MINUTE ITEM

This Calendar Item No. 33 was approved as Minute Item No. 33 by the State Lands Commission by a vote of 2 to 0 at its 5/22/86 meeting.

CALENDAR ITEM

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05/22/86
PRC 6398
Hoagland

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AUTHORIZATION TO CANCEL GEOTHERMAL LEASE PRC 6398
FOR FAILURE TO COMPLY WITH DRILLING TERMS

APPLICANT: M-S-R Public Power Agency
Attn: Greg Pohl
P. O. Box 4060
Modesto, California 95352

AREA, TYPE LAND AND LOCATION:
Approximately 320 acres of school lands in the north half, Section 28, T12N R9W, MDM, Mendocino County.

BACKGROUND INFORMATION:
On March 24, 1983 the State Lands Commission approved the issuance to M-S-R Public Power Agency of a geothermal lease by competitive public bid in the northwest portion of The Geysers Geothermal Field, Mendocino County.

The lease was for a primary term of ten years, in addition to paying a royalty of 12.5 percent of the gross revenue received, the Lessee also agreed to pay 12 percent of the net profits derived from the lease.

Other terms of the Lease required that the Lessee:

1. Drill an exploratory well to evaluate the geothermal resources within three years of the lease issue date (March 24, 1983).

2. Submit annually a plan of development and operation.

The Lessee has not drilled an exploratory well or filed an application to drill a well. M-S-R also has not filed an annual plan of operations and development as stipulated in the lease terms.

On March 6, 1986, a representative of SAI Geothermal, Inc. was present to testify in favor of an extension of the drill-by date for PRC 6398, but the request was denied.

On March 27, 1986, the Commission approved the staff recommendation authorizing notification of default and the notice was mailed March 27. The notice provided that failure to cure the default by commencing drilling operations on Lease PRC 6398 within 30 days may cause cancellation of the lease. The default has not been cured and staff recommends the lease be cancelled.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Cal. Adm. Code 15061), the 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.

   Authority: PRC 21080(a) PRC 21065 and 14 Cal. Adm. Code 15378.

AB 884: N/A.

EXHIBIT: A. Site Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PRC 21065 AND 14 CAL. ADM. CODE 15378.

2. DETERMINE THAT M-S-R PUBLIC POWER AGENCY HAS FAILED TO COMMENCE DRILLING OPERATIONS ON STATE GEOTHERMAL LEASE PRC 6398 WITHIN THIRTY (30) DAYS OF WRITTEN NOTICE OF DEFAULT DATED MARCH 27, 1986.

3. AUTHORIZE CANCELLATION OF STATE GEOTHERMAL LEASE PRC 6398 FOR FAILURE TO COMMENCE DRILLING OPERATIONS IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LEASE.

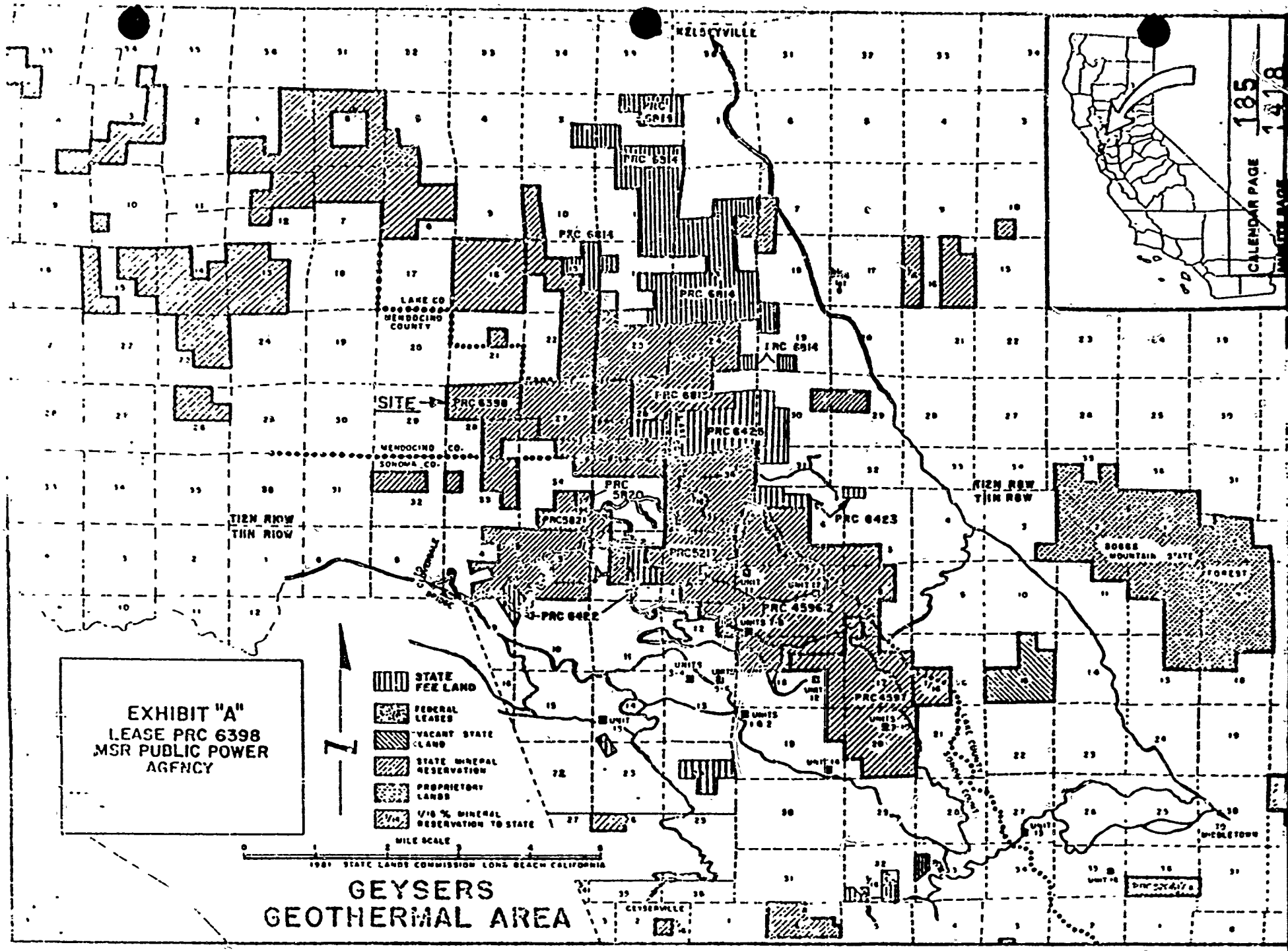
EXHIBIT "A"
LEASE PRC 6398
MSR PUBLIC POWER
AGENCY
STATE FEE LAND
FEDERAL LEASES
VACANT STATE LAND
STATE MINERAL RESERVATION
PROPRIETORY LANDS
1/16 % MINERAL RESERVATION TO STATE
MILE SCALE
1981 STATE LANDS COMMISSION LONG BEACH CALIFORNIA
GEYSERS
GEOTHERMAL AREA
SITE
PRC 6398
PRC 6814
PRC 6812
PRC 6425
PRC 6423
PRC 5820
PRC 5821
PRC 5217
PRC 6422
PRC 4596.2
PRC 4597
LAKE CO
MENDOCINO COUNTY
MENDOCINO CO.
SONOMA CO.
T12N R10W
T11N R10W
T12N R8W
T11N R8W
BOGGS MOUNTAIN STATE FOREST
KELSEYVILLE
GEYSERVILLE
MIDDLETOWN
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