

MINUTE ITEM

PRC Calendar Item No. 27
was added to the Minute Item
No. 27 in State Lands
Commission by a vote of 2
to 2 at its 7/25/85
meeting.

CALENDAR ITEM

A 80
S 37

27

07/25/85
PRC 6552
Hoagland

APPROVAL OF A TWO YEAR EXTENSION FOR
GEOTHERMAL PROSPECTING PERMIT PRC 6552 LOCATED
ON A PORTION OF THE WISTER WATERFOWL MANAGEMENT AREA,
SOUTHEASTERN SHORE OF SALTON SEA, IMPERIAL COUNTY

APPLICANT: Kennecott Corporation
Attn: Larry L. Grogan -
Geothermal Supervisor
P. O. Box 278
Imperial, CA 92251

AREA TYPE OF LAND AND LOCATION:
Approximately 2,735 acres of proprietary land
owned by the Department of Fish and Game within
the Wister Unit, Imperial Wildlife Area, along
the southeast shore of Salton Sea, Imperial
County.

LAND USE: Geophysical, geological and geochemical
exploration and the initial drilling of four
deep exploratory wells to assess the geothermal
potential of the area.

PERTINENT INFORMATION:
State Geothermal Prospecting Permit PRC 6552
was issued to Bear Creek Mining Company,
exploration subsidiary of Kennecott Corporation,
January 24, 1984 for a period of two years,
with the possibility of an extension for an
additional two years.

Terms provided for a royalty of ten percent of
gross revenue from the sale of steam, five
percent of gross revenue from the sale of
mineral products or chemical compounds and a
rental of \$1 per acre the first year, \$5 the
second year and \$25 per acre during any
extension; until a well has been drilled.

(ADDED 07/16/85)

-1-

CALENDAR PAGE	132
MINUTE PAGE	2214

CALENDAR ITEM NO. 27 (CONT'D)

At the outset of the proposed project, a Negative Declaration (SCH 83100502) was prepared and circulated by the County of Imperial. This document was reviewed and considered by the State Lands Commission at its meeting of November 23, 1983 at which time it was determined that the project would not have a significant effect on the environment. Since adoption of that Negative Declaration, there have been no changes in the project or the environment to indicate any possibility that the project may have a significant effect on the environment.

Since issuance of the permit, Kennecott, as provided by the terms of the permit, has funded extensive on-going environmental studies and this spring provided funding for start of construction of new duck ponds on the Wister Unit.

During the same period, Kennecott has conducted an extensive exploration program design to develop geothermal resources. This includes onshore and offshore temperature gradient hole drilling, drilling a 1,500 foot temperature gradient hole on the Wister Unit and resource/reservoir studies. Based on the results of these studies, an engineering firm was hired to do a preliminary economic study for a 49 MW powerplant, minerals plant and mineral recovery systems. Based on this study concluded in April, an exploratory well program was developed for Wister, and assuming approval of the program by staff and approval of the timing by the Department of Fish and Game, drilling of the first well was scheduled for July 1, 1985.

On April 17, 1985, the California Public Utilities Commission suspended Interim Standard Offer Number 4; the principal pricing mechanism for geothermal plants built in Imperial Valley. The next day representatives of Southern California Edison told Kennecott they were no longer interested in the pending power

(ADDED 07/16/85)

-2-

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SERIALIZED	FILED
JUL 16 1985	
FBI - IMPERIAL	
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2215	

CALENDAR ITEM NO. 27 (CONT'D)

contract, but would consider a contract at adjusted rates so low as to cast serious doubts on the economic feasibility of the project at Wister.

These decisions, coupled with the announcement by the Imperial Irrigation District that it would not finance construction of transmission facilities to take geothermal power out of Imperial Valley, have caused Kennecott to reassess scheduling of its first well.

Kennecott has asked for an extension of its permit for two years in order to try to resolve the pricing and transmission problems. Because terms of the permit only provide for a six month drilling window (March to August) and this could be further shortened by environmental constraints, Kennecott would like to determine the possibility of extension of the permit through January 23, 1988.

As part of their request for an extension Kennecott has agreed to continue buying water for the Wister Unit during the two year period just as if they had received a lease and further agrees to drill an exploratory well on or into the permitted area during the period of the extension or pay the State Lands Commission \$50,000.

Since Kennecott has and continues to provide extensive environmental and wildlife data to the Department of Fish and Game which would not have been available without issuance of this permit, is buying water and funding construction of additional wildlife ponds and has made a considerable expenditure on development of an exploration program, staff recommends that the request for a two year extension be approved.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt

(ADDED 07/16/85)

-3-

CALENDAR PAGE	132.2
MINUTE PAGE	2216

CALENDAR ITEM NO. 27 (CONT'D)

from the requirements of the CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes there is no possibility that this extension may have a significant effect on the environment.

Authority: 14 Cal. Adm. Code 15061(b)(3).

EXHIBITS: A. Location Map
 B. Land Description




IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE EXTENSION (ACTIVITY) IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. (14 CAL. ADM. CODE 15061(b)(3))
2. APPROVE THE EXTENSION OF STATE GEOTHERMAL PROSPECTING PERMIT PRC 6552 FOR AN ADDITIONAL TWO YEARS FROM JANUARY 24, 1986 THROUGH JANUARY 23, 1988 WITH THE PROVISION THAT KENNECOTT CONTINUE TO PURCHASE WATER FOR THE WISTER UNIT AS PROVIDED FOR IN THE TERMS OF THE PERMIT DURING THE PERIOD OF THE EXTENSION AND THAT KENNECOTT AGREES TO DRILL AN EXPLORATORY WELL ON OR INTO THE PERMITTED AREA DURING THE PERIOD OF THE EXTENSION OR PAY THE STATE LANDS COMMISSION \$50,000. ALL OTHER TERMS AND CONDITIONS IN THE PERMIT REMAIN IN FULL FORCE AND EFFECT.

