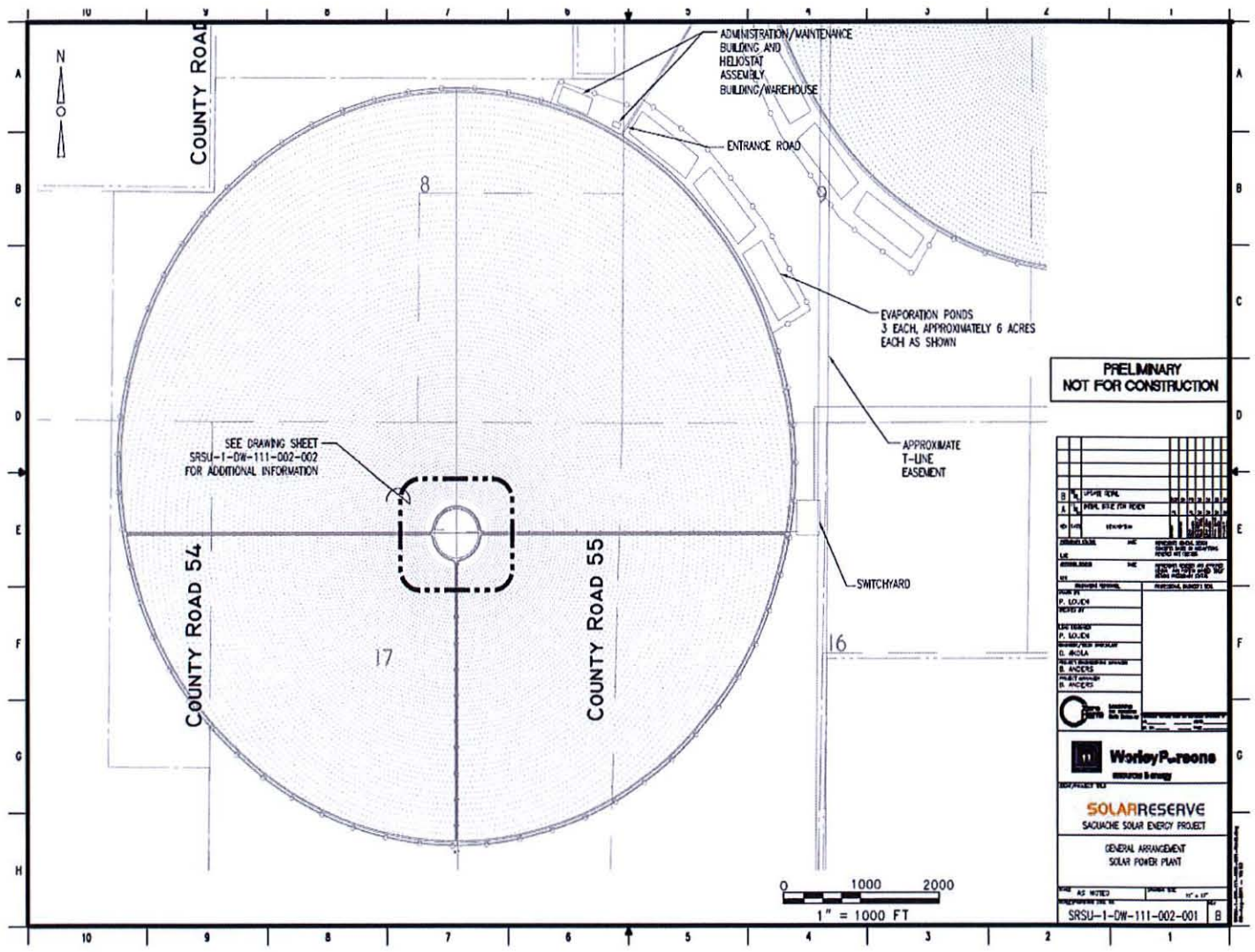


Figure 5 - Conceptual Heliostat Arrangement



**PRELIMINARY
NOT FOR CONSTRUCTION**

DATE	10/1/11	BY	W. P. MOORE
REVISION	1	DATE	10/1/11
DESCRIPTION	GENERAL ARRANGEMENT		
DESIGNED BY	W. P. MOORE		
CHECKED BY	P. MOORE		
APPROVED BY	P. MOORE		
DATE	10/1/11		
PROJECT NO.	SRSU-1-DW-111-002-001		
PROJECT NAME	SOLAR RESERVE		
PROJECT LOCATION	SAGACHE SOLAR ENERGY PROJECT		
PROJECT OWNER	SOLAR RESERVE		
PROJECT ENGINEER	W. P. MOORE		
PROJECT ARCHITECT	W. P. MOORE		

