

MINUTE ITEM

This Calendar Item No. 17
was approved as Minute Item
No. 17 by the State Lands
Commission by a vote of 2
to 0 at its 11/21/83
meeting.

CALENDAR ITEM

171 - 1

11/21/83
PRC 5862
PRC 5999
PRC 6080
PRC 6081
PRC 6114
PRC 5903
PRC 5819
PRC 5820
PRC 5821
PRC 5217
PRC 6421
Hoagland

ASSIGNMENT OF GEOTHERMAL LEASES,
APPROVAL OF GEOTHERMAL POOLING AND
APPROVAL OF BLANKET BONDING

ASSIGNORS: Aminoil USA, Inc.
P. O. Box 11279
Santa Rosa, California 95404
and
MSR Public Power Agency
P. O. Box 4060
Modesto, California 95352

ASSIGNEE: GRI Exploration Corporation
545 Middlefield Road, Suite 200
Menlo Park, California 94025

AREA, TYPE LAND AND LOCATION:
Approximately 2,228 acres of reserved mineral
land in the northwestern portion of The
Geysers Geothermal steamfield, Lake, Mendocino
and Sonoma Counties.

A 2 8 Added 11/15/83. -1-
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- PREREQUISITES:
1. Assignment forms have been executed.
 2. Assignees are qualified to hold a State lease.
 3. Agreement for Pooling has been executed.
 4. The statutory filing fees have been submitted.
 5. Blanket bond in the amount of \$500,000 has been submitted.

OTHER PERTINENT INFORMATION:

Aminoil USA, Inc. (Aminoil) has sold its interest in State geothermal leases PRC 5862, PRC 5999, PRC 6080, PRC 6081, PRC 6114, PRC 5819, PRC 5820 and PRC 5821 and other private leaseholds, comprising a total of approximately 59,600 acres, to one or more subsidiaries of Geothermal Resources International, Inc. (GRI). GRI has received funding for the Aminoil lease buyout from the Central California Power Agency (CCPA), a joint powers agency composed of the Modesto Irrigation District, the City of Santa Clara and the Sacramento Municipal Utility District. Pursuant to a related transaction, GRI separately granted to CCPA the exclusive right to elect to purchase steam and any other geothermal energy from plant areas designated within the acreage acquired by GRI. If CCPA exercises the right to purchase such steam or other energy, it will build and operate the respective power plants utilizing such steam or energy supplied by GRI. GRI is presently requesting assignment of eight state geothermal lease formerly held by Aminoil.

MSR Public Power Agency, lessee under PRC 5903, by letter of October 13, 1983 has requested approval of assignment of this lease to GRI Exploration Corporation.

Section 36 of the leases provide that the lessee may assign all or part of the leases subject to the prior written consent of the Commission.

ADDED 11/15/83

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The leases were issued based on competitive public bidding. The successful bidder on each lease was the bidder deemed qualified by the Commission offering to share with the State the highest percentage of net profits. The leases provide for net profit payments ranging from 23 percent to 97 percent.

Exploration plans have been submitted by GRI which provide for continuous exploration for the next 2-3 years in addition to the development drilling on PRC 5217 to supply steam to a generating plant that should be on line in 1987. The leases require the drilling of a well into each lease within three years of the effective date of the lease or any extension periods.

Although production has not been established on the subject leases, exploration costs have been incurred which are chargeable against the respective net profits accounts. Because of the buyout, delays have occurred in obtaining an accounting of all these changes.

The staff has commenced an audit of these charges and has tentatively concluded that GRI does not currently have a net profits accounting system satisfactory to the State. However, GRI is currently developing a computerized accounting system. When the staff has determined which costs are properly chargeable and which are not, a report will be made to the Commission, if necessary. The staff will also report back to the Commission on GRI's progress in establishing a satisfactory accounting system.

GRI has executed an agreement for pooling the leases and amending the leases. The purpose of the pooled areas is to incorporate several small leases into areas which could be jointly developed. In the Geysers area, approximately 700 acres of proven geothermal resources is required to support a generating plant. The drilling obligations of the leases included in each pooled area would be combined. No other lease obligation would be affected. The proposed pooled areas are (see also attached map):

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Pooled Area No. 1: PRC 5862 (120 acres)
PRC 5903 (40 acres) and PRC 5999 (200 acres).

