

MINUTE ITEM

This Calendar Item No. 31  
was approved as Minute Item  
No. 31 by the State Lands  
Commission by a vote of 2  
to 0 at its 6/26/85  
meeting.

CALENDAR ITEM

A 2, 8

S 2, 4,

31

06/26/85  
PRC 5819  
PRC 6114  
PRC 5999  
PRC 5903  
PRC 5862  
Hoagland

DEFERRAL OF DRILLING REQUIREMENTS  
FOR GEOTHERMAL LEASES

APPLICANT: GRI Exploration Corporation  
Attn: Peter A. Hansen,  
Vice President - Land  
545 Middlefield Road, Suite 200  
Menlo Park, California 94025

AREA, TYPE LAND AND LOCATION:  
Approximately 948 acres of reserved mineral  
lands located in the Geysers Geothermal  
Steamfield, Sonoma County.

BACKGROUND INFORMATION:  
State Geothermal Leases PRC's 5819, 6114, 5999  
were assigned from Amincil USA, Inc. to GRI  
Exploration Corporation in November 1983 and  
PRC 5093 was assigned from MSR Public Power  
Agency to GRI Exploration Corporation at the  
same meeting.

Terms of the lease provide that unless a  
geothermal well is drilled within three years  
of the effective date of the lease, the lease  
may be cancelled. At the meeting of  
November 2, 1983, the Commission, effective  
December 1, 1983, approved the creation of two  
pooled areas for drilling obligations. "Pooled  
Area 1" is comprised of PRC 5862, 5903 and 5999  
"Pooled Area 2" is comprised of PRC 6080 and  
6081. A plan to drill four exploratory wells

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on the GRI State Leases was also approved at that time.

The three-year primary drilling term expired in late 1981 for PRC 5819 and 5903, during the first six months of 1984 for PRC 5862 and PRC 5999, and in April 1985, for PRC 6114. Because negotiations were taking place between staff and GRI on proper methods for accounting and operation of these leases, the primary drilling terms were extended for six months in mid 1984. No drilling was done on these leases during the extension, even with the reduced requirements under the pooling agreements.

A proposal was made by GRI in late 1984 for a production pooling arrangement, net profits reductions and lease modifications. To allow time to consider this proposal, another six month primary drilling term extension was granted by the Commission for PRC's 5819, 5862, 5903, 5999 and 6114 on September 25, 1984.

No drilling has been done by GRI on these State Leases during this extension. They submitted on May 25, 1985 another production pooling arrangement with further reductions in net profit percentages.

The primary drilling term extension for PRC's 5819, 6114, 5999, 5903 and 5862 expires June 30, 1985 and GRI has requested another 60-day extension to August 31, 1985. They also request that the drilling term extension for PRC's 6080 and 6081, which expires on August 1, 1985, be extended to August 31, 1985.

In order to conclude negotiations, staff recommends that the initial drilling term for PRC's 5819, 6114, 5999, 5903 and 5862 be extended to July 31, 1985.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority, staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA guidelines.

CALENDAR ITEM NO. 31 (CONT'D)

Authority: P.R.C. 21080(a), P.R.C. 21065 ,  
and 14 Cal. Adm. Code 15378.

AB 884: N/A.

EXHIBIT: A. Site Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. AUTHORIZE THE EXTENSION OF THE PRIMARY DRILLING TERM ON STATE GEOTHERMAL LEASES PRC'S 5819, 6114 5903, 5999 AND 5862 to JULY 31, 1985.

(REVISED 06/26/85)

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