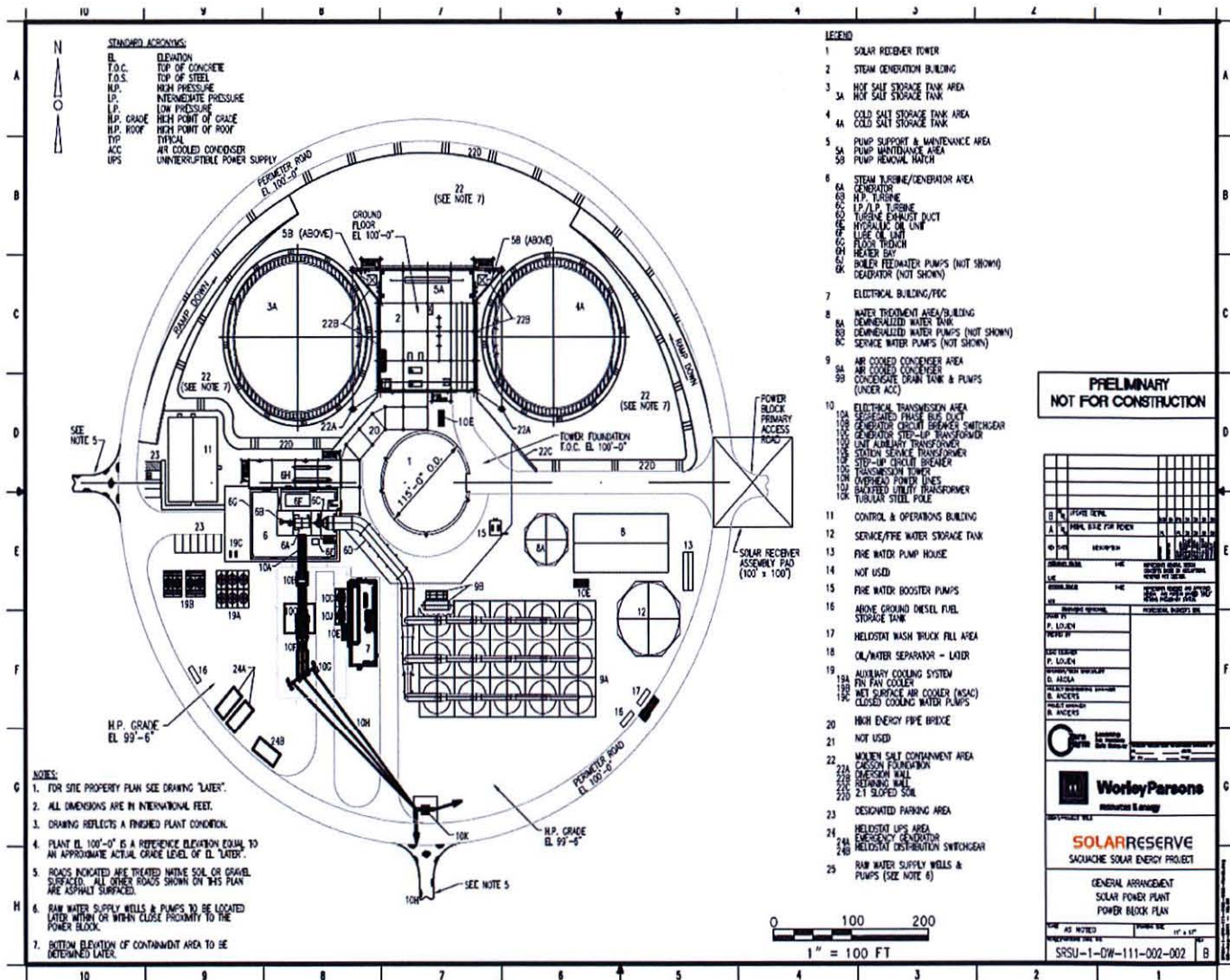
WorleyParsons
Sustainable Energy

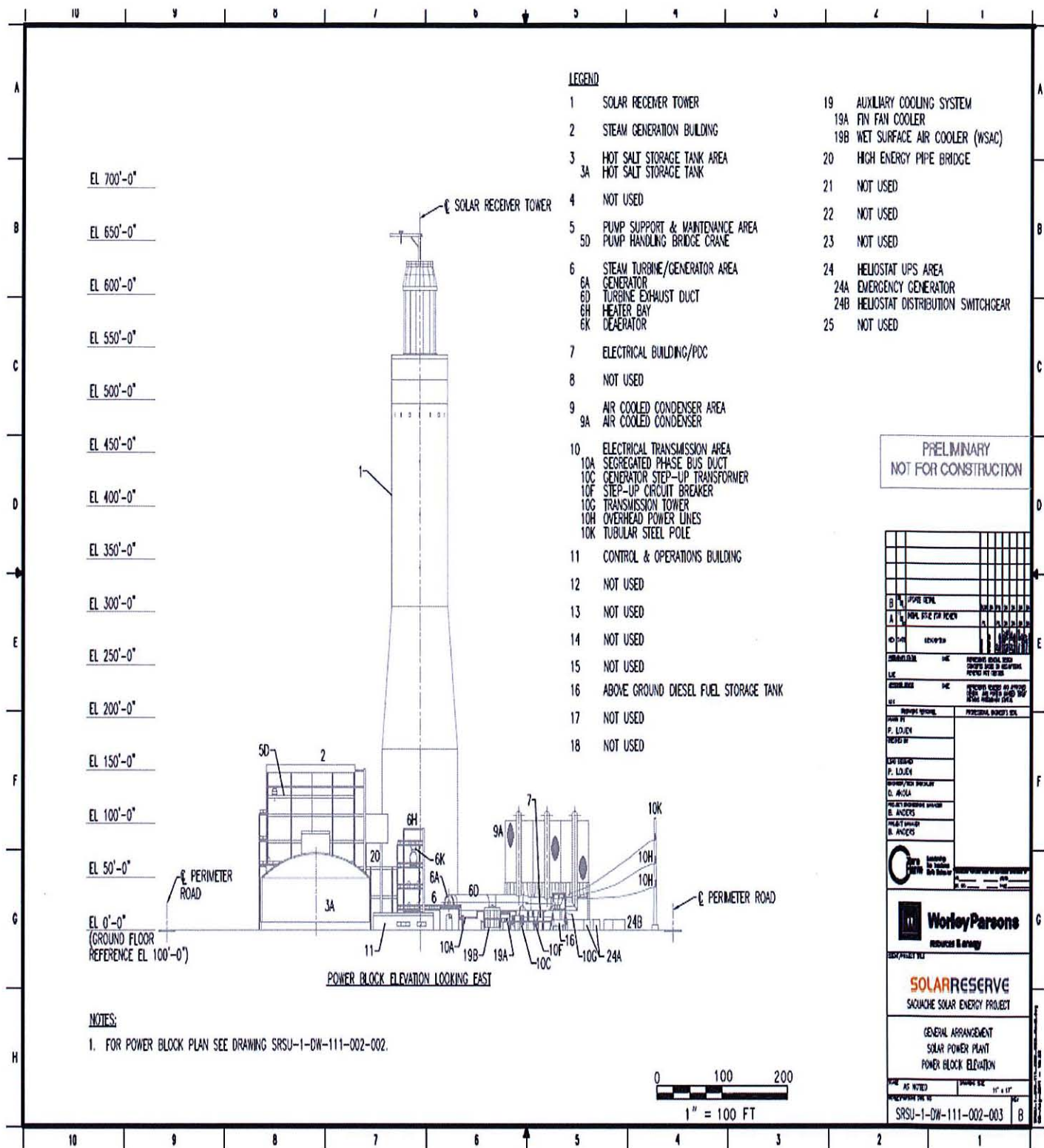
SOLARRESERVE
SAGACHE SOLAR ENERGY PROJECT

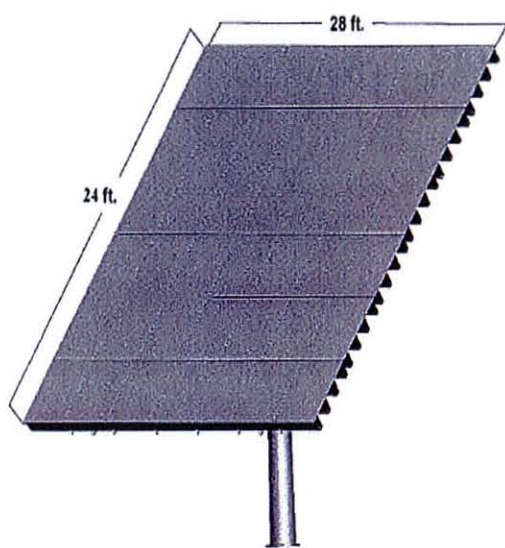
GENERAL ARRANGEMENT
SOLAR POWER PLANT

DATE: 10/1/11
PROJECT NO.: SRSU-1-DW-111-002-001
PROJECT NAME: SOLAR RESERVE

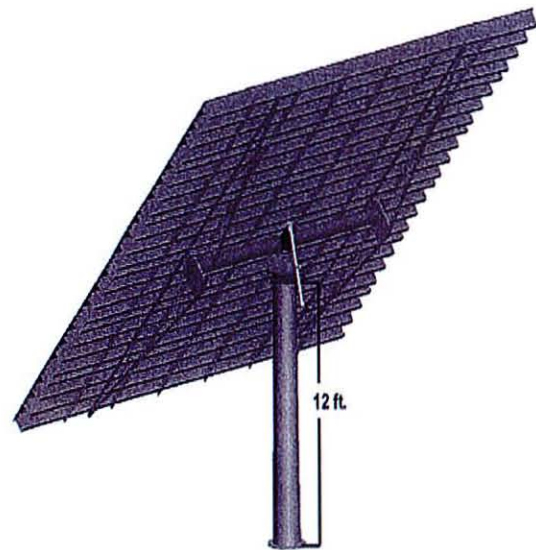
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Front View