Pooled Area No. 2: PRC 6080 (240 acres)
and PRC 6081 (440 acres).

Under the terms of each of the nine leases subject to assignment in this item and lease PRC 5217 (assignment approved in April 1983) performance bonds are required in the amount of \$50,000. Additionally, Thermogenics, Inc., a wholly owned subsidiary of Geothermal Resources International, Inc., is the State's lessee under PRC 6421, a lease acquired in March 1983 from the Federal government through the indemnity selection process. Bonding under this federally acquired lease is in the amount of \$10,000.

It is proposed that the various bonds required under these leases be replaced with a blanket bond in the amount of \$500,000.

An EIR covering the area was certified by the State Lands Commission prior to issuing the lease. The proposed Commission action is not a project under CEQA (P.R.C. Section 21065, Title 14, Cal. Adm. Code, Section 15378.

AB 884: N/A.

EXHIBITS: A. Location Map.
B. Agreement for Pooling.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA BECAUSE IT IS NOT A PROJECT AS DEFINED IN SECTION 21065 OF THE P.R.C. AND SECTION 15378 OF THE STATE CEQA GUIDELINES.
2. APPROVE THE ASSIGNMENT OF A 100 PERCENT INTEREST IN GEOTHERMAL LEASES PRC 5862, PRC 5999, PRC 6080, PRC 6081, PRC 6114, PRC 5819, PRC 5820 AND PRC 5821 TO GRI EXPLORATION CORPORATION BY THE LESSEE, AMINOIL USA, INC., ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT. A COPY OF THE EXECUTED FORMS OF ASSIGNMENT IS ON FILE IN THE OFFICE OF THE COMMISSION.

