

MINUTE ITEM

This Calendar Item No. 058 was approved as
Minute Item No. 58 by the California State Lands
Commission by a vote of 3 to 0 at its
4/13/99 meeting.

CALENDAR ITEM

C58

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04/13/99
PRC 4596.2
PRC 4597.2
PRC 6422.2
PRC 6423.2
E. Kruger
J. Adams

**CONSIDER APPROVAL OF AN ASSIGNMENT OF INTEREST
IN STATE GEOTHERMAL RESOURCE LEASE NOS.
PRC 4596.2, PRC 4597.2, PRC 6422.2 AND PRC 6423.2
LAKE AND SONOMA COUNTIES**

ASSIGNOR:

Unocal Oil Company of California/NEC Acquisition Company
Mr. Kevin Talkington
1300 N. Dutton Avenue
Santa Rosa, CA 95401

ASSIGNEE:

Thermal Power Company/Geysers Power Company, LLC
c/o Calpine Corporation
Ms. Jacalyn Thomas
6700 Koll Center Parkway, Suite 200
Pleasanton, CA 94566

AREA, LAND TYPE, AND LOCATION:

Approximately 4,408 acres of School Land (3,988 acres of reserved mineral
interest, and 420 acres fee) in The Geysers Geothermal Field, Lake and
Sonoma Counties.

BACKGROUND:

State Geothermal Resource Lease Nos. PRC 4596.2, PRC 4597.2, PRC 6422.2
and PRC 6423.2 were issued to Unocal Oil Company of California between 1971
and 1974. Through a series of assignments and corporate mergers, the present
lessees are Union Oil Company (50 percent interest), NEC Acquisition Company
(25 percent interest), and Thermal Power Company (25 percent interest). NEC
Acquisition is a division of Union Oil, and Thermal Power is a wholly-owned
subsidiary of Calpine Corporation.

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Union Oil and NEC are now requesting the California State Lands Commission (Commission) approve assignment of their 75 percent interest in the leases to Thermal Power. Thermal Power is then requesting Commission approval of assignment of its resultant 100 percent interest to Geysers Power Company, LLC, a wholly-owned subsidiary of Calpine.

Geothermal steam was first produced from the leases in 1972. The leases currently contain 113 steam production wells and 11 injection wells, through which the condensed steam is returned to the reservoir. The produced steam, together with steam from adjoining Federal and private leases, is used to generate electricity at powerplants constructed and operated by PG&E. The State leases contribute about 40% of the total steam utilized at the plants. Calpine's subsidiary, Geysers Power Company, LLC, will soon own and operate these plants, thus unifying the steam field and power plant operations. This unification will result in increased efficiency and ultimately sustain the life of the geothermal resource at The Geysers, and the continued generation of royalty revenue from the State leases. The leases now produce about \$2.5 million in royalty revenue per year, with a cumulative royalty of more than \$114 million.

STATUTORY AND OTHER REFERENCES:

- A. Section 30 of Lease Nos. PRC 4596.2 and PRC 4597.2
- B. Section 11 of Lease Nos. PRC 6422.2 and PRC 6423.2
- C. Public Resources Code section: 6804

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.

- 2. The lessee, Geysers Power Company, LLC, will provide security in the form of a bond in the amount of \$600,000 guaranteeing the performance of all terms and conditions of each of the leases, and further will provide a Guaranty from the parent company, Calpine Corporation, unconditionally

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guaranteeing the performance of its subsidiary under these leases.

3. Assignment forms have been submitted and prerequisite filing fees have been paid by Calpine Corporation.

EXHIBIT:

- A. Location Map.

