

MINUTE ITEM

70

A 2

S 4

07/11/97
W 40722
A. Willard
J. Adams
E. Kruger

**CONSIDER AWARDING STATE GEOTHERMAL RESOURCES LEASE
TO HIGHEST RESPONSIBLE BIDDER FOR GEOTHERMAL RESOURCE
DEVELOPMENT OF CERTAIN STATE LAND WITHIN THE
GLASS MOUNTAIN UNIT,
SISKIYOU COUNTY**

PULLED PRIOR TO COMMISSION MEETING

Item attached

CALENDAR PAGE

MINUTE PAGE **001521**

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SISKIYOU COUNTY**

BACKGROUND:

In February 1997, the California State Lands Commission (Commission) authorized staff to offer for lease, by competitive bid, approximately 449 acres of State land beneath Medicine Lake in eastern Siskiyou County within the Glass Mountain Unit for geothermal resources development. In accordance with the Commission's authorization, staff prepared a bid package that was prepared and circulated to interested parties. A public Notice of Intention to offer the subject land for bid was published in the Siskiyou Daily News of Yreka, California on March 6, 1997. In compliance with the published notice and the proposal to lease, a bid opening took place in the Long Beach Office of the Commission on May 6, 1997. The bidding was based on a flat rate of royalty with the minimum acceptable bid of 12½ percent. One bid was received, in the amount of 12½ percent from California Energy General Corporation (CalEnergy). The bid material was reviewed by staff for conformance with the bid requirements and based on this review recommends award of the geothermal lease to CalEnergy.

PERMIT STREAMLINING ACT DEADLINE:

N/A

OTHER PERTINENT INFORMATION

1. A Finding of No Significant Impact/Mitigated Negative Declaration was prepared and adopted for this project by the U.S. Bureau of Land Management/ Siskiyou County Air Pollution Control District(EA #CA027-EA9506, SCH #95041056). The California State Lands Commission's staff has reviewed this document. The Lessee will be limited to performing only those activities which are analyzed in the environmental document. Should commercial operations become feasible and the Lessee pursues those operations, further environmental documentation

CALENDAR ITEM NO. C70 (CONT'D)

would be required.

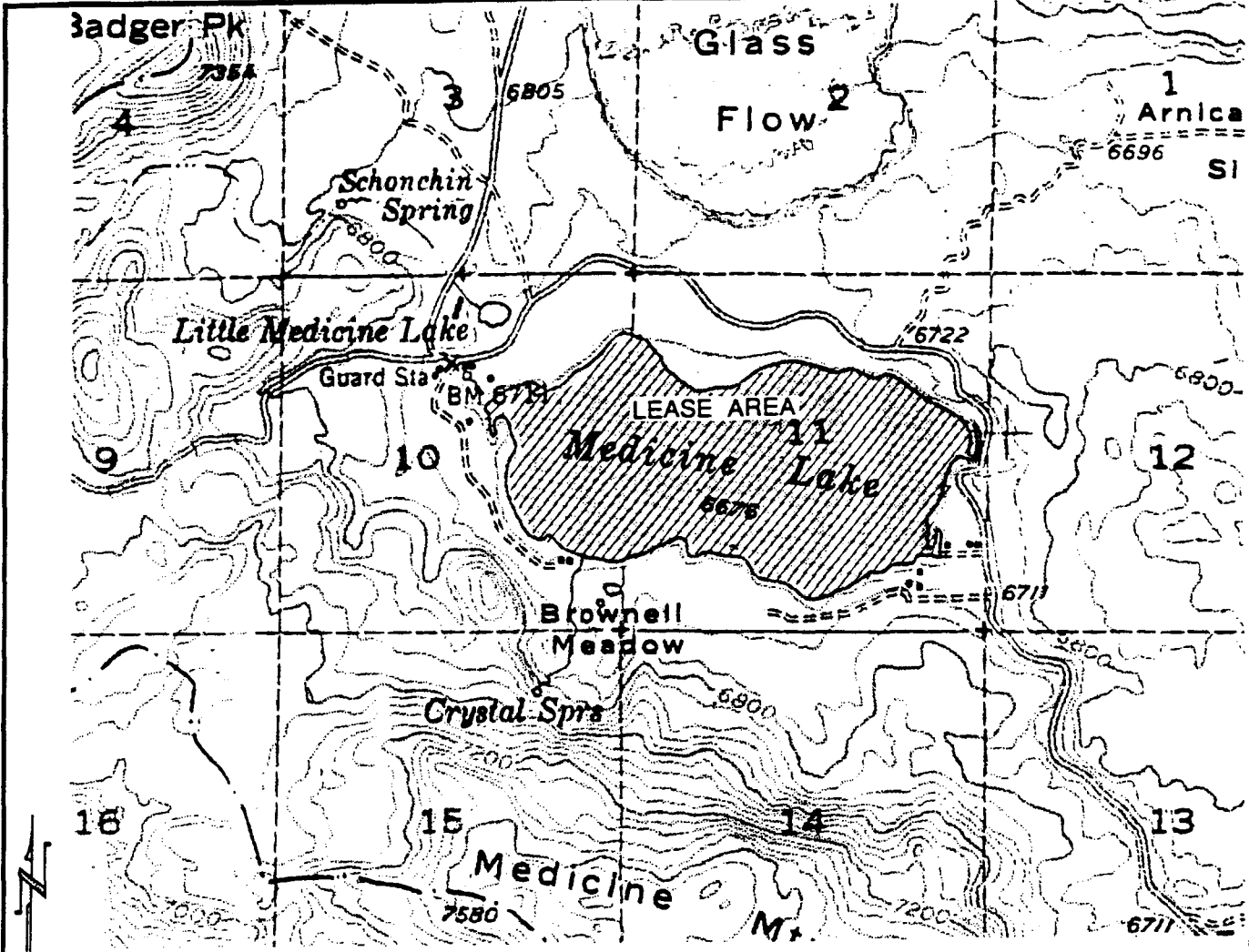
2. The form of lease provides for "Subsurface Only - No Surface Use". CalEnergy has interest in lands within the Glass Mountain Unit that comprises a known federal geothermal resources area (KGRA). All exploration and development of the State lease will be conducted from adjacent lands within the KGRA, as no activities are authorized on the surface of the subject State parcel.
3. Just prior to the bid opening of May 6, the U.S. Forest Service, Modoc National Forest office in Alturas, California, advised the Commission of their concerns regarding environmental analysis of the subject parcel and determining the appropriate authority for geothermal leasing, assuming that the land beneath Medicine Lake is subject to the State's jurisdiction. Commission staff responded that the proposed lease area has been evaluated in the environmental analysis and it is understood by CalEnergy that there is no assurance of State lease right to any sites for drilling into the land beneath Medicine Lake.

