

MINUTE ITEM NO. 2
APPROVED 12/1/75

MINUTE ITEM

12/1/75
CPP

2. PROPOSED GEOTHERMAL RESOURCES LEASE OF RESERVED MINERAL INTERESTS, LAKE COUNTY; W 9186.

During consideration of Calendar Item 2, attached, Mr. Robert C. Hight, Staff Counsel, read into the record an additional recommendation to clarify the area being classified as a known geothermal resource area.

After consideration of Calendar Item 2 attached, and upon motion duly made and carried, the following resolution was adopted as amended:

THE COMMISSION:

1. DETERMINES THAT AN ENVIRONMENTAL IMPACT REPORT HAS BEEN PREPARED FOR THIS PROJECT BY THE LAKE COUNTY PLANNING COMMISSION ON SEPTEMBER 13, 1974.
2. CERTIFIES THAT THE INFORMATION CONTAINED IN THE ENVIRONMENTAL IMPACT REPORT OF THE LAKE COUNTY PLANNING COMMISSION HAS BEEN REVIEWED AND CONSIDERED BY THE STATE LANDS COMMISSION.
3. DETERMINES THAT THE PROJECT WILL HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. THE OVERRIDING CONSIDERATIONS ARE DEVELOPMENT OF A RELATIVELY CLEAN SOURCE OF ENERGY, DEVELOPMENT OF ALTERNATE ENERGY SOURCES, AND GENERATION OF NONTAX REVENUE FOR THE STATE.
- 4A. DETERMINES THAT SECTION 36, T 11 N, R 8 W, MDM, CONTAINS A WELL CAPABLE OF PRODUCING GEOTHERMAL RESOURCES IN COMMERCIAL QUANTITIES AND CLASSIFIES SUCH AREA AS A KNOWN GEOTHERMAL RESOURCE AREA.
- 4B. DECLARES THAT THE PARCEL DESCRIBED HEREIN IS CONTAINED WITHIN A KNOWN GEOTHERMAL RESOURCES AREA.
5. AUTHORIZES THE STAFF TO OFFER, PURSUANT TO DIVISION 6 OF THE PUBLIC RESOURCES CODE, FOR BID FOR THE EXTRACTION OF GEOTHERMAL RESOURCES THE FOLLOWING-DESCRIBED PARCEL:

MINERAL INTERESTS RESERVED TO THE STATE OF CALIFORNIA IN LOTS 2, 3, AND 4, SECTION 36, T 11 N, R 8 W, MDM, LAKE COUNTY, CONTAINING 130.10 ACRES MORE OR LESS.

THE LEASE AWARD IS TO BE MADE TO THE QUALIFIED BIDDER OFFERING THE HIGHEST PERCENTAGE NET PROFITS IN ADDITION TO ROYALTIES AND RENTS IN CONSIDERATION OF THE ISSUANCE OF A GEOTHERMAL RESOURCES LEASE.

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6. INSTRUCTS THE DIVISION, WITH APPROVAL OF THE OFFICE OF THE ATTORNEY GENERAL, TO MODIFY THE LEASE FORM TO PROVIDE FOR NET PROFITS BIDDING, PAYMENT OF A 10% ROYALTY ON GROSS REVENUE RECEIVED FROM THE SALE OF STEAM, AND THE ANNUAL RENTAL OF \$1.00 PER ACRE, TOGETHER WITH NECESSARY TECHNICAL CHANGES AND TO ATTACH THE MODIFIED LEASE FORM AS SO MODIFIED.
7. AUTHORIZES THE STAFF TO DETERMINE THE HIGHEST QUALIFIED BID AND NOTIFY THE SURFACE OWNER OF SUCH BID IN ACCORDANCE WITH SECTION 6922 OF THE PUBLIC RESOURCES CODE.

Attachment:
Calendar Item 2 (4 pages)

PROPOSED GEOTHERMAL RESOURCES LEASE OF
RESERVED MINERAL INTERESTS, LAKE COUNTY

It is proposed that the Commission offer for lease by competitive public bid 130.10 acres of land in which the minerals are reserved to the State. The parcel is located in Lake County near the Geysers steam field.

The State parcel is located in the southeastern edge of the geothermal area. The rock types and structure extend the length of the area into the State parcel. Several hot springs, Castle Rock Springs and Anderson Springs, are located within one mile of the parcel and suggest that a geothermal reservoir exists under the parcel. The existence of a reservoir was recently confirmed by a well drilled by Burmah Oil Company approximately 500 feet north of State land. The well, "Davies Estate" 1, was completed as a geothermal producer and tested 1st 10 lbs/hr of steam. This well is probably an extension of the Castle Rock Springs field approximately one mile to the northwest. The Shell well, "U. S. Geothermal One" 1, less than one mile south of the parcel, has been reported to be a commercial well capable of producing 200,000 lb/hr of steam. Burmah has completed drilling "Barrows" 1 approximately one-half mile west of the parcel and this well has been reported to be capable of producing 165,000 lb/hr of dry steam.

