

MINUTE ITEM
This Calendar Item No. C82
was approved as Minute Item
No. 82 by the State Lands
Commission by a vote of 3
to 0 at its 02/12/97
meeting.

**CALENDAR ITEM
C82**

A 2

02/12/97

S 4

W 40722

Willard

Frey

**CONSIDER PROPOSED LEASING, BY COMPETITIVE BID,
FOR GEOTHERMAL RESOURCES DEVELOPMENT OF
CERTAIN STATE LANDS WITHIN
THE GLASS MOUNTAIN UNIT,
SISKIYOU COUNTY**

AREA, TYPE LAND AND LOCATION:

Approximately 449 acres of sovereign land located beneath Medicine Lake in portions of Sections 10 and 11, T43N, R3E, MDM in eastern Siskiyou County about 50 miles east of Yreka, California. The subject parcel is within the central portion of the Glass Mountain Known Geothermal Resource Area (KGRA). See Exhibit "A" for Location Map.

PROPOSED LEASING METHODS AND LEASE TERMS:

1. The lease will be offered by competitive bid. The successful bidder will be determined by the highest bid factor offered by a qualified bidder, or if the conditions of Public Resources Code Section 6919 are satisfied, the terms and conditions of the lease will be negotiated with an interested party consistent with applicable law.
2. The form of lease provides for "Subsurface Only - No Surface Use".
3. Primary term of 10 years.
4. Flat rate royalty percentage of not less than 12 ½ percent of the value of geothermal resources produced from the leased lands.
5. Annual rent payable in advance of \$5.00 per acre for each year that the lease is in effect.
6. Lessee shall commence drilling its first well into the leased land within three years of the effective date of the lease.

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7. All operations shall be in accordance with a five year plan of development which shall be updated annually.

BACKGROUND:

In May 1996, Commission staff received a request from a subsidiary of California Energy General Corporation (CEGC) for a negotiated subsurface (No Surface Use) geothermal resources lease for the State land beneath Medicine Lake. In August 1996, Commission staff received a request from Calpine Corporation (Calpine) to nominate the subject parcel for competitive bid. Both CEGC and Calpine have interest in lands within the Glass Mountain KGRA that comprise a federal geothermal unit. All exploration and development activities will be conducted from adjacent federal leased lands, as no activities are authorized on the surface of the State parcel.

In May 1993, a Geothermal Unit Agreement was entered into unitizing the federal leases containing approximately 37,845 acres within the Glass Mountain Area. CEGC controls about 70 percent interest. Most of the remainder is controlled by Calpine.

ENVIRONMENTAL REVIEW:

CEQA Guidelines Section 15378(a)(3) identifies the issuance of a lease as a "project". However, there will be no surface use of the State leased land. As such, the location of a proposed exploration and development project by the unit participants will be on adjacent federal leased lands within Siskiyou County. The proposed project required approvals from both federal and local agencies. An environmental document was prepared as both an Environmental Assessment (EA) under the National Environmental Policy Act (NEPA) and as an Initial Study (IS) under CEQA. The U.S. Department of the Interior's Bureau of Land Management (BLM) functioned as lead agency for the project subject to NEPA and the Siskiyou County Air Pollution Control District (SCAPCD) functioned as lead agency for the project pursuant to the State CEQA Guidelines (Sections 15000, et seq.). The Glass Mountain Unit Geothermal Exploration Project EA/IS (EA #CA027-EA95-06, SCH No. 95041056) was approved by the BLM's Susanville District-Alders Resource Area, as NEPA lead agency, on August 25, 1995, and by the SCAPCD, as CEQA lead agency, on July 31, 1995. The Lessee will be limited to those activities which are analyzed in the environmental document. Should commercial operations become feasible and Lessee chooses to pursue those commercial operations, further environmental documentation from the BLM and the SCAPCD would be required.

CALENDAR ITEM NO. C82 (CONT'D)

PERMIT STREAMLINING ACT DEADLINE:

N/A.

OTHER PERTINENT INFORMATION:

