MINUTE ITEM
This Calendar Item No. C44
was approved as Minute Item
No. 44 by the State Lands
Commission by a vote of 3
to 0 at its 7-19-93
meeting.

CALENDAR ITEM

C44

A 80

S 37

07/19/93
PRC 6837
Kruger

APPROVE AN ASSIGNMENT OF INTERESTS AND A ONE-YEAR DEFERMENT OF DRILLING OBLIGATION, STATE GEOTHERMAL RESOURCES LEASE PRC 6837, IMPERIAL COUNTY

APPLICANT:

Union Oil Company of California
1201 West Fifth Street
Los Angeles, California 90017

ASSIGNEE:

Magma Power Company
4365 Executive Drive, Suite 900
San Diego, California 92121

AREA, TYPE LAND AND LOCATION:

State geothermal resources lease PRC 6837 consists of approximately 3,082 acres of vacant and patented school lands west of the Salton Sea, in an area about five miles south of Salton City, California in northwestern Imperial County.

BACKGROUND:

Assignment of Interests

State geothermal resources lease PRC 6837 was issued to Union Oil Company of California (Unocal) in June 1985 for a five-year term. The original lease consisted of approximately 3,682 acres of school lands. In June 1986, Unocal quitclaimed 600 acres, leaving 3,082 acres under lease. In March 1989, the Commission approved assignment of an undivided 50 percent interest in the lease from Unocal to Freeport-McMoran Resources Partners, (Freeport), and another undivided 25 percent interest in the lease to Santa Fe Pacific Realty Corporation. At that time, Freeport was the lease operator.

In May 1990, Freeport requested a five-year lease extension. The Commission approved this request in August 1990. The new expiration date of the lease is June 1995. In

consideration of the lease extension, Freeport agreed that if a well is not drilled on or offsetting (within 1,000 feet) the leased land by June 1, 1992, the lease will terminate automatically without further notification from the State. All other terms and conditions of the lease remained unchanged and in full force and effect. Also, in May 1990, the Santa Fe Pacific Realty Corporation changed its name to Catellus Development Corporation (Catellus).

In December 1992, Magma Power Company (Magma), requested the Commission approve assignment of 100 percent of Freeport's interest (50%) to Magma. The assignment was approved in February 1992. Ownership of the lease, was at that time: Unocal 25 percent, Catellus 25 percent, and Magma Power 50 percent. Magma was designated the lease operator. In March 1992, Magma requested that the Commission approve assignment of the Catellus interest (25%) to Magma. This assignment was approved in April 1992.

On April 29, 1993, Magma requested approval of assignment of Unocal's interest (25%) to Magma. When this assignment is approved, ownership of the lease will be: Magma 100 percent.

Drilling Deferment

In February 1992, Magma requested amendment of the lease to extend the date of the drilling obligation. The Commission approved a deferment of drilling obligation at its meeting in March 1992. The drilling obligation was deferred until June 1, 1993. Since approval of that deferment, Magma has submitted a detailed exploration program for the Truckhaven Unit, which includes drilling of a unit well on privately leased lands within 1,000 feet of the State lease to meet the drilling obligation. Quarterly meetings have been held between Commission staff and Magma since that time to review the status of the Truckhaven Unit exploration program.

In April 1993, Magma requested another amendment of the lease to defer the drilling obligation until June 1, 1994. Magma has requested the one-year deferment because negotiations with its Truckhaven Unit partner, Unocal, regarding Magma's acquisition of Unocal's substantial working interest within the proposed Unit will not be concluded until June 1993, and because completion of the Truckhaven II Geothermal Unit, which includes federal lands under jurisdiction of the BLM, is awaiting the

reconfiguration of the Unit area after negotiations on the Unocal acquisition conclude.

In December 1992, the Commission consented to the unitization of leased lands contained within PRC 6837 with other federal and private lands, to form the Truckhaven II Geothermal Unit totaling approximately 32,117 acres. After Magma Power finalize all transfers with Unocal, the area of the Unit will be approximately 19,998 acres.

Only lands under active geothermal lease within the Unit boundaries will be committed to the Unit. Participation of lands within the Unit shall be on an acreage basis. Upon establishment of production, the participating acres shall be determined for each pool or deposit of geothermal resources, and production shall be deemed equal throughout the participating area.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

1. Filing fee and processing costs have been received.

2. Assignee is qualified to hold a State lease.

3. Assignment forms have been executed in triplicate by both the Assignor and Assignee.

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

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

AB 884:

N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 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: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

EXHIBIT:

