

MINUTE ITEM

This Calendar Item No. 39
was approved as Minute Item
No. 29 by the State Lands
Commission, by a vote of 2
to 0 at its 12-16-80
meeting.

MINUTE ITEM

12/16/80
PRC 5412
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39. EXTENSION OF GEOTHERMAL PROSPECTING PERMIT

During consideration of Calendar Item 39 attached, Mr. John Bannister, representing Geothermal Kinetics, Inc. appeared. Mr. Bannister was concerned because the copy of this calendar item noted the Permittee would pay \$189,250 in damages if they failed to commence drilling a geothermal well within the first year of the extension. The staff advised him his copy contained a typographical error and that the correct figure was \$89,250.

Upon motion duly made and carried, the resolution as presented in Calendar Item 39 was approved by a vote of 2-0.

Attachment: Calendar Item 39

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39

12/80
PRC 5412
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EXTENSION OF GEOTHERMAL PROSPECTING PERMIT

PERMIT: PRC 5412.

PERMITTEE: Geothermal Kinetics, Inc.
2300 County Center Drive
Suite 211, Building A
Santa Rosa, California 95401

LOCATION: Geysers Geothermal Area, Lake County.

PERTINENT INFORMATION:

On November 30, 1977, the Commission authorized the issuance to Geothermal Kinetics, Inc., of a permit to prospect for geothermal resources on Boggs Mountain State Forest in Lake County. The permit was issued for a term of three years. Section 6910 of the Public Resources Code provides that the Commission may extend the term of a geothermal prospecting permit up to an additional two (2) years.

On July 20, 1979, the permittee submitted an application to the Lake County Planning Commission for a Use Permit to drill two wells. The Planning Commission determined that circumstances had changed since preparation of the original Environmental Impact Report (EIR) and the Planning Commission required preparation of a Supplemental EIR. On June 25, 1980, the Planning Commission certified the supplemental EIR but denied the application for the Use Permit. The permittee filed an appeal of this action with the Lake County Board of Supervisors. The Board heard the appeal on September 2, 1980. It reversed the Planning Commission decision and ordered that the permit to drill two wells be issued. The final Use Permit was issued by the County of Lake on September 24, 1980.

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The permittee states that it is ready to commence preparation of the two drill sites, however, County regulations prohibit excavation after October 31, because of traditionally heavy rains. Past delays now preclude site preparation this year and will also preclude drilling of a well before expiration of the 3-year term of Prospecting Permit. Therefore, the permittee has requested an extension of the Permit for the statutory allowed period of two years through November 29, 1982.

It is the staff's opinion that the Permit should be extended for two years, but that the extension provide for payment to the State of damages of \$89,250 if the permittee fails to commence drilling a geothermal exploratory well during the first year of the extension. The amount of damages is based on an annual rental of \$50 per acre for 1,784.90 acres. The staff believes that this will provide additional incentive to the permittee and protect the State for its loss of having this property encumbered without adequate exploratory efforts. In addition, the extension would provide that if the permittee does not commence drilling within the first year of the extension that the Permit will terminate automatically.

The rationale for all of this is as follows: Unless drilling is commenced during the first year extension, the permittee will not have the time nor the opportunity to adequately explore the permit area. Due to the traditional rainy weather, the permittee will not be able to upgrade the road or construct a drillsite until next April. It will need several months to drill the first well and possibly several more months to test that well. To further complicate the matter, drilling rigs are in great demand and must be scheduled well in advance of use. If the first well fails to encounter geothermal resources in commercial quantities,

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a second well would be required in order for the permittee to have an opportunity to exercise its preferential right to a lease. Unless the drilling of the first well is commenced within the first year, time constraints will preclude drilling of the second well before final expiration of the permit. The law makes no provision for a total extension of more than two years. Therefore, it is essential that the permittee make a firm commitment to commence drilling during the first year of extension.

Title 2, Division 3, Chapter 1, Section 2255(e) of the Cal. Adm. Code provides that if the Commission grants an extension of a Geothermal Prospecting Permit, "it shall make a special finding that the permittee has commenced the drilling of a well or wells or has applied for the necessary permits to drill a well or wells, and has made a good faith effort to secure said permits." The permittee has obtained a Land-Use Permit from the County of Lake and a Permit from the County of Lake Air Pollution Control District. The staff believes that this constitutes a basis for the Commission to make the necessary finding pursuant to Section 2255(e).

An EIR was prepared for this activity by the staff and certified by the Commission at its meeting of November 30, 1977.

EXHIBITS:

- A. Location Map.
- B. Agreement Regarding Extension of Permit.

