MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 6028
SACRAMENTO, CALIFORNIA

TUESDAY, NOVEMBER 20, 1979
10:00 A.M.

DELORES I. DALTON

PETERS SHORTHAND REPORTING CORPORATION
7708 COLLEGE TOWN DR/VE. SUITE 209
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (218) 363-3201
MEMBERS PRESENT

Hon. Kenneth Cory, State Controller, Chairman
Mr. David Ackerman, for Lieutenant Governor Mike Curb, Commissioner
Mr. Roy Bell, for Mary Ann Graves, Director of Finance, Commissioner

STAFF PRESENT

Mr. William Northrop, Executive Officer
Mr. James Trout
Mr. Robert Hight
Mr. Don Everitts
Mr. W. M. Thompson
Mr. Dwight Sanders
Mr. Al Willard
Ms. Diane Jones

ALSO PRESENT

Jan Stevens, Attorney General's Office
Mike Shoaff, Union Oil
Bill Woods, Aminoil, U.S.A.
Martin McDonough, Northern California Power Agency
<table>
<thead>
<tr>
<th>Page</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proceedings</td>
</tr>
<tr>
<td>1</td>
<td>Presentation of Rosco to Dianne Jones</td>
</tr>
<tr>
<td>1</td>
<td>Approval of Minutes</td>
</tr>
<tr>
<td>1</td>
<td>Executive Officer's Report</td>
</tr>
<tr>
<td>5</td>
<td>Approval of Consent Calendar Items C1 through C13</td>
</tr>
<tr>
<td>5</td>
<td>Calendar Item 14</td>
</tr>
<tr>
<td>6</td>
<td>Don Everitts</td>
</tr>
<tr>
<td>7</td>
<td>Ruby Glebe, Applicant</td>
</tr>
<tr>
<td>12</td>
<td>Jan Stevens</td>
</tr>
<tr>
<td>15</td>
<td>Mike Shoaff, Union Oil</td>
</tr>
<tr>
<td>24</td>
<td>Bill Woods, Aminoil, U.S.A.</td>
</tr>
<tr>
<td>25</td>
<td>Calendar Item 15</td>
</tr>
<tr>
<td>25</td>
<td>Executive Officer Northrop</td>
</tr>
<tr>
<td>26</td>
<td>Martin McDonough, Northern California Power Agency</td>
</tr>
<tr>
<td>33</td>
<td>Calendar Item 16</td>
</tr>
<tr>
<td>33</td>
<td>Executive Officer Northrop</td>
</tr>
<tr>
<td>34</td>
<td>Calendar Item 17</td>
</tr>
<tr>
<td>34</td>
<td>Calendar Item 18</td>
</tr>
<tr>
<td>34</td>
<td>Calendar Item 19</td>
</tr>
<tr>
<td>35</td>
<td>Calendar Item 20</td>
</tr>
<tr>
<td>35</td>
<td>Calendar Item 21</td>
</tr>
<tr>
<td>35</td>
<td>Calendar Item 22</td>
</tr>
<tr>
<td>35</td>
<td>Calendar Item 23</td>
</tr>
<tr>
<td>36</td>
<td>Calendar Item 24</td>
</tr>
<tr>
<td>Calendar Item 25</td>
<td>36</td>
</tr>
<tr>
<td>Calendar Item 26</td>
<td>37</td>
</tr>
<tr>
<td>Calendar Item 27</td>
<td>37</td>
</tr>
<tr>
<td>Calendar Item 28</td>
<td>37</td>
</tr>
<tr>
<td>Calendar Item 29</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 30</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 31</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 32</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 33</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 34</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 35</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 36</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 37</td>
<td>38</td>
</tr>
<tr>
<td>Calendar Item 38</td>
<td>38</td>
</tr>
<tr>
<td>Certificate of Reporter</td>
<td>39</td>
</tr>
</tbody>
</table>

PETERS SHORTHAND REPORTING CORPORATION
7702 COLLEGE TOWN DRIVE, SUITE 200
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601
CHAIRPERSON CORY: We will call the meeting to order.

The first item on the agenda today is that today is an unusual day.

Dianne, I understand that you have become a year younger.

MS. JONES: Yes.

CHAIRPERSON CORY: We have something for you.

(Thereupon Ms. Dianne Jones was presented with a rose by each of the Commissioners.)

MS. JONES: Thank you.

(Applause.)

CHAIRPERSON CORY: Are you ready for your speech? The mike should be on for you.

MS. JONES: Thank you very much.

(Laughter.)

CHAIRPERSON CORY: The next item is the confirmation of the minutes of the meeting of October 29th. Are there any corrections or additions?

Hearing none, the minutes will be confirmed as presented.

We have the report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Members,
the first subject we would like to discuss is the funding of EIR's. The Commission has the opportunity to take some steps of immediate help to the State's energy needs. An additional oil and gas field can be explored and rapidly developed with existing conventional technology. Further geothermal resources can also be developed in The Geysers area. What is needed first, in each case, is the initial funding for data collection and environmental considerations.

Offshore lands near Pt. Conception, Santa Barbara County, can be considered an excellent prospect for oil and gas leasing. This area is bordered by high bonus-bid Federal leases, but before a decision can be made on whether or not to lease these lands, the environmental impacts of this action must be evaluated. Additionally, a resource valuation must be made in order to determine the best procedures for leasing the land. Considerable funds will be needed for this project.

At The Geysers area, at least $100,000 will be required for the preparation by contract of environmental impact reports. These would be the prelude to competitive leasing of State-owned geothermal lands.

CHAIRPERSON CORY: Is the 100 grand just for preparation of the contract for the report?

EXECUTIVE OFFICER NORTHROP: And the report.

CHAIRPERSON CORY: And the report. That includes
the report?
EXECUTIVE OFFICER NORTHROP: Yes.
Is that right, Mr. Everitts?
MR. EVERITTS: Yes.
CHAIRPERSON CORY: Okay.
EXECUTIVE OFFICER NORTHROP: There is currently no provision for advance funding for geological and geophysical exploration or EIR preparation for the Commission's competitive energy resource lease program.
These activities could begin at once, if the funds were available now. With your consent, I propose to look for these funds through various alternatives, including possible budget augmentation, or probably, in the real world, legislation.
CHAIRPERSON CORY: How is that different from Item 33 on the agenda today?
EXECUTIVE OFFICER NORTHROP: Item 33 on the agenda, Mr. Chairman, authorizes me to move ahead once funds are secured.
CHAIRPERSON CORY: So you want us, at this point, to discuss whether or not you should go out looking for the dough?
EXECUTIVE OFFICER NORTHROP: Yes.
CHAIRPERSON CORY: I think Roy Bell is saying you can look for the dough as long as you don't come to him.
(Laughter.)

MR. BELL: I think my advice would be that you make sure you augment your own budget through a special bill or you will be waiting until after June to get your money, and that is seven months from now. If you need to go ahead early, you had better get urgency legislation. And there is a reason for augmenting your own budget, as you know.

EXECUTIVE OFFICER NORTHROP: Yes.

So we will move in that direction.

CHAIRPERSON CORY: You have permission.

EXECUTIVE OFFICER NORTHROP: The last item, Mr. Chairman, is the local coastal plans. Under provision of the Coastal Act, the State Lands Commission is required to review some 68 LCP's and four major port master plans and make comments on these plans prior to their certification by the Coastal Commission. In most cases of review and comment, staff will respond directly, with your permission, in line with Commission policy. This practice seems appropriate considering the number of plans. With your concurrence, the Commission comments will be transmitted, unless, of course, the comments are contrary to Commission policy, in which case we will return to the Commission for approval.

