

MINUTE ITEM
This Calendar Item No. 22
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 3
to 0 at its 10/23/86
meeting.

CALENDAR ITEM

A 8
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27

10/23/86
PRC 5206
Hoagland

ASSIGNMENT OF GEOTHERMAL RESOURCES LEASE

ASSIGNOR: Phillips Petroleum Company
Minerals Group
Attn: R. L. Wright, Land Manager
655 East 4500 South
Salt Lake City, Utah 84107

ASSIGNEE: Freeport Geothermal Resources Company
Attn: G. A. Vaughan, Land Manager
P. O. Box 11279
Santa Rosa, California 95406

AREA, TYPE LAND AND LOCATION:
Approximately 130 acres of reserved mineral
land in the south eastern portion of the
Geysers Steamfield, Lake County.

- PREREQUISITES:
1. Assignment forms have been executed.
 2. Assignee is qualified to hold a State lease.
 3. The statutory filing fees have been submitted.

PERTINENT INFORMATION:
State Geothermal Lease PRC 5206 was issued by
competitive bidding in 1976. The City of
Santa Clara was the highest qualified bidder
(28 percent of the net profits and ten percent
royalty). Pursuant to P.R.C Section 6912.(b)
the owner of the surface matched the high bid,
was awarded the lease and subsequently assigned
the lease to the Natomas Company with which it
had a lease for the surface. Natomas drilled
one well on the state lease in 1979 which was

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marginally commercial (47,800 pounds of steam per hour). A second well drilled from the same pad north into private lands was tested as non-commercial (17,000 pounds of steam per hour).

In 1984 Phillips Petroleum Company purchased Aminoil and through that acquisition obtained Aminoil's leases to the northwest of the state parcel which supply steam to Pacific Gas and Electric Company's Powerplants 13 and 16. In April 1985, the Commission approved assignment of PRC 5206 from Natomas to Phillips Petroleum Company. In November 1985 Phillips sold its California geothermal leaseholds to Freeport-McMoran, which included State Geothermal Lease PRC 5206. To complete the transfer of title to PRC 5206 from Phillips to Freeport, it is now necessary that the State approve that transfer. Phillips has therefore requested that the Commission approve an assignment of Phillips' interest to Freeport.

Since early 1985 Freeport has been attempting to negotiate with PG&E to relocate the boundaries of plant areas 13 and 16 and include an uncommitted area for establishment of a new Plant 19 (110 megawatt) area. The previously uncommitted area would have included PRC 5206. PG&E refused to give approval of this proposal because of alleged insufficient reserves for the new plant area. Freeport has subsequently acquired additional lands to apply to the plant 19 area and is completing negotiations for marketing of geothermal resources from PRC 5206.

The lease requires the lessee to diligently proceed with development of a market for the geothermal resources on the lease. The proposed development program is contingent upon Freeport successfully completing its negotiations for marketing the resource from PRC 5206. If this contingency is not met, Freeport will be required under the lease to provide the Commission with an alternative marketing program for the resource or be subject to default under the lease.

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OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C 6904.1, P.R.C. 21065 and 14 Cal. Adm. Code 15368.

AB 884: N/A.

EXHIBIT: A. Location 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 IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE THE ASSIGNMENT OF STATE GEOTHERMAL RESOURCES LEASE PRC 5206 PHILLIPS PETROLEUM COMPANY TO FREEPORT GEOTHERMAL RESOURCES COMPANY EFFECTIVE NOVEMBER 1, 1986 AND REQUIRE THAT FREEPORT REPORT TO THE COMMISSION BY JANUARY 1, 1987 ON ITS PROPOSAL TO MARKET THE GEOTHERMAL RESOURCES IN PRC 5206.

