



**FIDELITY**  
NATIONAL TITLE COMPANY

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TECHNICAL TIPS

written by  
Ron Childs

## Geothermal Energy

The Colorado Real Estate Commission's mandatory contract (7-1-09) under the title advisory section alerts purchasers about mineral reservations and the right to exercise and extract minerals by using the surface; thus, possibly impacting the purchaser's (the surface owner) future use of the surface and possible damages to that surface. **Geothermal energy is also listed in the contract as a mineral that may be owned by others.** In Colorado, there are several types of minerals including:

1. **Locatable** minerals also known as hard minerals or minerals in place including gold, silver, gemstones, metallic or nonmetallic
2. **Leasable** minerals also known as migratory or fugacious which by their physical nature permits a flow including oil and gas
3. **Saleable** minerals as in sand, gravel, stone, pumice, cinders and clay also known as "mineral materials" covered by the Mineral Act of 1947
4. **Geothermal energy being the heat from the earth's molten core working its way up to the surface in the form of hot water or steam**
5. **Uranium** (a non-carbon based energy) could be listed as a separate mineral as little has been pursued since the 1950's and 1960's when Colorado had less population; but now a sharpening concern is growing among Coloradoans on this natural resource and its effect on water during uranium extraction

*The Rocky Mountain News* reported on 6-28-07 that Colorado ranks fourth among states in the number

of potential sites for geothermal power referencing the 2006 Western Governors Association report. The Colorado Geological Survey identified areas close to 1) Mount Princeton near Buena Vista, 2) the San Juan Mountains near Ouray and Rico, 3) areas of the Raton Basin west of Trinidad, 4) Strawberry Hot Springs north of Steamboat Springs and 5) Pagosa and Waunita Springs as having abundant geothermal energy. In addition, geothermal energy is used in a few Colorado locations for direct applications such as heating swimming pools or buildings but presently not formally being used to generate electricity. With today's technology and a Congressional mandate to expedite geothermal leases, geothermal power plants can provide consistent power without polluting or emitting green-house gases.

*The Denver Post* reported on January 24, 2010 that the Bureau of Land Management (BLM) will be auctioning geothermal energy within Colorado which has some Colorado residents concerned about this mineral (known as geothermal) which they are currently using for personal uses including heating an organic-vegetable greenhouse or heating a vacation home with its own hot springs. **Others, who are more fortunate, own not only the land but the minerals under the land including geothermal and have taken a further step by having this water right also adjudicated in water court so that it is protected under State law from any decline in water volume or heat as well as obtaining a geothermal well permit.**

In this same *Denver Post* article, The Bureau of Land Management estimates Colorado could produce

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50 megawatts of geothermal electricity by 2025. It is reported that certain areas of Colorado at 10 kilometers in depth may have a temperature of 500 degrees in Fahrenheit. In the Chalk Creek Valley above the Rio Grande rift, which runs as deep as 10,000 feet, enables enough heat to reach within 3,000 feet of the surface to heat groundwater to about 150 degrees Fahrenheit.

Geothermal plants can provide consistent power similar to coal-fired power plants producing very low or no greenhouse gases. The following steps are taken:

1. Heated groundwater is brought to the surface by a production well
2. The hot water is passed through a heat exchanger turning it into steam
3. Steam passes through a turbine causing it to turn and create electricity
4. After leaving the turbine, the steam is cooled and turned into liquid which can be recycled
5. The cooled water is then injected back into the ground to be heated again

With today's technology, an operator may drill an 8,000 foot well to a hard-rock heat source and fracture the rock which is a technique used to drill for natural gas. Water, from a gas well brought to the surface, would then be injected back into the ground to be re-heated by the hot rock and pumped back again to the surface to generate electricity-- thus creating a multi-purpose well with functionality extending beyond just the production of gas.

Vincent Carroll, a *Denver Post Columnist*, on Saturday, March 13, 2010 reports that a Senate Bill 10-174 is being introduced in the State Legislature which would give local communities more oversight in attempts to mine underground geothermal energy to produce electric power. Although some property owners may achieve a delay in the leasing by the BLM of this mineral resource known as geothermal, there will probably be no reprieve from development. Mr. Carroll goes on to say "*renewable energy is only going to grow...not only are the political administrations in Washington and Colorado eager to see such projects, but the environmental groups that would man the barricades against any other drilling on the same acreage, citing concerns over habitat and scenery, are predictably missing in action.*"

### Short Sale Update

Fidelity National Title's (formerly known as Security Title) April newsletter gave a report on short sales and highlighted the Administration's new program entitled Home Affordable Foreclosure Alternatives (HAFA) which became effective April 5, 2010. A new supplemental directive 09-09 has been revised on March 26, 2010 after the printing of our April newsletter. This new revised directive 1) increases the seller relocation credit from \$1500 to \$3000; increases what the servicing lender receives for processing a HAFA transaction from \$1000 to \$1500 and 3) increases the investor incentive up to \$2000 from \$1000 for allowing a portion of the proceeds to be disturbed to subordinate lenders when applicable. Property abandonment or vacated property is also addressed as well as certain deadlines for mortgage servicers to respond to a request of approval or disapproval of short sale (RASS) within 10 business days.