

MINUTE ITEM

This Calendar Item No. 19
was approved as Minute Item
No. 19 by the State Lands
Commission by a vote of 2
to 0 at its 3/27/86
meeting.

CALENDAR ITEM

19

A 2
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03/27/86
PRC 6398
Hoagland

AUTHORIZE NOTIFICATION OF DEFAULT OF
DRILLING OBLIGATIONS UNDER
GEOTHERMAL LEASE PRC 6398, MENDOCINO COUNTY

APPLICANT: M-S-R Public Power Agency
Attn: Greg Pohl
P. O. Box 4060
Modesto, California 95352

AREA, TYPE LAND AND LOCATION:
Approximately 320 acres of school lands in the
north half, Section 28, T12N R9W, MDM,
Mendocino County.

BACKGROUND INFORMATION:

On March 24, 1983 the State Lands Commission
approved the issuance to M-S-R Public Power
Agency of a geothermal lease by competitive
public bid in the northwest portion of The
Geysers Geothermal Field, Mendocino County.

The lease was for a primary term of ten years.
In addition to paying a royalty of 12.5 percent
of the gross revenue received, the lessee also
agreed to pay 12 percent of the net profits
derived from the lease.

Other terms of the lease require that the
lessee:

1. Drill an exploratory well to evaluate the
geothermal resources within three years of
the lease issue date (March 24, 1983)
2. Submit annually a plan of development and
operation.

CALENDAR ITEM NO. 19 (CONT'D)

The lessee has not drilled an exploratory well or filed an application to drill a well with the Commission or the Division of Oil and Gas (lead agency for geothermal exploratory projects under CEQA). Preparation of the environmental document could by statute require up to 135 days.

On March 24, 1986, the lessee, M-S-R Public Power Agency was in default under this lease for failure to have drilled an exploratory well. As to annual plans, M-S-R has submitted only one report, on March 21, 1984, which the staff deemed inadequate. The failure to file the required development plans compounds the default.

On March 6, 1986, a representative of S.A.I. Geothermal, Inc. was present to testify in favor of extension of the drill-by date for PRC 6398, but the request was denied.

AB 884:

N/A.

EXHIBIT:

A. Site Map

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 from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21080(a) P.R.C. 21065
and 14 Cal. Adm. Code 15378.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.

CALENDAR ITEM NO. 19 (CONT'D)

2. AUTHORIZE THE EXECUTIVE OFFICER TO NOTIFY M-S-R PUBLIC POWER AGENCY UNDER STATE GEOTHERMAL LEASE PRC 6398 ON MARCH 24, 1986 THAT THEY HAVE FAILED TO COMPLY WITH THE DRILLING OBLIGATIONS UNDER THE LEASE AND ARE IN DEFAULT PURSUANT TO SECTION 33 OF THE LEASE AND FURTHER THAT FAILURE TO CURE THE DEFAULT WITHIN 30 DAYS OF RECEIPT OF THE NOTICE MAY CAUSE CANCELLATION OF THE LEASE.

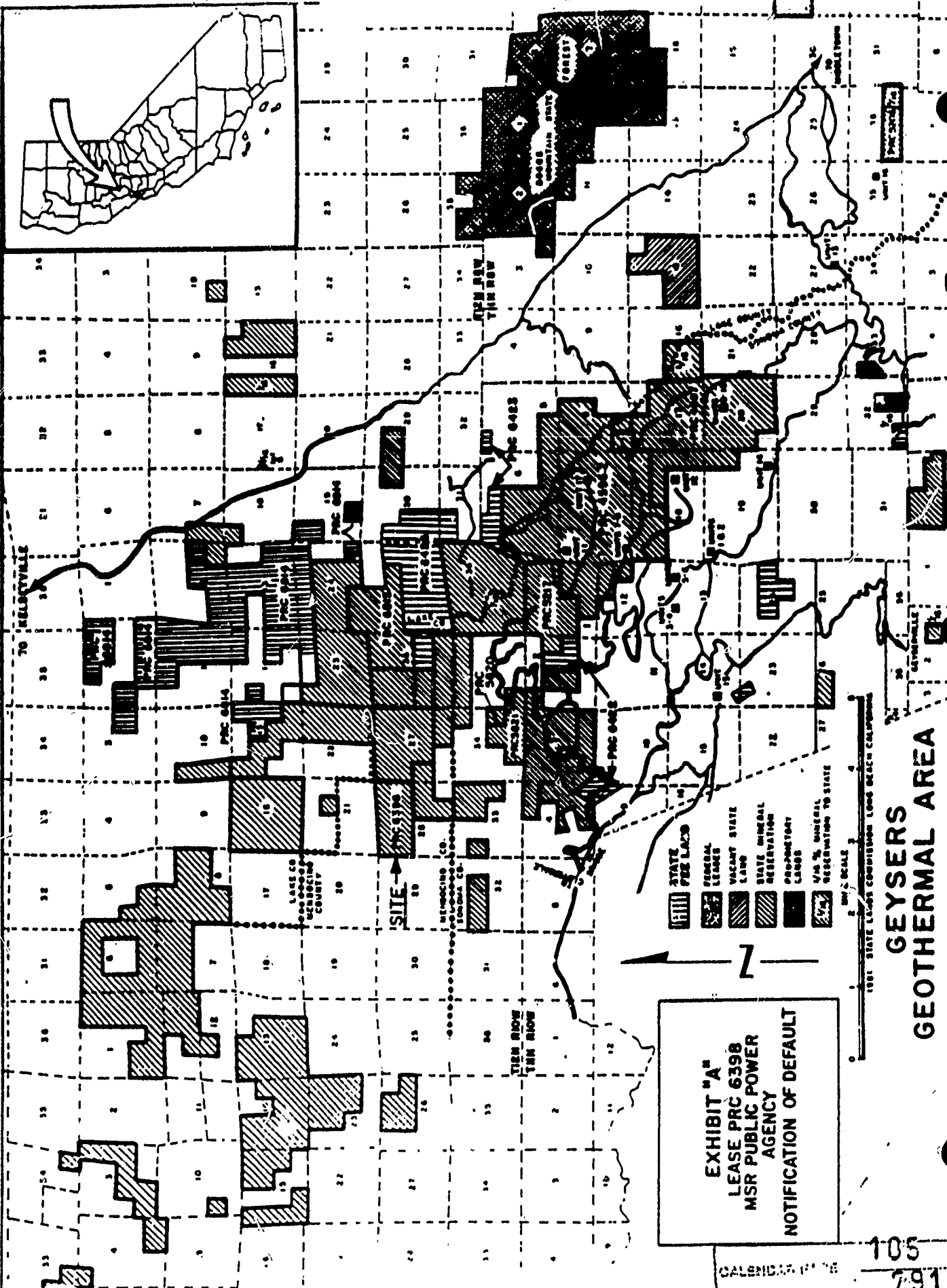


EXHIBIT "A"
 LEASE PRC 6398
 MSR PUBLIC POWER
 AGENCY
 NOTIFICATION OF DEFAULT

**GEYSERS
 GEOTHERMAL AREA**

CALIFORNIA PLAT NO. 105
 TRIMUTE PLAT NO. 791