

MINUTE ITEM

This Calendar Item No. 66
was approved as Minute Item
No. 66 by the State Lands
Commission by a vote of 3
to 0 at its 3/27/90
meeting.

CALENDAR ITEM

66

A)
S) N/A

03/27/90
C 8949
W 40046
D. Brown

DELEGATION OF AUTHORITY TO EXECUTE AGREEMENT WITH
LAWRENCE BERKELEY LABORATORY/DEPARTMENT OF ENERGY
TO CONDUCT GEOTHERMAL RESERVOIR SIMULATIONS AND
OTHER STUDIES IN THE GEYSERS GEOTHERMAL RESOURCE AREA

The State Lands Commission Extractive Development Division has been conducting an on-going study of the Geysers Geothermal Resource Area through contract with the Lawrence Berkeley Lab Earth Science Division. Recent declines in geothermal steam rates and increased corrosion and production problems on State leases have caused major concern about the ability of the lessees to maintain production and continue current income levels from School Lands to the State Teachers' Retirement Fund. These recent developments, caused by competitive producing practices, have created a great concern and have resulted in discussions within the industry and government agencies concerning solutions to these problems. Should the current trends continue, the major revenue source from School Lands could be in serious jeopardy.

The objectives of this agreement are to provide information to be used in the development of a reservoir management plan to extend the life of the steam resources; conduct necessary field tests, modeling work, water injection studies and geological work to support the reservoir management program; and to conduct corrosion and non-condensable gas studies for environmental protection, safety, and continued field operation.

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The proposed agreement shall be from April 1, 1990 through September 30, 1993 for a not to exceed amount of \$736,000. Of this amount, \$135,000 shall be funded in the 1989-90 fiscal year, \$251,000 shall be funded in the 1990-91 fiscal year, \$190,000 shall be funded in the 1991-92 fiscal year and \$160,000 shall be funded in the 1992-93. The 1989-90 fiscal year funding is included in the Commission's baseline budget for this purpose. Funding in future fiscal years shall be contingent upon the availability of funds within the Commission's budget as approved by the Legislature. Such limiting language has been included in the proposed agreement.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. DELEGATE TO THE EXECUTIVE OFFICER THE AUTHORITY TO EXECUTE AN AGREEMENT WITH THE DEPARTMENT OF ENERGY FOR A NOT TO EXCEED A TOTAL AGREEMENT AMOUNT OF \$736,000.