

MINUTE ITEM

This Calendar Item No. 33  
was approved as Minute Item  
No. 33 by the State Lands  
Commission by a vote of 2  
to 0 at its 5/22/86  
meeting.

CALENDAR ITEM

A 2  
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33

05/22/86  
PRC 6398  
Hoagland

AUTHORIZATION TO CANCEL GEOTHERMAL LEASE PRC 6398  
FOR FAILURE TO COMPLY WITH DRILLING TERMS

APPLICANT: M-S-R Public Power Agency  
Attn: Greg Pohl  
P. O. Box 4060  
Modesto, California 95352

AREA, TYPE LAND AND LOCATION:  
Approximately 320 acres of school lands in the  
north half, Section 28, T12N R9W, MDM,  
Mendocino County.

BACKGROUND INFORMATION:  
On March 24, 1983 the State Lands Commission  
approved the issuance to M-S-R Public Power  
Agency of a geothermal lease by competitive  
public bid in the northwest portion of The  
Geysers Geothermal Field, Mendocino County.  
The lease was for a primary term of ten years,  
in addition to paying a royalty of 12.5 percent  
of the gross revenue received, the Lessee also  
agreed to pay 12 percent of the net profits  
derived from the lease.

Other terms of the Lease required that the  
Lessee:

1. Drill an exploratory well to evaluate the  
geothermal resources within three years of  
the lease issue date (March 24, 1983).
2. Submit annually a plan of development and  
operation.

CALENDAR ITEM NO. 33 (CONT'D)

The Lessee has not drilled an exploratory well or filed an application to drill a well. M-S-R also has not filed an annual plan of operations and development as stipulated in the lease terms.

On March 6, 1986, a representative of SAI Geothermal, Inc. was present to testify in favor of an extension of the drill-by date for PRC 6398, but the request was denied.

On March 27, 1986, the Commission approved the staff recommendation authorizing notification of default and the notice was mailed March 27. The notice provided that failure to cure the default by commencing drilling operations on Lease PRC 6398 within 30 days may cause cancellation of the lease. The default has not been cured and staff recommends the lease be cancelled.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA guidelines.

Authority: PRC 21080(a) PRC 21065 and  
14 Cal. Adm. Code 15378.

AB 884: N/A.

EXHIBIT: A. Site Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PRC 21065 AND 14 CAL. ADM. CODE 15378.

CALENDAR ITEM NO. 33 (CONT'D)

2. DETERMINE THAT M-S-R PUBLIC POWER AGENCY HAS FAILED TO COMMENCE DRILLING OPERATIONS ON STATE GEOTHERMAL LEASE PRC 6398 WITHIN THIRTY (30) DAYS OF WRITTEN NOTICE OF DEFAULT DATED MARCH 27, 1986.
3. AUTHORIZE CANCELLATION OF STATE GEOTHERMAL LEASE PRC 6398 FOR FAILURE TO COMMENCE DRILLING OPERATIONS IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LEASE.

EXHIBIT "A"  
LEASE PRC 6398  
MSR PUBLIC POWER  
AGENCY

GEYSERS  
GEOTHERMAL AREA

1991 STATE LANDS COMMISSION (ONT. BECKER CALIFORNIA)

- STATE LAND
- FEDERAL LEASES
- VACANT STATE LAND
- STATE MINERAL RESERVATION
- PROSPECTION LANDS
- 7/16 % MINERAL RESERVATION TO STATE

1/4"

MILE SCALE

1/4"

1/4"

1/4"

1/4"

1/4"

1/4"

1/4"

1/4"

