

WASHINGTON STATE DEPARTMENT OF
Natural ResourcesDUG SUTHERLAND
Commissioner of Public Lands

December 12, 2002

Zilkha Renewable Energy LLC
Attn: Chris Taylor
220 E. 4th Street
Ellensburg WA 98926

RE: Proposed Wind Power Development Lease 60-074259

Dear Mr. Taylor:

The purpose of this letter is to communicate the current status of leasing process for the following lands in Kittitas County:

Government Lots 1 and 2 (N2NE4), S2NE4, SW4NW4, W2SW4, SE4SW4, SE4, Section 2; W/ E2, W2, Section 10; All, Section 16; E2, N2NW4, SE4NW4, SW4SW4, Section 22; all in Township 19 North, Range 17 E. W. M, Kittitas County, Washington, containing 2,075.33 acres.

Zilkha Renewable Energy LLC currently has a land use license for wind power exploration for these lands with a term of December 1, 2004. Wind Power Development Lease No. 60-074259 for the same legal description has been advertised, and Zilkha Renewable Energy has notified the state of its interest in the lease. We also have grazing leases on these parcels. Our leases allow for other uses and cancellation for higher and better use. We anticipate accommodating both uses on these parcels without much trouble.

There is legal access via county roads to Section 10 and Section 16. The state has no legal access to Section 2 and Section 22. We understand that Zilkha Renewable Energy is in the process of obtaining legal access to these parcels.

The next step in the leasing process for Lease No. 60-074259 is to provide Zilkha Renewable Energy and other interested parties with a notice of leasing and sample lease. Thirty days after a public notice is published, the sealed bid public auction will be held. At the end of that time period, bids would be reviewed and a decision would be made on the successful bidder. At that time, a lease would be prepared between the state, as lessor and the successful bidder.

Sincerely,

A handwritten signature in black ink that reads "Milton D. Johnston".

Milton D. Johnston
Assistant Region Manager

c: Jim Schwartz, AAG