(ADDED 07/16/85)

-4-

CALENDAR PAGE	132.3
MINUTE PAGE	2217.3

 Fee (Vacant State Land)
 Fee Minus Portion of Minerals
 Patent With 100% Mineral Reservation

RISE				
6	5	4	3	2
7	6	5	4	3
8	7	6	5	4
9	8	7	6	5
10	9	8	7	6

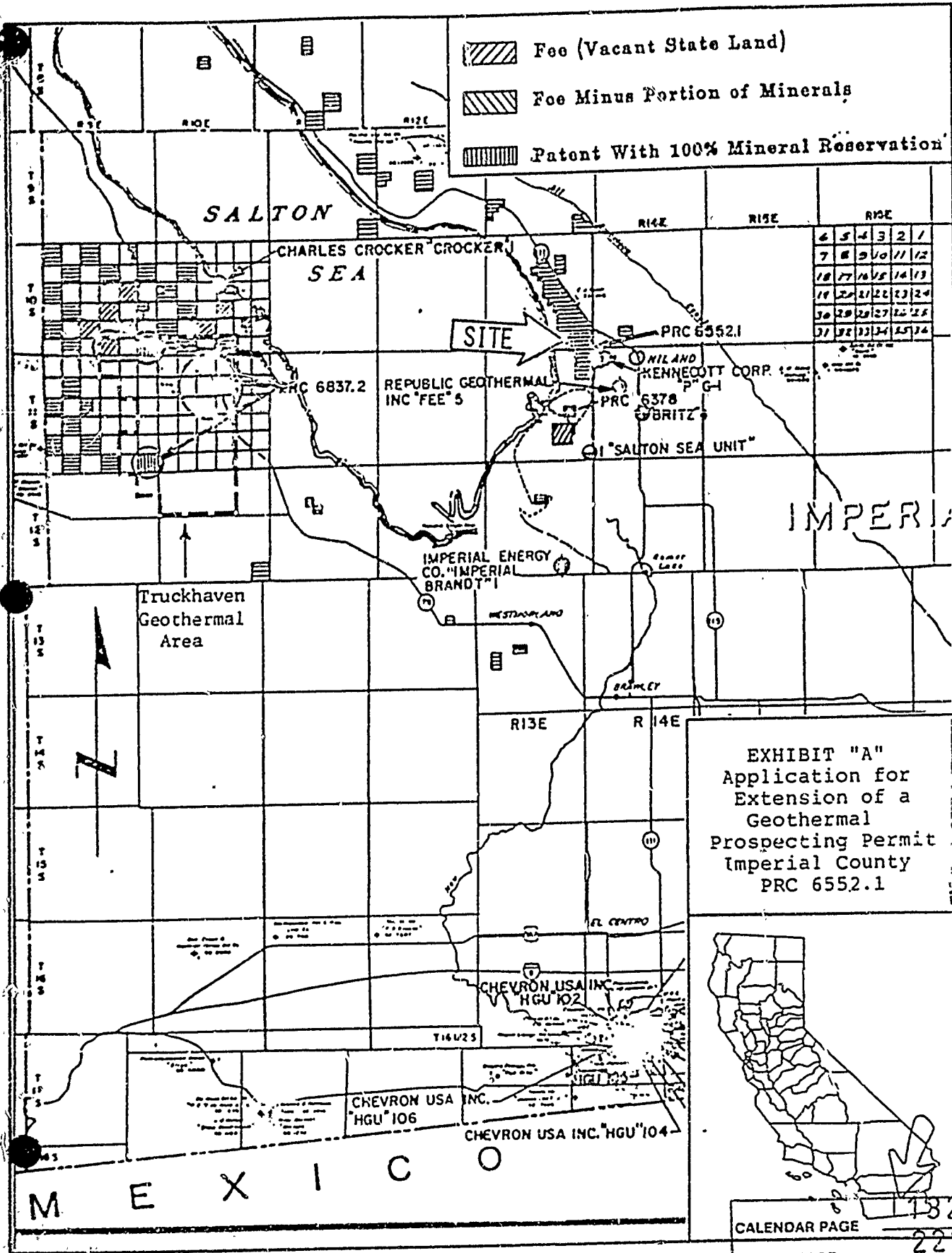


EXHIBIT "A"
 Application for
 Extension of a
 Geothermal
 Prospecting Permit
 Imperial County
 PRC 6552.1



CALENDAR PAGE 132.4
 MINUTE PAGE 2218

(ADDED 07/16/85)

EXHIBIT "B"

W 40200
W 40201
W 40202

A parcel of California State proprietary lands in Imperial County, California, described as follows:

SW 1/4 of Section 23, T 10 S, R 13 E, SBM.

SW 1/4 of Section 25, T 10 S, R 13 E, SBM.

NW 1/4 and the S 1/2 of Section 26, T 10 S, R 13 E, SBM.

Section 36, T 10 S, R 13 E, SBM.

Section 1, T 11 S, R 13 E, SBM.

N 1/2 of Section 12, T 11 S, R 13 E, SBM.

W 1/2 of Section 6, T 11 S, R 14 E, SBM.

END OF DESCRIPTION

PREPARED MAY 10, 1983 BY BOUNDARY AND TITLE UNIT, LEROY WEED,
SUPERVISOR.

(ADDED 07/16/85)

CALENDAR PAGE	132.5
MINUTE PAGE	2219