This completes my report.
MR. BELL: Any questions from the Commissioners?

Thank you, Mr. Northrop.

The next item is the Consent Calendar.

For the people in the audience, those are the items that are designated with a C in front of the number, and they will be taken up all at once and the staff recommendation will be followed unless there is an objection at this point in time from any member of the audience or any member of the Commission.

Is there any objection to any of the Consent Calendar items?

MR. BELL: No objection.

MR. ACKERMAN: No objection.

CHAIRPERSON CORY: Are there any items that have been taken off?

EXECUTIVE OFFICER NORTHROP: Of the Consent Calendar, no, Mr. Chairman.

CHAIRPERSON CORY: Without objection then, the Consent Calendar will be approved as presented. Those are Items Cl through C13 inclusive.

Item 14, geothermal resources, the recommendation of the prospecting permit for Mr. Glebe.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a denial of a prospecting permit, and Mr. Don Everitts of our geothermal section will address the Commission as to
the chronology of this item.

MR. EVRITTS: First of all, just so that you are familiar with the area, Item 14 is discussing this area right in here. It is related to a couple of other items that are coming up soon. Here is another piece that we want to classify and lease. This is the NCPA parcel that we discussed a couple of meetings ago, and we wanted to deny a prospecting application. This is the one that Aminoil wanted to renew a permit, and we did not except the renewal. This is the one right here now that we have a request for deferment for Aminoil. This is the main Geysers area which the State has about 50 percent of the production.

The Glebe application for that larger parcel is one that we first received around 1972, and we corresponded with them several times in 1972. Never did hear from them. Finally, in 1976, we wrote them and asked if they were still interested. If not, we wanted to cancel the application. The applicant responded and asked for a 60-day extension. We did give the applicant an extension and advised them that they should submit the data as soon as possible.

It was two years later in January of '78 that we again informed them we were going to cancel this application if we did not receive the information, and shortly after that, the applicant did file a revised application and
submitted most of the information.

About that time, legislation was going through changing our geothermal law and our leasing procedures, and we were a little bit slow probably in responding in February of '78. But in July, we once again asked the applicant for some more information. I don't believe we have ever received all of the information we needed.

In the meantime, in January of this year, we did tell them that because of the new legislation, we did not feel that we could recommend to the Commission that the prospecting permit be granted any more and that the land should be put up for lease and probably on a net profit basis, the reason being that there is drilling activity within a mile or two of there, the geothermal field is trending that way, and the staff does not think that a prospecting permit is proper any more.

CHAIRPERSON CORY: Okay. There is a request from Mr. Herman B. and Ruby Glebe to speak.

MRS. GLEBE: Members of the State Lands Commission, Executive Officer, my husband and I, Herman B. Glebe, of Kelseyville are here in reply to the Commission staff who are recommending putting a parcel, Exhibit A, File Number W 9577, up for competitive bid and denying our request for permit.

We recently wrote each of the staff stating why we
felt this permit being refused was unjust so that each of the members are aware of our objections. Briefly, we filed in '72, but we did not receive a reply for four years. I don't know where the lack of communication was, but we did not hear.

Then when the EIR was requested and prepared, we also sent the additional materials as requested. Normally, we have received permits within a year, prior to this, because we have had permits in the past. No Federal bids went out until all of the court trials and appeals were completed. The State has appeals in court at this time and already is picking up the lands to put out on bid. Apparently it does not have to abide by the due process of law.

That's the statement we want to file with you.

CHAIRPERSON CORY: Any questions from Commission Members?

MR. ACKERMAN: I have one question.

Mrs. Glebe, in your letter to us, you stated that on July 20, '78, the Commission required an extensive EIR to be prepared?

MRS. GLEBE: That's right.

MR. ACKERMAN: You mentioned the EIR was prepared by Union Oil.

MRS. GLEBE: Yes.
MR. ACKERMAN: Did they pay for it?

MRS. GLEBE: Yes. They paid for it because it was too expensive, it was too lengthy. We could not deal with it in any way. It was for engineering and geology, and we did not have those funds.

MR. ACKERMAN: Is Union Oil interested in your property?

MRS. GLEBE: They have leased our property for 14 years.

MR. ACKERMAN: They currently have the lease on your property?

MRS. GLEBE: Oh, yes. They have had a lease for 14 years. They have done the surveying and road building and maintained the property and improved and laid the groundwork for that. They are ready to go ahead with drilling, is what they have planned. They have worked on the background of it for this number of years. We feel that if it went out to bid and someone else picked it up, we would be back three or four or five years again.

CHAIRPERSON CORY: Current statutes allow that if it goes out to bid, you have a right to match the high bidder, if you are not the high bidder, and receive the lease as property owners; is that not correct?

MRS. GLEBE: Yes. That is correct; if you have got the money to do it.
CHAIRPERSON CORY: How does that interrelate with you having leased it to Union Oil? Aren't they the ultimate people paying?

MRS. GLEBE: Well, they are at this time, yes. At the present time.

MR. GLEBE: I would like to see the communications that were sent to us between 1972 and 1976, if you have them, please.

MRS. GLEBE: We never received anything.

CHAIRPERSON CORY: Don, do you have the file with you?

MR. EVERITTS: We don't have the file with us. We can certainly send you copies of it. The file is in Long Beach.

MR. GLEBE: We never received anything between the time we filed in 1972 and 1976.

MRS. GLEBE: Normally, our applications have been taken care of promptly. What I mean is within a year or so, in the past, when we asked for permits. We do have other land, too. This is not the only block.

MR. EVERITTS: Well, actually, according to our chronology, there was no communication between November 6th, 1972 and February 10th, 1976. We never received a response to the 1972 correspondence, final correspondence, and it was just the matter of trying to get the files active again and...
cleaning it up that we realized that we had never heard from you.

MR. GLEBE: Well, you never even sent us a notice between that time, that you accepted it or anything else in your files.

MRS. GLEBE: Well, we answered, but I don’t know --

MR. EVERITTS: Well, in October, according to our records, we forwarded the environmental information for it -- describing the environmental data required for the application, and we did not receive any response to that.

MR. GLEBE: In October of what year?

MR. EVERITTS: '72.

MR. GLEBE: We never received that.

MRS. GLEBE: We never got any of that.

MR. EVERITTS: Well, as a general rule -- we would have to check the file -- but as a general rule those are sent certified mail.

MRS. GLEBE: Some of your material is.

CHAIRPERSON CORY: Okay. The communication difficulty in the '72 to '76 period, our records indicate that there was a form sent October 30th of '72 saying that you needed an EIR and you have to file that and fill this stuff out; is that correct? And the applicant did not respond. They do not remember or have any record of having received that. Then in '76, we discovered that at that
point the applicant had not responded and we contacted them. It was not you contacting us?

MRS. GLEBB: I don't remember who contacted who in '76. I think the Commission wrote.

MR. GLEBB: You did contact us in 1976, but we didn't get anything from the time we sent our application in until 1976.

CHAIRPERSON CORY: Our problem is that, I see it, the fact situation indicates that to give a prospecting lease would be adverse to the State's interest, at this point, given the proximity of known geothermal resources there, and we have a problem as the trustee for the public resources of deriving the highest possible revenue.

MRS. GLEBB: Isn't it on appeal as yet, this point of mineral versus steam in the courts in the State?

MR. STEVENS: Mr. Chairman, the status of the product is still on appeal, but in the meantime, the State leasing program we would advise should continue. There is no order outstanding or stay of any sort which would prevent the operation of the program, and the Commission remains with the duty to obtain the maximum possible revenue from its lands.

