

**MINUTE ITEM**

This Calendar Item No. C69 was approved as Minute Item No. 69 by the California State Lands Commission by a vote of 3 to 0 at its 12-3-99 meeting.

**CALENDAR ITEM**

**C69**

A 1

12/03/99  
PRC 7810.2

S 2

E. Kruger  
J. Adams

**CONSIDER APPROVAL OF DEFERMENT OF DRILLING OBLIGATION  
AND AMENDMENT OF ROYALTY PROVISION,  
STATE GEOTHERMAL RESOURCES LEASE NO. PRC 7810.2,  
THE GEYSERS GEOTHERMAL FIELD  
SONOMA COUNTY**

**LESSEE/OPERATOR:**

Calpine Corporation  
Attn.: Mr. Kevin Talkington  
1421 Guerneville Road, Suite 108  
Santa Rosa, CA 95403

**AREA, TYPE LAND AND LOCATION:**

Approximately 224 acres of State reserved mineral interest School Land in The Geysers Geothermal Field, Sonoma County.

**BACKGROUND:**

State Geothermal Resources Lease No. PRC 7810.2 was issued in December 1994, to Calpine Corporation (Lessee) as a negotiated subsurface (no surface use) lease. The drilling requirement provision of the Lease obligated Lessee to commence drilling a well before December 1, 1997. In November 1997, the Commission authorized a deferment of Lessee's drilling obligation to December 1, 1999. Lessee has requested another two-year deferment of this obligation to December 1, 2001. According to Lessee, drilling cannot be justified at this time because its power plant already has a sufficient supply of steam from existing wells on adjacent privately owned land. However, Lessee indicates that additional steam from the Lease may be required within the next two years.

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The existing rental provision of the Lease specifies an annual rental of \$10.00 per acre. Commission staff recommends, as a condition for granting a second two-year deferment of the drilling obligation, and thus the right to continue to hold the Lease, that the rental provision be amended to increase the rent during the deferment period. For the period December 1, 1999, to December 1, 2001, Commission staff proposed an increase to \$25.00 per acre. Lessee has agreed to this condition.

**STATUTORY AND OTHER REFERENCES:**

- A. Public Resources Code sections: Division 6, Parts 1 and 2; Division 13.
- B. California Code of Regulations sections: Title 3, Division 3; Title 14, Division 6.
- C. State Geothermal Resources Lease No. PRC 7810.2, Paragraph 8 and 4(c).

**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.

**EXHIBIT:**

- A. Location Map

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDINGS:**

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

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PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

**AUTHORIZATION:**

1. APPROVE A DEFERMENT OF THE DRILLING OBLIGATION UNDER STATE GEOTHERMAL RESOURCES LEASE NO. PRC 7810.2 UNTIL DECEMBER 1, 2001, AND INCREASE THE ANNUAL RENTAL FROM \$10.00 PER ACRE TO \$25.00 PER ACRE DURING THE DEFERMENT PERIOD.
  
2. AUTHORIZE THE EXECUTION OF ANY DOCUMENT NECESSARY TO AFFECT THE COMMISSION'S ACTIONS.

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