

15. APPLICATION TO LEASE A PARCEL OF LAND FOR EVAPORATION POND IN IMPERIAL COUNTY; JOSEPH I. O'NEILL, JOHN B. ASHMUN, AND H. T. HILLIARD, A PARTNERSHIP - W.O. 5965, P.R.C. 3452.1.

After consideration of Calendar Item 32 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO ISSUE TO JOSEPH I. O'NEILL, JOHN B. ASHMUN, AND H. T. HILLIARD A 15-YEAR LEASE COVERING 40 ACRES OF SOVEREIGN LAND DESCRIBED AS THE SE $\frac{1}{4}$  OF THE SE $\frac{1}{4}$  OF SECTION 14, T. 11 S., R. 13 E., S.B.B. & M., IMPERIAL COUNTY, SUBJECT TO THE FOLLOWING CONDITIONS:

1. A \$1,000 PERFORMANCE BOND SHALL BE PROVIDED ON A CONTINUING BASIS.
2. THE LESSEE SHALL HAVE THE RIGHT TO RENEW THE LEASE FOR THREE ADDITIONAL PERIODS OF 10 YEARS EACH, SUBJECT TO SUCH TERMS AND CONDITIONS AS THE STATE MAY IMPOSE AT THE TIME OF EACH RENEWAL.
3. THE UNADJUSTED ANNUAL RENTAL SHALL CONTINUE AT THE RATE OF \$200 UNTIL A FIRM RENTAL IS ESTABLISHED BY MUTUAL AGREEMENT.
4. IN THE EVENT A HIGHER RENT IS ESTABLISHED, IT SHALL BE RETROACTIVE TO THE COMMENCEMENT OF THE LEASE TERM.
5. IF THE LESSEE OF THE SURFACE OF THE SUBJECT PARCEL IS ALSO THE PERMITTEE OR LESSEE OF THE MINERAL RIGHTS THEREIN, THE STATE MAY, AT ITS OPTION, INCLUDE OR REQUIRE THE PERMITTEE OR LESSEE TO INCLUDE THE SUBJECT PARCEL IN A UNITIZATION OR COOPERATIVE PLAN. IF NO SUCH PLAN EXISTS, OR IF THE LESSEE OF THE SURFACE IS NOT ALSO THE PERMITTEE OR LESSEE OF THE MINERALS, AND IF NO OTHER FIRM OR INDIVIDUAL IS THE LESSEE OR PERMITTEE OF THE MINERAL RIGHTS THEREIN, THEN THE STATE MAY, AT ITS OPTION, REQUIRE THE SURFACE LESSEE TO NEGOTIATE WITH THE STATE A COMPENSATORY PLAN NECESSARY TO PROTECT THE STATE'S RESOURCES.
6. THE STATE SHALL RESERVE THE RIGHT TO UTILIZE A STRIP OF LAND ON THE EASTERLY SIDE OF THE PARCEL, 165 FEET WIDE AND 1,320 FEET LONG MORE OR LESS, ABUTTING THE EXISTING ROAD, FOR A POSSIBLE FUTURE DRILLSITE.
7. THE LESSEE SHALL CONDUCT ITS WASTE-DISPOSAL OPERATION, SPECIFICALLY, BUT WITHOUT LIMITATION, IN ACCORDANCE WITH SECTION 13054 OF THE STATE WATER QUALITY CONTROL ACT, AND LESSEE SHALL COMPLY WITH ALL APPLICABLE LOCAL, STATE, AND FEDERAL LAWS AND REGULATIONS.

Attachment

Calendar Item 32 (2 pages)

32.

APPLICATION TO LEASE A PARCEL OF LAND FOR EVAPORATION POND IN IMPERIAL COUNTY; JOSEPH I. O'NEILL, JOHN B. ASHMUN, AND H. T. HILLIARD, A PARTNERSHIP - W.O. 5965.

An application has been received from Joseph I. O'Neill, Jr., John B. Ashmun, and H. T. Hilliard, a partnership, for a commercial lease of the surface of 40 acres of sovereign land described as the SE $\frac{1}{4}$  of SE $\frac{1}{4}$  of Sec. 14, T. 11 S., R. 13 E., S.B.B. & M., Imperial County, for which land the applicants presently hold Mineral Prospecting Permit P.R.C. 3036.1.

The land is to be used for the construction of solar-evaporation ponds for the storage of geothermal brine and the extraction of minerals therefrom. The geothermal brine is being produced at Salton Sea, Imperial County, by the applicants in association with Morton International, Inc., of Chicago, Illinois.

The initial lease period will be 15 years, with provisions for three 10-year renewal options subject to such terms and conditions as the State might impose at the time of each renewal.

The unadjusted annual rental for a 15-year lease will be \$200, with the first and last years' rentals paid in advance.

The applicants represent that their need for the additional pending area is critical (applicants have existing ponds immediately south of the State's parcel and have leased the remaining portion of the SE $\frac{1}{4}$  and the E $\frac{1}{2}$  of the SW $\frac{1}{4}$  of said Section 14). The negotiated rental is a minimum rental based on recent leases from the Imperial Irrigation District for abutting property; and the lease will provide for a retroactive adjustment of the rental terms resulting from the State's evaluation of the property within the coming year.

The applicants have agreed to protect the State's resources through a utilization clause; they have agreed to furnish a report setting forth any possible contamination that might accrue from the geothermal brine, which report will determine the final amount of the performance bond to be required; applicants have further agreed to a drillsite reservation. A performance bond in the minimum amount of \$1,000 is required.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO ISSUE TO JOSEPH I. O'NEILL, JOHN B. ASHMUN, AND H. T. HILLIARD A 15-YEAR LEASE COVERING 40 ACRES OF SOVEREIGN LAND DESCRIBED AS THE SE $\frac{1}{4}$  OF THE SE $\frac{1}{4}$  OF SECTION 14, T. 11 S., R. 13 E., S.B.B. & M., IMPERIAL COUNTY, SUBJECT TO THE FOLLOWING CONDITIONS:

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