CHAIRPERSON CORY: If the case is decided against the State, the leases would not be valid and that would be the end of it at that point, and if there were any stay, we
would not be able to issue a prospecting permit either.

MR. STEVENS: That's right. Where there is a
distinction between the mineral nature and some other kind
of product, in those cases, we will have to reexamine the
whole thing.

CHAIRPERSON CORY: The differentiation between
the prospecting permit and a known geothermal would not --
if it were that rather than a mineral, that would be the
end of it for either case, would it not?

MR. STEVENS: In those cases where the ownership
is different, right. In the meantime, there is a duty to
lease for competitive sales where there is a strong indication
of geothermal resource. This is basically the statutory
standard. Where it appears that there is commercially
producible energy, the standard is to lease rather than
issue a prospecting permit.

CHAIRPERSON CORY: Any questions from Commissioners?

MR. BELL: I had a question in my mind, since, in
effect, Union Oil did the expensive and hard-to-get type
information for the EIR and it was submitted. Is there an
indication from our staff that that information was still
not a complete EIR?

MR. EVERITTS: The information that Union Oil
Company submitted was basically a plan of development. It
was not an environmental impact document. It was not
sufficient.

CHAIRPERSON CORY: We still do not have an environmental impact --

MR. EVERITTS: We still do not have an Environmental Impact Report. We have still not received all of the data.

CHAIRPERSON CORY: What kind of data is lacking?

MR. EVERITTS: The environmental impacts, the mitigation factors, air quality -- just most of the problems that we are faced with.

CHAIRPERSON CORY: They just dealt with how they would drill the field?

MR. EVERITTS: And where.

CHAIRPERSON CORY: But not discussing what that would do to the environment?

MR. EVERITTS: No, it was not.

MR. ACKERMANN: Are there any other producing wells within close proximity to this tract?

MR. EVERITTS: Just immediately south of this parcel here, which is the subject of another item on the calendar, there is a well, Cobb Number 1, I think. It's a marginal well. A commercial well being maybe 60,000 pounds, this is 50,000. But I mean it is a producing well.

MR. ACKERMANN: Is that the only well that has been drilled?
MR. EVERITTS: That's the only well that has been drilled. The field is going that way. That's all we can say.

CHAIRPERSON CORRY: And there are two wells, one in that crosshatched area, 38 or 36, just above the yellow one. There is that one and --

MR. EVERITTS: That's the well that has been drilled here by Aminoil. What we are saying is that this, by just general trendology --

CHAIRPERSON CORRY: It's going that way.

MR. EVERITTS: It's going that way.

CHAIRPERSON CORRY: Is a BIR required for a prospecting permit?

MR. EVERITTS: Yes.

CHAIRPERSON CORRY: So we don't have the right data at this point.

There is somebody in the back of the room that wants to say something. If you would come up and identify yourself. We are easy to get along with. Come on forward.

MR. SHOAFF: My name is Mike Shoaff. I'm with Union Oil Company,

I would like to point out that a few of the wells that were drilled in this particular area have been drilled since the Glebes have made application for their prospecting permit -- like the Cobb Valley well, the Binkley well that
was drilled in Section 36, the Wild Horse well which was
drilled -- I'm not exactly sure what date. I think it was
about 1976 to 1977. There is one well that was drilled
up to the northeast, I believe it is, which is the Sullivan
well which was drilled back a good number of years ago, but
it was a dry hole. So in all fairness to the consideration
of the particular prospecting permit, I think you should
consider that some of those wells were drilled after the
application was filed.

Additionally, Union has had a lease from the
Glebes for I believe it's been 14 years, and our hesitation
about going that direction as far as drilling more wells
for our operations has been the lawsuit that has been
brought up. Also the determination in the Federal suit, too.
It was only decided about a year and a half ago.

CHAIRPERSON CORY: None of those things seem to
indicate -- I mean the fact that you have a lease and haven't
turned loose of it tends to put evidence on the side of the
scale that it is a known geothermal area as opposed to a
prospecting --

MR. SHOAFF: Not particularly. It's a situation
of how can you go up there and justifiably drill a well
when you don't know who really owns the resource?

CHAIRPERSON CORY: But that's a separate question
that's not related to whether or not its prospecting or
MR. SHOAFF: I don't follow.

If we can't really be assured that the individual
that we were leasing it from really owned the resource,
then why should we be--

CHAIRPERSON CORY: Well, that's a business
decision, but that has nothing to do with the factual
determination of whether it is a known geothermal area
or whether it is a prospecting permit.

MR. SHOAFF: Right.

CHAIRPERSON CORY: And the differentiation
statutorily that we must decide is whether or not it is
a known area and there is a significant probability that
you are going to find a geothermal resource there or whether
you should be able to have a greater return on your dollar
because you are taking a more significant risk and you are
wildcatting it.

MR. SHOAFF: True. But at the time that the
prospecting permit was applied for back in '72, and even
in 1976, a great deal of these wells hadn't been drilled,
and I think two of the wells that were drilled were--

CHAIRPERSON CORY: But whoever is at fault, there
has not been diligent pursuit of the application. To issue
a prospecting permit, you have to have an EIR, and to date
we still don't have an EIR.
MR. SHOAFF: There was some information that was provided in conversations with the Long Beach office also. It was brought up, what information was exactly needed. Was it for a NegativeDeclaration or was the information we were asked to submit --

CHAIRPERSON CORY: Pardon me. Are you a geologist?

MR. SHOAFF: No, I am not.

CHAIRPERSON CORY: A lawyer?

MR. SHOAFF: No.

CHAIRPERSON CORY: I'm not a lawyer either, but the lawyers who impinge upon our lives more than we need them, they keep, as I understand it, telling us that the concept of a Negative Dec that would work up there, I don't think would work legally and I don't think it would work politically, given the problems we have had and the number of potential lynchings that we have had of our staff that we sent up there to hold hearings. A Negative Dec, I don't think -- and if I am mistaken, if the staff would correct me -- I don't see how we could proceed on a Negative Dec.

MR. EVERITT: No way in Lake County.

MR. SHOAFF: Well, I grant you that.

CHAIRPERSON CORY: So what we are sitting with here is trying to sort out -- it seems to me that the burden has to rest upon an applicant to pursue the application, and I can understand why they didn't. I can understand why
Union, until they decided whether or not there was somebody valid to lease from -- until these court cases were resolved, I can understand your predicament. But to invoke those at this point, given the fact of the information that the wells have been drilled -- it seems to me that they have been drilled and we are now at the point where when we wear our trustee hat, we have got to kick you up into the higher bracket of a known geothermal area as opposed to a prospecting area.

MR. SHOAFF: I see your point there, but also the turnabout, in 1976 -- I'm not sure what took place between 1972 and '76 -- but I think there was diligent pursuit of this.

CHAIRPERSON CORY: From 1976?

MR. SHOAFF: Right.

CHAIRPERSON CORY: Well, we still don't have an EIR, and if you want a prospecting permit, you have to supply an EIR.

MR. SHOAFF: Well, we submitted enough information to determine whether or not an EIR was all that necessary at the initial findings that we brought up, I think there was -- there was a report that was submitted, I believe, by the Glebes.

MR. WILLARD: I think you could recall that --

THE REPORTER: I'm sorry. I don't have your name.
MR. WILLARD: Al Willard.

Yes, you did submit a Plan of Development for the area.

MR. SHOAFF: Right.

CHAIRPERSON Cory: And from the Plan of Development, you take that and then develop an Environmental Impact Report.

