MINUTE ITEM
This Calendar Item No. 57
was approved as Minute Item
No. 52 by the State Lands
Commission by a vote of 3
to 0 at its 2/6/89
meeting.

CALENDAR ITEM

A 80

S 37

57

02/06/89
PRC 6552
Willard

ISSUANCE OF A PREFERENTIAL
GEOTHERMAL LEASE

APPLICANT: Kennecott Explorations (Australia) Ltd.
Attn: Mr. Larry L. Grogan
Geothermal Project Supervisor
Imperial, California 92251

AREA, TYPE LAND, AND LOCATION:
Approximately 2,735 acres of proprietary land owned by the Department of Fish and Game within the Wister Unit, Imperial Wildlife Area, along the southeast shore of Salton Sea, Imperial County.

LAND USE: Production of geothermal resources for generation of electricity.

TERMS OF THE PROPOSED LEASE:
Rental of $1 per acre, per annum, a royalty of ten percent of gross revenues received from the sale of geothermal steam or heat and five percent of gross revenues received from the sale of mineral products or chemical compounds, with a minimum royalty of $2 per acre, per annum.

SURETY BOND: $100,000.

PREREQUISITE TERMS FEES AND EXPENSES:
Filing fee and processing costs have been received.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code, Div. 6, Parts 1 and 2; Div. 8, Div. 20.

B. Cal. Adm. Code: Title 2, Div. 3; Title 14, Div. 6.

AB 884: 06/18/89.

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PERTINENT INFORMATION:

State Geothermal Prospecting Permit PRC 6552 was issued to Bear Creek Mining Company, a Division of Kennecott Corporation, on January 24, 1984 for a period of two years with the possibility of an additional two-year extension, and carried with it a preferential right to a lease upon the discovery of geothermal resources in commercial quantities.

On July 25, 1985, Bear Creek Mining Company was given a two-year extension to its original prospecting permit as provided by law, which would allow for drilling of an exploratory well; "Wilson State" 6552-1. Flow tests conducted July 26, 1987 indicated the discovery of geothermal resources in commercial quantities. On October 21, 1987, the Permit was assigned from Kennecott Corporation to Kennecott Explorations (Australia) Ltd.

Based on the results of the well test, the State Lands Commission received a letter from Kennecott, dated December 15, 1987, exercising its Preferential Rights to a Lease.

DEPARTMENT OF FISH AND GAME CONSIDERATION:

Under the terms of the Permit, the Department of Fish and Game negotiated conditions applicable to operations under the Permit and any subsequent Preferential Lease. Those conditions which will become a part of the proposed lease include:

1. The Permit/Lease area of approximately 2,735 acres has been divided into two parcels of 1,195 and 1,440 acres for which surface used will be permitted on the 1,295-acre parcel in the southern half of the area of exploration and development (See Exhibit "B").

2. Additionally, under the terms and conditions for geothermal exploration required by the Department of Fish and Game, Kennecott agrees to expend up to $100,000 for the construction of up to 500 acres of new wildlife ponds (these ponds were constructed under the Permit)

and annually purchase up to 1,200 acre-feet of water for management of wildlife habitat at the new ponds. Kennecott will also purchase annually 3.71 acre-feet of water for wildlife habitat management for each of the 1,295 acres of land for which it has the right of surface entry. Kennecott also agrees to allow Fish and Game to maintain existing ponds presently constructed in lands leased by Kennecott for geothermal exploration; if the ponded land later is needed by Kennecott for geothermal development purposes, Kennecott agrees to relocate these ponds at its own cost.

3. All exploration and drilling activities will be restricted to existing roads or rights-of-way in the Wister Unit and drilling activities may only be carried out from March 1 to August 31.

4. Kennecott has agreed that any transmission lines which may cross the Wister Unit and a specified area directly outside the unit will be put underground and construction of powerplants may not be closer than 1,000 feet of the boundary of the Wister Unit.

5. Kennecott also agrees to fund and conduct biological studies which may be necessary to assess and/or monitor the impact of geothermal development on wildlife resources in and immediately adjacent to the Wister Area.

6. Kennecott has approximately 16,000 acres of private land and land owned by the Imperial Irrigation District near or adjacent to the Wister Unit which it plans to develop in conjunction with the State land. Kennecott plans a phased development of the private and State lands.

ENVIRONMENTAL INFORMATION:

This project is in the study area for the Salton Sea Master Environmental Impact Report (MEIR - 80102409) prepared by Imperial County and of the type of projects anticipated by and discussed in that document. This is the second

such project for Kennecott in the area covered by this document. This first project was a Geothermal Prospecting Permit and Preferential Lease covering a 40-acre parcel of sovereign land south of the Wister Unit which were approved by the Commission February 24, 1983 (Minute Item 25) and June 25, 1987 (Minute Item 31), respectively.

