

STATE OF CALIFORNIA

Minutes of the Meeting of the
State Lands Commission
Sacramento, California

APPEARANCES

Commissioners Present:

Kenneth Cory, State Controller, Chairman
Mervyn M. Dymally, Lieutenant Governor,
Commissioner (arrived at 10:10 a.m., left
at 1:05 p.m.)
Sid McCausland, Chief Deputy Director of
Finance, alternate for Roy M. Bell, Director
of Finance, Commissioner

Staff Members in Attendance:

William F. Northrop, Executive Officer
R. S. Golden, Assistant Executive Officer
Robert C. Hight, Staff Counsel
James F. Trout, Manager, Land Operations
W. M. Thompson, Manager, Long Beach Operations
Diane Jones, Secretary

Representing the Office of the Attorney General:

N. Gregory Taylor, Assistant Attorney General

Re Minute Item 20 - Hearing on Volumetric Rental Regulations:

David Destano, attorney with law firm of
McCutchen, Black, Verleger and Shea representing
Western Oil and Gas Association
Ed Faaffe, representing Standard Oil Company of
California
Paul F. Hughey, General Manager, Contra Costa
County Economic Development Association
Hugh C. Earley, Director of Public Affairs,
Western Airlines; also representing the
Air Transport Association
Robert Leichtner, attorney with law firm of
McCutchen, Doyle, Brown and Erneron representing
Pacific Refining Company
J. Peter Baumgartner, attorney, representing
Pacific Gas and Electric Company
Henry W. Simonsen, in pro per
Gerald P. Flannery, attorney, representing
the U. S. Department of Defense

Re Minute Item 21 - Consideration of Termination of Application
for Public Agency Permit; Truckee-Donner
Public Utility District

Steve Grumer, attorney representing Truckee-
Donner Public Utility District

Dan Cook, District Engineer, representing
Truckee-Donner Public Utility District

James Thompson, attorney, representing Dart
Industries

Pat Sutton, a Director of the Truckee-Donner
Public Utility District, in pro per

Marge Adkerson, Secretary, Plug the Pipeline
Committee

Patty McClain, resident of Donner Lake, in pro per
Frank D. Beardsley, representing Plug the
Pipeline Committee

Bob Christianson, member of Board of Truckee-
Donner Public Utility District

Re Minute Item 23 - Request for Approval of Gas Sales Agreement;
Standard Oil Company of California and
Pacific Gas and Electric Company

Phil DeYoung, representing P.G. & E.
Colin Campbell, representing Standard Oil Company
of California

Tom Finical, representing Standard Oil Company
of California

Re Minute Item 26 - Commercial Lease; Grace E. Christiansen
Carroll Christiansen, husband of the applicant

Mathews Readymix Issue; Feather River near Oroville

Patrick J. Porgans, representing Safeguard
Environmental Protection Agency (SEPA)

MINUTES OF THE STATE LANDS COMMISSION
MEETING OF
JULY 22, 1976

The regular meeting of the State Lands Commission was called to order by Chairman Kenneth Cory, State Controller, at 10:06 a.m. in Assembly Room 127 of the State Food and Agriculture Building, 1227 N Street, Sacramento. Commission-alternate S^d McCausland, alternate for Commissioner Roy M. Bell, Director of Finance, was also present. Commissioner Mervyn M. Dymally, Lieutenant Governor, appeared at 10:16 a.m.

The Minutes of the meeting of July 22, 1976, were approved as presented.

EXECUTIVE OFFICER'S REPORT

William F. Northrop, Executive Officer, reported on the following:

1. The pending geothermal resources lease sale in Lake County.
2. The staff field trip over the greater part of Northern California for the inspection of available Bureau of Land Management public domain land for possible land consolidation and exchange.
3. The amendments by the Department of Water Resources to Assemblyman Lawrence Kapiloff's Bill, AB 3590, concerning geothermal resources. Mr. Northrop indicated that it was the staff's opinion the Commission should take an oppose position because the amendments may tend to discourage geothermal development. At this point in the meeting, Commissioner Dymally appeared. Chairman Cory instructed the staff to prepare a draft outline on what DWR's amendments attempt to accomplish, send copies to the Commissioners and a copy to the Director of Water Resources for his response, and then poll the Commissioners for their positions.
4. Appearance in Washington, D.C. by Chairman Cory and himself before the Subcommittee of the U. S. Senate Committee on Interior and Insular Affairs to testify on S 3660.