MR. SHOAFF: Right.

CHAIRPERSON Cory: If you follow this, this is what the impact will be on the environment.

MR. SHOAFF: Right.

CHAIRPERSON Cory: And that was not done, so we are still sitting here --

MR. SHOAFF: Last December, through our offices, we had decided to go about and get the Environmental Impact Report -- and then also the changing of the law back in January of last year.

CHAIRPERSON Cory: I'm not sure what you just said.

MR. SHOAFF: When was the last time it was requested for an Environmental Impact Report?

MR. WILLARD: July of '78.

MR. SHOAFF: All right. We were working through environmental consultants trying to find one that would be satisfactory to us to write the Environmental Impact Report, one that had familiarization with the area, as well as knowledge of the --
MR. EVERITTS: Of course, in the meantime, we have a new law, and that's one of our problems.

MR. SHOAFF: Right. January of this year.

CHAIRPERSON CORY: January of '79?

MR. SHOAFF: Right. But November of last year, in our office, we finally decided upon an environmental consultant, and then January 1st, the law changes.

CHAIRPERSON CORY: But in January of the year before, the applicant was informed that if we didn't have the information within 30 days, we were going to cancel.

MR. SHOAFF: And we submitted some information. Obviously, it wasn't enough.

CHAIRPERSON CORY: Commissioners, do you have anything?

MR. ACKERMAN: Just as a comment. I think that I would agree with Mr. Cory that if the area is known to be a commercially feasible geothermal area, and we have had a couple of other cases in the last two months before the Commission on these instances, to where we are almost obligated to look at a lease instead of a prospecting permit. It would seem that this falls into that category that Union seems to express a definite interest where they have already extended some money to go further, and it seems to be more than just exploration, but that they are looking at some kind of commercial development. And the appropriate way to go
would be to go out for a bid on a lease on this.

MR. SHOAFF: And you are going to make the
determination on expenditure and interest.

CHAIRPERSON CORY: We are making a determination
today to go out for competitive bid.

MR. SHOAFF: Right.

CHAIRPERSON CORY: And it's your move, if you
want to bid there, or if you have a contract with the
Glebes, then you can sit back and wait and see what that
is, and then, in essence, jump the claim by matching the bid.

So those are your options. You are protected.

MR. SHOAFF: Well, I grant you that.

CHAIRPERSON CORY: But it's going to be at a
higher rate than you hoped for.

MR. ACKERMAN: The Glebes are protected also.

MR. SHOAFF: The Glebes are protected, too. I
grant you that. But at what point do you make that
determination of when expenditures and interest are there
to signify it's a KGRA or whatever?

CHAIRPERSON CORY: Well, there are a number of
factors, but we are looking at the facts in coming to the
conclusion that it is a known geothermal area, and we are
proceeding by putting it out to competitive bid, and that
determination is made on each parcel before it is put to
competitive bid.
MR. WILLARD: You, of course, are not obligated to make a KGRA determination. You have that discretion to put it up for competitive bid or not. It is not mandatory that you find it is a KGRA.

CHAIRPERSON CORY: It is theoretically possible that if you put it up to competitive bid and nobody bids on it, then you could come back and reapply for a prospecting permit. But either one would require an Environmental Impact Report.

MR. EVERITTS: That was contemplated in this whole legislation that we go with what we think is the highest and best use, namely, the lease. If we have to revert to a prospecting permit, you have that option later on.

CHAIRPERSON CORY: The staff recommendation on this item is that we do what at this point? Deny the prospecting permit and that we prepare the EIR?

EXECUTIVE OFFICER NORTHROP: That's what we are proposing. Deny this and use the funding that we were discussing to prepare an EIR and go out to bid on it.

MR. EVERITTS: That applies to two parcels, that particular item.

EXECUTIVE OFFICER NORTHROP: Yes. We will attempt to cover this in the next calendar item.

CHAIRPERSON CORY: Is there anybody else who
would like to say something?

MR. WOODS: Could I just make a comment? I don't know if it will make any difference, but maybe it will clarify something.

CHAIRPERSON CORY: You are --

MR. WOODS: I am Bill Woods with Aminoil, U.S.A. We have the land lease on the purple parcel.

If I could step up here to the map, I would like to point out that we have done some exploratory work in this area and we have three noncommercial wells in this area here and one semi-commercial well. We have done exploration work in here. We have a well here that is a semi-commercial well. It is not really what you would call something that we could put our hat on for full field development. We have two dry holes drilled in this area.

So, basically, what I am saying is that we look at it as a fairly high risk parcel. However, we are willing to take that risk, but it is a fairly high risk parcel.

We also had an application pending on that, and I think it was in December, 1974, we submitted an Environmental Impact Report on that project. That impact report was a minimal effort, I agree, and it may not have been adequate. If there was notification of that impact report being inadequate, it went to the landowner. We didn't receive a copy. At least I don't have a copy in my file.
CHAIRPERSON CORY: Okay. What is the wish of the Commission? Deny?

MR. BELL: Yes, I think at this time since we do have both the landowner and Union at least protected, that we should deny.

CHAIRPERSON CORY: Without objection, we will deny the permit. Staff, when we get down to the other one, we will go ahead and proceed with the steps to get it --

MR. EVERITTS: That's the same item. This item covers both parcels.

CHAIRPERSON CORY: No, I'm talking about when we get to 33, there will be approval on the budgetary end for providing the EIR.

Item 14 is disposed of as the staff recommended.

Item 15.

EXECUTIVE OFFICER NORTHROP: Item 15 is a similar parcel of geothermal area and Mr. Everitts will point that out. I believe it's the one in orange.

CHAIRPERSON CORY: There are two in orange.

EXECUTIVE OFFICER NORTHROP: There are two in orange. Yes, it's that one there.

As you recall, two months ago this was on the calendar for denial of the prospecting permit. Representatives from the Northern California Power Agency prevailed upon the Commission to put this over for a 60-day or two-
month period. That period is up and it's back on the calendar.

MR. EVERITTS: The reason there are two orange parcels here is that this and this were on the same item two months ago.

CHAIRPERSON CORY: Okay. Mr. McDonough, General Counsel for Northern California Power Agency.

MR. McDONOUGH: Thank you, Mr. Chairman. I am Martin McDonough, General Counsel for Northern California Power Agency, an organization of 11 cities in Central and Northern California that are doing some geothermal work.

The cities do appreciate the 60-day delay that you gave us in September. In that interval, we have received a Preliminary Report from our consulting geologist, Doctor Kennig. We have proceeded further with our negotiations with the trustee in bankruptcy for our former partner, Resource Funding Limited, to remove the threat of litigation over our acquisition of its interest, and we have prepared for a meeting next week with the Sun Oil Company which is the farmer under a farmout of the leases which are adjacent to the parcel which is in question here.

Within the 60-day period, we have received the geologist's Final Report, but it has not yet been examined. It was received only within the last 48 hours. We have not been able to finalize an agreement with the trustee, and we
have not determined whether to drill a second well or reenter the first one, some further action appearing to be necessary under the terms of the farmout.

The preliminary well tests indicate that our first well will produce less than 30,000 pounds of steam per hour and that the temperature and pressures involved are substantially less than those encountered in the other portions of The Geysers area.

If the State Lands Commission issues a prospecting permit as requested, it would be an encouragement to NCPA to continue its exploration program. A determination to bid the property will produce a great deal of uncertainty for the near future and will be a discouragement.

The cost of the first well that we put down will be substantially in excess of $2 million when all of the costs are in. Now they are accumulated to about a million nine. This money was obtained by pledging the electric revenues of member cities.