Prior to issuance of Geothermal Prospecting Permit PRC 6552 for which this preferential lease is now being proposed, a Negative Declaration (SCH# 83100502) was prepared and circulated by the County of Imperial and such document was reviewed, considered, and adopted by the State Lands Commission at its meeting of January 23, 1984, at which time it was determined that the project, as mitigated, would not have a significant effect on the environment.

After reviewing Kennecott's proposal to conduct additional exploration (temperature gradient holes) and pre-development work in the area, the County made a finding that such work will not have significant impacts on the environment, that the previously prepared Negative Declaration, supported by monthly updated site-specific wildlife surveys continuing to the satisfaction of the Department of Fish and Game, and the Salton Sea Master EIR, adequately describes the project and that no additional environmental documentation is required at this time.

Staff of the State Lands Commission believes that since adoption of the Negative Declaration, there have been no significant changes in the project or the environment to indicate that the project will have a significant effect on the environment.

Further, Commission staff has been informed that, before commencing full field development and operations, the County of Imperial will require an additional assessment of the environmental impacts of full field development (See Exhibit "C").

The plan for full field development will be subject to review and approval by the Commission. The issuance of the lease shall not affect the discretion of the Commission to approve or deny the plan for full field development and cancellation of the lease based on the environmental assessment of the plan of development.

EXHIBITS:

A. Land Description.
B. Location Map.
C. Letter from the County of Imperial requiring additional environmental impact assessment.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE COUNTY OF IMPERIAL, AS CEQA LEAD AGENCY, HAS DETERMINED THAT ITS PREVIOUSLY ADOPTED NEGATIVE DECLARATION (SCH# 83100502) ADEQUATELY DISCUSSES THE PROPOSED PROJECT IN A MANNER WHICH IS IN COMPLIANCE WITH THE REQUIREMENTS OF THE CEQA, SO LONG AS FULL FIELD DEVELOPMENT IS SUBJECT TO AN ADDITIONAL ASSESSMENT WHICH WOULD DETERMINE ITS ENVIRONMENTAL IMPACTS.

2. FIND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

3. DETERMINE THAT THE PROJECT, AS APPROVED, WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.

4. AUTHORIZE THE ISSUANCE OF PREFERENTIAL GEOTHERMAL LEASE PRC 6552 AS PROVIDED BY LAW WITH A RENTAL OF $1 PER ACRE, PER ANNUM, A ROYALTY OF 10 PERCENT OF THE GROSS REVENUES RECEIVED FROM THE SALE OF GEOTHERMAL STEAM OR HEAT, AND A ROYALTY OF FIVE PERCENT OF GROSS REVENUES RECEIVED FROM THE SALE OF MINERAL PRODUCTS OR CHEMICAL COMPOUNDS, WITH A MINIMUM ROYALTY OF $2 PER ACRE PER ANNUM; THE LEASE SHALL NOT AFFECT THE DISCRETION OF THE COMMISSION TO APPROVE OR DENY THE PLAN OF FULL FIELD DEVELOPMENT AND CANCEL THE LEASE BASED UPON ITS REVIEW OF THE LEAD AGENCY'S ENVIRONMENT ASSESSMENT OF THE PLAN OF DEVELOPMENT.

PRC 6552

EXHIBIT "A

LAND DESCRIPTION

A parcel of California State proprietary lands in Imperial County, California described as follows:

SW 1/4 of Section 23, T10S, R13E, SBM

SW 1/4 of Section 25, T10S, R13E, SBM

NW 1/4 and the S 1/2 of Section 26, T10S, R13E, SBM

Section 36, T10S, R13E, SBM

Section 1, T11S, R13E, SBM

N 1/2 of Section 12, T11S, R13E, SBM

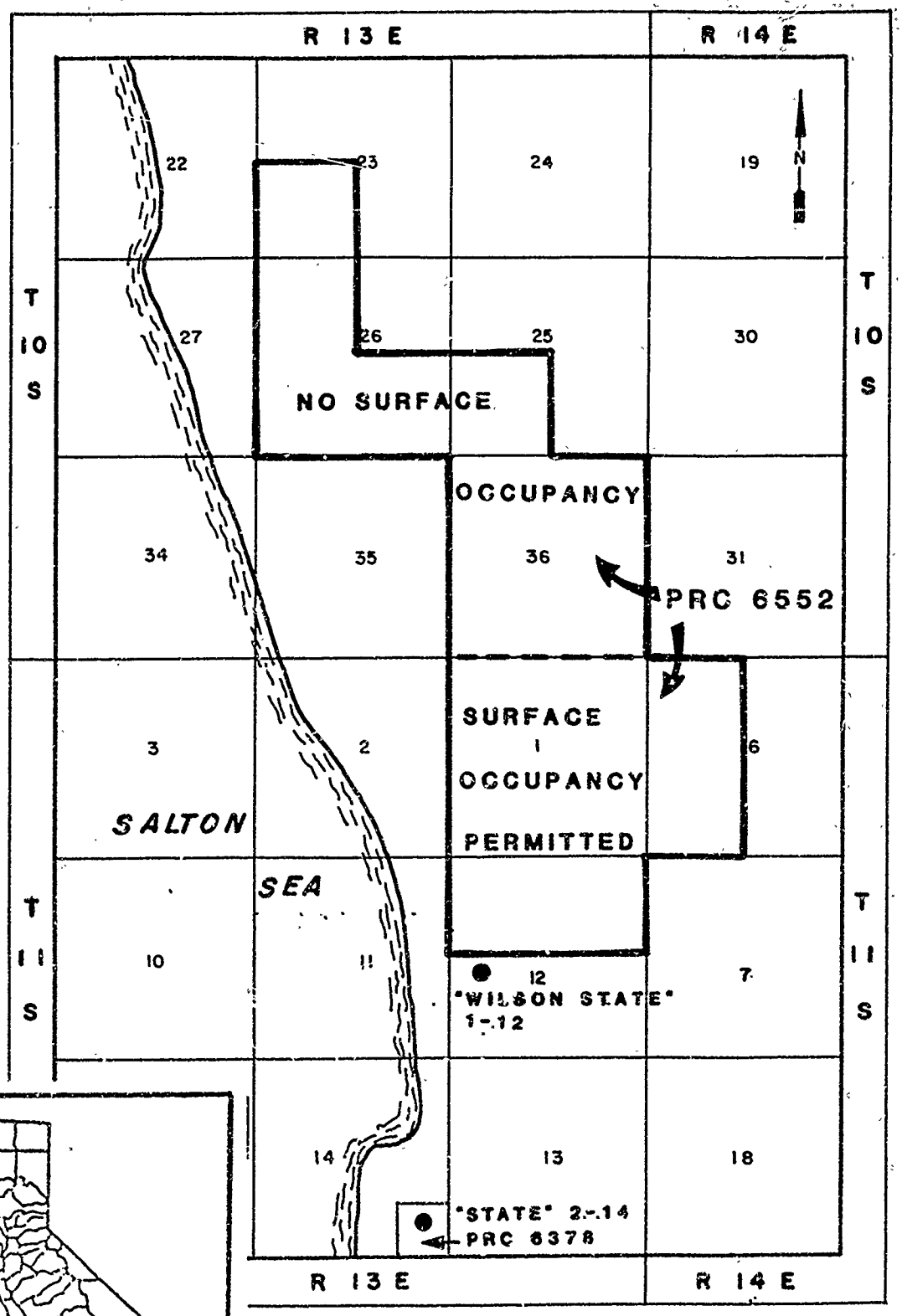
W 1/2 of Section 6, T11S, R14E, SBM

END OF DESCRIPTION

PREPARED MAY 10, 1983 BY BOUNDARY AND TITLE UNIT, LEROY WEED, SUPERVISOR.

0815C

EXHIBIT "B"



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MILES

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EXHIBIT "C"

3) P6552

PLANNING DEPARTMENT

IMPERIAL COUNTY

PLANNING-BUILDING INSPECTION-PLANNING COMMISSION-ALUC-LAFCO

JURG HEUBERGER-DIRECTOR

June 9, 1988

Original/copy forwarded
to: JB
Date 7/15/88 By

RECEIVED
JUN 13 1988
IMPERIAL, CA

Larry Grogan
Kennecott Explorations
(Australia) Ltd.
1097 Airport Road
Imperial, CA 92251

Re: Development Plan Proposed by Kennecott

Dear Mr. Grogan:

After a thorough review of your application submitted for the temperature gradient program, and the other activities in the Plan of Development, it has been determined that your application is deemed complete, and hereby approved.

For the temperature gradient well drilling program, a CEQA "Notice of Exemption" has been filed with the County Clerk's office as of this date on the two wells to be drilled. The well sites will be selected from the seven (7) that have been proposed. Relating to the clean out of Imperial 1-13 and Wilson 1-12, no further environmental documentation is necessary. The drilling and testing of an additional deep well in Section 2, T11S, R13E, SBB&M, has previously been environmentally assessed and approved by the County Planning Commission. Future pre-development drilling/testing programs and geochemical sampling and related activities, including a power plant, can be environmentally assessed at the time when the resource is more fully developed.

If you have any questions on the above, please contact my office and talk to Richard Cabanilla, Planner III, at (619) 339-4236.

Sincerely,

JURG HEUBERGER
Planning Director

cc: Don Hoagland, SLC, Sacramento
A.D. Willard, SLC, Long Beach

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