

AMAX EXPLORATION, INC.

A SUBSIDIARY OF AMAX INC.

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November 7, 1983

CONFIDENTIAL

Mr. Richard Hoops
Bureau of Land Management
P. O. Box 12000
Reno, Nevada 89520

Re: Unit Obligations 1984 for McCoy, Tuscarora,
Alum and Fish Lake, Nevada. (4474A)

Dear Rich:

As we discussed in Reno on November 3, 1983, AMAX Exploration, Inc., is in the process of reorganizing the geothermal group into a separate subsidiary known as Steam Reserve Corporation (SRC). Through SRC limited partnership funds will be available for deep drilling in 1984. The present plans are to contract with one drilling company for four (4) holes in 1984. The first hole will be in New Mexico where we plan to spud in on or about January 15, 1984. Previous drilling experience about one mile to the north indicates that a 7,000 foot well could be completed in as little time as one month. However, let us be conservative and allow two months. Therefore, we can reasonably expect the rig to be ready to start drilling in Nevada around mid-March. It would be our plan to drill Fish Lake, Tuscarora and Alum in sequence.

Fish Lake Unit - Under the provisions of the Unit Agreement we must commence a deep test on or before March 1, 1984. AMAX hereby requests a six week extension for the start of the deep test. The extension would allow us to spud the well on or before April 15, 1984. The exact location for the deep test well is not known for sure at present. We will be spudding an intermediate depth thermal gradient well on or about November 16, 1983. The results from this well will help to define the location for the deep test. We should have a reasonable temperature gradient out of the new well by January 1, 1984. Thus we can add a new location to the existing plan of operation so that a minimum amount of time will be required on the approval of the GDP.

The drilling history of VRS #1, a 9,000 foot plus oil test approximately three miles east of the main part of our thermal anomaly, suggests that as little as one months time will be required to drill a 5,000-7,000 test well. Therefore, the first date the rig could be ready to move to Tuscarora would be April 15, 1984 but a much more realistic date is June 15, 1984.

Tuscarora Unit - Under the provisions of the Unit Agreement we must spud our next test well on or before January 24, 1984. AMAX hereby requests a six month extension for the start of a deep test. The extension would permit us to spud the well on or before July 24, 1984. The six month extension will do two things for us: (1) a spud date of June 15 to July 24, 1984 allows a summer drilling program which is extremely important for a big rig, and (2) would fit well with the time the rig would be completing the hole at Fish Lake.

The deep drilling history of well 66-5 and the ten intermediate depth thermal gradient wells suggests that we might encounter severe drilling problems. Therefore, one would expect the drilling of a 5,000-7,000 foot test well to take a minimum of 45 days and maybe as much as 90 days. If we assume the well is spudded May 1, 1984, then the earliest we would expect the rig to be ready to move to Alum would be June 15, 1984 and could be as late as August 1, 1984.

Alum Unit - Under the provision of the Unit Agreement AMAX must spud a deep test on or before February 1, 1984. AMAX hereby requests a six month extension on the required start up on a deep test well at Alum. The extension would permit us to spud a deep 5,000-7,000 foot test well on or before August 1, 1984.

McCoy Unit - Under the provisions of the Unit Agreement AMAX must spud the next well on or before March 6, 1984. AMAX plans to move a large diamond drill onto site 26-8 and deepen the well from 2,094 feet to 5,000 feet. The well is currently in suspension and has diamond drill casing set to 2,094 feet. The above program will give the property a good test and if a resource is found some useful reservoir data can be obtained from the small diameter diamond drill hole.

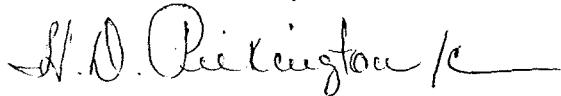
Mr. Richard Hoops/BLM
Unit Obligations - 1984

November 7, 1983
Page 3

I hope that the foregoing provides you with the information you need pertaining to our plans and request for extensions on our drilling commitments.

Sincerely,

AMAX EXPLORATION, INC.

A handwritten signature in cursive script, appearing to read "H. D. Pilkington", followed by a horizontal flourish.

H. D. Pilkington
Chief Geologist, Geothermal Branch

HDP/c

cc: H. J. Olson
J. E. Deymonaz
W. M. Dolan
Wim Lodder