MINUTE ITEM
This Calendar Item No. 23
was approved as Minute Item
No. 23 by the State Lands
Commission by a vote of 3
to 0 at its 4-24-80
meeting.

MINUTE ITEM

4/24/80
W 9681
Burnett

23. AWARD OF A GEOTHERMAL RESOURCES LEASE OF RESERVED MINERAL INTERESTS, SONOMA COUNTY.

Mr. Donald J. Everitts, Chief, Division of Energy and Mineral Resources Development, explained the transaction. He pointed out that the high bidder, Technology International, Inc., had withdrawn its bid and staff, after being requested by that bidder, returned the deposit to them.

Chairman Kenneth Cory questioned on what basis did the staff refund the deposit since the staff has a bid deposit requirement. He stated it is his understanding that the purpose of that requirement is to penalize a bidder for failure to conclude the transaction. Mr. William F. Northrop, Executive Officer, explained that even though it is a good faith deposit, subject to not being refunded, the staff also looks at the bidder's potential ability to perform overall. It was concluded by staff that Technology would be unable to perform. Mr. Kazumi Yoneyama, auditor on the Commission's staff, appeared and explained that after analyzing the financial statement of the high bidder, he concluded that unless they could successfully sell shares of their stock to the public, they would be unable to perform. However, Mr. Cory was concerned that refunding of deposits on competitive bids could lead to possible manipulation by those submitting bids, and he suggested the staff look at this possibility in any future bidding situations.

Upon motion duly made and carried, the resolution as presented in Calendar Item 23 was approved by a vote of 3-0.

Attachment: Calendar Item 23.

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S 2

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CALENDAR ITEM
23.

4/80
W 9681
Burnett
PRC 5819

AWARD OF A GEOTHERMAL RESOURCES LEASE OF RESERVED MINERAL INTERESTS, SONOMA COUNTY

The Commission, at its meeting on November 27, 1978, authorized the staff to offer for lease by competitive public bid for the extraction of geothermal resources, a parcel of land in which the State has a reserved mineral interest. The parcel, identified as Parcel W 9681, located in Sonoma County near the Geysers Steam Field and containing 599.18 acres, was subsequently offered for lease on the basis of a net profits bid factor. In addition to the net profits payment, the lease provided for the payment of a 12.5% royalty on gross revenue received from the sale of steam and an annual rental of $1. per acre.

On March 14, 1980, seven (7) bids were received in response to a Notice of Intention published February 11 and 18, 1980 in the Sonoma County Herald-Recorder.

Technology International, Inc. was the high bidder on parcel, W 9681, with a bid of 76% of the net profits. After a review of the financial data submitted with their bid, it is apparent that they do not have the financial ability to explore and develop the property at this time. The Company proposes to offer 4 million shares of common stock to the public at a price of $1.00 per share in June to obtain operating capital. However, the Company does not have the capital at this time and it is not certain if they will be able to obtain it through the proposed stock offering.

The next highest bid, 71%, was submitted by the Sacramento Municipal Utility District (SMUD). This bid is almost equal to the high bid and SMUD has the resources now to explore and develop the property. It is the staff's opinion that it would be in the best interests of the State to reject the highest bid and accept the bid of SMUD.

Legal, technical and economic reviews of the bids were made by the staff. It was determined that:

A. The commission has complied with the procedural requirements of the law.

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S 2

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B. The bid submitted by SMUD conforms with:

1. The bid requirements specified in the proposals of the Commission;

2. The applicable provisions of law; and

3. The rules and regulations of the Commission.

Section 6912(b) of the Public Resources Code provides that the surface landowner may, within 10 days after notification by the Commission, submit a bid identical to the highest acceptable bid, in which case the Commission shall issue a lease to the surface landowner. If the surface landowner does not file such a bid, then the Commission may proceed with the award of the bid to other than such surface landowner.

EXHIBIT: A. Location Map.

B. List of Bidders for Parcel W 9681.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE HIGHEST ACCEPTABLE BID FOR THE LEASE OF THE STATE'S GEOTHERMAL RESOURCES UNDERLYING THE SUBJECT PARCEL OF LAND WAS MADE BY SACRAMENTO MUNICIPAL UTILITY DISTRICT AT 71% OF NET PROFITS.

2. REJECT ALL OTHER BIDS.

3. AUTHORIZE THE EXECUTIVE OFFICER TO NOTIFY THE SURFACE LANDOWNER(S) OF SUCH BID IN ACCORDANCE WITH SECTION 6912 OF THE PUBLIC RESOURCES CODE.

4. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE A LEASE WITH THE SURFACE LANDOWNER(S) IN THE EVENT THE SURFACE LANDOWNER(S) MATCHES THE HIGHEST ACCEPTABLE BID WITHIN THE TIME PRESCRIBED BY PUBLIC RESOURCES CODE SECTION 6912; OR, IN THE ALTERNATIVE, IF THE SURFACE LANDOWNER(S) FAILS TO FILE THE BID WITHIN THE TIME PRESCRIBED BY PUBLIC RESOURCES CODE SECTION 6912, AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE LEASE WITH THE SACRAMENTO MUNICIPAL UTILITY DISTRICT.

