

MINUTE ITEM

This Calendar Item No. 33
is approved as Minute Item
No. 33 by the State Lands
Commission by a vote of 3
to 0 at its 10/26/83
meeting.

CALENDAR ITEM

33 -4

10/26/83
PRC 5820
PRC 5821
Hoagland

EXTENSION OF DRILLING TERM

APPLICANT: Aminoil USA, Inc.
P.O. Box 11279
Santa Rosa, California 95404

AREA, TYPE OF LAND AND LOCATION:
Approximately 240 acres of reserve mineral
land in the northwestern portion of The
Geysers Geothermal Steamfield, Sonoma County.

AB 884: N/A.

PERTINENT INFORMATION:
State Geothermal Leases PRC 5820.2 (40
acres, more or less) and 5821.2 (200 acres,
more or less) were issued by competitive
bidding in 1980. Geothermal Power Corporation
(GPC) was the highest qualified bidder
for PRC 5820.2 with a bid of 72.5 percent
of net profits and was awarded the lease.
GPC was also the high bidder on PRC 5821.2
with a bid of 76.5 percent of net profits,
but pursuant to PRC Section 6912(b), the
surface owner, Squaw Creek Investment Company,
exercised its right to match the high bid
and was issued the lease, and then assigned
the lease to Aminoil USA, Inc.

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On February 9, 1982 the Commission approved the assignment of PRC 5820.2 from GPC to Aminoil. At the same meeting in a separate action the Commission approved pooling of PRC 5820.2 with PRC 5821 creating the "Wildhorse Unit". Terms of the pooling agreement state "it is the desire and intent of lessee to combine and pool all drilling, production, and other operations under PRC 5820.2 with those under PRC 5821.2." The agreement further provides that "any well commenced, drilled, producing, or capable of producing in any part of the unit shall for the purposes of State Geothermal Resources Leases PRC 5820.2 and 5821.2 be deemed a well commenced, drilled, producing or capable of producing on the lands affected by said State Geothermal Leases. Nothing herein shall be construed to relieve the lessee of the obligation to develop both leases in accordance with good engineering practices."

Terms of the lease provide that the lessee must drill a geothermal well within three years of the effective date of the lease or the lease may be cancelled. The three-year drilling term for the "Wildhorse Unit" expires this month.

Geothermal Resources International, Inc. (GRI) and its subsidiaries, GRI Development Corporation, and GRI Operator Corporation acting as operator has indicated its intention to meet the drilling requirement for these two leases and is currently building a pad to drill on PRC 5821.

GRI is presently drilling a well on "Prati 10", PRC 5217 directly east of PRC 5820 and 5821. GRI is preparing to drill "Prati State" 31 as soon as it completes "Prati 10", but because of the uncertainties of drilling and to make certain it does not miss the October drill-by date for PRC 5820 and 5821, has requested a three-month extension of the drilling term.

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An EIR was prepared by the Sonoma County Board of Zoning and Adjustments covering geothermal development in the area and was considered by the Commission prior to issuing the lease.

Since the pad to drill "Prati State "31" is being constructed and GRI has indicated its intention to drill the well and is constrained only by the time required to move the drill rig from one location to this new site, staff recommends the request of Aminoil, through its operator, Geothermal Resources International, for a three-month extension of the drilling term from November 1, 1983 to January 31, 1984 be granted.

