

MINUTE ITEM

MSR BID APPROVED BY
A VOTE OF 2-0; AMINOIL
BIDS WERE REJECTED BY
A VOTE OF 3-0; BY THE
STATE LANDS COMMISSION
AT ITS 3/24/83 MEETING.

MINUTE ITEM
25

3/24/83
W 40231
W 40230
W 40219
W 40013
W 9686
PRC 6398
Hoagland

REJECTION OF BIDS FOR
GEOTHERMAL RESOURCES LEASE OF
RESERVED MINERAL INTERESTS,
LAKE AND MENDOCINO COUNTIES

During consideration of Calendar Item 25 attached, Mr. Randall Hays, City Attorney, City of Redding, appeared to urge that the Commission not follow staff's recommendation, but instead accept the net profits bid by the MSR Public Power Agency.

Commissioner McCarthy expressed concern regarding the Commission's policy reasons for rejecting the bid of the MSR Public Power Agency. Executive Officer Dedrick stated that it was the feeling of staff that the Commission's geothermal leasing program had gotten too far ahead of proven reserves and, therefore, the bids are getting very low. Ms. Dedrick also stated that the rejection of these bids is a result of the reevaluation of the Commission's entire geothermal leasing program.

After a lengthy discussion, Commissioner Franchetti requested that the vote on the rejection of each bid be done individually, with the three Aminoil bids being taken up as 1 bid.

Upon motion duly made by Commissioner Franchetti and seconded by Commissioner McCarthy, the MSR bid was accepted by a vote of 2-0.

Upon motion duly made by Commissioner McCarthy and seconded by Commissioner Franchetti, the Aminoil bids were rejected by a vote of 3-0.

The following resolution was adapted by the Commission:

THE COMMISSION:

APPROVES THE BID OF MSR PUBLIC POWER AGENCY AND REJECTS THE THREE
BIDS OF AMINOIL, USA, INC.

Attachment:
Calendar Item 25.

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CALENDAR ITEM

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3/24/83
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REJECTION OF BIDS FOR
 GEOTHERMAL RESOURCES LEASE OF
 RESERVED MINERAL INTERESTS,
 LAKE AND MENDOCINO COUNTIES

On April 27, 1982, the State Lands Commission authorized staff to lease six parcels of State reserved mineral lands in Lake and Mendocino Counties, by competitive public bid for the extraction of geothermal resources. These lands were subsequently offered for lease on the basis of a net profits bid factor. In addition to the net profits payment the lease provided for the payment of a 12.5 percent royalty of gross revenue received for the sale of steam and an annual rental of \$1 per acre.

On June 29, 1982 bids were opened in the Commission's Sacramento office. Of the six parcels, only four received bids and each parcel bid upon received a single bid submitted by the firm which already had an agreement with the owner of the surface. Aminoil USA, Inc., bid 22.80 percent for 163 acres in Mendocino County; 21.85 percent for 659 acres in Lake County; 22.70 percent for 1,133 acres in Lake and Mendocino Counties and MSR Public Power Agency bid 12 percent for 320 acres in Mendocino County.

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(Added 3/17/83)

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In prior net profits lease sales, bids ranged from a high of 97.5 percent to a low of 22.76 percent. In all prior sales, with one exception, two or more bids were submitted for each parcel.

The recent decline in the number of bids submitted and the low amount bid clearly indicates that the effect of P.R.C. Section 6912(b) which permits the surface owner of reserve mineral lands to match the high bid on competitive lease sales is to discourage bidding by all but the company with an agreement with the surface owner. This eliminates competition and permits that company to submit a token bid.

The lease sales are no longer competitive. The staff recommends that the bid be rejected because it is not competitive in light of bids submitted recently on nearby lands in the area. Staff is currently reviewing the competitive geothermal leasing program to prepare recommendations which will hopefully lead to a more competitive leasing system.

AB 884: N/A.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. REJECT THE THREE BIDS OF AMINOIL USA, INC. AND THE ONE BID OF MSR PUBLIC POWER AGENCY BECAUSE THEY ARE NON COMPETITIVE.