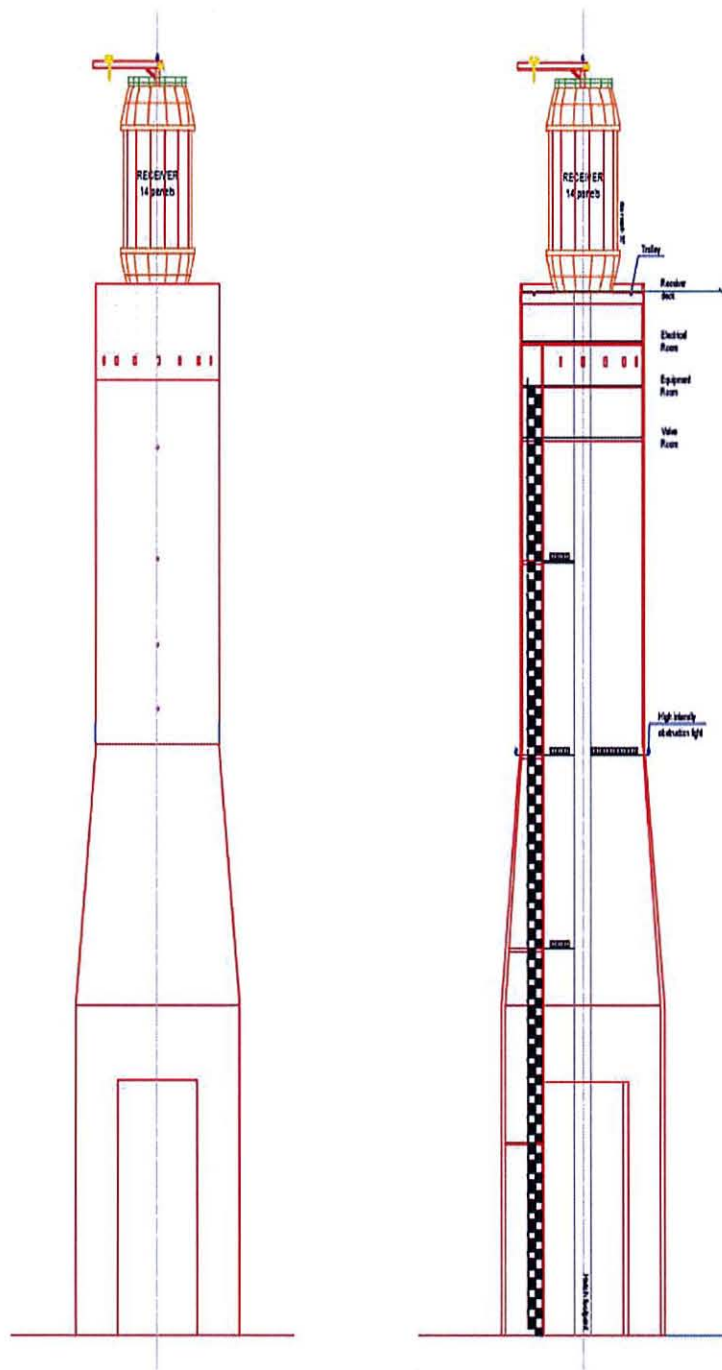


Back View

SOLARRESERVE

Figure 6 - Heliostat - Front and Back Views

{00480115.1}



SOLARRESERVE

Figure 7 - Conceptual Receiver and Tower Elevation

EXHIBIT "H"

Saguache County Approval of the 1041 Permit

371403
Page 1 of 111
State of Colorado
Carla Gomez, Saguache County Recorder
04-03-2012 02:51 PM Recording Fee \$561.00

**SAGUACHE COUNTY, COLORADO
RESOLUTION NO. 2012-LU-6**

A RESOLUTION GRANTING A PERMIT TO CONDUCT AN ACTIVITY OF STATE INTEREST IN AN AREA OF STATE INTEREST ("1041 PERMIT"), WITH CONDITIONS, FOR SAGUACHE SOLAR ENERGY LLC.

