

MINUTE ITEM

This Calendar Item No. ~~C88~~
was approved as Minute Item
No. ~~88~~ by the State Lands
Commission by a vote of 3
to 0 at its 02/12/97
meeting.

**CALENDAR ITEM
C88**

A 8

02/12/97

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PRC 7845.2

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**CONSIDER APPROVAL AND CONSENT TO HYPOTHECATION OF
STATE GEOTHERMAL RESOURCES LEASE NO. PRC 7845.2,
THE GEYSERS, LAKE COUNTY**

LESSEE:

Silverado Geothermal Resources, Inc.
(Formerly Santa Fe Geothermal, Inc.)
11760 U.S. Highway 1
North Palm Beach, Florida 33408

BORROWER:

Calistoga Geothermal Partners. L.P.
c/o ESI Calistoga GP, Inc.
11760 U.S. Highway 1
North Palm Beach, Florida 33408

SECURED-PARTY LENDER:

Barclays Bank PLC (or its investment banking affiliate BZW), as agent for a
syndicate of financial institutions.

AREA, TYPE OF LAND AND LOCATION:

Approximately 440 acres of State fee-owned school land in the eastern portion of
The Geysers Steam Field in Lake County (see Exhibit "A").

BACKGROUND:

State Geothermal Resources Lease No. PRC 7845.2 was issued as a negotiated
subsurface (no surface use) lease by the Commission effective July 1, 1995. All drilling
and production operations are required to be conducted by the lessee on adjacent
privately-owned leased lands. Santa Fe Geothermal, Inc. is the current lessee under
the lease, although on closing of this transaction its name will be changed to Silverado
Geothermal Resources, Inc. (Silverado)

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CALENDAR ITEM NO. C88 (CONT'D)

Silverado is proposing to sell its power plant and steam gathering facilities (all located on privately-owned lands) to Calistoga Geothermal Partners, LP.(Calistoga). In connection with this purchase transaction Calistoga will finance its acquisition with a loan from a number of banks, with Barclays Bank or its investment affiliate serving as the agent. The lender will hold a security interest in the power plant, well field assets and real property rights including the State Lease No, PRC 7845.2. The loan commitment is for approximately \$65 million.

Commission staff has carefully prepared the forms of consent to encumbrancing of the lease to provide maximum protection to the State in the unlikely event of the lessee's failure to meet all lease obligations. The Lessee will remain fully liable for the faithful performance of all of the terms and conditions of Lease No. PRC 7845.2.

Although the Commission has the discretion not to consent to the encumbrance of Lease No. PRC 7845.2 for the guarantee portion of the loan, without its approval the loan would have to be restructured. Since this project will provide for the continuation of successful operation of the geothermal power plant which utilizes steam from Lease No. PRC 7845.2 as well as nearby private lands, staff recommends approval of the consent to encumbrance.

PREREQUISITE, CONDITIONS, FEES AND EXPENSES:

1. Encumbrance forms have been filed.
2. Lessee and Lenders are qualified to hold a State Lease.
3. The statutory filing fees have been submitted.

AB 884:

N/A

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14 California Code of Regulations section 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 the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14,
California Code of Regulations, section 15378.

CALENDAR ITEM NO. C88 (CONT'D)

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 TITLE 14 CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

2. APPROVE THE AGREEMENT AND CONSENT TO ENCUMBRANCE OF LEASE NO. PRC 7845.2, IN SUBSTANTIALLY THE FORM ON FILE WITH THE COMMISSION, WITH SILVERADO GEOTHERMAL RESOURCES, INC., CALISTOGA GEOTHERMAL PARTNERS, INC. AND BARCLAYS BANK PLC, OR ITS INVESTMENT AFFILIATE BZW, AS ADMINISTRATIVE AGENT.

