

MINUTE ITEM

This Calendar Item No. 52  
was approved as Minute Item  
52 by the State Lands  
Commission by a vote of 3  
to 0 at its 10/30/81  
meeting.

CALENDAR ITEM

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REVIEW AND MODIFICATION OF REGULATIONS IN TITLE 2,  
DIVISION 3, CHAPTER 1, ARTICLE 4.1 - GEOTHERMAL

Pursuant to the Commission's authorization of January 26, 1981, (Minute Item No. 38) and in compliance with AB 1111 (Government Code Section 11340, et seq.), staff has conducted a review of the Commission's Geothermal Regulations. As a result of the review and in keeping with the spirit and intent of AB 1111 staff has made some minor modifications to the existing regulations. However, the essence of the existing regulations remain in tact.

Notice of the review was published in the Notice Register on January 28, 1981 and mailed to persons who have expressed interest in the regulations. The notice was also published in major regional newspapers.

Public hearings were held in San Francisco, Sacramento and Long Beach on March 24, 25 and 26, 1981. The purpose of these hearings was to provide the public with ample opportunity to make statements, contentions or arguments, both oral and written, regarding the existing regulations. No persons appeared at the public hearings to offer comments in opposition to the existing regulations. A final Statement of Reasons (Government Code Section 11346.6 and 11346.7) has been prepared for this rule-making process. The statement is on file in the principal office of the Commission and is incorporated herein by reference. The final Statement of Reasons summarizes the comments submitted by Shell Oil Company and the City of Santa Clara, the only entities to provide written comments. Aminoil originally provided written comments but later retracted the comments by letter dated May 13, 1981. The statement also includes staff responses to the comments together with reasons for rejecting those portions of the comments not resulting in changes to the regulations.

Based upon the materials contained in the rule-making file, together with comments generated during the review/hearing process, staff believes that the regulations proposed herein for adoption meet the statutory requirements of "necessity", "authority", "clarity", "consistency", and "reference".

CALENDAR ITEM NO. 52 (CONTD)

AB 884: N/A.

EXHIBITS: A. Article 4.1 of 2 Cal. Adm. Code, Div. 3, Chapter 1.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THERE HAS BEEN COMPLIANCE WITH GOVERNMENT CODE SECTIONS 11346.4 (PUBLICATION AND NOTICE) AND 11349.7 (REVIEW) FOR THE PURPOSES OF MODIFYING ITS REGULATIONS IN TITLE 2, DIVISION 3, CHAPTER 1, ARTICLE 4.1.
2. DETERMINE THAT THERE ARE NO STATE-MANDATED COSTS OR SAVINGS TO ANY STATE AGENCIES OR LOCAL AGENCIES OR SCHOOL DISTRICTS IN THESE REGULATIONS THAT REQUIRE REIMBURSEMENT UNDER SECTION 2231 OF THE REVENUE AND TAXATION CODE INASMUCH AS COMPLIANCE WITH THESE REGULATIONS BY GOVERNMENTAL ENTITIES IS APPLICABLE ONLY UPON THEIR VOLUNTARY USE OF LANDS OR RIGHTS UNDER THE COMMISSION'S JURISDICTION.
3. APPROVE FOR FILING WITH THE OFFICE OF ADMINISTRATIVE LAW THE FINAL STATEMENT OR REASONS SUBSTANTIALLY IN THE FORM ON FILE IN THE PRINCIPAL OFFICE OF THE COMMISSION, WHICH STATEMENT IS INCORPORATED HEREIN BY REFERENCE.
4. ADOPT FOR FILING WITH THE OFFICE OF ADMINISTRATIVE LAW THOSE REGULATIONS SUBSTANTIALLY AS SET FORTH IN EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF, WHICH REGULATIONS WILL BECOME EFFECTIVE 30 DAYS AFTER FILING WITH THE SECRETARY OF STATE.
5. AUTHORIZE STAFF TO TAKE ALL STEPS NECESSARY TO GIVE EFFECT TO THE THE ABOVE, APPROVALS AND DETERMINATIONS, INCLUDING THE MAKING OF MINOR MODIFICATIONS TO THE TEXT OF THE REGULATIONS SO AS TO COMPLY WITH COMMENTS FROM THE OFFICE OF ADMINISTRATIVE LAW.