IT IS RECOMMENDED THAT THE COMMISSION:

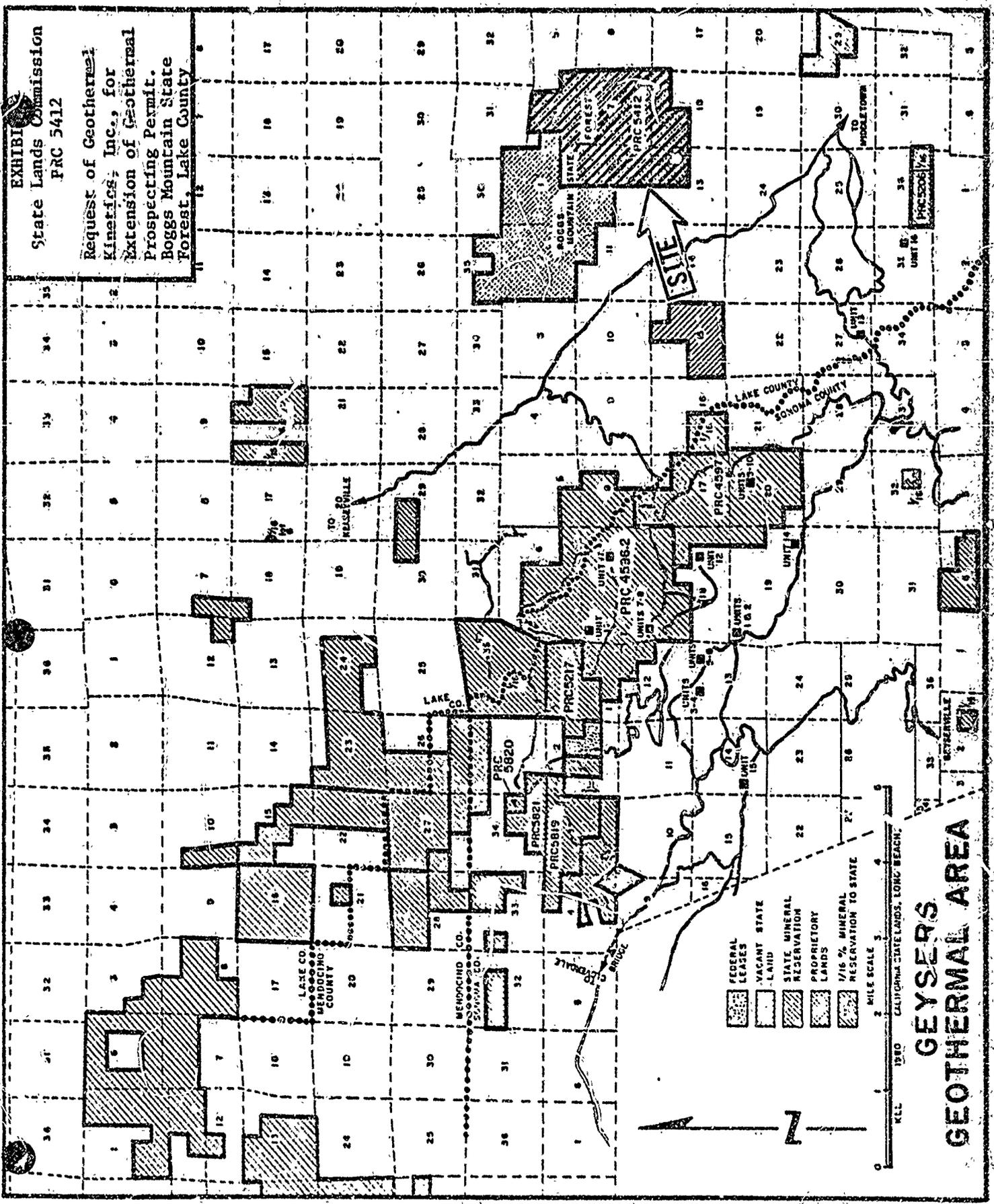
1. DETERMINE THAT AN EIR HAS BEEN PREPARED FOR THIS ACTIVITY AND CERTIFIED BY THE COMMISSION ON NOVEMBER 30, 1977 (MINUTE ITEM 14, PAGE 1276).

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2. PURSUANT TO TITLE 2, DIVISION 3, CHAPTER 1, SECTION 2255(e) OF THE CAL. ADM. CODE FIND THAT THE PERMITTEE HAS APPLIED FOR THE NECESSARY PERMITS TO DRILL A WELL AND HAS MADE A GOOD FAITH EFFORT TO SECURE SAID PERMITS.
3. FIND THAT IT IS IN THE BEST INTERESTS OF THE STATE TO EXTEND THE PROSPECTING PERMIT PRC 5412.1 FOR A PERIOD OF TWO YEARS THROUGH NOVEMBER 29, 1982, AS PROVIDED FOR IN THE AGREEMENT REGARDING EXTENSION ATTACHED HERETO AS EXHIBIT "B". SAID AGREEMENT PROVIDES THAT IF THE PERMITTEE DOES NOT COMMENCE DRILLING A GEOTHERMAL WELL WITHIN THE FIRST YEAR OF EXTENSION THAT THE PERMIT WILL TERMINATE AUTOMATICALLY AND THE PERMITTEE WILL PAY \$89,250 TO THE STATE IN COMPENSABLE DAMAGES.

EXHIBIT
State Lands Commission
PRC 5412

Request of Geothermal Kinetics, Inc., for Extension of Geothermal Prospecting Permit, Boggs Mountain State Forest, Lake County



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