A. Location Map

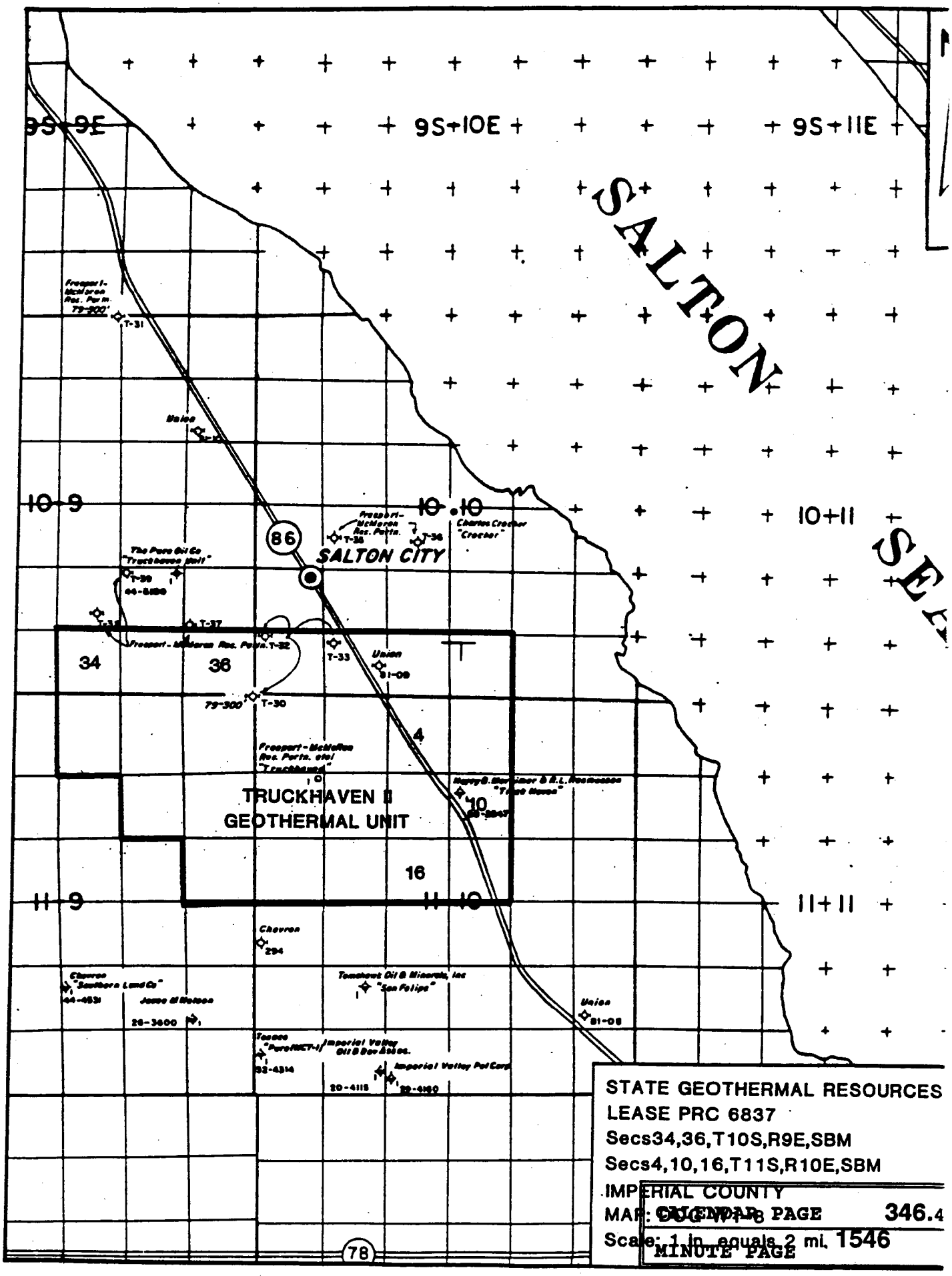
IT IS RECOMMENDED THAT THE COMMISSION:

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

2. APPROVE THE ASSIGNMENT OF 100 PERCENT OF UNOCAL'S INTEREST IN STATE GEOTHERMAL RESOURCES LEASE PRC 6837 IN IMPERIAL COUNTY TO MAGMA POWER COMPANY. ASSIGNEE WILL BE BOUND BY ALL TERMS AND CONDITIONS OF THE LEASE, ANY CONDITIONS OF THE ASSIGNMENT DOCUMENTS NOTWITHSTANDING.

3. APPROVE AN AMENDMENT FOR DEFERMENT OF THE DRILLING OBLIGATION TO JUNE 1, 1994, UNDER STATE GEOTHERMAL RESOURCES LEASE PRC 6837. ALL OTHER TERMS AND CONDITIONS OF THE LEASE REMAIN UNCHANGED AND ARE IN FULL FORCE AND EFFECT.

EXHIBIT A



9S-9E
9S-10E
9S-11E
SALTON
SEA
10-9
10-10
10-11
11-9
11-10
11-11
86
SALTON CITY
34
36
4
10
16
TRUCKHAVEN II
GEOTHERMAL UNIT
Freeport-McMoran Res. Partn. 79-900'
T-31
Union
The Pure Oil Co "Truckhaven Unit"
T-39
44-5180
T-37
Freeport-McMoran Res. Partn. T-32
T-33
Union
81-09
79-300'
T-30
Freeport-McMoran Res. Partn. etal "Truckhaven"
Harry B. Mortimer & R.L. Rasmussen "Truck Haven"
Chevron
294
Chevron "Southern Land Co"
44-4531
Jesse M Nelson
26-3600
Tomahawk Oil & Minerals, Inc "San Felipe"
Union
81-08
Texaco "Pure (WCT-1)"
32-4314
Imperial Valley Oil & Dev Assoc.
Imperial Valley Pet Corp
20-4115
29-4160
78
STATE GEOTHERMAL RESOURCES
LEASE PRC 6837
Secs34,36,T10S,R9E,SBM
Secs4,10,16,T11S,R10E,SBM
IMPERIAL COUNTY
MAP: DOG W1-8
Scale: 1 in. equals 2 mi.
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