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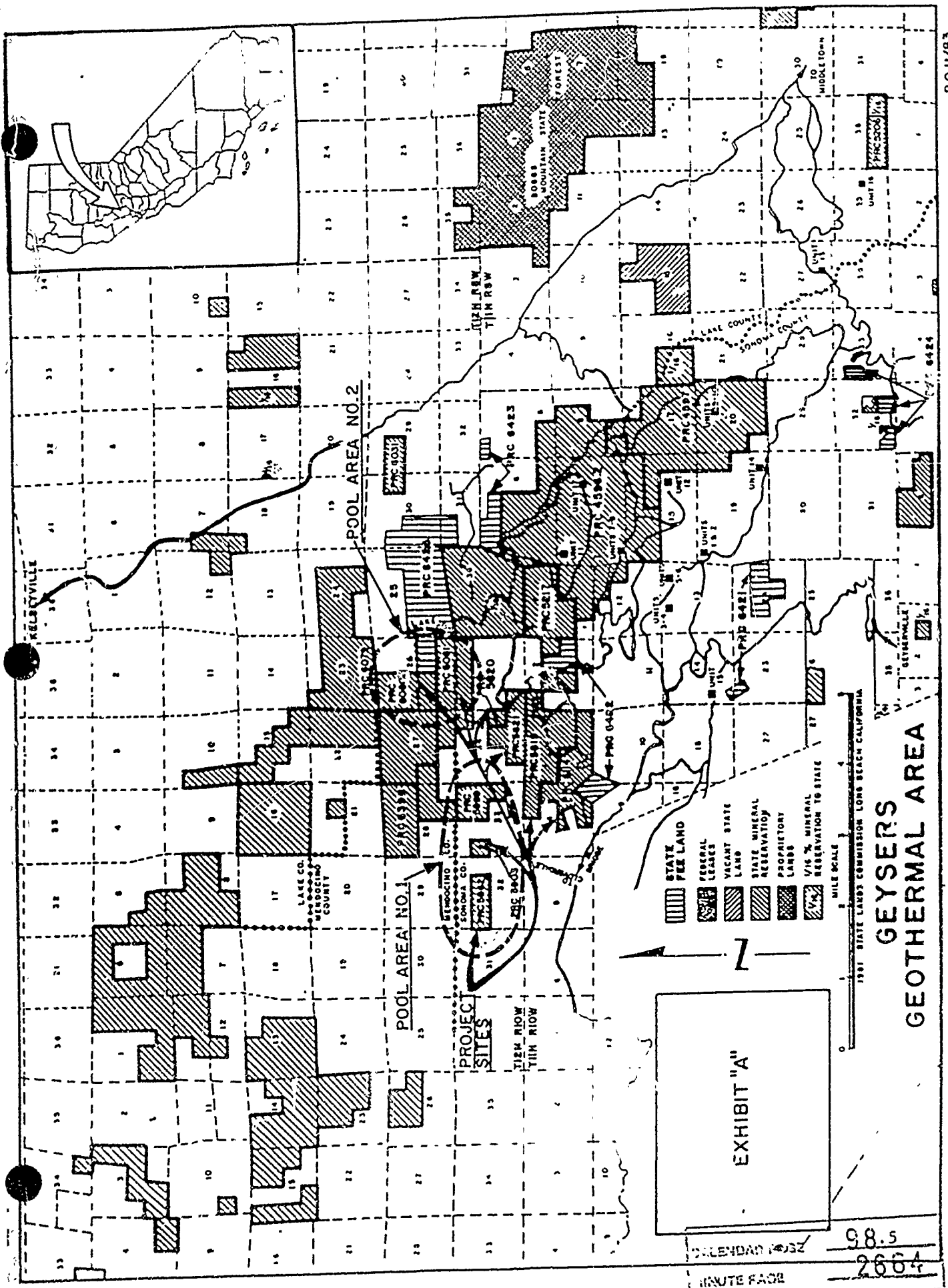
3. APPROVE THE ASSIGNMENT OF STATE GEOTHERMAL LEASE PRC 5903 TO GRI EXPLORATION CORPORATION BY THE LESSEE, MSR PUBLIC POWER AGENCY. ALL OTHER TERMS AND CONDITIONS OF THE LEASE REMAIN IN FULL FORCE AND EFFECT.
4. APPROVE THE EXPLORATION PLAN SUBMITTED BY GRI EXPLORATION CORPORATION WHICH PROVIDES FOR POOLING FOR CERTAIN LEASES, AND EXTENSION OF CERTAIN DRILLING OBLIGATIONS, INCLUDING THE EXTENSION OF THE DRILLING OBLIGATION PROVIDED BY PARAGRAPH 9(A)(1) OF PRC 5819. TO AUGUST 1, 1984.
5. AUTHORIZE ACCEPTANCE OF A BLANKET BOND IN THE AMOUNT OF \$500,000 COVERING GEOTHERMAL LEASES PRC 5217, PRC 5819, PRC 5820, PRC 5821, PRC 5862, PRC 5903, PRC 5999, PRC 6080, PRC 6081, PRC 6114 AND PRC 6421.
6. DETERMINE THAT THIS APPROVAL SHALL NOT BE CONSTRUED SO AS TO VEST IN THE APPLICANTS NOT IN ANY OTHER PARTY ANY RIGHT, TITLE OR INTEREST IN THE SUBJECT LANDS IN ADDITION TO THOSE CONVEYED BY LEASES ISSUED BY THE STATE LANDS COMMISSION.
7. DETERMINE THAT THIS APPROVAL SHALL NOT BE CONSTRUED AS A PRIOR APPROVAL BY THE COMMISSION OF ANY OTHER ASSIGNMENT OF ANY LEASE, OR OF ANY RIGHT, TITLE, OR INTEREST IN THE LANDS COVERED BY THE LEASES.
8. DETERMINE THAT THIS APPROVAL SHALL NOT BE CONSTRUED AS AN APPROVAL OR RATIFICATION OF ANY STEAM SALES AGREEMENTS.
9. DETERMINE THAT THIS APPROVAL SHALL NOT BE CONSTRUED AS A LIMITATION UPON THE COMMISSION'S AUTHORITY TO IMPOSE CONDITIONS OR RESTRICTIONS IN ANY APPROVAL OR RATIFICATION OF STEAM SALES AGREEMENTS, APPROVAL OF NET PROFIT ACCOUNTING SCHEDULES AND CHANGES, OR PLANS OF DEVELOPMENT.
10. DETERMINE THAT THIS APPROVAL IS CONDITIONED UPON GEOTHERMAL RESOURCES INTERNATIONAL INC.'S GUARANTEEING THE PERFORMANCE OF THE TERMS AND CONDITIONS OF THE LEASES BY ITS SUBSIDIARY, GRI EXPLORATION CORPORATION.
11. CONDITION THIS APPROVAL UPON THE ASSIGNEE'S PROVIDING A MINIMUM OF \$500,000 PER INCIDENT PERSONAL LIABILITY AND PROPERTY DAMAGES INSURANCE POLICY WHICH NAMES THE STATE OF CALIFORNIA AS AN INSURED PARTY.