FOR FILING ADMINISTRATIVE REGULATIONS  
WITH THE SECRETARY OF STATE  
(Pursuant to Government Code Section 11380.1)

EXHIBIT A

## CALIFORNIA ADMINISTRATIVE CODE

## TITLE 2, DIVISION 3, ARTICLE 4.1

1. Repeal Article 4.1 (Sections 2250-2265) and add new Article 4.1 (Sections 2249-2267) to read:  
Article 4.1. Leases and Permits for Exploration and Development of Geothermal Resources

2249. Purpose Of and Authority to Adopt this Article 4.

This Article 4.1 prescribes rules and regulations pertaining to the exploration, development and production operations of geothermal resources on lands under the jurisdiction of the State Lands Commission. Promulgation of these regulations is authorized by Public Resources Code Section 6108 so as to facilitate performance under the Geothermal Resources Act (Public Resources Code Sections 6901 et seq.).

Authority: Public Resources Code Section 6108

Reference: Public Resources Code Sections 6901 et seq. and 6005

2250. Definitions.

For the purposes of this Article 4.1, the definitions hereinafter set forth shall govern.

(a) "State lands": All lands owned by the State, including school lands, lieu lands, proprietary lands, tidelands, submerged lands, swamp and overflowed lands, and beds of navigable

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rivers and lakes, and lands in which any interest in geothermal resources has been reserved to the State.

(b) "Commence drilling": The actual penetration of the ground with a drilling bit and a good faith continuance of the drilling operations thereafter.

(c) "Drilling operations": Any or all of the following operations on a well: Penetration of the ground with a drilling bit, logging or surveying the well bore, coring, sidewall sampling or coring, drill stem or formation testing, carrying on fishing operations, running and cementing protection or production casing, running tubing, perforating whipstock for redrilling, milling casing, reaming, setting whipstock for redrilling, operations to stop lost circulation, actual plugging and abandonment operations, and all other activities incidental to such operations.

(d) "Geothermal well":

1. With regard to both leases and prospecting permits issued with a preferential right to a lease: Any well drilled for the discovery of geothermal resources or any well on lands producing geothermal resources or reasonably presumed to contain geothermal resources, or any special well, converted producing well or reactivated or converted abandoned well employed for reinjecting geothermal resources or the residue thereof.

2. With regard to prospecting permits issued without a preferential right to a lease: A well, other than a

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temperature gradient hole, drilled solely for the evaluation of geothermal resources. There shall be no commercial production other than for testing purposes from this type of well.

(e) "Temperature gradient hole": A hole drilled strictly for the monitoring of temperature.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6901 et seq. and 6005

2251. Explanation of Geothermal Resources Exploration, Development and Production Procedures for State Lands:

The legislature has declared that the development of geothermal resources in State lands is "an essential element in the development of additional energy sources for the State of California". In addition, the legislature has recognized "that different parcels of State lands have varying degrees of potential for successful development" and that, therefore, there is a need for flexible permit and leasing procedures in order to develop this varying potential (Public Resources Code Section 6902).

To accomplish this goal, the Geothermal Resources Act provides four options for securing rights of access to or interest in State lands. They are:

(a) Exploration Permits: The Commission may issue nonexclusive geological and geophysical exploratory permits which authorize permittees to enter upon State lands and conduct exploratory research. The permittee can thereby assess State lands and determine if there is sufficient potential to either apply for an exclusive prospecting permit or nominate such lands

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to the Commission for a competitive lease sale.

(b) Prospecting Permits: The Commission may issue prospecting permits that provide the permittee with the exclusive right to prospect for geothermal resources on the permitted lands and which may, according to the terms of the permit, provide the permittee with a preferential right to a lease upon the discovery of geothermal resources in commercial quantities.

(c) Competitive Lease Sales: Upon nomination, the Commission may designate State lands for lease by competitive bidding to the highest responsible qualified bidder. Such nominations may be made by holders of exploration permits, by the Commission, or by any other party qualified pursuant to Public Resources Code Section 6801. Any State lands may be nominated and designated for competitive lease sale; provided that lands included within a valid and effective prospecting permit may be nominated and designated but may not be leased prior to the termination of that permit.