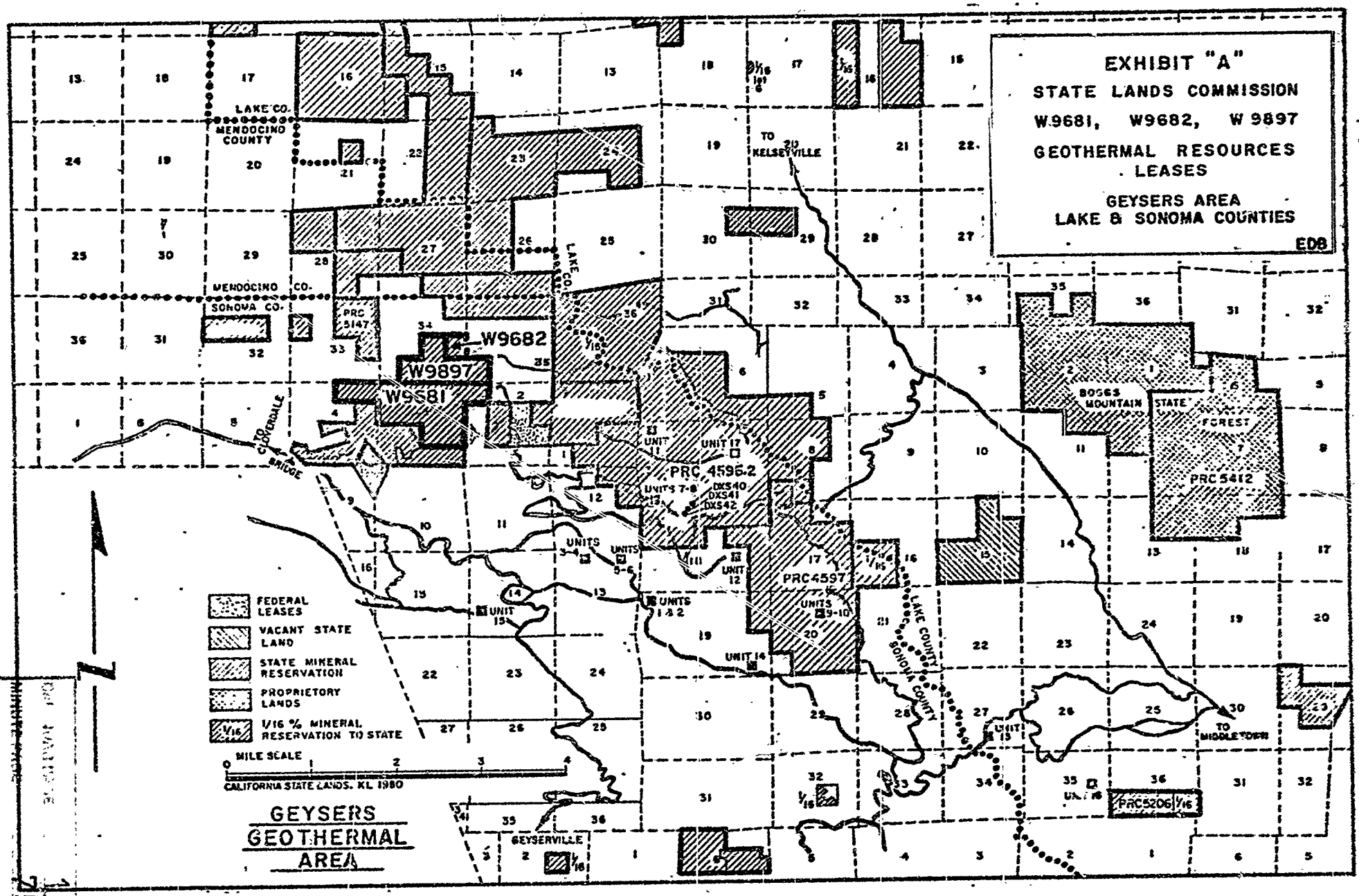
EXHIBIT "A"
STATE LANDS COMMISSION
W9681, W9682, W 9897
GEOTHERMAL RESOURCES
LEASES
GEYSERS AREA
LAKE & SONOMA COUNTIES
EDB
LAKE CO.
MENDOCINO COUNTY
MENDOCINO CO.
SONOMA CO.
LAKE CO.
TO KELSEYVILLE
TO CLOVERDALE BRIDGE
W9682
W9897
W9581
PRC 5147
PRC 4596.2
PRC4597
PRC 5412
PRC5206
BOGGS MOUNTAIN STATE FOREST
UNIT 11
UNIT 17
UNITS 7-8
DXS40
DXS41
DXS42
UNITS 3-4
UNITS 5-6
UNIT 12
UNITS 1 & 2
UNIT 15
UNIT 14
UNITS 9-10
LAKE COUNTY
SONOMA COUNTY
TO MIDDLETOWN
GEYSERVILLE
FEDERAL LEASES
VACANT STATE LAND
STATE MINERAL RESERVATION
PROPRIETORY LANDS
1/16 % MINERAL RESERVATION TO STATE
MILE SCALE
0 1 2 3 4
CALIFORNIA STATE LANDS, KL 1980
GEYSERS GEOTHERMAL AREA

105
752

EXHIBIT "B"

LIST OF BIDDERS FOR PARCEL W 9681

	Bidder	Net Profits Bid
1.	Technology International, Inc.	76%
2.	Sacramento Municipal Utility District	71%
3.	Cities of Redding, Santa Clara and Modesto Irrigation District	70.6%
4.	Geothermal Power Corporation	57%
5.	Getty Oil Company	52.5%
6.	Aminoil U.S.A., Inc.	25.89%
7.	Thermal Power Company	23.05%

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