MINUTE ITEM
This Calendar Item No. C62
was approved as Minute Item
No. 62 by the State Lands
Commission by a vote of 3
to Ø at its 10/28/96
meeting.

CALENDAR ITEM
C62

A 80

S 37

10/28/96
PRC 6552
E. Kruger

ACCEPT THE FULL QUITCLAIM FOR GEOTHERMAL LEASE NO. PRC 6552 IMPERIAL COUNTY

LESSEE:

Mr. Vincent Signorotti, Manager of Lands
Magma Power Company
551 W. Main Street, Suite 1
Brawley, California 92227

AREA, TYPE LAND AND LOCATION:

The leased land includes approximately 320 acres located in the north half of Section 12, T11S, R13E, SBM, situated adjacent to the Salton Sea in northwest Imperial County. The leased land is State proprietary land within the Wister Waterfowl Management Unit, managed by the State Department of Fish & Game (DFG) for the purpose of maintaining waterfowl habitat.

BACKGROUND:

Geothermal Lease No. PRC 6552 was first issued by the Commission as a geothermal prospecting permit covering 2,731 acres of State lands in 1983 to Kennecott Corporation (Kennecott). The Commission subsequently approved a two year extension of the permit through 1988 that allowed for drilling a geothermal test well (Wilson 1-12) that indicated the presence of commercial geothermal resources. Based on test results of this well, the Commission issued a geothermal resources lease to Kennecott. The well was directionally drilled from adjacent private land into the subsurface of the leased land. No other exploration or development work has been conducted on the leased land.

In 1989, the Commission approved an assignment of 100 percent of the right, title and interest under the lease from Kennecott to Freeport-McMoRan Resource Partners (Freeport). In March 1994, the Commission approved an assignment of 100 percent of the right, title and interest under the lease from Freeport to Magma Power Company (Magma).

Pursuant to Paragraph 37 of the lease, Lessee may file with the State, at any time, a written quitclaim of all its rights under this lease or of any portion of the leased land as provided in Section 6804.1 of the Public Resources Code. Magma filed a partial quitclaim deed with the Commission on April 28, 1994, wherein it quitclaimed to the State, Lessee's right, title and interest on approximately 2,411 acres of the leased land. The acreage remaining under lease was approximately 320 acres located in the N1/2 of Section 12, T11S, R13E, SBM. The Commission approved the partial quitclaim in May 1994.

On July 25, 1995, Magma filed a quitclaim deed with the Commission, wherein it quitclaimed to the State, its right, title and interest in the remainder of the leased land. The quitclaim is effective when filed with the State, subject to the terms and conditions of the lease. On May 10, 1996, the Commission staff approved Magma's Notice of Intention to abandon geothermal well Wilson 1-12. On August 15, 1996, Magma advised the State that the abandonment of Wilson 1-12 was completed on July 18, 1996, and enclosed the final Report of Operations and well history for this well.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code: Div. 6, Part 2; Section 6914.

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: Public Resources Code Section 21065 and 14 Cal. Code Regs. 15378.

2. A review of the Commission's files revealed that no default exists on the lease, that Lessee has complied with all applicable laws and lease provisions and has paid all rentals due. No royalty is due as the leased land was not developed.

3. The lease contained special terms and conditions to insure compatibility of geothermal development with waterfowl habitat maintenance purposes including restrictions to Lessee's surface occupancy, conduct of operations and the purchase of water by Lessee for the management of waterfowl habitat within the Wister Unit. Upon Magma's filing of the full quitclaim in July 1995, Commission staff advised Lessee and DFG that pursuant to Exhibit "B" of the lease, Magma shall continue to purchase water in the amounts specified for one year following Magma's filing of the full quitclaim with the State. This provision remained in effect through July 24, 1996.

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 PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.

2. ACCEPT FROM MAGMA POWER COMPANY THE FULL QUITCLAIM DEED FOR GEOTHERMAL LEASE NO. PRC 6552 DATED JULY 25, 1995, WHEREIN MAGMA POWER COMPANY QUITCLAIMS TO THE STATE, ALL RIGHT, TITLE AND INTEREST IN THE LEASED LAND.

3. RELEASE MAGMA POWER COMPANY FROM ALL OBLIGATIONS UNDER GEOTHERMAL LEASE NO. PRC 6552 PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6809.1 AND 6914 EFFECTIVE JULY 25, 1995, THE FILING DATE OF THE QUITCLAIM DEED.

4. AUTHORIZE THE EXECUTION OF ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.