(d) Negotiated Leases: The Commission may negotiate leases in three specific instances:

- (1) For parcels of less than 640 acres where geothermal resources are to be utilized entirely for purposes other than electricity generation;
- (2) Where wells upon public or private lands are draining or may drain geothermal resources from State lands; and
- (3) For parcels which are small or irregularly

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shaped or not reasonably accessible from surface drill sites and the State lands are to be developed through drilling from adjoining lands only.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6901 et seq and 6005

2252. Statement of Intent.

(a) The Commission hereby expresses its intent to implement the Legislature's directive (see Section 2251) in order to maximize development of geothermal resources from State lands in an environmentally acceptable manner while insuring a fair return to the people of California for the exploitation of that public resource. The Commission, therefore, places the highest priority on the lease by competitive lease sale of lands which hold a promise of commercial development.

(b) The Commission hereby expresses its intent to encourage the use of exploration permits to enable the holders of such permits to obtain sufficient data in order to make informed bids in competitive lease sales. Accordingly, the issuance of exclusive prospecting permits and the optional preferential right therefrom to a lease upon commercial discovery will therefore be reserved for parcels with unknown potential for development and hence, where additional incentive is necessary to encourage prospecting on such lands.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6901 et seq. and 6005

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2253. Compliance with Law.

All exploration, development and production operations performed hereunder shall also be conducted in conformance with all applicable federal, state and local laws and regulations now or hereafter promulgated.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6901 et seq. and 6005

2254. Geothermal Exploration Permits.

The Commission may issue nonexclusive exploration permits for geothermal resource evaluation on State lands which are not under lease or subject to a prospecting permit issued pursuant to Public Resources Code Section 6910(a). Such permits may authorize the permittee to conduct, geophysical, geological, geochemical, or other surveys on State lands and/or to drill temperature gradient holes. Such permits shall be issued for information gathering purposes only.

(a) qualified persons, pursuant to Public Resources Code Section 6801, may make application to the Commission for exploration permits. Such applications shall be filed with the State Lands Commission, 100 Ocean Gate, Suite 300, Long Beach, California 90802. Applications shall include:

- (1) The name, address and proof of citizenship of the applicant; if the applicant is a corporation, the corporate name and address and the names and addresses of the president, secretary, and of all persons authorized to execute contracts and leases on behalf of the corporation, and those persons authorized

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to be served and accept service of process on behalf of the corporation.

(2) A legal description of the lands to be included in the permit.

(3) A description of all geologic, geophysical, geochemical and other surveys proposed and the number, depth and location of any temperature gradient holes proposed to be drilled.

(4) A statement of the period of time required to perform such exploration.

(5) An environmental data statement, forms for which are available from the Commission.

(6) Other data as may be required by the Commission.

(7) Payment of a non-refundable \$125.00 processing fee.

(b) The Commission may inspect and, upon request by the Commission, the permittee shall make available, copies of all factual, physical and interpretive exploration results, logs and records resulting from or related to permitted operations. Such information shall be deemed to be obtained in confidence under Government Code Section 6254(e), and shall not be deemed subject to compulsory disclosure under the California Public Records Act; provided that nothing herein shall prevent use or disclosure of such information by the Commission, in its discretion, to further the development of geothermal resources or to insure

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a fair return to the State.

(c) (1) Exploration permits shall be revocable by the Commission at any time by reason of either:

(A) The permittee's breach of the permit;

or

(B) Designation by the Commission of the land included within the permit for competitive bid lease sale. If only part of the permitted land is so designated, the exploration permit shall be revocable only as to that part.

(2) Revocation shall be effective ten (10) days after the permittee's receipt of a written notice mailed to the permittee at the address stated in its permit.

(d) Exploration permits shall in no case exceed eighteen (18) months in duration, including any time extension.

(e) Exploration permits shall terminate automatically ten (10) days after the permittee's receipt of written notice of the issuance of a prospecting permit or lease which covers the land within the exploration permit area has been issued. In the event the lands included in a exploration permit become partially included in a prospecting permit or a lease, the exploration permit shall terminate only as to those lands so included.

(f) Pursuant to Section 2256 of this Article 4.1, land included within an exploration permit may be nominated by the permittee thereunder, by the Commission, or by any other party qualified under Public Resources Code Section 6801 for

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competitive lease sale.