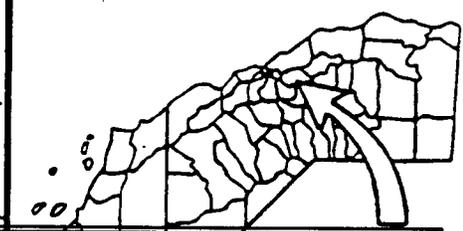
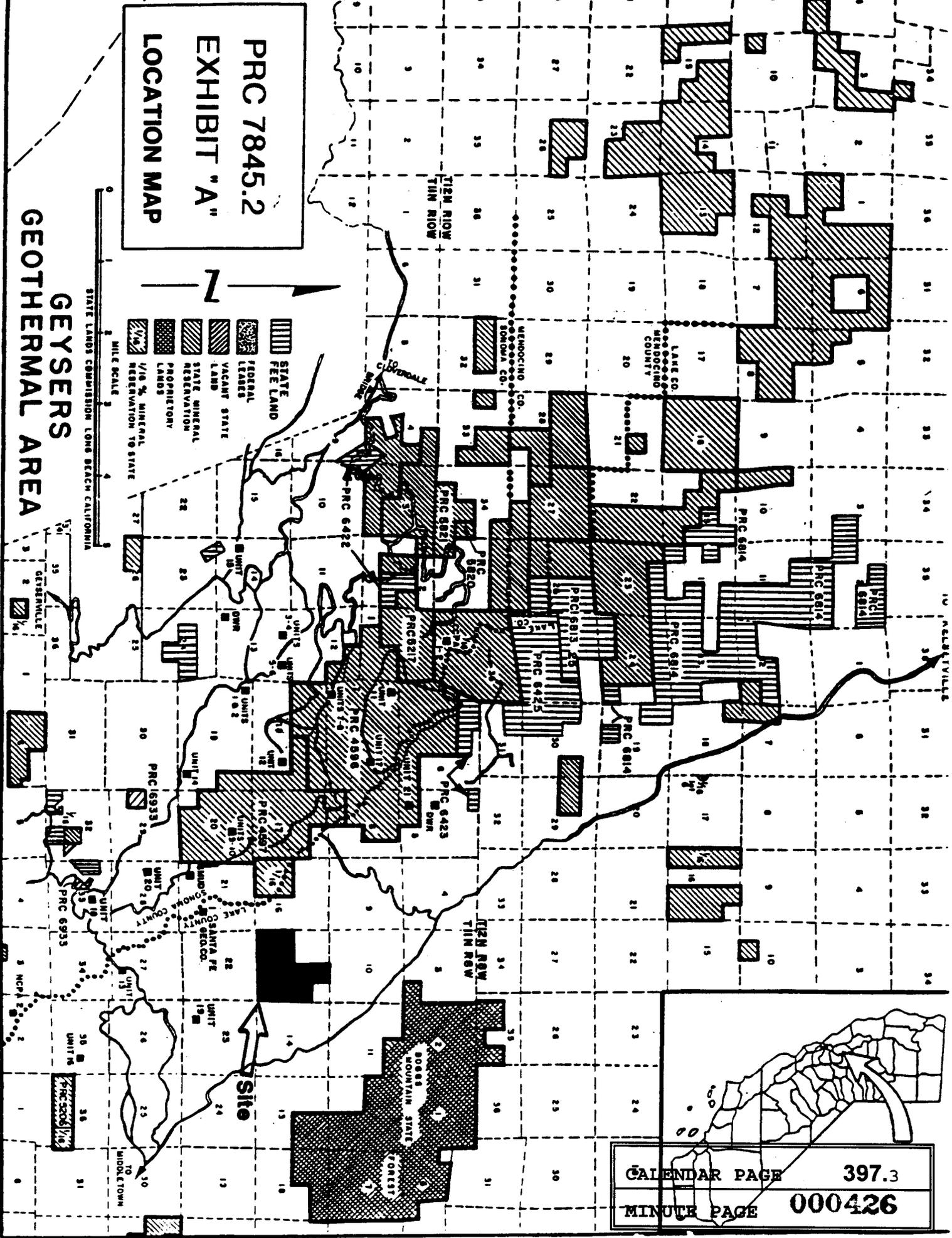
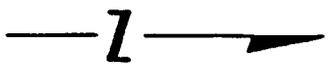
PRC 7845.2
 EXHIBIT "A"
 LOCATION MAP

GEYSERS
 GEOTHERMAL AREA

STATE LANDS COMMISSION LONG BEACH CALIFORNIA

- STATE FEE LAND
- FEDERAL LEASES
- VACANT STATE LAND
- STATE MINERAL RESERVATION
- PROPRIETORY LANDS
- 1/16 % MINERAL RESERVATION TO STATE

MILE SCALE



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