WHEREAS, the Board of County Commissioners of Saguache County, Colorado, pursuant to C.R.S. §24-65.1-101 et seq., has determined large scale solar projects to be a matter of state interest; and

WHEREAS, the Board of County Commissioners has adopted guidelines for the administration and regulation of these designated matters of state interest, known as Guidelines and Regulations for Areas and Activities of State Interest ("County 1041 Regulations"); and

WHEREAS, the Board of County Commissioners determined that applications for large scale solar developments will be processed and considered under the County's 1041 Regulations to permit maximum regulation of such projects and to minimize the impact of such projects on the citizens of Saguache County; and

WHEREAS, Saguache Solar Energy LLC has applied for a 1041 Permit for a solar energy facility; and

WHEREAS, the application for the Project ("Application") was deemed complete on December 6, 2011, and amended with additional submittals throughout the course of the permit review; and

WHEREAS, the Permit Authority solicited and received comments from the public and federal, state and local agencies regarding the application; and

WHEREAS, the Permit Authority held a public hearing on February 2, 2012 in Center, Colorado to consider the application, at which time the Permit Authority considered testimony and received evidence; and

WHEREAS, the Permit Authority closed public testimony on February 2, 2012 and began deliberations; and

WHEREAS, the Permit Authority concluded deliberations on March 26, 2012, voted two ayes to 1 nay, to approve the 1041 Permit subject to conditions and terms of the development agreement, and directed staff to prepare a resolution outlining the Permit Authority's findings and conditions; and

WHEREAS, all applicable notice and public hearing requirements have been satisfied.

NOW, THEREFORE, BE IT RESOLVED BY THE PERMIT AUTHORITY:

Section 1. Definitions. The following words and terms shall be defined as follows:

- 1.1 "Application"** means the application for the Project.
- 1.2 "County staff"** means the County land use department and consultants.
- 1.3 "Development Agreement"** means the agreement entered into between the Permittee and Permit Authority which sets forth certain obligations of both parties as related to the Project.
- 1.4 "Effective Date"** means thirty (30) days from the date of adoption of this Resolution by the Permit Authority or after any appeal of the Permit Authority's decision has been finally resolved in the appropriate court of law, whichever is later.
- 1.5 "Expansion"** the use of the term expansion does not imply or confer any additional rights to the Permittee other than those specifically set forth in this Resolution, the Permit and the Development Agreement.
- 1.6 "Operation of the Project"** means operation of the solar generation project.
- 1.7 "Permit Authority"** means the Saguache County Board of County Commissioners.
- 1.8 "Permittee"** means Saguache Solar Energy LLC.
- 1.9 "Project"** means the Saguache Solar Energy LLC electric generating facility using concentrating solar thermal technology.
- 1.10 "Resolution"** means Saguache County, Colorado Resolution No. 2012-LU-6, A Resolution Granting a Permit to Conduct and Activity of State Interest in an Area of State Interest ("1041"), with Conditions and subject to the terms of the Development Agreement, for Saguache Solar Energy, LLC.

Section 2. Findings. The Permit Authority finds as follows:

- 2.1 The Permittee, subject to the Conditions and terms of the Development Agreement, including all mitigation measures proposed by the Permittee, complies with all the applicable criteria set forth in the County 1041 Regulations. Specifically:**
 - 1. With approval of the Development Agreement and all conditions, the health, welfare and safety of the citizens of this County will be protected and served;**
 - 2. With approval of the Development Agreement and all conditions, the natural and socioeconomic environment of this County will be protected and enhanced.**

3. All reasonable alternatives to the proposed action, including use of rights-of-way wherever uses are compatible, have been adequately assessed and the proposed action represents the best interests of the people of this County and represents the best interests of the people of this county's resources in the impact area.
 4. The nature and location of the facility complies with all applicable provisions of the master plan of this County, and other applicable regional, metropolitan, state, and national plans.
 5. The nature and location or expansion of the facility complements the existing and foreseeable needs of the service area and of the area immediately affected by the facility.
 6. With approval of the Development Agreement and all conditions, the nature and location or expansion of the facility does not unduly or unreasonably impact existing community services.
 7. With approval of the Development Agreement and all conditions, the nature and location or expansion of the facility will not create an expansion of the demand for government services beyond the reasonable capacity of the community or region to provide such services, as determined by the Permit Authority.
 8. The facility site or expansion area is not in an area with general meteorological and climatological conditions which would unreasonably interfere with or obstruct normal operations and maintenance. The project will be designed to address all existing and reasonably foreseeable meteorological and climatological conditions.
 9. The nature and location of the facility or expansion will not adversely affect the water rights of any upstream, downstream, or adjacent communities or other water users;
 10. With approval of the Development Agreement and all conditions, adequate water supplies are available for facility needs.
 11. With approval of the Development Agreement and all conditions, the nature and location of the facility or expansion will not unduly interfere with any existing easements for or rights-of-way, for other utilities, canals, mineral claims, or roads.
 12. The applicant is able to obtain needed easements for drainage, disposal, utilities, access, etc.
 13. Adequate electric, gas, telephone, water, sewage, and other utilities exist or shall be developed to service the site.
 14. The nature and location for expansion of the facility will not interfere with any unique natural resource, endangered wildlife species or historic landmark within the impact area. Significant wildlife impact will be mitigated with approval of the Development Agreement and all conditions.
 15. The nature and location or expansion of the facility, including expected growth and development related to the operation and provision of service, will not significantly deteriorate air quality in the impact area.
 16. With approval of the Development Agreement and all conditions, the geological and topographic features of the site are adequate for all construction, clearing, grading, drainage, vegetation, and other needs of the facility construction or expansion.
 17. With approval of the Development Agreement and all conditions, the existing water quality of affected state waters will not be degraded below state and federal standards or established baseline levels.
 18. The benefits of the proposed development outweigh the losses of any productivity of agricultural lands as a result of the proposed development.
- 2.2 All applicable notice and hearing requirements have been satisfied.