Authority: Public Resources Code Section 6108

Reference: Public Resources Code Sections 6909 and 6005

2255. Geothermal Prospecting Permits.

The Commission may issue an exclusive prospecting permit to the first qualified applicant pursuant to Public Resources Code Section 6801.

(a) (1) A prospecting permit shall give the permittee the exclusive right to prospect State lands for geothermal resources within the permitted area.

(2) Prospecting includes, but is not limited to, geological and geochemical testing and the drilling of a specified number of geothermal wells as provided in the permit.

(b) (1) At the discretion of the Commission, a prospecting permit may grant the applicant a preferential right to a lease upon the discovery of geothermal resources in commercial quantities. To exercise any preferential right, the permittee must inform the Commission, in writing, of its intent to do so within ninety (90) days of such a discovery. Failure to so inform the Commission will result in forfeiture of the preferential right.

(2) If a preferential right to a lease is granted, the permit shall so state and shall contain a royalty schedule for payment for geothermal resource production resulting from the exercise of a preferential right.

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(c) In the event that the permit does not give the permittee a preferential right to a lease, such a permit may give the permittee the right to drill evaluation wells only. In the event that the permit does give the permittee a preferential right, it may give the permittee a right to drill both evaluation and geothermal wells.

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(d) Qualified persons, pursuant to Public Resources Code Section 6801, may make application to the Commission for a prospecting permit. Such application shall be filed with the State Lands Commission, 100 Oceangate, Suite 300, Long Beach, California 90802, and shall include:

(1) The name, address and proof of citizenship of the applicant; if the applicant is a corporation, the corporate name and address and the names and addresses of the president, the secretary, and of all persons authorized to execute contracts and leases on behalf of the corporation, and those persons authorized to be served and accept service of process on behalf of the corporation.

(2) A legal description of the lands to be included in the permit.

(3) A statement describing any and all geothermal prospecting permits and leases issued by the State of California in which the applicant has any direct or indirect interest.

(4) An environmental data statement, forms for which are available from the Commission.

(5) A prospecting program which shall include a time schedule for the activity to be performed under the permit. The time schedule shall include, as appropriate, a description of any surveys, tests, or experiments using geological, geophysical or other prospecting methods, including prospect drilling. Each prospecting program shall provide that the permittee shall drill

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a minimum of one (1) geothermal well.

(6) Other data as may reasonably be required by the Commission.

(7) Payment of a non-refundable \$125.00 processing fee plus \$1.00/acre or fraction thereof as a deposit to be applied to the first year's rental upon issuance of the permit.

(e) Prospecting permits shall be effective for an initial term of two (2) years and shall provide that the permittee be required to drill a minimum of one (1) geothermal well. The Commission may extend the term of any prospecting permit beyond the initial two (2) years for a period not to exceed an additional two (2) years. If the Commission grants an extension, 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. In the event the permittee quits its interest in a permit prior to the expiration of the initial two year term, its obligation to drill any wells shall thereupon terminate.

(f) If under the terms of the permit the permittee is given a preferential right to a lease, rental shall annually escalate as provided in Public Resources Code Section 6913 until the permittee drills a geothermal well as provided in Section 2250(d).

(1) The escalating rental shall be \$5.00

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per acre during the second year and \$25.00 per acre during the third and fourth years of the permit. All rentals shall be paid in advance and shall be non-refundable. If under the terms of the permit the permittee is not given a preferential right to a lease, rental shall annually escalate unimpeded as provided in Public Resources Code Section 6913.

(g) In the case of an application for a permit covering lands in which the State holds geothermal rights but is not the surface owner, the applicant shall first duly record a notice of such application in the county in which the lands are located and shall thereafter serve by mail upon the surface owner of said lands at the address shown on the records of the county assessor, a copy of said recorded notice together with a copy of its application to the Commission for a prospecting permit. Such service shall be effective upon the date of mailing. If the surface owner, within six months of the date of service, files its own application and is qualified to so apply its application shall be granted subject to the provisions of this article and all other applicable law. If the surface owner fails to exercise timely the rights granted by this section, such rights shall terminate and the original applicant shall be permitted to proceed with its application.