(Added 3/17/83)

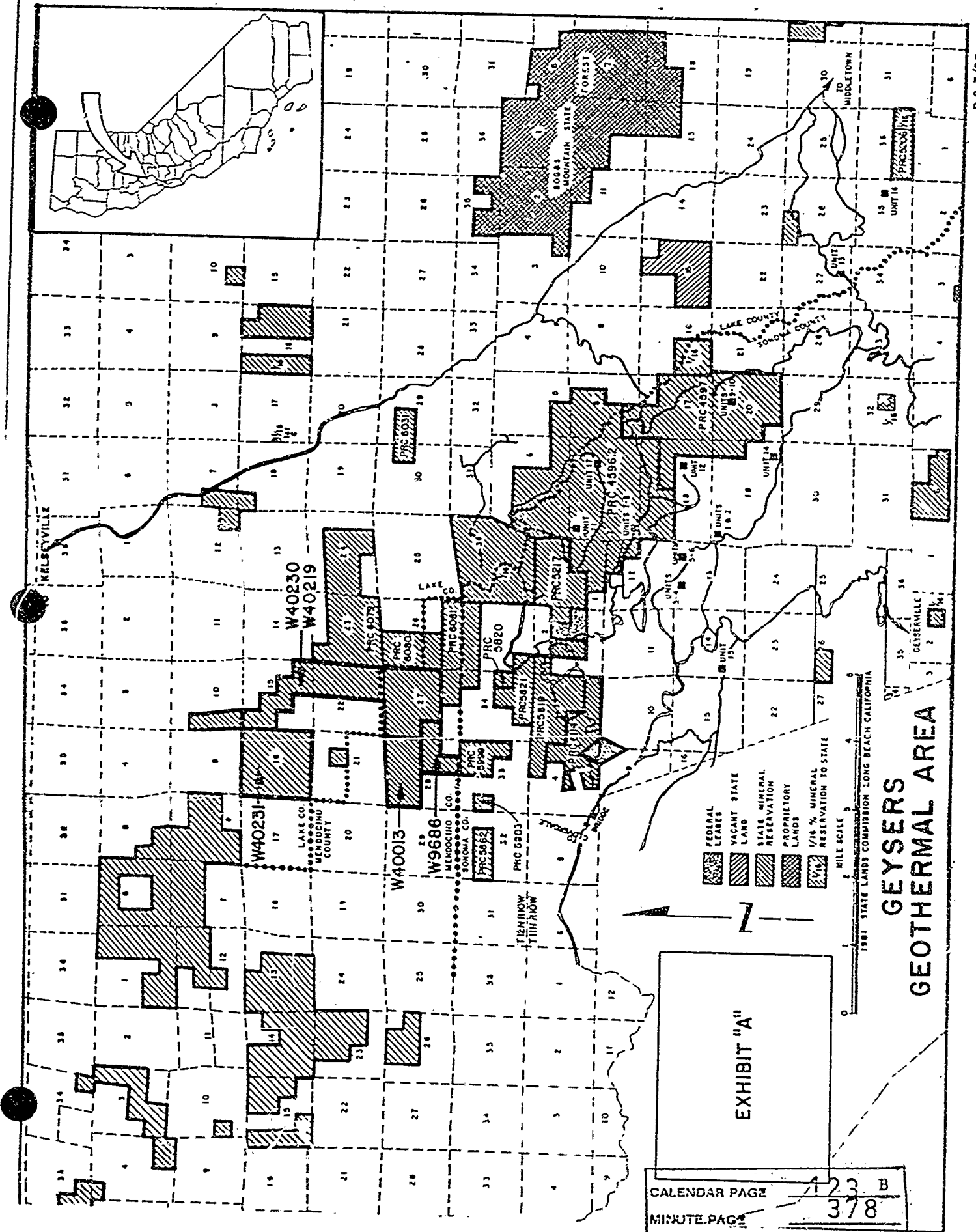


EXHIBIT "A"

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**GEYSERS
GEOHERMAL AREA**

1981 STATE LANDS COMMISSION LONG BEACH CALIFORNIA