

MINUTE ITEM

This Calendar Item No. 14
was approved as Minute Item
No. 14 by the State Lands
Commission by a vote of 3
to 0 at its 11-20-79
meeting.

MINUTE ITEM

11/79
Priddy

14. DENIAL OF GEOTHERMAL PROSPECTING PERMIT/APPROVAL OF
PROPOSED SELECTION OF LANDS FOR GEOTHERMAL RESOURCES LEASE -
W 9577, W 9684.

During consideration of Calendar Item 14 attached, Mr. D. J. Everitts, Chief, Division of Energy and Mineral Resources Development, explained the chronology of events which led up to the subject staff recommendation. He stated that throughout the staff's communications the Glebes had not submitted all the information requested. In the meantime, due to legislation enacted during 1978 it is the staff's opinion that a prospecting permit should not be granted for this area in light of successful drilling activity within a mile or two of the field.

Mr. and Mrs. Herman B. Glebe appeared urging that the Commission issue them a prospecting permit rather than letting the lease by competitive bid. They stated they had initially filed their application in 1972, but had not received a reply from the Commission until 1976. In addition, they stated they had complied with the staff's request for an EIR. In response to Commission-Alternate David Ackerman's question, Mrs. Glebe stated that Union had prepared the EIR because it was too expensive and lengthy. It is their position that if this lease was let by competitive bid and another party was the successful bidder, it would set the project back three or four years.

Commission-Alternate Roy M. Bell asked if Union Oil Company had submitted the appropriate information for the EIR. Mr. Everitts stated that Union had submitted a plan of development, but such plan did not include sufficient information for the preparation of an EIR, i.e., mitigation measures, air quality, etc. It was stressed during the discussion that whether the Commission issued a prospecting permit or leased the area by competitive bidding, a complete EIR would have to be prepared.

Mr. Mike Shoaff, representing Union Oil Company, appeared. He requested that in considering the issuance of a prospecting permit to the Glebes that the Commission take into account that the wells were drilled after the Glebe's application was filed.

Chairman Kenneth Cory stated that as the trustee for the State's public resource, issuance of a prospecting permit to the Glebes would be adverse to the State's position given the proximity of known geothermal resources in the area. Mr. Ackerman agreed with Mr. Cory in that if the area is known to be a commercially feasible geothermal area, the Commission is almost obligated to let it by competitive bid.

Mr. C. E. Woods, representing Aminoil U.S.A., Inc. appeared and commented that Aminoil has drilled exploratory wells and has three noncommercial wells and one semicommercial well in the area; however, they are viewing it as a fairly high risk parcel since commercial quantities of steam have not been realized.

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At the conclusion of the discussion, it was the Commission's opinion that it would be in the highest and best interest of the State to lease the area by competitive bid rather than by way of a prospecting permit.

Upon motion duly made and carried, the resolution as presented in Calendar Item 14 was approved by a vote of 3-0.

Attachment:
Calendar Item 14

CALENDAR ITEM

14.

DENIAL OF GEOTHERMAL PROSPECTING PERMIT/
APPROVE PROPOSED SELECTION OF LANDS
FOR GEOTHERMAL RESOURCES LEASE

11/79
W 9577
W 9684
Burnett

The Commission staff proposes that the Commission select, pursuant to P.R.C. Section 6911(a), 2 parcels of land, located in Lake, Sonoma, and Mendocino Counties in which the State has reserved mineral interests, for geothermal resources lease by competitive bid.

The northernmost parcel, shown in Exhibit "A", contains 1040 acres and is situated almost entirely in Lake County approximately 3-5 km NW of The Geysers steam field. The second parcel, containing 440 acres, and located in Mendocino and Sonoma Counties, is also shown in Exhibit "A". Applications for geothermal prospecting permits have been filed on both parcels by the respective surface owners:

Mr. and Mrs. Herman B. Glebe (W 9577)
2980 Bell Hill Road
Kelseyville, California 95451

Mr. Edward V. Prati (W 9684)
Mr. John T. Sink
Mr. Peter H. Flood

O'Donnell, Waiss, Wall and Meschke (Trustee)
1 Embarcadero Center
San Francisco, California 94111
Attention: Mr. Richard J. Wall

The Commission staff feels, because of the geothermal potential of both parcels which are situated within The Geysers area, that it is in the best interest of the State to offer these parcels for geothermal resources lease by competitive bid, rather than to issue prospecting permits. Section 6910(a) of the P.R.C. provides, in part, that an application for a permit shall be denied if, prior to the issuance of the permit, the lands are selected by the Commission for lease by competitive public bid.