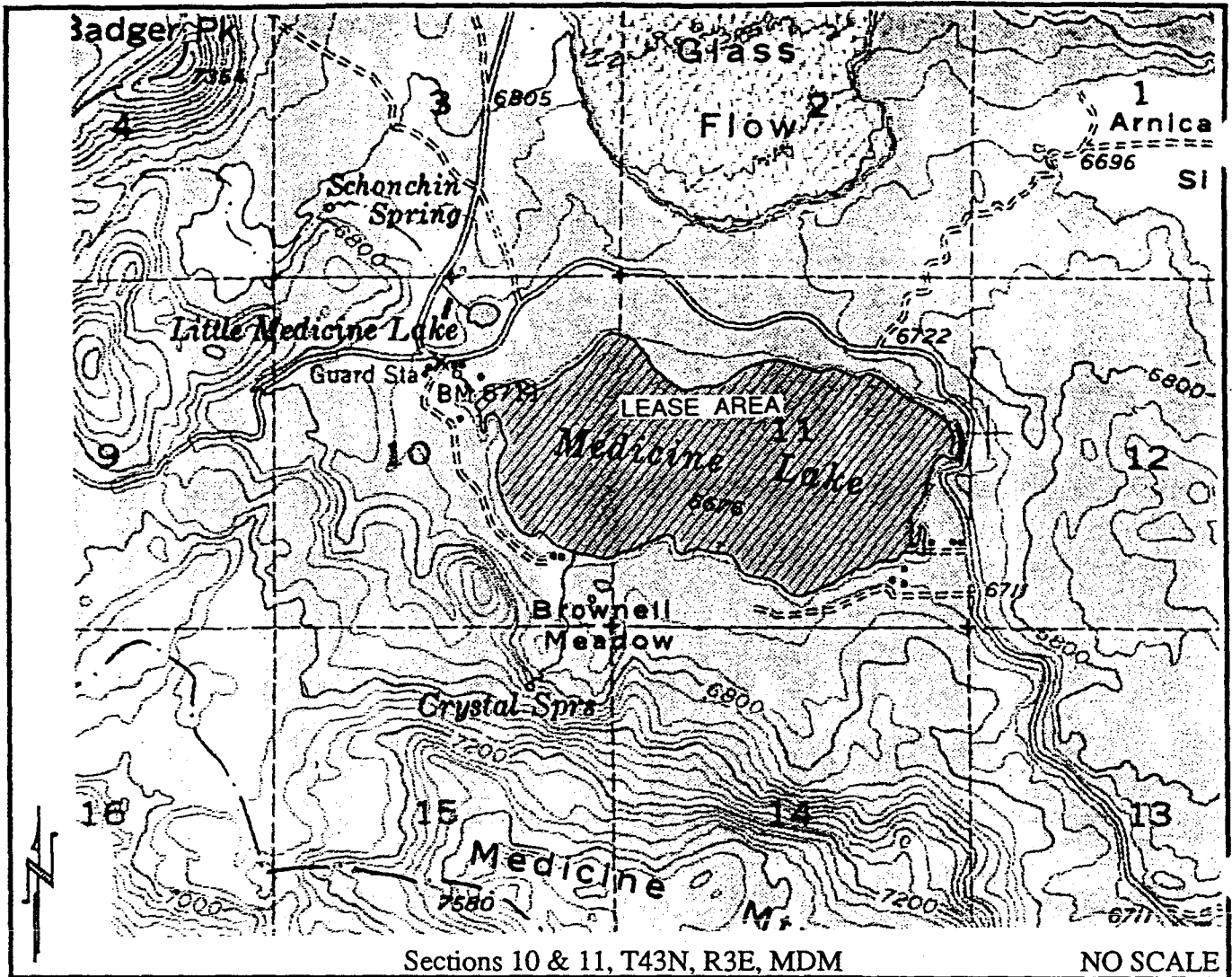
1. A Findings of No Significant Impact/ (Mitigated) Negative Declaration was prepared and adopted for this project by the Bureau of Land Management/Siskiyou County Air Pollution Control District. The State Lands Commission's staff has reviewed this document.
2. If the lease is approved, Paragraph 13 of the lease will give the Commission's consent to become a party to the Unit Agreement.

EXHIBIT:

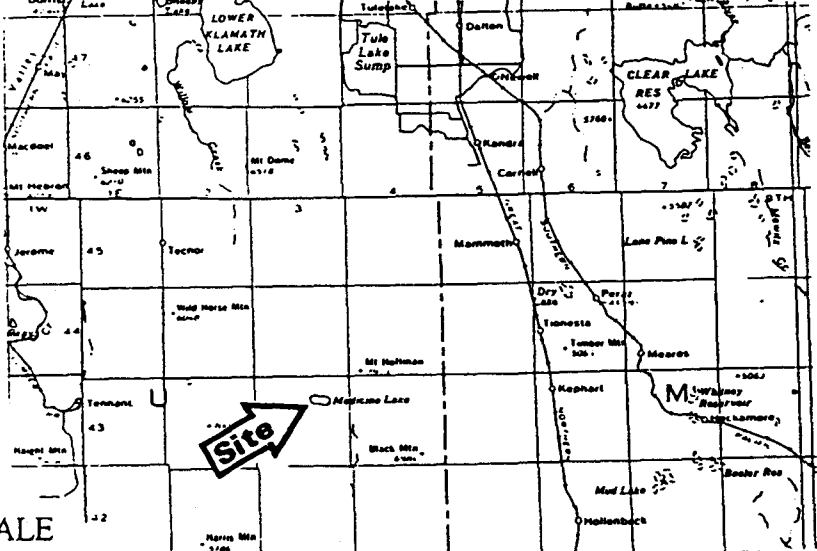
- A. Location Map

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT A FINDING OF NO SIGNIFICANT IMPACT/MITIGATED NEGATIVE DECLARATION WAS PREPARED AND ADOPTED FOR THIS PROJECT BY THE BUREAU OF LAND MANAGEMENT/COUNTY OF SISKIYOU AIR POLLUTION CONTROL DISTRICT AND THAT THE STATE LANDS COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. AUTHORIZE COMMISSION STAFF TO OFFER FOR COMPETITIVE BID THOSE LANDS IDENTIFIED ON EXHIBIT "A", FOR THE EXTRACTION OF GEOTHERMAL RESOURCES, IN ACCORDANCE WITH THE BID-LEASE FORM ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF, OR IF THE CONDITIONS OF THE PUBLIC RESOURCES CODE SECTION 6919 ARE SATISFIED WITH RESPECT TO SOME PORTION OF THE LANDS IDENTIFIED ON EXHIBIT "A", AUTHORIZE COMMISSION STAFF TO NEGOTIATE THE TERMS AND CONDITIONS OF THE LEASE WITH AN INTERESTED PARTY FOR THOSE LANDS CONSISTENT WITH APPLICABLE LAW.



LOCATION MAP



NO SCALE

This Exhibit is solely for purposes of generally defining the lease premises, and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT "A"
 W 40722
 Geothermal Lease
 Medicine Lake
 SISKIYOU COUNTY