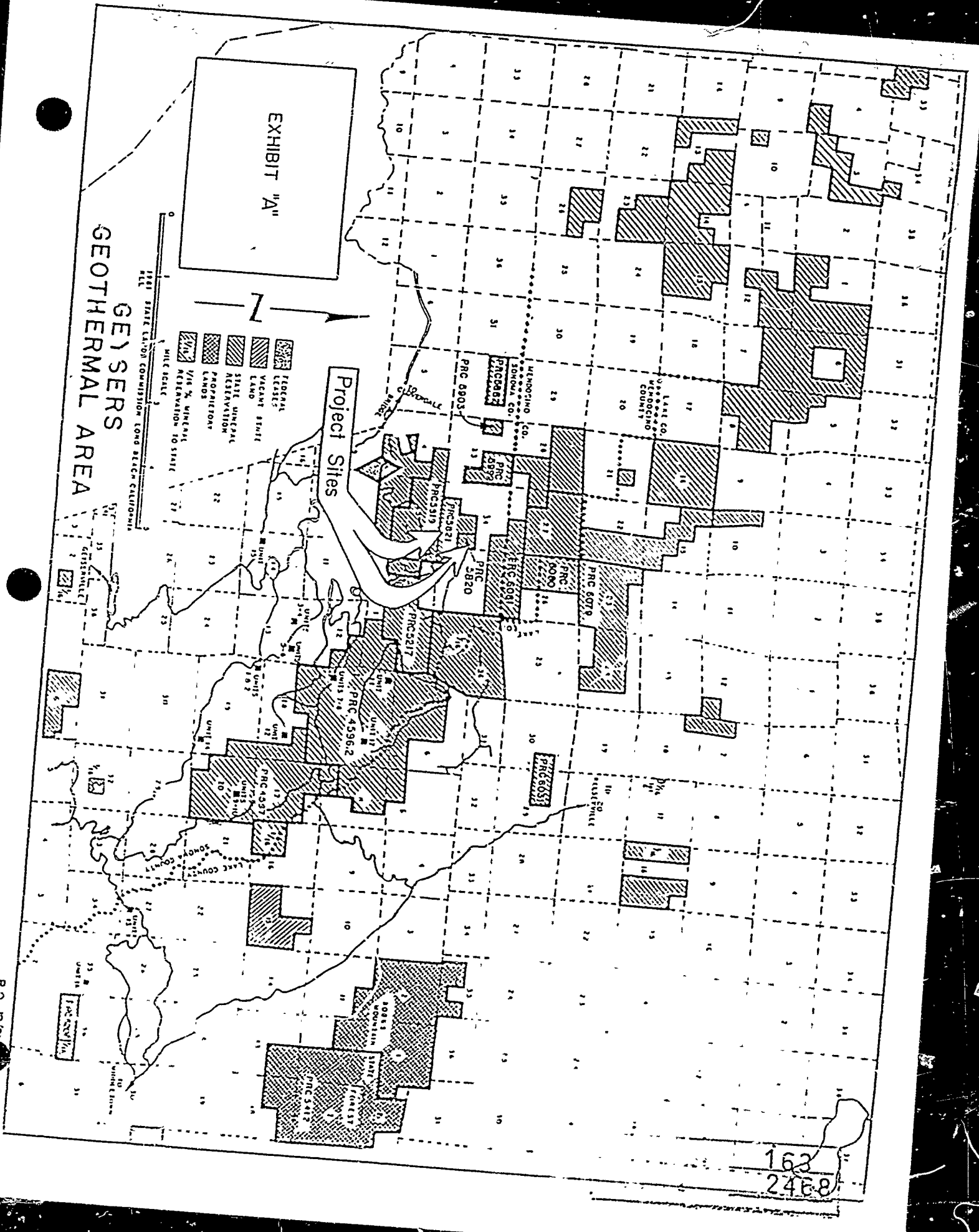
The proposed deferment of the drilling requirement does not constitute a project pursuant to PRC 21065 and 14 Cal. Adm. Code 15378.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT NO ENVIRONMENTAL DOCUMENTATION HAS BEEN PREPARED FOR THIS ACTIVITY SINCE THIS ACTIVITY IS A NONPROJECT PURSUANT TO PRC 21065 AND TITLE 14, CAL. ADM. CODE 15378.
2. GRANT TO AMINOIL USA, INC. A THREE-MONTH EXTENSION OF THE THREE-YEAR DRILLING REQUIREMENT UNDER STATE GEOTHERMAL LEASES 5820.2 AND 5821.2 FROM NOVEMBER 1, 1983 TO JANUARY 31, 1984. ALL OTHER TERMS AND CONDITIONS OF THE LEASES ARE TO REMAIN IN FULL FORCE AND EFFECT.

GEYSERS GEOTHERMAL AREA



1981 STATE LAND COMMISSION LONG RICH CALIFORNIA
MILE SCALE

- TOPOGRAPHICAL LEASES
- VICINITY RIGHT
- STATE MINERAL RESERVATIONS
- PROPRIETARY LANDS
- 1/8 % MINERAL RESERVATION TO STATE

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RO 12/81