(h) The Commission may terminate any permit issued by it within the term or within any extension upon the breach of any of the provisions thereof by the permittee.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6910 and 6005

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2256. Competitive Leases.

(a) State lands may be nominated by persons qualified under Public Resources Code Section 6801, or by the staff of the Commission for competitive lease sale. The Commission shall thereupon determine whether such nominated lands shall be designated for lease by competitive bidding. If so designated, the Commission shall determine whether such sales shall be on the basis of a cash bonus, net profit, or other single biddable factor. The Commission shall announce such lease sales by public notice pursuant to applicable law. Such public notice shall specify the date, the time and the place of the sale. In addition, such notice shall refer prospective bidders to the address where a bid package may be obtained. Bid packages shall contain the terms, conditions and procedures of the sale.

(b) The Commission reserves the right to reject any or all bids if doing so would be in the best interests of the State.

(c) With regard to lands in which the State holds geothermal rights but is not the surface owner, after the Commission has determined the highest qualified bid, the Commission shall notify the surface owner of such bid. Said notice shall be deemed to be effective when received by the surface owner or five days after being sent, whichever comes first. Said owner may, within ten (10) days after such notification, submit a bid identical to the highest qualified bid, in which case the Commission shall issue a lease to the surface owner. Said bid shall be deemed to be effective

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when received by the Commission. If the owner fails to file such a bid within such a time or is unqualified, the Commission may proceed with the award of the bid to the highest qualified bidder.

Authority: Public Resources Code Section 6108.  
Reference: Public Resources Code Sections 6005 and 6911

2257. Negotiated Leases.

(a) Notwithstanding any contrary provision of this Article 4.1, when it appears to the Commission that wells drilled upon private or public lands are draining or may drain geothermal resources from State lands, or where the provisions of Public Resources Code Section 6922 are deemed by the Commission to be impracticable by reason of the small size, or irregular configuration of State lands or its inaccessibility from surface drillsites reasonably available or obtainable, the Commission, in lieu of following the provisions of Public Resources Code Sections 6911 and 6922, may negotiate and enter into agreements with the owners or operators of such wells on private or public lands for the payment of compensation to the State for such drainage, or may negotiate and enter into leases for the development of the State lands through drilling from adjoining lands only.

(b) Notwithstanding any contrary provision of this Article 4.1, the Commission may issue a lease to the first qualified applicant for a parcel of less than 640 acres if the geothermal resources to be developed on this parcel are to be utilized entirely for purposes other than electricity generation. The terms and conditions, including rentals, royalties, drilling requirements and development programs of such a lease shall be

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specified in that lease. If there is an existing geothermal resources lease or permit for such lands, the applicant shall obtain the permission of the lessee or permittee before the applicant will be issued a lease by the Commission.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6919, 6925.1 and 6005

2258. Acceptance of Payment in Kind.

(a) The Commission may, in lieu of payment due the State under the Geothermal Resources Act, exercise the right to take its share of geothermal resources in kind as may be specified in a lease agreement.

(b) The State shall determine whether to use its or its purchaser's facilities, or those of the lessee, or both, to receive such in kind payment. If additional facilities are necessary to enable the State to take its payment in kind, the State or its purchaser of geothermal resources shall provide such additional facilities at its or their own expense, or if the lessee agrees to provide such additional facilities, the lessee shall be compensated by the State's purchaser for all direct labor and material costs in providing such additional facilities or, if the State elects, by deduction from payment due the State.

(c) Whenever the Commission exercises the right to take geothermal resources in kind, the Commission shall make and enter into contracts and agreements for the disposition and sale of such geothermal resources only with the highest responsible bidder upon competitive bidding and in accordance

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with procedures set forth in rules and regulations adopted by the Commission. All specifications and forms for the purpose of inviting bids in connection with such disposition and sale shall be adopted by the Commission prior to publication of notice to bidders. Should no bids be received, or should the Commission determine to reject any and all bids because of the insufficiency thereof or for any other reason, the Commission may negotiate and enter into agreements for such disposition and sale under terms and conditions deemed by the Commission to be in the best interest of the State.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6913(f) and 6005

2259. Drilling Requirements of Lessees.

(a) Within a maximum period of three (3) years, as determined by the lease, from and after the effective date of a lease, the lessee shall commence drilling a geothermal well. If the lessee fails to drill within the time so specified in the lease, the Commission may terminate the lease.