Section 3. 1041 Permit. This Resolution, the attached permit, and the Development Agreement shall constitute the 1041 Permit ("Permit") for the Project.

Section 4. Permit Approval and Conditions. The Permit Authority hereby approves the Permit with the following conditions and terms of the Development Agreement:

1. Concurrent with approval of this application, a development agreement between the applicant and the County, which describes and delineates additional requirements and obligations of the Applicant and the County, is required.
2. All commitments in the application dated October 28, 2011, together with the those made in the supplemental information submitted by the applicant dated November 22, 2011, the second supplemental submission dated January 14, 2012, and the third supplemental submission dated February 10, 2012, are hereby considered conditions of approval, unless otherwise specifically modified in these conditions or the development agreement.
3. The applicant shall comply with all applicable Federal and State regulations and requirements, and shall provide timely evidence to the County documenting such compliance, including but not limited to the following:
 - a. FAA requirements
 - b. The Avian and Bat Protection Plan as described in the 1041 Application
 - c. CDOT requirements, including access permits to CO Hwy 17 and US 285 as applicable
 - d. A water supply plan as described in the 1041 Application
 - e. A State Stormwater Discharge Permit
 - f. US Army Corps of Engineers requirements
 - g. Water and wastewater treatment requirements or permits
 - h. Hazardous Materials handling and disposal requirements
 - i. Colorado Department of Public Health and Environment requirements as related to dust control and air quality, which may include an Air Pollution Emissions Notice
 - j. FEMA reporting requirements
 - k. State sound / noise regulations as described in Section 25-12-103 of the Colorado Revised Statutes
4. The applicant shall follow all applicable State and Federal regulations in the construction of the facility. No specific requirement imposed by the 1041 Permit shall cause the applicant to violate any requirement of State or Federal regulation. The applicant shall provide the County with the following documents prior to the commencement of related construction, which shall be prepared by an appropriate Licensed Professional Engineer certified in the State of Colorado:
 - a. A Drainage Report (DR), which shall include the site, applicable portions of CR G, and the off-site route proposed for the waterline extension to the site. Drainage from the storage tank containment areas shall be addressed. Retention/detention requirements

- shall meet the standards set by the "Urban Drainage and Flood Control District Criteria Manual."
- b. Designs for road improvements to County Road G as described in the 1041 Application, including a gravel and asphalt cross-section.
 - c. Documentation that the solar tower and all building foundation designs sufficiently address all relevant geologic / geotechnical hazards including earthquake and high wind conditions.
 - d. Water and wastewater treatment system designs.
5. Prior to start of construction, the following plans shall be submitted to the County:
 - a. A weed control plan and a dust control plan utilizing Best Management Practices (BMPs), consistent with the 1041 Application, which shall also include provisions for adopting alternate BMPs at a later date if they are superior, commercially reasonable, and consistent with standard practices employed in comparable circumstances in the San Luis Valley. These plans must reasonably consider recommendations made by the local chapter of the NRCS and by the Center Conservation District.
 - b. A Construction Health and Safety Program prepared by qualified professionals.
 6. During construction, compliance reports addressing all conditions of approval shall be submitted on a monthly basis.
 - a. The Applicant shall include construction workforce statistics describing the hiring of local people.
 7. Prior to start of construction, the Applicant shall submit an Emergency Response Plan as described in the 1041 Application, which shall be produced in consultation with Center Fire Protection District, SLV Hazmat, Northern Saguache Fire District, Northern Saguache Ambulance District, Crestone Volunteer Fire Fighters, Alamosa Fire/Ambulance District, and Rio Grande County Fire/Ambulance District, but only if those entities choose to participate. The Applicant shall, at the Applicant's expense, provide appropriate training for the above emergency responders to respond to reasonably foreseeable emergency service requirements. Furthermore, the Applicant shall either annex into the Center Fire District or enter into an agreement for service with the district that addresses training needs and fees in lieu of taxes.
 8. All on-site lighting (except FAA requirements and as reasonably required for maintenance and safety) shall be dark sky compatible, as defined in the Saguache County Draft Solar Facilities Guidelines section 8.3.3.9, and in the Saguache County Land Use Code section IV.4.2.8. Areas not occupied on a regular basis shall be provided with switches or motion detectors to light those areas only when occupied. Non-glare fixtures shall be used, exterior lights shall be shielded, and lights shall be directed onsite and downward.
 9. The Applicant shall provide emergency access to the facility at a point along its southern boundary by constructing a locked gate in the fence and an adequate entry and surface for use by emergency vehicles, but shall not be responsible for constructing additional paved roadways

for emergency vehicles. Access to this locked emergency entrance shall be provided to any applicable emergency service providers identified by the County.

