

MINUTE ITEM

This Calendar Item No. 25 was approved as Minute Item 25 by the State Lands Commission by a vote of 3 to 0 at its 12/22/83 meeting.

CALENDAR ITEM

25

12/22/83
PRC 5217
PRC 5819
PRC 5820
PRC 5821
PRC 6114
PRC 5862
PRC 5999
PRC 6080
PRC 6081
Hoagland

APPROVAL OF THE SUBLETTING OF NINE GEOTHERMAL LEASES IN THE GEYSERS GEOTHERMAL STEAMFIELD, SONOMA, LAKE AND MENDOCINO COUNTIES

APPLICANT: GRI Exploration Corporation
GRI Development Corporation
545 Middlefield Road, Suite 200
Menlo Park, CA 94025
Attn: Peter A. Hansen, President

AREA, TYPE OF LAND AND LOCATION:
Approximately 2,600 acres of reserve mineral land in the northwestern portion of The Geysers Steamfield, Sonoma, Lake and Mendocino Counties.

PERTINENT INFORMATION:
GRI Exploration Corporation and GRI Development Corporation (GRIs), subsidiaries of Geothermal Resources International, Inc., has acquired title to nine State Geothermal Leases in the northwest portion of The Geysers. The leases were acquired by assignment from Aminoil USA, Inc. In the assignment process which was completed at the November meeting, Geothermal Resources International, Inc.,

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SEARCHED	143
INDEXED	2861

CALENDAR ITEM NO. 35 (CONTD)

provided guarantees that it would be fully responsible for its subsidiaries. GRIs plan to develop the resource and sell the steam to power plants to be built and operated by the Central California Power Agency.

GRIs have sublet these leases to another subsidiary, Geothermal Resources (UK) Ltd., a Delaware Corporation, and is requesting Commission approval of the subletting. GRI Exploration Corporation and GRI Development Corporation have also sublet their interest in PRC 5217 to Geothermal Resources (UK) Ltd., GRI Exploration Corporation has sublet its interest in the remaining eight leases to Geothermal Resources (UK) Ltd.

The subletting of these State leases has taken place to effectuate certain tax benefits which will flow to the Delaware subsidiary because it has reciprocity in the United Kingdom which allows losses occurring in the United States to be written off against income in the United Kingdom. For example, GRI Development Corporation and GRI Exploration Corporation are presently incurring drilling costs for development of the State leases, but it will be several years before they see an income stream against which to write off these costs for tax purposes. By subletting the leases these losses can be written off against current income from the British subsidiary.

Because timely development of the State leases will provide substantial royalty revenue interest to the State and badly needed electrical generating capacity to consumers served by CCPA, staff recommends approval of the subletting of the leases.

The proposed Commission action is not a project as defined in CEQA (P.R.C. Section 21065, Title 14, Cal. Adm. Code, Section 15378).

AB 884:

N/A.

EXHIBIT:

A. Location Map.

CALENDAR ITEM NO. ¹ 25 (CONTD)

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA BECAUSE IT IS NOT A PROJECT AS DEFINED IN PRC 21065 AND TITLE 14, CAC SECTION 15378.
2. APPROVE THE SUBLETTING OF STATE GEOTHERMAL LEASES PRC 5217, 5819, 5820, 5821, 6114, 5862, 5999, 6080 AND 6081 FROM GRI EXPLORATION CORPORATION AND GRI DEVELOPMENT CORPORATION TO GEOTHERMAL RESOURCES (UK) LTD.

145
2863

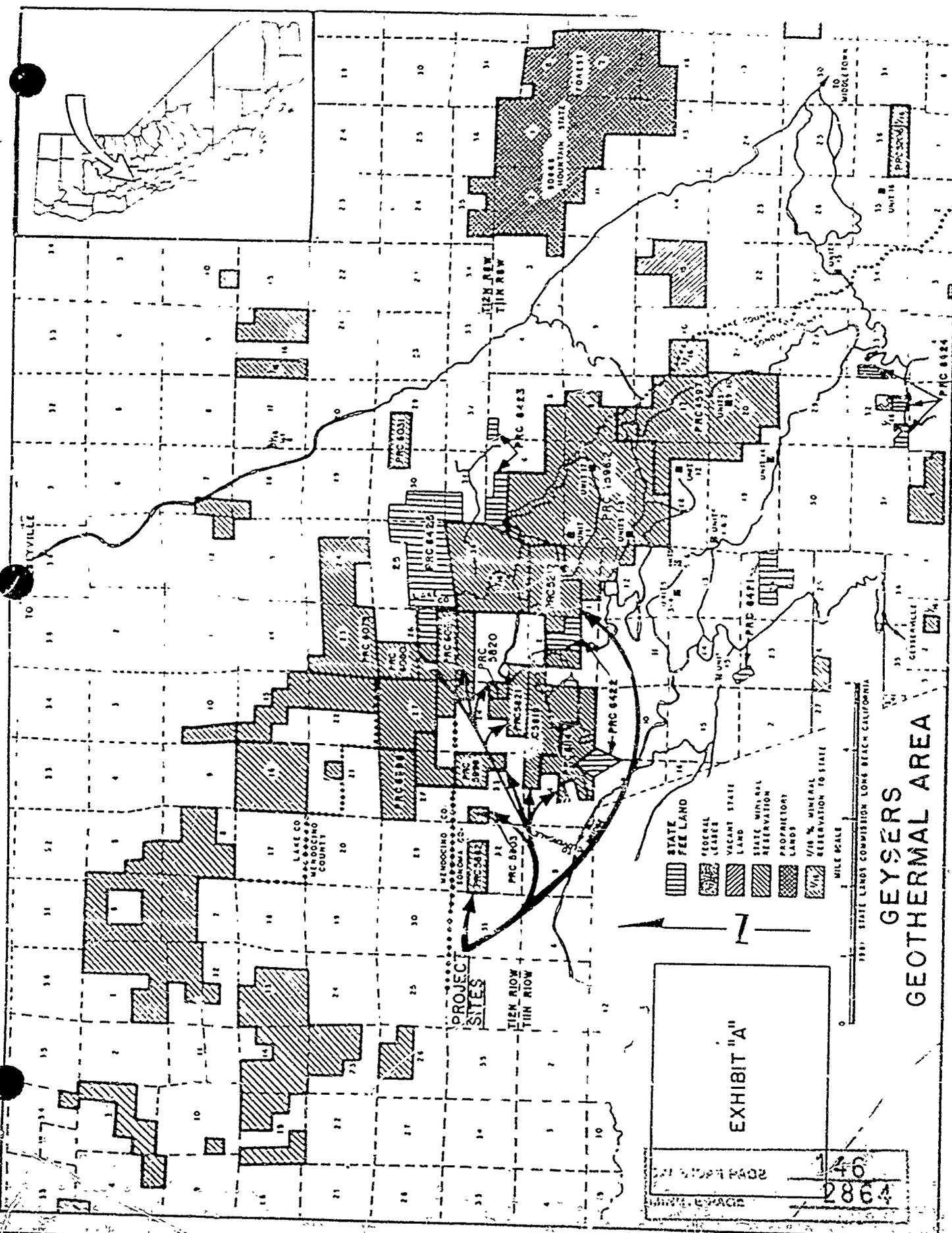


EXHIBIT "A"

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146