Section 6911(a) of the P.R.C. states that selected lands may be leased by competitive bid on the basis of the cash bonus, net profit, or other single biddable factor. In accordance with the Commission's view that the bidding procedure should be that which provides the greatest competition and assurance that the resources are developed in

A 2

S 2

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a timely and orderly manner, the staff recommends that the biddable factor should be the percentage of net profits. The net profit bidding procedure does not require large amounts of up-front capital in the form of cash bonuses and allows the small developer to enter the marketplace using his funds for field exploration and development.

Section 6912(b) 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, subject to applicable provisions of law. If the surface landowner does not file such a bid or is unable to comply with the applicable law, the Commission may proceed with the award of the bid.

The Commission staff also proposes that the Commission authorize the preparation of EIR covering the 2 parcels, pursuant to the provisions of the CEQA of 1970, as amended. The staff is presently preparing a lease form for the extraction of geothermal resources. The staff has submitted that form for the review and approval of the Office of the Attorney General.

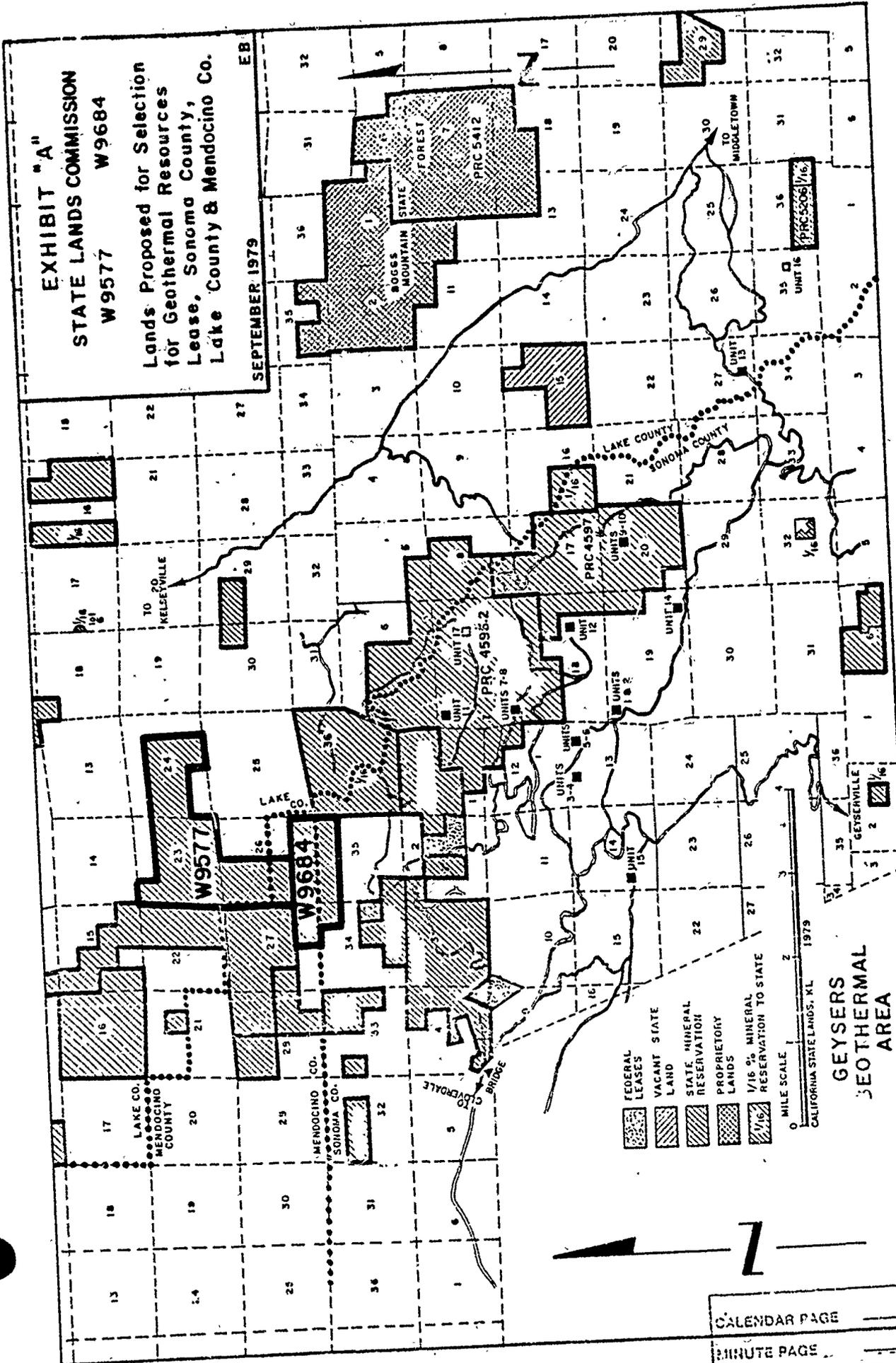
EXHIBITS: A. Location Map. B. Property Description.