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

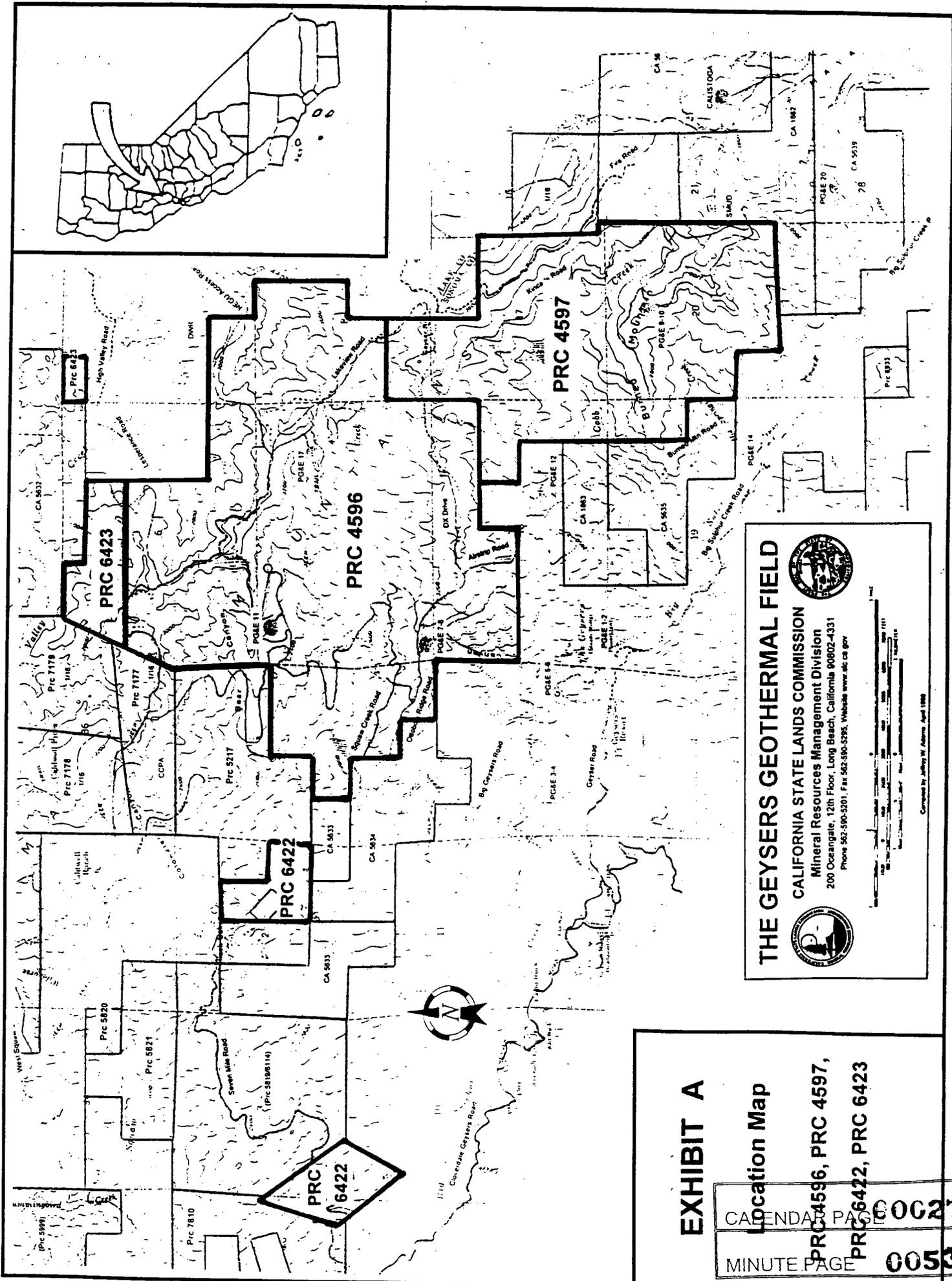
CEQA FINDING:

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.

AUTHORIZATION:

CONSENT TO THE ASSIGNMENT OF 75 PERCENT INTEREST IN STATE GEOTHERMAL RESOURCE LEASE NOS. PRC 4596.2, PRC 4297.2, PRC 6422.2, PRC 6423.2 FROM UNION OIL COMPANY OF CALIFORNIA AND NEC ACQUISITION COMPANY TO THERMAL POWER COMPANY, A SUBSIDIARY OF CALPINE CORPORATION, THEN ASSIGNMENT OF 100 PERCENT INTEREST FROM THERMAL POWER COMPANY TO GEYSERS POWER COMPANY, LLC, A SUBSIDIARY OF CALPINE CORPORATION, WITH THE ASSIGNEE TO BE BOUND BY ALL THE TERMS AND CONDITIONS OF THE LEASES.

AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ALL DOCUMENTS TO EFFECT THIS ASSIGNMENT.



THE GEYSERS GEOTHERMAL FIELD



CALIFORNIA STATE LANDS COMMISSION
 Mineral Resources Management Division
 200 Occaigale, 12th Floor, Long Beach, California 90802-4331
 Phone 562-590-5201, Fax 562-590-5295, Website www.dic.ca.gov



Compiled by Jeffrey W. Adams, April 1998

EXHIBIT A

Location Map

PRC 4596, PRC 4597, PRC 6422, PRC 6423

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