Rev. 11/17/83
Technical Correction 12/19/83.

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Non-Substantive revision 5/16/84

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GEYSERS GEOHERMAL AREA

EXHIBIT "A"

CALENDAR 1982 98.5
MINUTE FACE 2604

ADDED 11/15/83

EXHIBIT B

AGREEMENT REGARDING FIVE STATE
GEOTHERMAL LEASES AND
AMENDMENT AND MODIFICATION OF SUCH
STATE GEOTHERMAL LEASES

The State Lands Commission of the State of California (hereinafter referred to as "the State"), acting pursuant to Division 6 of the California Public Resources Code, is the lessor of State geothermal leases P.R.C.'s 5862, 5903, 5999, 6080, and 6081; and

GRI Exploration Corporation (hereinafter referred to as "the Lessee") is the lessee through assignments from Aminoil USA, Inc. of State leases P.R.C.'s 5862, 5999, 6080 and 6081. GRI Exploration Corporation is the lessee through an assignment from MSR Public Power Agency, a joint powers agency composed of the Modesto Irrigation District and the cities of Santa Clara and Redding, of State lease 5903; and

State geothermal leases 6080 and 6081 are located contiguous to one another, and State geothermal leases 5862, 5903 and 5999 are located in close proximity to one another; and

State geothermal leases 5862, 5903, 5999, 6080, 6081 and 6114 have been issued by the State for the exploration, development, and production of geothermal resources from the leased lands; and

The State and the Lessee recognize that there would be a mutual economic benefit in the consolidation of the State geothermal leases for exploration by the Lessee thereunder; and

Pursuant to paragraph 9 (a)(1) of the leases, Lessee is obligated to drill a well into each lease within three (3) years of the effective date of the lease, or any extension or deferment period(s).

NOW, THEREFORE, the State and the Lessee do hereby agree as follows:

PART I -- GENERAL PROVISION

The effective date of this Agreement shall be December 1, 1983.

PART II -- POOLED AREAS

For the purposes of performing exploratory and development work on the above referenced leases and fulfilling the drilling obligations of the leases, the leases shall be pooled as defined in this agreement. The leases and obligations of the Lessee shall be modified only as provided in this agreement and/or other appropriate actions of the State Lands Commission.

A. Pooled Area number 1 shall be composed of PRC's 5862, 5903 and 5999.

B. Pooled Area number 2 shall be composed of PRC's 6080 and 6081.

Part III-- FULFILLMENT OF DRILLING OBLIGATION

Any well(s) drilled into any State lease within a Pooled Area shall fulfill the: (1) drilling obligation of paragraph 9 (a)(1) of all leases within that Pooled Area; (2) the development obligation provided by paragraph 9 (b) of all leases within that Pooled Area; and (3) the drill-string obligation of paragraph 9 (c) of all leases within that Pooled Area.

Part IV-- EXTENSION OF DRILLING OBLIGATION

The drilling obligation provided by paragraph 9 (a)(1) of the leases within Pooled Area number 1 shall be extended to October 15, 1984. The drilling obligation provided by paragraph 9 (a)(1) of the leases in Pooled Area number 2 shall be extended to August 1, 1985.

IN WITNESS WHEREOF, the State and the Lessee do
execute this Agreement.

DATED: _____

LESSOR, STATE OF CALIFORNIA
STATE LANDS COMMISSION

By _____

DATED: _____

LESSEE, GRI EXPLORATION CORPORATION

By _____