IT IS RECOMMENDED THAT THE COMMISSION:

1. SELECT THE PARCELS DESCRIBED IN EXHIBIT "B" WHICH IS BY THIS REFERENCE EXPRESSLY MADE A PART HEREOF, FOR GEOTHERMAL RESOURCES LEASE PURSUANT TO COMPETITIVE PUBLIC BID AND DENY THE APPLICATIONS OF MR. AND MRS. HERMAN B. GLEBE (W 9577); EDWARD V. PRATI, MR. JOHN T. SINK AND MR. PETER H. FLOOD, MR. RICHARD J. WALL, TRUSTEE (W 9684) FOR PROSPECTING PERMITS ON THE DESCRIBED PARCELS.
2. AUTHORIZE ISSUANCE OF A REQUEST FOR PROPOSALS COVERING PREPARATION OF AN EIR FOR LEASING THE DESCRIBED PARCELS FOR DEVELOPMENT OF GEOTHERMAL RESOURCES.
3. AUTHORIZE THE EXECUTIVE OFFICER TO AWARD A CONTRACT FOR PREPARATION OF THE EIR TO THE LOWEST QUALIFIED BIDDER.

EXHIBIT "A"
STATE LANDS COMMISSION
W9577 W9684
Lands Proposed for Selection
for Geothermal Resources
Lease, Sonoma County,
Lake County & Mendocino Co.

SEPTEMBER 1979 EB



- FEDERAL LEASES
- VACANT STATE LAND
- STATE MINERAL RESERVATION
- PROPRIETARY LANDS
- 1/16 % MINERAL RESERVATION TO STATE
- 1/16 %

0 MILE SCALE
 CALIFORNIA STATE LANDS, KL 1979

GEYSERS
GEOTHERMAL
AREA

EXHIBIT "B"

Parcel Descriptions

W 9577

W/2 of NW/4, SE/4 of NW/4, S/2, S/2 of NE/4, all in Section 23;
S/2 of NW/4, N/2 of SW/4, SW/4 of NE/4, W/2 of SE/4, all in
Section 24; N/2 of SW/4, NW/4, all in Section 26; all in Township
12 North, Range 9 West, M.D.B.&M., Lake and Mendocino Counties,
California, containing 1040 acres, more or less.

W 9684

S/2 of S/2 of Section 26; S/2 of SE/4 of Section 27; NE/4 of
NE/4 of Section 34; N/2 of N/2 of Section 35, all in Township
12 North, Range 9 West, M.D.B.&M., Mendocino and Sonoma
Counties, containing 440 acres, more or less.

PLAT NUMBER	072
SHEET NO.	2269