

MINUTE ITEM

This Calendar Item No. 20  
was approved as Minute Item  
No. 20 by the State Lands  
Commission by a vote of 3  
to 0 at its 9-24-80  
meeting.

CALENDAR ITEM

20.

9/80  
W 9964  
Priddy  
PRC 5903

AWARD OF A GEOTHERMAL RESOURCES LEASE OF  
RESERVED MINERAL INTERESTS, SONOMA COUNTY

The Commission, at its meeting on February 22, 1979, authorized leasing by competitive public bid for the extraction of geothermal resources, a parcel of land in which the State has reserved mineral interest. The parcel, located in Sonoma County near The Geysers Steam Field and containing 40 acres, was subsequently offered for lease on the basis of a net profits bid factor. In addition to the net profits payment, the lease provides for the payment of a 12.5% royalty on gross revenue received from the sale of steam and an annual rental of \$1.00 per acre.

On May 16, 1980, three (3) bids were received in response to a Notice of Intention published March 17 and 24, 1980, in the Sonoma County Herald-Recorder. The M-S-R Public Power Agency (Modesto Irrigation District, City of Santa Clara and City of Redding) was the high bidder with a bid of 26.1% of the net profits. After a review of the data submitted with the bid, it is the staff's opinion that the bidder has the ability to explore and develop this parcel in full compliance with the terms and conditions of the lease. Low bids submitted were 25.7% by Geothermal Power Corporation and 5.62% by Aminoil.

Legal, technical and economic reviews of the bid were made by the staff. It was determined by staff that:

- A. The Commission has complied with the procedural requirements of the law.
- B. The bid submitted conforms with:
  - 1. The bid requirements specified in the proposals of the Commission;
  - 2. The applicable provision of law; and
  - 3. The rules and regulations of the Commission.

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CALENDAR ITEM NO. 20. (CONTD)

Section 6912(b) of the Public Resources Code provides that the surface landowner may, within 10 days after notification by the Commission, submit a bid identical to the highest acceptable bid, in which case the Commission shall issue a lease to the surface landowner. If the surface landowner does not file such a bid, then the Commission may proceed with the award of the bid to other than such surface landowner.

EXHIBIT:           A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE HIGHEST ACCEPTABLE BID FOR LEASE OF THE STATE'S GEOTHERMAL RESOURCES IN PARCEL W 9964 WAS MADE BY M-S-R PUBLIC POWER AGENCY FOR 26.1% OF NET PROFITS.
2. REJECT ALL OTHER BIDS FOR PARCEL W 9964.
3. AUTHORIZE EXECUTION OF A LEASE WITH THE SURFACE LANDOWNER IN THE EVENT THE SURFACE LANDOWNER MATCHES THE HIGHEST ACCEPTABLE BID WITHIN THE TIME PRESCRIBED BY PUBLIC RESOURCES CODE, SECTION 6912; OR, IN THE ALTERNATIVE, IF THE SURFACE LANDOWNER FAILS TO FILE THE BID WITHIN THE TIME PRESCRIBED BY PUBLIC RESOURCES CODE, SECTION 6912, AUTHORIZE EXECUTION OF THE LEASE WITH M-S-R PUBLIC POWER AGENCY.
4. AUTHORIZE NOTIFICATION OF THE SURFACE LANDOWNER OF SUCH BID IN ACCORDANCE WITH SECTION 6912 OF THE PUBLIC RESOURCES CODE.

