

MINUTE ITEM

This Calendar Item No. 22
was approved as Minute Item
No. 22 by the State Lands
Commission by a vote of 3
to 0 at its 9/28/83
meeting.

CALENDAR ITEM
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9/28/83
PRC 5819
Hoagland

EXTENSION OF DRILLING TERM

APPLICANT: Aminoil USA, Inc.
P. O. Box 11279
Santa Rosa, California 95404

AREA, TYPE OF LAND AND LOCATION:
Approximately 599.18 acres of reserve mineral
land in the northwestern portion of The
Geysers Geothermal Steamfield, Sonoma County.

AB 884: N/A.

PERTINENT INFORMATION:

State Geothermal Lease PRC 5819.2 was issued
by competitive bidding to surface owners
Edward V. Prati, John T. Sink, Peter H.
Flood and Richard J. Wall on October 31,
1980, subsequent to the surface owners'
exercise of their right to match the highest
qualified bid on the parcel at 71 percent
of net profits. In March 1982 the lease
was assigned to Aminoil USA, Inc., with
which the owners of the surface had a surface
lease.

On January 20, 1983, Geothermal Resources
International requested that nine geothermal
leases in The Geysers, including PRC 5819,
be assigned from Aminoil to GRI and its

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subsidiaries, GRI Exploration Corporation and GRI Development Corporation.

The requests from assignments are part of a large scale program under which GRI proposes to buy from Aminoil approximately 59,000 acres of state and private leases in the northwestern portion of The Geysers in Sonoma, Lake and Mendocino Counties. GRI plans to act as operator to develop the steam resource which it intends to sell to the Central California Public Power Agency (CCPA), a joint powers agency composed of the Modesto Irrigation District, the City of Santa Clara and the Sacramento Municipal Utility District.

In addition to the request for assignments GRI submitted for Commission approval the steam sales contract under which it plans to sell steam to CCPA for electrical generation in plants to be constructed and operated by CCPA.

Staff requested detailed plans of development for all of the state leases for which GRI was seeking assignments. Staff also requested net profits accounting records on all the leases and commenced an analysis of the first draft and amended version of the steam sales contract to determine the revenue effect of this contract in relation to a Union-PG&E-type contract.

Since GRI only had firm plans for development of PRC 5217, the Commission approved assignment of this lease on April 28, 1983.

Section 9(a)(2) of the lease provides that if the lessee fails to drill a geothermal lease within three years of the effective date of the lease, or any extension, the lease may be cancelled.

The three year drilling period for PRC 5819 expires in October 1983. Pursuant to Section 9(a)(2) of the lease Aminoil

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(through its agent, GRI) has submitted an exploration and development plan for this lease together with leases PRC 5820, 5821 and 6114. The plan provides for sequential exploration of the State leases utilizing data obtained from each step out well for location of subsequent wells. The program provides for the initial well in lease PRC 5819 by December 1984. Such program would require a drilling deferment of 14 months. However, staff is recommending that the exploration plan for this lease be modified to provide for a well within six months of the expiring three-year drilling period.

The proposed deferment of the drilling requirement will not have an environmental impact and is considered a ministerial project under the Guidelines for Implementation of CEQA.

An EIR was prepared by the Sonoma County Board of Zoning Adjustments covering geothermal development in the area and was considered by the Commission prior to issuing the lease.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF TITLE 14, CAL. ADM. CODE 15073.
2. GRANT TO AMINOIL USA, INC. A SIX-MONTH EXTENSION OF THE DRILLING REQUIREMENTS UNDER STATE GEOTHERMAL LEASE PRC 5819.2 FROM OCTOBER 31, 1983 TO APRIL 30, 1984. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

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