

P8556 Item

CALENDAR ITEM

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PRC 8844.2
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**CONSIDER APPROVAL OF AN
ASSIGNMENT OF INTEREST IN GEOTHERMAL RESOURCE
LEASE NOS. PRC 8556.2 AND PRC 8844.2,
THE GEYSERS GEOTHERMAL FIELD,
SONOMA AND MENDOCINO COUNTIES**

ASSIGNOR:

Geysers Power Company, LLC
Attn.: Mr. Kevin Talkington
10350 Socrates Mine Road
Middletown, CA 95461

ASSIGNEE:

CPN Wild Horse Geothermal, LLC
Attn.: Mr. Kevin Talkington
10350 Socrates Mine Road
Middletown, CA 95461

AREA, LAND TYPE, AND LOCATION:

Approximately 2,281.43 acres of State 100 percent (100%) reserved mineral interest School Lands at The Geysers, Sonoma and Mendocino Counties.

BACKGROUND:

State Geothermal Resource Lease No. PRC 8556.2 was issued to WHR, Inc., owner of the surface estate, on September 1, 2004, and immediately assigned to Geysers Power Company, LLC (Assignor). Lease No. PRC 8844.2 was issued to Assignor on September 1, 2009. Assignor has requested the California State Lands Commission (Commission) approve assignment of 100 percent interest in both leases to CPN Wild Horse Geothermal, LLC (Assignee).

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Assignor and Assignee are both wholly-owned subsidiaries of Calpine Corporation. Assignor will remain as lessee on five other State leases at The Geysers that cover approximately 3,964 acres of reserved mineral interest School Lands. Those five State leases, together with leases on Federal and private lands, have been developed to produce geothermal steam that supplies electrical-generating plants operated by Calpine. The power plants generate about 750 megawatts. The State leases provide more than \$4 million per year in royalty revenue to the State.

Leases PRC 8556.2 and PRC 8844.2 have not been developed, but Assignor has initiated an ambitious drilling program to delineate the productive extent of the geothermal reservoir and assess its commercial potential. Assigning these leases to a separate subsidiary will help Calpine secure the financing necessary to facilitate full development, which will ultimately lead to additional royalty revenue for the State.

STATUTORY AND OTHER REFERENCES:

- A. Paragraph 35 of Lease Nos. PRC 8556.2 and PRC 8844.2.
- B. Public Resources Code sections 6804 and 6925.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

2. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. However, the Commission has declared that all lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code sections 6370, et seq., use classifications for such lands have not been designated. Therefore, the finding of the project's consistency with the

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use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.

3. Assignment forms and prerequisite filing fees have been paid by Assignor.

EXHIBIT:

- A. Location Map

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

1. Consent to the assignment of 100 percent interest in State Geothermal Resource Lease Nos. PRC 8556.2 and PRC 8844.2 from Geysers Power Company, LLC, to CPN Wild Horse Geothermal, LLC, with the assignee to be bound by all the terms and conditions of the leases.
2. Authorize the Executive Officer or his designee to execute any documents necessary to implement these assignments.