10. The Applicant shall make a reasonable effort to inform the County in a timely manner of any significant impending change that may cause a cessation of the facility's operations for 12 months or longer.

4.1 SCOPE OF PERMIT

- a. This Permit is limited to the Project as described in the permit application by Permittee, as amended during the public hearing process orally or in writing, and as approved hereunder. Permittee shall notify the County of any proposed changes to the Project as set forth in the terms of the development agreement.
- b. If any court of law sets aside or invalidates any condition in the Permit, the project shall cease immediately unless and until a Permit Amendment has been granted by the Permit Authority.
- c. If the County determines that any material representation made by Permittee in the permit application or during the public hearing process is false or deliberately misleading, the County may pursue an enforcement action for violation of this Permit.

5.0 DISPUTE RESOLUTION

If a dispute arises pertaining to matters covered by this Permit, other than an alleged violation of this Permit, the Permittee and the County Attorney shall first meet to attempt to resolve the dispute. If the dispute cannot be satisfactorily resolved, the matter shall be submitted to the District Court for Saguache County for resolution.

6.0 PERMIT VIOLATION

Failure to comply with any portion of the Permit is a violation of the County 1041 Regulations and is subject to the enforcement provisions therein and/or any other relief that may be provided in these conditions.

7.0 IMPLEMENTATION OF RESOLUTION

This Resolution shall be in full force and effect immediately upon its approval.

ADOPTED AND APPROVED this 3rd day of April, 2012.

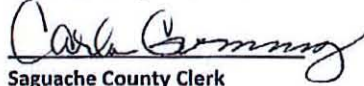
BOARD OF COUNTY COMMISSIONERS


Chairman

STATE OF COLORADO)
)ss.
COUNTY OF SAGUACHE)

ATTEST:

The above is a true and correct record of Resolution 2012-LU-6 duly adopted by the Board of County Commissioners of Saguache County at a regular meeting, properly noticed and held on April 3, 2012.


Saguache County Clerk



PERMIT ISSUED TO CONDUCT DESIGNATED ACTIVITY OF STATE INTEREST
OR
TO ENGAGE IN DEVELOPMENT IN A DESIGNATED AREA OF STATE INTEREST
IN
COUNTY OF SAGUACHE, COLORADO

Pursuant to Administrative and Permit Regulations heretofore adopted by the Board of County Commissioners of the County of Saguache, the County has received an application from Saguache Solar Energy LLC, (hereinafter called "Applicant") for a permit involving the following matter(s) of state interest: Construction and operation of an electric generating facility using concentrating solar thermal technology and has approved that application.

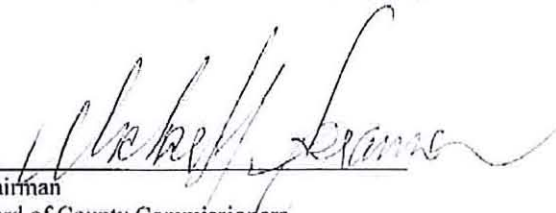
This permit authorizes the Applicant:

1. To: (a). Construct the facility for the project, including two towers, the heliostats and associated buildings and infra-structure, (b). operate the electric generating facility using concentrating solar thermal technology.
2. On the following-described tract of land: Attached hereto as **Exhibit 1**
3. The permit is valid indefinitely for the life of the Saguache Solar Energy Project, provided applicant is in compliance with this permit.
4. In accordance with the plans and/or specifications approved by the Permit Authority on March 26, 2012, including all conditions and the terms of the development agreement, as well as the guidelines for administration adopted by the County for 1041 regulations
5. On the condition that the Applicant proceeds in conformity with all applicable federal and state statutes and regulations as well as all applicable local land use controls including, but not limited to, master plans, subdivision regulations, zoning ordinance and building code.
6. Applicant shall provide the financial security as set forth in the Development Agreement.
7. This permit may be transferred only under the terms and conditions set forth in the Development Agreement.

This permit shall not be effective until:

30 days from the date of adoption of this Resolution by the Permit Authority or after any appeal of the Permit Authority's decision has been finally resolved in the appropriate court of law, whichever is later.