We urge that the prospect, from our viewpoint, is certainly not proved and that we have a serious question as to whether to pursue the program to develop the steam. We ask that the flexible leasing program that you administer be fashioned so that you can issue a prospecting permit with a provision for a reasonable rental if the prospect proves to be good. If the permit is issued, we would be happy to
negotiate the terms with you to ensure that you have adequate information to provide a fair rental and to encourage the cities in going forward with their program.

We respectfully ask for your favorable consideration for a prospective permit.

CHAIRPERSON CORY: Under statute, do we have statutory authority to do what they are suggesting?

MR. NIGHT: Yes, Mr. Chairman, but up to 16 percent of the profits.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, apparently there is disagreement among the staff.

MR. WILLARD: Ten percent, under a prospective permit. That is the minimum.

CHAIRPERSON CORY: What is the maximum?

MR. WILLARD: There is no maximum.

CHAIRPERSON CORY: Somebody better get a law book, because there seems to be a disagreement among the staff as to what we are doing.

EXECUTIVE OFFICER NORTHROP: We can get all we want for a prospective permit?

MR. WILLARD: The minimum is ten percent of the gross.

CHAIRPERSON CORY: Somebody wander out and find them a book and figure out what we are doing before we make a decision.
There should be some in my office, or see if you can find -- there should be a set of codes in every Legislator's office. Find the first one and see if you could borrow one.

Are there other questions of the Commissioners on this item?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, he's a good lawyer. He brought the code along.

MR. ACKERMAN: Has the staff had an opportunity to review the geologic report?

EXECUTIVE OFFICER NORTHROP: We have not. As a matter of fact, Mr. Ackerman, this morning I checked with staff to see if we had heard anything, and we have had no communication until this moment, until the appearance of Mr. McDonough here.

MR. STEVENS: Mr. Chairman, I think that is a minimum of ten percent. Section 6910 provides for commercial leases after prospecting permits when producible amounts are discovered, and it refers to 6913 which says:

"Leases which result from prospecting permits shall be limited to royalty of not less than ten percent of the gross revenue, exclusive of charges."

MR. HIGHT: Read the next sentence.

CHAIRPERSON CORY: What is the term "exclusive of
charges"? That you will exclude those from gross revenues in determining whether or not you receive the ten percent?

MR. HIGHT: Mr. Chairman, I correct myself as wrong. The 16-2/3 percent applies to competitive bids as the minimum.

MR. STEVENS: We don't see any max.

MR. HIGHT: No.

MR. STEVENS: There is one other question, Mr. Chairman, if I may. I think there was a discrepancy in the description of the present well which was drilled by the agency, with respect to the pounds of steam per hour produced.

Mr. McDonough, did you say that was roughly 30,000 or less?

MR. MCDONOUGH: Yes, sir. I noted the staff's report figure of 50,000 pounds per hour. There were three tests made, according to the geologist. None of them exceeded 30,000 pounds per hour.

MR. EVERITTS: We have been told 50,000. In previous communication, you have equated it to 3 megawatts, which again would equate to about 50,000. That is ballpark numbers.

MR. MCDONOUGH: Doctor Kennig estimates that with the pressures and temperatures available, if turbines of that style were available, it would generate approximately one megawatt electrical.
MR. EVERITTS: Well, two months ago it was three megawatts, but --

MR. STEVENS: Would a difference of this sort have a substantial effect on whether or not this was a commercially feasible well?

MR. EVERITTS: It's like a ten barrel well, commercial, you make more money on a twenty barrel well.

CHAIRPERSON CORY: If this is denied, as the prior one was, where are we at that point? I am confused, given this new information, as to what our options are or aren't and what the significance of these acts are?

MR. EVERITTS: You have an option of granting a prospecting permit with no preferential right to a lease. You have the option of granting a prospecting permit with a preferential right to a lease. You have a right to go any kind of bid lease -- net profits -- so it doesn't cost any front end money. So it wouldn't cost any more than a prospective permit.

The Environmental Impact Report is written. That would be one of the advantages.

MR. WILLARD: We could go forward with the competitive leasing at this time.

MR. BELL: The question is, basically, is this a commercial area,

MR. EVERITTS: I just have to equate it to an
oil well. I sure wouldn't lease something that had an oil well that close to it, even if it was just a little oil well.

MR. WILLARD: You could certainly test the marketplace by going out to competitive bid.

EXECUTIVE OFFICER NORTHROP: On the net profits lease, of course, if the rest of the industry felt that this Northern is a conglomerate on power fields, then, of course, we would not get bids that would be in excess of the ten percent royalty, if it is as bad as has been painted.

MR. McDONOUGH: Mr. Chairman, I merely intended to give you the reports of Doctor Kennig who obviously knows about it. I don't. But to give you those figures. Obviously, a prospecting permit without a preferential right to lease would not be --

CHAIRPERSON CORY: Worth a lot, would it?

MR. McDONOUGH: -- worth a lot.

CHAIRPERSON CORY: Okay. There is no prejudice against this agency from continuing to pursue these, if we should deny the prospecting permit at this time?

EXECUTIVE OFFICER NORTHROP: No. We would welcome the Northern California Power Agency bid on this property. If they were the successful bidder, we would just be very pleased.

MR. BELL: Do they lack some of the protection which the Glebes and Union had?
MR. EVURITTS: They have a lease with the surface owner, so they always have recourse back to the lease through the surface owner.

MR. BELL: They are in approximately the same position.

CHAIRPERSON CORY: The difference being that the EIR has been completed on this one.

MR. BELL: I have great difficulty, Mr. Chairman, distinguishing any remarkable difference between this and the prior item which we denied -- pardon me -- took an action to deny the prospecting permit.

CHAIRPERSON CORY: Okay. Without objection, we will deny this one, the same as we did 14.

Item 16 - Approve the deferment of drilling requirement for Geothermal Resources Lease PRC 5217.2 from February 25th, '80 to the same date in '82.

EXECUTIVE OFFICER NORTHROP: The reason for this, Mr. Chairman, is there was some litigation over the very fact that we discussed here this morning, the ability of the landowner to --

CHAIRPERSON CORY: So Aminoil was not in a position to proceed until this litigation was cleared up. It is now cleared up, and this gives them just the same amount of time they lost.

EXECUTIVE OFFICER NORTHROP: Right. It puts them
in the same position as Union and --

CHAIRPERSON CORY: Aminoil has requested this?

EXECUTIVE OFFICER NORTHROP: Yes, they have requested it.

CHAIRPERSON CORY: So they're happy with it?

MR. WOODS: Yes. That's fine.

CHAIRPERSON CORY: Any questions from Commissioners?

Without objection, Item 16 is approved as presented.

Item 17 - Lease for The Brother Jonathan Company, approval of a Salvage Permit.

Is there anybody in the audience on this item? Questions from the Commissioners?

Without objection, Item 17 is approved as presented.

Item 18 - Assignment of a 15-year lease with respect to a Structure Permit from Detwiler for Shorecliff Properties.

Anybody in the audience on this item? Any questions from the Commissioners?

Without objection, Item 18 will be approved as presented.

Item 19 - City of Burlingame and San Francisco Airport Motel Company, the Sheraton. This is the one where we are agreeing to the lease, but not dealing with the ownership question?
EXECUTIVE OFFICER NORTHROP: Right.

MR. BELL: And we reserve the right to the title?

EXECUTIVE OFFICER NORTHROP: Right. The title is not in question.

CHAIRPERSON CORY: Anybody in the audience on this item?

Questions from Commissioners?

