

MINUTE ITEM

This Calendar Item No. 29
was approved as Minute Item
No. 29 by the State Lands
Commission by a vote of 3
0 at its 9/30/76
meeting.

CALENDAR ITEM

29.

9/76
CPP
W 9186
PRC 5206

PROPOSED GEOTHERMAL RESOURCES LEASE
OF RESERVED MINERAL INTERESTS, LAKE COUNTY

The Commission, at its meeting on December 1, 1975 (Minute Item 2), authorized the staff to offer for lease, by competitive public bid, 130.10 acres of land for the extraction of geothermal resources. The parcel, in which the minerals are reserved to the State, is located near The Geysers Steam Field in Lake County. The parcel was offered on the basis of a net profits bid factor. In addition to the net profits payment, the lease provided for the payment of a 10% royalty on gross revenue received from the sale of steam and an annual rental of \$1 per acre.

On September 1, 1976, two bids were received in response to a Notice of Intention published on July 22 and July 29, 1976, in the Lake County Record-Bee in Lakeport, and in the Los Angeles Daily Journal.

The high bid of 28% was offered by the City of Santa Clara. The other bid, submitted by Aminoil USA, Inc., was 12-1/2% of net profits. The high bid, discounted for present worth, is estimated to be equivalent to a cash bonus of \$1,170,000 or \$9,000 per acre. The bid of 12-1/2%, discounted for present worth, is estimated to be equivalent to a cash bonus of \$520,000 or \$4,000 per acre. Both bids are higher than cash bonus bids received by the Federal Government on similar acreage in The Geysers area. The cash bonus on these federal leases ranges from \$300 per acre to over \$3,000 per acre.

All bids submitted were reviewed by the staff as to technical sufficiency and economic factors. A legal review was made of the highest bid, submitted by City of Santa Clara, and it was determined that:

- A. The Commission has complied with the procedural requirements of law.
- B. The bid submitted conforms with:
 1. The bid requirements specified in the proposals of the Commission;
 2. The applicable provisions of law; and
 3. The rules and regulations of the Commission.

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CALENDAR ITEM NO. 29. (CONTD)

Section 6922 of the Public Resources Code provides that the surface landowner may, within 10 days after notification by the Commission, submit a bid identical to the highest acceptable bid, in which case the Commission shall issue a lease to the surface landowner. If the surface landowner does not file such a bid, then the Commission may proceed with the award of the bid to other than such surface landowner.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE HIGHEST ACCEPTABLE BID FOR THE LEASE OF THE STATE'S GEOTHERMAL RESOURCES UNDERLYING 130.10 ACRES OF LAND, COMMONLY CALLED THE DAVIES ESTATE, LAKE COUNTY, WAS MADE BY THE CITY OF SANTA CLARA AT 28% OF NET PROFITS.
2. AUTHORIZE THE EXECUTIVE OFFICER TO NOTIFY THE SURFACE LANDOWNER OF SUCH BID IN ACCORDANCE WITH SECTION 6922 OF THE PUBLIC RESOURCES CODE.
3. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE A LEASE WITH THE SURFACE LANDOWNER IN THE EVENT THE SURFACE LANDOWNER MATCHES THE HIGHEST ACCEPTABLE BID WITHIN THE TIME PRESCRIBED BY PUBLIC RESOURCES CODE SECTION 6922; OR, IN THE ALTERNATIVE, IF THE SURFACE LANDOWNER FAILS TO FILE THE BID WITHIN THE TIME PRESCRIBED BY PUBLIC RESOURCES CODE SECTION 6922, AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE A LEASE WITH THE CITY OF SANTA CLARA, THE DESIGNATED HIGH BIDDER, IN ACCORDANCE WITH THE CITY OF SANTA CLARA'S BID ON THE SUBJECT PARCEL.