Date: April 3, 2012



Chairman
Board of County Commissioners
Saguache County

Exhibit 1: Legal Description

**PURSUANT TO REAL ESTATE PURCHASE OPTION AGREEMENT
PROPERTY OF WIJAYA COLORADO, LLC**

ALL IN TOWNSHIP 41 NORTH, RANGE 9 EAST, N.M.P.M. COUNTY OF SAGUACHE,
STATE OF COLORADO

NW-1/4 and SW-1/4 of Section 16 (~320 acres)

**PURSUANT TO REAL ESTATE PURCHASE OPTION AGREEMENT
PROPERTY OF SKYLINE LAND COMPANY, LLC**

ALL IN TOWNSHIP 41 NORTH, RANGE 9 EAST, N.M.P.M. COUNTY OF SAGUACHE,
STATE OF COLORADO

Section 3: All (~640 acres)

Section 10: N-1/2 (~320 acres)

Section 17: All (~640 acres)

**PURSUANT TO REAL ESTATE PURCHASE OPTION AGREEMENT
PROPERTY OF SAM INVESTMENTS, INC.,
ERNEST MYERS AND VIRGINIA MYERS**

Ernest M. Myers and Virginia K. Myers

ALL IN TOWNSHIP 41 NORTH, RANGE 9 EAST, N.M.P.M. COUNTY OF SAGUACHE,
STATE OF COLORADO

E-1/2 of SE-1/4 of Section 7 (~80 acres)

SW-1/4, S-1/2 of NW-1/4, and S-1/2 of NE-1/4 of Section 8 (~320 acres)

SAM Investment, Inc.

ALL IN TOWNSHIP 41 NORTH, RANGE 9 EAST, N.M.P.M. COUNTY OF SAGUACHE,
STATE OF COLORADO

SE-1/4 of Section 8 (~160 acres)

All of Section 4 (~640 acres)

All of Section 9 (~640 acres)

E-1/2 of NE-1/4, and NE-1/4 of SE-1/4 of Section 18 (~120 acres)

**REAL ESTATE PURCHASE OPTION AGREEMENT
PROPERTY OF MOUNTAIN COAST ENTERPRISES, LLC**

ALL IN TOWNSHIP 41 NORTH, RANGE 9 EAST, N.M.P.M. COUNTY OF SAGUACHE,
STATE OF COLORADO

S-1/2 of Section 10 (~320 acres)

H-10

{00480115.1}

EXHIBIT "I"

SolarReserve Consent to and Support for Application

CONSENT TO APPLICATION BEFORE THE OIL & GAS CONSERVATION
COMMISSION
OF THE STATE OF COLORADO
IN THE MATTER OF THE ESTABLISHMENT OF SURFACE LOCATIONS FOR OIL AND
GAS OPERATIONS UPON CERTAIN LANDS COMPRISING THE SOLARRESERVE
PROJECT LOCATED IN SAGUACHE COUNTY, COLORADO

SOLARRESERVE, LLC, a Delaware limited liability company, whose address is 2425 Olympic Blvd., Suite 500 East, Santa Monica, California 90404 ("SolarReserve"), as the owner of a beneficial interest in the "SolarReserve Project Lands" as more particularly described in the Application, pursuant to the terms and provisions of those certain Real Estate Purchase Option Agreements dated as of August 1, 2010, as amended, by and between Wijaya Colorado, LLC, a Colorado limited liability company, Sam Investments Inc., an Illinois corporation, Ernest M. Myers and Virginia K. Myers, Skyline Land Company, LLC, a Colorado limited liability company, and Mountain Coast Enterprises, LLC, a Colorado limited liability company (the "Option Agreements"), hereby consents to and expresses its support for the foregoing Application and the relief requested in it.

Dated as of the 7th day of June, 2012.

SolarReserve, LLC,
a Delaware limited liability company

By: T. George

Print Name: T. GEORGE

Title: S. V. P.

IN THE MATTER OF THE
ESTABLISHMENT OF
SURFACE LOCATIONS FOR
OIL AND GAS OPERATIONS
UPON CERTAIN LANDS
COMPRISING THE
SOLARRESERVE PROJECT
LOCATED IN SAGUACHE
COUNTY, COLORADO

Cause No. _____
Docket No. _____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

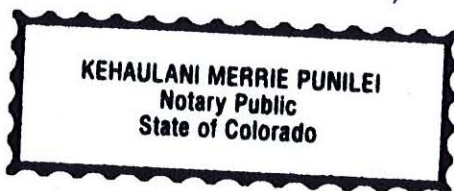
That he is the attorney for Skyline Land Company, LLC, Sam Investments, Inc., Ernest M. Myers and Virginia K. Myers, Mountain Coast Enterprises, LLC, and Wijaya Colorado, LLC, that on this 20th day of June, 2012, he caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit "A" to the Application.

Randall J. Feuerstein
Randall J. Feuerstein

Subscribed and sworn to before me on this 20th day of JUNE, 2012.

Witness my hand and official seal.

My commission expires: 3/15/16




Notary Public