At the conclusion, Mr. Northrop reported he was in receipt of a letter from Assemblyman Barry Keene and a telegram from the Sonoma County Board of Supervisors requesting that Calendar Item 47 be deferred for 30 days. Without objection, Chairman Cory put the item over. (See Minute Item 47, page)

Mr. Northrop's written statement is attached as Exhibit "A".

Attachment: Exhibit "A"

EXHIBIT "A"

EXECUTIVE OFFICER'S REPORT

By

WILLIAM F. NORTHROP
JULY 22, 1976

GEOHERMAL RESOURCES - LAKE COUNTY SALE

W 9186

AT THE MEETING IN DECEMBER 1975, THE COMMISSION APPROVED A MOTION DESIGNATING A 130-ACRE PARCEL OF LAND IN LAKE COUNTY TO BE A KNOWN GEOHERMAL RESOURCES AREA.

THE PARCEL, IN WHICH THE STATE HAS RESERVED OWNERSHIP OF THE MINERALS, IS NEAR THE GEYSERS GEOHERMAL FIELD AND IS PART OF A LARGER 1,800-ACRE LEASEHOLD KNOWN AS THE "DAVIES ESTATE".

THE PUBLIC RESOURCES CODE PROVIDES THAT A KNOWN GEOHERMAL RESOURCES AREA (KGRA) SHALL CONTAIN AT LEAST ONE WELL CAPABLE OF PRODUCING GEOHERMAL RESOURCES IN COMMERCIAL QUANTITIES. AT THE DECEMBER MEETING, STAFF RECOMMENDED THE KGRA DESIGNATION BECAUSE THE STATE PARCEL IS SURROUNDED ON THREE SIDES BY PRODUCING COMMERCIAL STEAM WELLS AND IS UNDERLAIN BY THE SAME TYPE ROCKS THAT OCCUR IN THE PROVEN STEAM FIELD.

THE CODE ALSO PROVIDES THAT LANDS WITHIN A KGRA MAY BE LEASED BY COMPETITIVE PUBLIC BID ON THE BASIS OF A CASH BONUS, NET PROFIT OR OTHER SINGLE BIDDABLE FACTOR. AT THE DECEMBER MEETING, THE COMMISSION AUTHORIZED STAFF TO PROCEED WITH A COMPETITIVE LEASE SALE AND REVISE THE FORMAT OF THE

GEOHERMAL LEASE FORM TO PROVIDE FOR A ROYALTY OF 10 PERCENT OF GROSS REVENUE, AN ANNUAL RENTAL OF \$1 PER ACRE AND THE BIDDABLE FACTOR TO BE A PERCENTAGE OF NET PROFITS.

THAT FORM HAS NOW BEEN REVISED AND WE ARE PREPARED TO CONDUCT THE LEASE SALE. THE SCHEDULE CALLS FOR ADVERTISING ON JULY 22 AND 29, AND OPENING THE BIDS ON SEPTEMBER 1.

AT THE DECEMBER MEETING YOU AUTHORIZED STAFF TO DETERMINE THE HIGHEST QUALIFIED BIDDER AND THEN TO PROCEED TO NOTIFY THE SURFACE LANDOWNER. SINCE THE SURFACE LANDOWNER, BY LAW, HAS THE OPTION TO SUBMIT, WITHIN 10 DAYS, A BID IDENTICAL TO THE HIGHEST ACCEPTABLE BID, AND THUS QUALIFY AS THE SUCCESSFUL BIDDER, AWARD OF THE LEASE PROBABLY WILL NOT BE POSSIBLE UNTIL THE COMMISSION'S OCTOBER MEETING, ASSUMING THAT AN ACCEPTABLE BID IS RECEIVED.

I MIGHT ADD, THAT THIS PROPOSED SALE IS THE FIRST COMPETITIVE LEASE SALE EVER HELD FOR GEOTHERMAL RESOURCES FROM STATE-OWNED LANDS, AND IT IS ALSO THE FIRST TIME THE NET PROFITS CONCEPT OF BIDDING HAS BEEN USED FOR GEOTHERMAL RESOURCES

FIELD TRIP

S 8375

LAST WEDNESDAY THROUGH SATURDAY, THE STAFF TOURED THE GREATER PART OF NORTHERN CALIFORNIA, COVERING APPROXIMATELY 1,400 MILES. WE LOOKED AT 14 PLANNING UNITS OF AVAILABLE BLM PUBLIC DOMAIN LAND. AS A RESULT OF THIS TRIP, WE NOW FOR THE FIRST TIME HAVE AN APPRECIATION OF THE KINDS OF LANDS AVAILABLE

