

MINUTE ITEM
This Calendar Item No. 33
was approved as Minute Item
No. 33 by the State Lands
Commission by a vote of 3
to 0 at its 5/33/87
meeting.

CALENDAR ITEM

A 8

32

S 4

05/20/87
W 503.1157
SF 15496.2A
Small

AUTHORIZATION TO ENTER INTO A SETTLEMENT AGREEMENT RE:
BINKLEY GEOTHERMAL INC., ET. AL. V. STATE OF CALIFORNIA
AND UNION OIL COMPANY OF CALIFORNIA,
LAKE COUNTY, SUPERIOR COURT, CIVIL CASE NO. 18486

In August, 1943, pursuant to the provisions of Chapter 303 Statutes of 1921, the Commission sold the northeast quarter and the north half of the southeast quarter of section thirty-six (36), Township twelve (12) north, Range nine (9) west, Mount Diablo Meridian, which was estimated to contain 240 acres. Pursuant to that chapter the state reserved the mineral rights and appointed the surface owner as its agent for the purpose of leasing the lands for mineral development. As consideration for acting as the state's agent for leasing, the State also granted to the surface owner a 15/16ths interest in the mineral estate on the condition that the land owner, when acting as the State's agent, ensured that the State received 1/16th of the value of the minerals at the mine or well head without charge for any costs.

Pursuant to Public Resources Code section 6215, the Commission's consent is required before any of its rights and interests in lands sold pursuant Chapter 303, Statutes of 1921, can be pooled or unitized.

On July 18, 1974 the surface owners executed a geothermal lease to Union Oil Company of California which included the lands covered by the 1943 school lands sale. Under the terms of this lease the surface owners granted the right to pool or unitize the leased lands with other lands without prior consent. In 1979, the lessee drilled a commercial geothermal well on the lands covered by the original school land sale. And, on May 15, 1974 the Lessee formed a geothermal pooling unit (the

(ADDED 05/20/87)

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CALENDAR ITEM NO. 32 (CONT'D)

"Sinkley Ranch Unit") and pooled the lands covered by the school land sale, which had the commercial geothermal well, with other lands leased by the lessee.

A dispute between the Lessee, the surface owners, and the Commission arose and litigation was commenced in Lake County Superior Court.

Under the basic terms of the settlement agreement if the Commission has consented to the pooling of its interest in the school lands in the geothermal pooling unit, then Commission will retain all payments made to date by the Lessee, and in the future will receive its allocated 1/16th cost free share of the value of the geothermal resource based on the acreage in the geothermal pooling unit.

AB 884: N/A.

EXHIBITS: A. Site Map.
B. Exhibit of Pooled Acreage.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. AUTHORIZE THE STAFF AND THE ATTORNEY GENERAL'S OFFICE TO EXECUTE THE PROPOSED SETTLEMENT AGREEMENT ATTACHED HERETO AS EXHIBIT "C", AND INCORPORATED HEREFIN BY REFERENCE AS IF FULLY SET FORTH; PROVIDED HOWEVER, THAT THIS AUTHORIZATION TO AND CONSENT TO SETTLE IS NOT INTENDED NOR SHALL IT BE CONSTRUED TO BE A CONSENT TO ANY MODIFICATION TO THE POOLING UNIT OR A RELEASE OF ANY CLAIM AGAINST LESSEE FOR FAILURE TO DEVELOP AND EXPLORE THE LANDS WITHIN THE POOLING UNIT.