(b) After proving the existence of a commercial resource, the lessee shall diligently proceed to develop a market for geothermal resources and shall from time to time provide evidence thereof to the Commission. Upon the development of a market for geothermal resources, lessee shall continue to make diligent efforts to maximize the economic utilization of the geothermal resources.

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(c) The Commission may defer the drill requirements of a lease upon a special finding that such deferment would be in the best interest of the State or pursuant to Section 1267 of this Article 4.1.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6005 and 6901

2260. Royalty Renegotiation.

(a) Leases and prospecting permits which may be converted into leases entered into prior to January 1, 1979: In the event that the Commission determines that a first renegotiated royalty rate will be less than 30 percent royalty, or if in subsequent renegotiations the Commission determines that the royalty rate will increase by less than 50 percent over the royalty rate of the prior period, the Commission shall in either case make a special finding that such a lesser rate is in the best interests of the State.

(b) Leases entered into on and after January 1, 1979: In the event that the Commission chooses not to renegotiate the royalty during the twentieth year of a lease or chooses under other circumstances not to renegotiate the royalty at all, it shall do so only upon a special finding that such action is in the best interests of the State. In the event that the Commission determines that such a renegotiated royalty shall increase by less than 50 percent of the maximum royalties due during the immediately preceding period, it shall make a special finding that such a lesser rate is in the best interests of the State.

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Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6913(e) and 6105

2261. Operating Conditions.

(a) Operations under any lease or permit shall be carried on in a safe and workmanlike manner in accordance with generally accepted good engineering practices and with due regard given to the protection of life and property, the preservation of the environment and the conservation of natural resources.

(b) The Commission may determine the spacing of wells and the rate of development and production of wells in order to prevent the waste of geothermal resources and to promote the maximum economic recovery from and the conservation of the reservoir energy in each zone or separate underground source of geothermal resources. Such determination shall be based on recognized engineering standards and shall be consistent with prevailing economic conditions.

(c) Except in instances where the Commission has exercised its right to take the State's share of geothermal resources in kind pursuant to Section 2258 of this Article 4.1 geothermal resources shall not be disposed of except in accordance with sales contracts or other methods which have first been approved in writing by the Commission.

(d) All geothermal wells shall be tested when required by the Commission.

(e) No lessee or permittee shall drill a geothermal well on or into State lands except on prior approval of the

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Commission and subject to the terms and conditions of the enabling statute and lease or permit.

(f) Before commencing the work of drilling a well, the lessee or permittee shall notify the Commission of its intention to drill and such notice shall contain the location and elevation above sea level of the derrick, the proposed depth, bottom hole location, casing program, proposed completion program, and the size and shape of drilling site, the excavation and grading planned, and the location of existing and proposed access roads. Where the surface of the leased or permitted lands is under the jurisdiction of a state agency other than the Commission, the lessee or permittee shall provide at the same time such information listed above as is pertinent to that agency.

(g) No well shall be perforated, redrilled, plugged back, or altered except on prior approval of the Commission.

(h) All drilling, redrilling, perforating, or workover operations within any geothermal resources zone shall be done with an accepted circulating medium.

(i) No generating plants, buildings, structures, production equipment, metering systems, pipelines, or roads for the production of geothermal resources shall be installed except on prior approval by the Commission. Any proposed changes to such existing equipment or facilities shall be approved in advance by the Commission. Maps, drawings and specifications for installations and changes shall be furnished if requested

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by the Commission.

(j) The Commission may require the lessee or permittee to supply it with a geologic hazard study prior to commencement of drilling operations.

(k) Metering equipment shall be maintained and operated in such a manner as to meet acceptable standards of accuracy. Use of such equipment shall be discontinued at any time upon a determination by the Commission that standards of accuracy or quality are not being maintained with production stopped until measurement accuracy has been obtained.

(l) The lessee or permittee shall diligently maintain all wells to prevent water condensation and cooling of the well bore.