Without objection, Item 19 will be approved as presented.

Item 20 - Mobil Oil estates, relocation of a public easement on Redwood Peninsula, Redwood City.

Anybody in the audience on this item?

Questions from Commissioners?

Without objection, Item 20 will be approved as presented.

Item 21 - Scenic Lands Properties, Incorporated, the settlement compromise title, Petaluma, within the City of Petaluma.

Anybody in the audience on this item?

MR. TROUT: Mr. Chairman, we would like permission to make a small change in the legal description to more precisely define the monument. We have substituted Exhibits D and F. They do not change the form of the agreement. They just more precisely describe the calls. Other than that, there would be no change.
CHAIRPERSON CORY: With that amendment --

MR. BELL: No objection.

CHAIRPERSON CORY: Without objection, Item 21 will be approved with the amendment D and F of the exhibits. Is that correct?

MR. TROUT: That's correct.

CHAIRPERSON CORY: Item 22 - Denial of applications without prejudice, for use of State-owned properties. Is there anybody in the audience on this item?

Item 22?

Questions from Commissioners?

These are things we have to deny to fit within the statutory limitations?

EXECUTIVE OFFICER NORTHROP: Statutory limitations of one year; right.

CHAIRPERSON CORY: Without objection, Item 22 will be approved as presented.

MR. BELL: There is only one?

EXECUTIVE OFFICER NORTHROP: Only one in there now.

CHAIRPERSON CORY: Okay. Item 23 --

EXECUTIVE OFFICER NORTHROP: Off calendar.

CHAIRPERSON CORY: Off calendar. Okay.

Item 24 - Approve the holding of a public hearing -- both Items 24 and 25. These are gas leases in the
Delta area, and staff wants authorization for public
hearings prior to going to bid.

Anybody in the audience on these items?

Without objection, Items 24 and 25 will be
approved as presented.

Item 26 - Third modification --

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr.
Thompson will discuss the plan and budget and tell you
how much money we told the Senate we were going to raise.

MR. THOMPSON: This is a report for the first
quarter of the year, and since it's kind of late in getting
to the Commission, why it's kind of out of date. As you can
see, we have had some problem with oil pricing when we
had to give you two rates of revenue here. This is based
on uncertainties. Basically we are talking about a range
here between $116 million and $197 million.

Part of our uncertainty was just recently
resolved. Effective November 15th, the regulations came
out that decontrol upper tier oil effective January 1st.
So part of the uncertainty we had in this thing was resolved.
And, hopefully, that of the excise profits tax which is on
the Senate floor right now for debate is resolved and also
the question on heavy oil. These are the reasons for the
range and that particular revenue spread, and we have almost
a three to four dollar difference in composite price
resulting from these uncertainties.

The oil production for the first quarter was down primarily because we were concentrating on water injection wells. In the first quarter, we redrilled seven water injection wells, and actually in that one quarter of the year we spent 40 percent of our budget money on injection wells there. As far as well work on injection wells, we spent 52 percent of our money.

So we have been getting a lot of injection wells, and hopefully, we will see this response in the ensuing quarters.

CHAIRPERSON CORY: Questions from the Commissioners?

MR. BELL: None.

CHAIRPERSON CORY: Okay. Without objection then, we will approve the Third Modification.

MR. THOMPSON: I believe Items 27 and 28 have been pulled. We are still trying to get some legal language straightened out on one of those and we need one number. They will be on the December calendar.

CHAIRPERSON CORY: Item 29, we are proposing expenditure on Windham Avenue and Van Camp Street.

MR. THOMPSON: This is a prior pool for subsidence costs to place landfill on this one-acre parcel here, and this would bring the land surface back up to its pre-subidence level. This was originally filled in about the
mid-forties as part of the landfill for Pier A. Since that
time, it has gone down, I think, six and a half feet.

MR. BELL: How much?

MR. THOMPSON: Six and a half feet.

MR. BELL: Anything from subsidence not due to
oil drilling --

EXECUTIVE OFFICER NORTHROP: Mr. Bell, none of
it is due to oil drilling.

CHAIRPERSON CORY: Some of this is just the fill
settling.

MR. BELL: This is just the fill settling.

MR. THOMPSON: It's a combination of many things
that would affect why subsidence occurs. The fill
substance could be going down. There could be recent
subsidence. There are many items on this. This is a
legal issue. I'd prefer not to comment on it.

MR. BELL: Sorry I asked the question.

CHAIRPERSON CORY: Any other questions the staff
doesn't want to deal with?

(Laughter.)

MR. THOMPSON: If the lawyer would like to talk,
I'm wide open to listening.

MR. HIGHT: Doing fine.

CHAIRPERSON CORY: Any questions from Commissioners
on this item?
MR. BELL: No.

CHAIRPERSON CORY: Item 29 will be approved as presented.

Item 30 - Approve second phase subsidence cost proposed to be expanded by the City of Long Beach in the Town Lot area of the Harbor District and rescind the action of July 25th, Minute action. This is another --

MR. THOMPSON: This is not a rescinding of the action. Actually, it's an expansion and adding a little bit to it. So it actually will supersede the action and complete that particular action.

CHAIRPERSON CORY: Questions from Commissioners? Without objection, 30 will be approved as presented.

Item 31 - Invitation to bid on crude oil sell off on the upper tier - is it upper and release?

MR. THOMPSON: It's the uncontrolled portion of the oil. This is the eight percent of the LBHD contract which has been taken by the City and sold off in years past. We are now going to try to sell the uncontrolled portion of that. We have upper tier, lower tier and uncontrolled. The uncontrolled results from the recent heavy oil decision, and almost half of the oil produced by LBHD now is uncontrolled because it is below 16 gravity. So, therefore, any composite barrel then is half uncontrolled in the past.
We have a supplier/purchaser relationship to Max, so in this particular case succeeding price is being paid for the upper and lower tier portions, and we can only go out and get competitive bidding for the uncontrolled portion.

The method that is proposed here is to take the average of the posted price for uncontrolled oil in the Wilmington field, and the bonus factor then will be the bid factor above that. So the bidder will always know that he will have to use as a base those average prices, and that he will bid a certain amount above that.

The term of the sell-off is for a six-month increment. It can then be renewed for additional six-month increments after that at the mutual agreement of both parties.

Again, we feel that the uncontrolled price posted does not reflect the real market value of the crude. There are many reasons for this, but we hear it is being sent off at what would indicate a two to three dollar bonus being paid for this. In fact, I think there are actually some Federal orders going out under bonus contracts at the same percentile.

CHAIRPERSON CORY: How many barrels?

MR. THOMPSON: This is about 500 barrels a day, and this will actually increase a little bit with time, because again, as I said, there is recent action on the
phase two control.

CHAIRPERSON CORY: That will automatically shift over to whoever wins the bid?

MR. THOMPSON: Yes, because actually they are taking the uncontrolled portion of this eight percent. There is no fixed barrel amount. It is that particular portion of this which will vary with time.

CHAIRPERSON CORY: What happens if the Feds change the thing to 18 instead of 16. That will automatically go in, too?

MR. THOMPSON: There will then be more classification of uncontrolled oil.

CHAIRPERSON CORY: Roll those dice.

(Laughter.)

CHAIRPERSON CORY: Any questions?

MR. ACKERMAN: What do you expect the price to be per barrel? Any rough estimates?