FROM THE BUREAU OF LAND MANAGEMENT FOR LAND CONSOLIDATION AND EXCHANGE PURPOSES. FRANKLY, THE LANDS THAT ARE AVAILABLE ARE PROBABLY NOT WORTHY OF THE COMMISSION'S CONSIDERATION FOR MANAGEMENT AND EXCHANGE WITH STATE LANDS, WITH THE EXCEPTION OF:

1. LIMITED AREAS OF CONCENTRATED MERCHANTABLE TIMBER;
2. AREAS HAVING POTENTIAL FOR GEOTHERMAL RESOURCES OVER THE LONG RANGE; OR
3. USE AS EXCHANGE TO ACQUIRE COASTAL PROPERTIES OR OTHER PROPERTIES HAVING MULTI-PURPOSE APPLICATIONS.

AS A RESULT, STAFF HAS BEEN DIRECTED TO RE-EVALUATE SOME OF THE EARLIER PRIORITIES, WITH THE VIEW TO MAXIMIZING THE AREAS ALONG THE COAST OR IN SOUTHERN CALIFORNIA AND LANDS HAVING APPARENT POTENTIAL FOR GEOTHERMAL RESOURCES AND OTHER MINERAL DEVELOPMENTS.

W 9714.1

S 3660

I APPEARED, ALONG WITH THE CHAIRMAN, BEFORE SENATOR JOHNSTON'S SUBCOMMITTEE OF THE SENATE INTERIOR AND INSULAR AFFAIRS COMMITTEE HEARINGS ON SENATORS CRANSTON AND JOHNSTON'S BILL No. S 3660, WHICH IS DIRECTED AT STATE-OWNED CRUDE OILS BEING RELEASED TO \$7.66 PER BARREL OR THE NATIONAL AVERAGE. IN ADDITION TO THIS, THE BILL WOULD ALLOW STATE-OWNED CRUDE OIL TO BE EXEMPTED FROM THE ENTITLEMENTS PROGRAM AND THIS PRICE TO BE EXCLUDED FROM THE NATIONAL MIX.

ALSO APPEARING ON THIS BILL WERE CONGRESSMAN HANNAFORD FROM LONG BEACH AND GOVERNOR EDWIN EDWARDS OF LOUISIANA. MR. ZARB FROM THE FEDERAL ENERGY ADMINISTRATION ALSO APPEARED ON THE BILL.

WHILE ZARB DID NOT SPEAK IN DIRECT OPPOSITION TO THE BILL, HE FELT THAT THE BILL WOULD BE MUCH MORE PALATABLE TO THE ADMINISTRATION IF ALL FEDERAL-OWNED OIL WERE EXEMPTED AS WELL.

IT IS CLEAR FROM THE HEARING THAT THE FEA IS HOLDING THIS PROPOSAL, AND OUR REQUEST FOR PARITY FOR CALIFORNIA CRUDE OIL, FOR RANSOM IN AN ATTEMPT TO GET SUPPORT FROM THE CALIFORNIA DELEGATION FOR OTHER ADMINISTRATION ENERGY PROGRAMS.

- MORE -

AMENDMENTS TO GEOTHERMAL LAW

FOR MORE THAN A YEAR NOW, THE STAFF HAS BEEN WORKING WITH THE DEPARTMENT OF WATER RESOURCES IN AN ATTEMPT TO ASSIST THEM IN SOLVING THEIR PROBLEMS OF ENERGY SHORTAGES FOR THE STATE WATER PROJECT BY SEEKING WAYS IN WHICH THEY COULD DEVELOP ELECTRICITY FROM GEOTHERMAL ENERGY ON STATE LANDS.

DURING THESE NEGOTIATIONS, LEGAL QUESTIONS WERE RAISED AS TO WHETHER DWR, AS A STATE AGENCY, WAS ELIGIBLE UNDER THE PROVISIONS OF THE PUBLIC RESOURCES CODE, TO BID FOR GEOTHERMAL RESOURCES ON STATE LANDS. ADDITIONALLY, DWR CLAIMED THAT AS A STATE AGENCY, THEY HAD THE RIGHT TO CLAIM A PRIORITY OF APPLICATION OVER ALL OTHER APPLICANTS FOR PERMITS TO PROSPECT FOR GEOTHERMAL RESOURCES. STAFF DISAGREED WITH BOTH OF THESE CONTENTIONS AND TO RESOLVE THE MATTER, A JOINT REQUEST FOR AN OPINION WAS MADE BY THE COMMISSION AND THE DEPARTMENT TO THE OFFICE OF THE ATTORNEY GENERAL.