Section 6912(b) of the Public Resources Code provides that a known geothermal resources area shall contain at least one well capable of producing geothermal resources in commercial quantities. The State parcel is underlain by the same type of rocks that occur in that proven steam fields, lies on structural trend with the steam fields, is located near hot mineral springs and is adjacent to commercial geothermal wells. It is the Staff's opinion that the criteria listed above satisfy the requirements of the Public Resources Code and that the State parcel should be declared to be within a known geothermal resources area (KGRA).

An application for a permit to prospect for geothermal resources on this parcel was submitted by Natomas Company on August 1, 1973. The applicant was informed in the same month that the area was being considered by the staff for classification as a KGRA. The applicant is of the opinion that the area should not be classified as a KGRA, but has failed to submit data that would support this position. The applicant is also of the opinion that processing of the application was not done on a timely basis. This Division felt that since the area was being actively developed, it was in the best interest of the State to postpone processing of the application until information became available relative to the geothermal character of the parcel.

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Pursuant to Section 6912(a) of the Public Resources Code, lands within a KGRA may be leased by competitive public bid on the bases of a cash bonus, net profit or other single biddable factor. The State parcel is adjacent to leases that were recently put up for bid by the Federal Government. The cash bonus on these leases ranged from \$300 per acre to over \$3,000 per acre. Steam from the parcel could be delivered to proposed generating Unit 13, but the parcel is roughly two miles from Unit 13, so the steam would apparently be delivered to a generating unit not yet contemplated. Unit 13 will probably be operational in 1978 and any other unit would not be operational until after that date. Income derived from a net profit bonus bid would not be paid to the State until after the generating unit had been constructed. The bid factors of cash bonus versus net profits were analyzed and, assuming that this parcel is productive, a net profit bid factor discounted for present worth could provide more income to the State than a cash bonus. It is the staff's opinion that the biddable factor should be net profits.

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 such surface landowner. If the surface landowner does not file such a bid, then the Commission may proceed with the award of the bid. The staff proposes to select the highest acceptable bid, and then notify the surface landowner of such bid.

The lease form is being modified to provide for net profits bidding, the payment of an additional 10 percent royalty on gross revenue received from the sale of steam, and an annual rental of \$1.00 per acre, together with certain other technical amendments. The modified lease form is currently being reviewed by the Division's technical and legal staff and the Office of the Attorney General. The modified lease form will be attached to the offer for bid at the time of its publication.

An Environmental Impact Report was prepared by the Lake County Planning Commission covering geothermal development in the project area. The impacts of the project proposed by the staff are essentially the same as the impacts covered by the EIR. By Notice of Determination issued on September 13, 1974, the Lake County Planning Commission certified that (1) the Environmental Impact Report was prepared pursuant to the provisions of the California Environmental Quality Act of 1970, as amended; (2) the project will have a significant effect on the environment; and (3) the project has been approved by the Lake County Planning Commission. The Notice of Determination has been filed with the Secretary for Resources, the State Lands Division, and the County Clerk for Lake County, wherein the project is to be undertaken.

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Even though it was determined that the project would have a significant effect on the environment, the Lake County Planning Commission found that the granting of a Use Permit is in the general public interest and that environmental and performance parameters conditioning the proposed activity as specified in the Use Permit and as contained in that document entitled "Conditions, Procedures and Performance Standards for Geothermal Regulations, County of Lake" will allow the proposed activity with adequate safeguards to the welfare of the people of Lake County at large and to the people residing in the vicinity of said activity.

Overriding considerations justifying issuance of a county use permit are listed below:

1. All economic indicators used in dollar value data show that the Lake County economy generally is vulnerable and is precariously based on the caprice of nature, the fluctuating demand of so-called luxury agricultural products and on human whim for recreation.
2. Lake County contains abundant natural resource beyond any dollar value which should be preserved and enhanced for the benefit of this and succeeding generations.
3. The location of geothermal resources in Lake County poses both economic promise and environmental threat which conflict can be resolved to opportunity and challenge.

Although the proposed project will have significant effect on the environment, it is the staff's opinion that the development of relatively clean sources of energy, the development of alternate energy sources, and the generation of nontax revenue are overriding considerations that justify approval of the project.

The draft Environmental Impact Report was not circulated through the State Clearinghouse as required by the State EIR Guidelines (14 Cal. Adm. Code) but was circulated by the Lake County Planning Commission to interested Federal, State and local government agencies. The draft was also circulated and made available to the public. The Environmental Impact Report has been submitted by the State Lands Division to the State Clearinghouse to insure proper circulation of the Environmental Impact Report. The Clearinghouse has certified that the State environmental review for the project is complete. The environmental documents have been reviewed by the staff, and it is the staff's opinion that the intent of the provisions of CEQA have been satisfied.

EXHIBITS: A. Location Map. B. Location Map.

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