EXECUTIVE OFFICER NOHROP: We have had some indications that it will probably be three dollars above. There is a problem right now in the fact that composite prices, when you start adding up the lower tier price and the penalty, you come up with a price of probably two dollars above the average price we are getting for it right now. So I would suspect that the price would be somewhere between the two and three dollars a barrel range.
MR. THOMPSON: Except that things are so unstable in this market right now because as of a couple of days ago one company raised their stripper price by two dollars a barrel. The day before that, another company raised its a dollar and a half.

EXECUTIVE OFFICER NORTHROP: And the reason for the short fuse, the six-month fuse, is so that we can encourage people to bid without worrying about bidding themselves down the road to an impossible price in the future. It gives a six-month period, and that is why we designed the above posting and then made it a six-month time increment so that if it did get askew and somebody was bidding above -- because it's really like a cork. It floats above the price. If that happens to get up too high, they can bail out without getting hurt.

MR. THOMPSON: We really don't know what the world price will be, because this is mostly an uncontrolled market. We have stripper postings, uncontrolled postings in the mid-continent at over $30 a barrel now.

CHAIRPERSON CORY: Without objection, Item 31 is approved.

Item 32, you are going to inform us on caustic waterflooding techniques.

MR. THOMPSON: This is just an informational calendar item here, just to tell you where we are going on
this. We are injecting this pre-flash basis water which we have taken the calcium magnesium ions out and increased the sodium ions so that we can have an area around the well bores in which these two particular magnesium calcium ions are reduced because they tend to reduce the activity of the sodium hydroxide and orthosilicate that we have put in. We want to increase that efficiency as high as we can.

The only other change is the fact that we are changing over and going to make a blend of this material. Instead of just being sodium hydroxide, it will be sodium hydroxide and orthosilicate.

CHAIRPERSON CORY: What is the orthosilicate?

MR. THOMPSON: It just seems to be a material that is a little more stable and doesn't react quite as much and seems to give about the same recovery efficiencies. So it's a question of stability. Because these ions in the clays in the reservoir will tend to react with the sodium and destroy the effect of the material we are putting down there.

CHAIRPERSON CORY: So you would use it as a substitute as opposed to the hydroxide?

MR. THOMPSON: Well, it will actually be a blend of the two. Instead of being pure sodium hydroxide, it will be a blend of the two, hoping to get better efficiencies.
As you can see, we spent a good part of the money that was authorized originally. We have spent almost $10 million on this. A part of this money was also

CHAIRPERSON CORY: You spent 10 million, and what have we gotten back?

MR. THOMPSON: Well, enough that we are actually producing 350 barrels a day of incremental oil right now, which generates over $6,000 a day in uncontrolled prices. So there is a payback, because part of this original grant was to do some well work that would actually give you an increase. It's a combination. It's an illustration that we have to do well work as well as propose a tertiary process to keep the wells in shape to produce this incremental oil. So the Federal Government is beginning to get some payback on their investment just as we are.

Mr. Bell is running the payout, but I must caution him, it's not the whole jump, because we would have gotten the lower tier price for it anyway. So you take away about six dollars from the eighteen dollars, and it's the incremental amount. But it still pays off at a pretty good rate.

MR. BELL: In our lifetime?

MR. THOMPSON: Yes. We hope within the immediate four or five years. We will start at the first of the year. Hopefully, then we will start with actual cost --
CHAIRPERSON CORY: 4.56 years, we should get 10 million back. And at 15-3/4 percent in crest -- we didn't add that in, but -- okay. We have been informed pursuant to Item 32.

Item 33 - Authorize solicitation of bids and subsequent award of contract for preparation of EIR and geological and geophysical survey of State lands at Pt. Conception, and the Executive Officer is to find the bread.

EXECUTIVE OFFICER NORTHROP: Yes.

CHAIRPERSON CORY: Any questions?

MR. MILL: No, this would correspond with our other action.

CHAIRPERSON CORY: These are the adjacent ones to the high bid Federal lands, and as our energy problem nationally becomes more acute, I think the pressure is there that we get with it as quick as we can.

MR. EVERITTS: You might be interested in knowing that Chevron has applied for exploratory permits from the Corps of Engineers on four of the parcels in here and Mobil has already filed for an application to drill a well from the USGS on one of these.

MR. ACKERMAN: Is this the first time that the State has done something like this?

EXECUTIVE OFFICER NORTHROP: This will be the first time that we have gone out for -- no, I don't think so. We did some stuff earlier.
MR. EVERITTS: This particular piece right here was actually up for lease back when Union Oil Company had its blowout and the Commission pulled this off the calendar. In fact, we had already advertised and the Commission pulled it clear off the market back in 1969 -- this piece right in here. There has also been a well drilled here by the USGS, and that, incidentally, had oil shows in it.

CHAIRPERSON CORY: That was supposed to have been off structure?

MR. EVERITTS: That was an off structure well.

CHAIRPERSON CORY: They found it, anyway.

EXECUTIVE OFFICER NORTHRUP: To answer your question, Mr. Ackerman, the closest thing we had to this -- I was just checking with Mr. Thompson -- was in the Long Beach area before the bid. There was some prebid coring activities in which they went on structure to do this kind of thing, but this will probably be the first time we have done an EIR and gone full bore on it.

MR. ACKERMAN: This is really doing the preparatory work that any bidder would have come back to do independently now.

MR. EVERITTS: Yes, the work we are talking about. Now, as far as drilling in any permits that the State ever issued for coring, we weren't allowed to drill into any oil-bearing sands. In fact, if they hit sands -- or hit oil
or gas, they immediately had to abandon those wells and pull back up. So we are talking largely about doing shallow -- you can do any type of geophysical work, but any coring that would be done would be very shallow coring.

One thing as far as looking for funding for this, we think that we can probably put this as part of the -- the successful bidder should be required to pay that back to us.

EXECUTIVE OFFICER NORTHRUP: The way we envision it is is a revolving fund. We take the money -- when the bid goes out, one of the prerequisites to making a bid is to agree to pay back the money we spend for the EIR and geophysical work. So it would not be that the State would be handling the burden, but it would be just funding the money.

MR. ACKERMAN: What this really avoids is two or three different companies having to incur the same identical costs?

MR. THOMPSON: The risk reduction in Long Beach for example, the fact that those core holes were made and you knew the extent of the accumulation and knew it was there. It cuts down the risk for the bidders. Therefore, this knowledge ahead of time is really not a loss to them. The successful bidder can pick this up with no problem.

MR. ACKERMAN: It would be an advantage to the
State because then you would know more about the property as well.

MR. THOMPSON: All potential bidders have access to it, so you widen out the field.

EXECUTIVE OFFICER NORTHRUP: Everybody gets a peak.

MR. BELL: We probably should have been doing this...

MR. ACKERMAN: A long time ago.

CHAIRPERSON CORY: Okay. Authorization is granted without objection.

Item 34 - City of Redondo Beach wants a contract.

EXECUTIVE OFFICER NORTHRUP: We would like to have our staff look at some oil and gas problems they have got down there.

CHAIRPERSON CORY: They are going to reimburse us?

EXECUTIVE OFFICER NORTHRUP: They are going to reimburse us.

CHAIRPERSON CORY: Without objection, 34 will be approved.

Any further items to come before us?

Without objection, we will adjourn in memory of Dianne's youth.

(Thereupon the meeting of the State Lands Commission adjourned at 11:10 a.m.)
CERTIFICATE OF SHORTHAND REPORTER

I, DELORES I. DALTON, a Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, DELORES I. DALTON, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of December, 1979.

[Signature]

DELORES I. DALTON
SHORTHAND REPORTER

PETERS SHORTHAND REPORTING CORPORATION
1700 COLLEGE TOWN DRIVE, SUITE 208
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 380-3601
in 1976 into agreement with Resource Funding Limited, RFL, as it's called, had a number of geothermal leaseholds. NCPA had, as the courts like to say, money. So the two got together in hopes of developing geothermal steam.