IN AN OPINION ISSUED EARLY THIS MONTH, THE ATTORNEY GENERAL RULED THAT THE LEGISLATURE NEVER INTENDED THAT STATE AGENCIES WOULD BE ELIGIBLE TO BID ON AND DEVELOP GEOTHERMAL RESOURCES ON STATE LANDS AND THEREFORE, THE QUESTION OF PRIORITY OF APPLICATION WAS MOOT.

YESTERDAY, STAFF WAS SUDDENLY INFORMED BY THE RESOURCES AGENCY THAT DWR HAD PREPARED AMENDMENTS TO ASSEMBLYMAN KAPLOFF'S ASSEMBLY BILL 3590 WHICH WOULD PERMIT

STATE AGENCIES TO BID FOR GEOTHERMAL RESOURCES FROM STATE LANDS AND WHICH WOULD ALSO GIVE A STATE AGENCY A PRIORITY OVER ANY OTHER APPLICANTS FOR GEOTHERMAL PROSPECTING PERMITS.

THIS HAS JUST COME BEFORE YOU, BUT IT HAS BEEN BEFORE STAFF FOR MORE THAN A YEAR, AND IT IS THE OPINION OF STAFF THAT THIS MEASURE MUST BE VIGOROUSLY OPPOSED BY THE COMMISSION. THE OPTION OF HAVING A STATE AGENCY BIDDING FOR GEOTHERMAL RESOURCES FROM STATE LANDS, IF THEY BID LIKE EVERYONE ELSE, IS SOMETHING WITH WHICH WE MIGHT BE ABLE TO LIVE, BUT THE SPECTER OF GIVING THE STATE, COUNTY OR CITY THE RIGHT TO STEP IN DURING THE PERIOD WHEN A PROSPECTING PERMIT IS BEING PROCESSED AND DEMAND TO GO TO THE HEAD OF THE LINE, WOULD SIMPLY STOP ANYONE FROM PROSPECTING FOR GEOTHERMAL RESOURCES ON STATE LANDS. IN SHORT, WE WOULD HAVE NO GEOTHERMAL PROGRAM, AND DEVELOPMENT OF THIS ALTERNATIVE ENERGY RESOURCE IN WHICH YOU HAVE EVIDENCED SO MUCH INTEREST WOULD BE BROUGHT TO A STANDSTILL.

CALENDAR ITEM 47 - SONOMA GRANT REVOCATION

I RECEIVED A LETTER FROM ASSEMBLYMAN BARRY KEENE AND A LETTER FROM THE SONOMA COUNTY BOARD OF SUPERVISORS REQUESTING THAT CALENDAR ITEM 47 BE PUT OVER FOR 30 DAYS.

RECORD OF ACTION TAKEN BY THE
STATE LANDS COMMISSION
AT ITS MEETING OF JULY 22, 1976

During the meeting, the recommendations of the staff relative to Calendar Items C1, C2, C3, C4, C5, C6, C7, C8, C9, C10, C11, C12, C13, C14, C15, C16, C17, C18, C19, 24, 27, 28, 30, 31, 32, 33, 34, 35, 37, 38, 40, 41, 42, 44, and 46 were adopted as resolutions of the Commission by unanimous vote.

Commission action on Calendar Items 20, 21, 22, 23, 25, 26, 36, 43 and 45 are set forth on pages 922-932; 933-940; 941-942; 943-947; 951-954; 955-959; 991-993; 1010-1013; 1015-1016.

Calendar Item 47 was deferred for 30 days; Calendar Item 29 was informative only; no action thereon being necessary.

Other informational items discussed during the meeting included a presentation concerning the Mathews Readymix issue, Feather River, near Oroville (see page 1023); and a brief report on the status of major litigation (see page 1025).

Commissioners Cory, Dymally and Alternate McCausland were present during consideration of Calendar Items C1 to 21, after which Commissioner Dymally left at 1:05 p.m. and was not in attendance during consideration of Calendar Items 22 through 46.