EXHIBIT "A"

**GEYSERS
GEOTHERMAL AREA**

STATE LANDS COMMISSION, LONG BEACH, CALIFORNIA

1 MILE SCALE

LEGEND:

- GEYSERS
- STATE LANDS
- STATE MINERAL RESERVATION
- LANDS
- W/S % MINERAL RESERVATION TO STATE

TO NILESVILLE

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EXHIBIT "A"

7

STATE LISTS COMMISSION LONG BEACH CALIFORNIA

 SOLID BLACK
 DIAGONAL
 HORIZONTAL
 VERTICAL
 CROSS-HATCH
 STIPPLE
 DOTTED
 WAVY
 NOISE
 SOLID BLACK

11

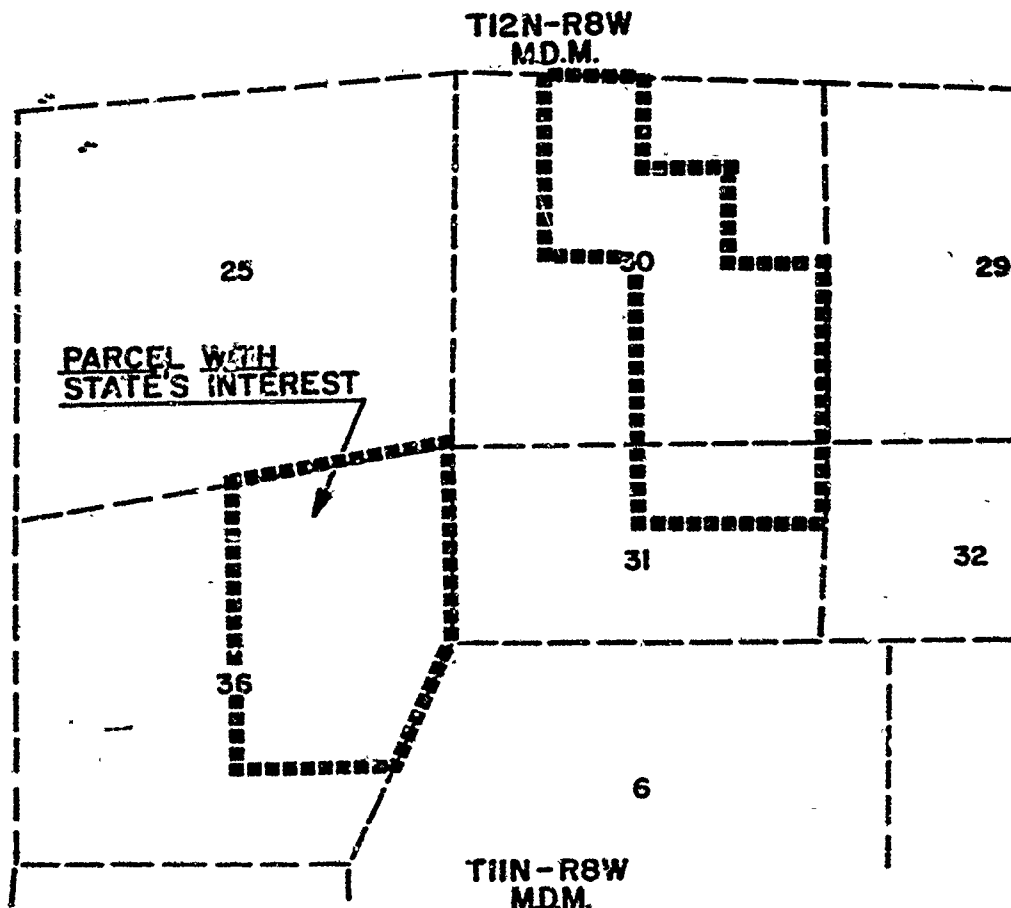
TIZN - RUCN
TNN RUCN

STILL

to: KASSTV LLC

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R.O 4/87



PARCEL WITH
STATE'S INTEREST

Legend

----- OUTLINE OF THE BINKLEY RANCH UNIT

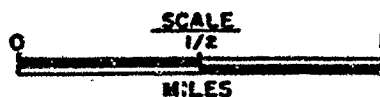


EXHIBIT "B"
**CONSENT TO POOLING
OF STATE'S INTEREST
LAKE COUNTY**



CALENDAR PAGE

80 4787