(m) Before work is commenced to abandon any well, the permittee or lessee shall notify the Commission with regard to the condition of the well and the proposed method of abandonment. No well may be abandoned unless prior approval of the method of abandonment has been obtained from the Commission.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6901 et seq and 6005

2262. Bond.

Lessees and permittees shall, at the time of the execution of the lease or permit, furnish and thereafter maintain, in favor of the State, a good and sufficient bond in such sum, as may be specified by the Commission, guaranteeing faithful performance by the lessee or permittee of the terms, covenants,

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and conditions of the lease or permit.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6901 et seq and 6005

2263. Indemnification.

(a) Lessees and permittees shall agree to indemnify and save harmless the State of California, its officers, agents and employees against any and all claims, demands, causes of action, or liability of any kind which may be asserted against or imposed upon the State of California, its officers, agents, or employees by any third person or entity, arising out of or connected with the issuance of a lease or permit, operations thereunder, or the use thereof by the lessee or permittee, its agents, employees, or contractors of land. Without limiting the generality of the foregoing, such indemnification shall include any claim, demand, cause of action or liability of any kind asserted against or imposed upon the State of California or any of its officers, agents, or employees arising out of or connected with any alleged or actual violation by the lessee or permittee, its agents, employees or contractors of the property or contractual rights of any third person or entity.

(b) At the option of the Commission, the lessee or permittee shall procure and maintain liability insurance for the benefit of the State in an amount satisfactory to the Commission.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6901 et seq and 6005

2264. Records and Reports.

(a) With regard to prospecting permits and leases,

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lessees and permittees shall furnish the Commission the following information in the manner and form prescribed.

(1) Statements showing the work performed upon the leased or permitted area and the amount, quality and value of all geothermal resources produced, shipped, or sold;

(2) Copies of all physical and factual exploration results, logs, and surveys which may be conducted, all test data, and other data resulting from operations under the lease or permit.

(b) Such information shall be deemed to be obtained in confidence under Government Code Section 6254(e) and shall not be deemed subject to compulsory disclosure under the California Public Records Act; provided, that nothing herein shall prevent use of such information by the Commission, in its discretion, to further the development of geothermal resources or to insure a fair return to the State.

Authority: Public Resources Code Section 6108

Reference: Public Resources Code Sections 6901 et seq. and 6005

2265. Commingled Production.

(a) Geothermal resources from any two or more wells, regardless of whether such wells are located on State land, may be commingled when the metering system used to measure geothermal resources has been approved by the Commission. Prior to the installation of the metering system, the lessee or permittee shall submit, for approval, a schematic drawing of the proposed

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system and specifications of the major equipment components.

(b) The Commission will determine if acceptable standards of accuracy for measuring geothermal resources have been obtained and may approve commingling of geothermal resources. The metering equipment shall be maintained and operated in such a manner as to meet acceptable standards of accuracy. Use of the equipment and commingling shall be discontinued upon determination by the Commission that standards of measurement accuracy or quality are not being maintained. Commingling shall not be resumed until the Commission determines that measurement accuracy has been obtained.

(c) In the event that the quality and composition of the geothermal resources to be commingled are substantially different, commingling shall not be approved by the Commission until acceptable standards and methods of payment are established.

Authority: Public Resources Code Section 6108  
Reference: Public Resources Code Sections 6920 and 6005

2266. Surrender of the Premises.

At the expiration of a lease or permit, or sooner termination thereof, the lessees or permittees shall restore the lands covered by said lease or permit to their original condition so far as it is reasonable to do so, except for such roads, excavations, alterations, or other improvements which may be designated for retention by the Commission or any State agency having jurisdiction over the affected lands. Where determined necessary by the Commission and/or such State agency, cleared

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sites and roadways shall be replanted with grass, shrubs, or trees.

Authority: Public Resources Code Section 6108

Reference: Public Resources Code Sections 6901 et seq and 6005

2267. Suspension of Performance.

In order for any obligation imposed upon a permittee or lessee by a prospecting permit or lease resulting therefrom to be suspended by the Commission pursuant to Public Resources Code Section 6910(d), the permittee or lessee must inform the Commission in writing that such a condition has arisen as soon as possible under the circumstances. When such conditions cease to exist, the permittee or lessee shall so inform the Commission as soon as possible under the circumstances.

Authority: Public Resources Code Section 6108

Reference: Public Resources Code Sections 6910(d) and 6005

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