EXHIBIT:

- A. Location Map

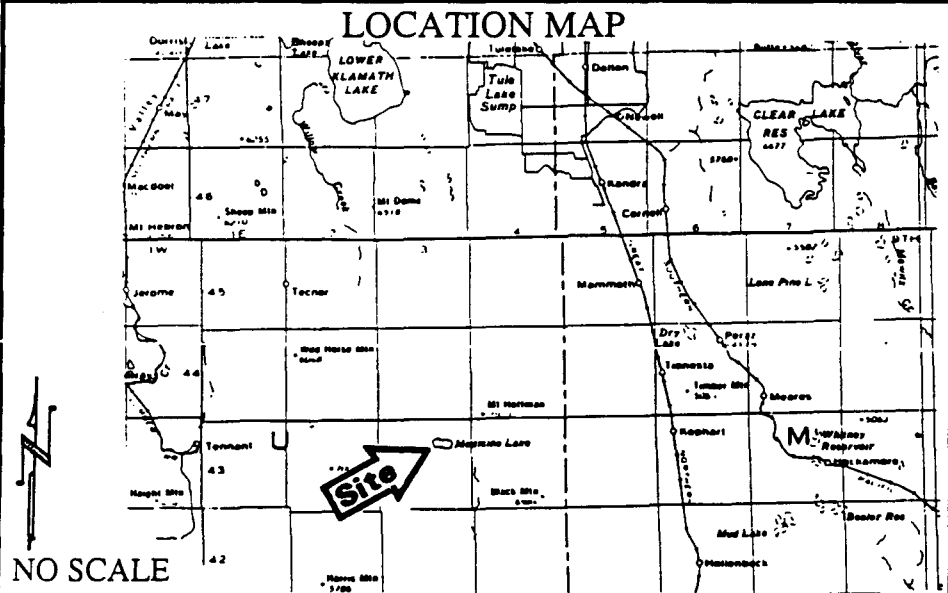
IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT A FINDING OF NO SIGNIFICANT IMPACT/MITIGATED NEGATIVE DECLARATION WAS PREPARED AND ADOPTED FOR THE 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. FIND THAT CALIFORNIA ENERGY GENERAL CORPORATION IS THE HIGHEST QUALIFIED AND RESPONSIBLE BIDDER FOR THE SUBJECT LEASE.
3. AUTHORIZE ISSUANCE OF A TEN-YEAR STATE GEOTHERMAL RESOURCE LEASE FOR THE SUBJECT STATE OWNED LAND IN SISKIYOU COUNTY, MORE PARTICULARLY DESCRIBED IN EXHIBIT A FOR THE DEVELOPMENT OF GEOTHERMAL RESOURCES.



Sections 10 & 11, T43N, R3E, MDM

NO SCALE



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