Since they entered into that agreement, a couple of things have happened. One is that on land adjacent to this 120 acres NCPA has gone out and expended about $2 million on a wildcat rig to see if there's any steam up there on the land that RFL had. Its results to date have not been especially good. We've found about a third of the pressure that we were looking for up there, but we are going to continue to look and spend more money, presumably.

The second thing that happened is that RFL has been plunged into bankruptcy reorganization proceedings. NCPA is at the moment negotiating with the trustee in bankruptcy to buy up the geothermal leaseholds. Those geothermal leaseholds, as I pointed out, include this parcel of 120 acres. That 120 acres is subject, of course, to the state reservation, but it's part of a much bigger parcel that NCPA had hoped to develop.

We're hoping by about October 11 to enter into an agreement with the trustee so that we will be the owners of those geothermal leaseholds and will be able to negotiate, to represent our interests with the state and with others in this matter. For that reason, largely, we're hopeful
that the state will give us a 60-day extension so that we can resolve our internal problems and then come back.

We think that the state won't be prejudiced in any way by a 60-day postponement. There is, I think, no reason to believe that these lands and the geothermal resources will be worth any less in 60 days than they are now, and we may be able to marshall our arguments why in fact we believe that a prospecting permit should be issued.

I should point out, incidently, that it's my understanding that the staff has been very helpful. They've rushed this matter through and worked with some effort on our behalf. I know this request that we postpone the matter for 60 days comes as a surprise and a disappointment to them, but we think it's in the best interests of our citizens and therefore of the state as a whole.

MR. ACKERMAN: I have a question about the difference between a prospecting permit and one that would allow you geothermal exploration. I'm a little confused.

MR. NORTHROP: Mr. Ackerman, I am, too, because it seems to me that what we are attempting to do here is not issue a prospecting permit and not renew a prospecting permit in light of the fact that staff feels the area is of more value. We discussed at staff this morning what would be accomplished by such a delay, and I can't see that anything would be accomplished.
Certainly if these prospecting leases have more than face value to RFL, they certainly would have the same value to State Lands. I don't understand.

ACTING CHAIRPERSON BELL: By the way, the map I'm looking at shows geographically widely separated leases here. I'm wondering if the Northern California Power Agency is speaking to only one of these.

MR. TUTTELMAN: That's correct, Mr. Chairman, we are. It's the little rectangular portion in the north there.

MR. EVERITTS: Northern California is speaking specifically to this 120-acre parcel here (indicating). This is our producing area (indicating). This is their marginally productive well (indicating).

ACTING CHAIRPERSON BELL: That's the one that had the prospecting --

MR. EVERITTS: No. This is their application that was finally completed in June of this year. This one is a prospecting permit that expired in June of this year.

ACTING CHAIRPERSON BELL: Thank you. I wanted to make sure I got the two of them straight.

Can you try and answer Mr. Ackerman's question?

MR. NORTHROP: Would you please restate the question, Mr. Ackerman?

MR. ACKERMAN: I'm not sure what the question is
before us.

MR. NORTHRUP: I think there's a question in my mind as to what's before us. Don, can you help?

MR. EVERITS: As I understand Mr. Ackerman's question, the prospecting permit -- first of all, under new legislation the commission has the option of issuing a lease or issuing a prospecting permit. Before, the law stated you had to issue a prospecting permit if they asked for one and if it was not in a productive area. We now have the option of making our own determination of whether it's good or bad.

The prospecting permit now gives you the right to explore, drill an exploratory well. It does not commit you to any action other than that well. It's not necessarily a preferential right. You may give them a preferential right, but you don't have to if they make a discovery.

A lease is a fixed agreement to go out there and develop. What we're proposing to do is put these up for bid, probably go percentage of net profits. In one of these leases not too far off here, in this general area, we've got a 47.77 per cent of the net profits, plus 10 per cent of the gross bid, which is equivalent to a pretty good situation. There are some differences in royalties.

The prospecting permit is an exploratory permit,
and a lease is a development permit.

ACTING CHAIRPERSON BELL: After we grant a
prospecting permit and someone comes up and discovers
something on it, what then happens? After you've issued a
prospecting permit --

MR. EVERITTS: -- and a discovery is made on the
prospecting permit --

ACTING CHAIRPERSON BELL: -- then what happens?

MR. EVERITTS: You may issue a preferential lease
to the --

MR. HIGHT: No. Under the new legislation,
Mr. Chairman, that went into effect January 1st, the
commission now has the option -- they're not compelled to
issue --

MR. EVERITTS: I said, you may issue a lease.

ACTING CHAIRPERSON BELL: I've been sitting on
this board four or five years off and on, and I remember the
old prospecting thing. It used to bug me a lot. I just
wondered if they got that cleared up. This is something
that's been bothering me for some time.

MR. EVERITTS: This was one of the old ones,
except we've got a little bit of a problem: it has expired
now, and they did not make a discovery on it.

ACTING CHAIRPERSON BELL: I'm assuming these
gentlemen before us at this time are only concerned with the
Cobb Valley one.

MR. TUTTELMAN: Right.

MR. PADILLA: Mr. Chairman, may I make a comment?

ACTING CHAIRPERSON BALL: Please state your name for the record.

MR. PADILLA: I'm Joseph Padilla, and I'm with SAI Engineers, and I've been handling the exploration program for SAI and for our client, NCPA.

In making the application with the Division of Oil and Gas, the area was established as being in excess of one mile away from the established reservoir limits. So it is in an unproven geothermal area, in other words.

There is a great degree of risk. There has been one well drilled approximately one mile from our well, and that is called a "new-field well". That was a dry hole.

Our well, the NCPA-RFL Cobb Valley Well Number 1 is an exploratory well, but the result at total depth, at 9,618 feet, is less than commercial quantities of steam.

I believe that NCPA -- or RFL, rather -- filed the prospecting permit under the old regulations, and NCPA entered into an exclusive steam purchase agreement in '76-77, and they have diligently followed exploration. They have expended considerable amounts of money to survey the area and to drill a well. The well, incidently, was flooded June 12, 1979.
If the permit was allowed to expire, it was not because of NCPA not following the application, but because of the litigation and the problems that the original lease holder, which is RFL, has had. In other words, they went into bankruptcy. They are not functioning. Any problem that happened is primarily a paper problem, but the exploration process and the determining whether there is steam there or not have been pursued quite diligently by NCPA, and they have assumed the responsibility and are funding the exploration program.

In my opinion a denial of that prospecting permit is not in the true tenor of the law.

ACTING CHAIRPERSON BELL: If I can paraphrase what you're saying, I think you're saying to us that since this lies outside of a proven field, it is not something that the State Lands Commission can find to be within a productive area and therefore subject to bid rather than a prospecting permit?

MR. TUTTELMAN: Right.

ACTING CHAIRPERSON BELL: On the other hand, I think one of you gentlemen said that the law has been changed to allow us to go either way.

MR. HIGHT: Yes, Mr. Chairman. This application became final after the new law had gone into effect; therefore, the new law applies. The area is now, staff
feels, not suitable for a prospecting permit in that the area has known geothermal resources and would be suitable to a competitive lease situation. That is the staff's reasoning for asking for denial of issuance of the permit.

MR. EVERITTS: The law he was talking to, the Division of Oil and Gas law, strictly had to do with statewide drilling regulations. But even under the existing law it would be very difficult to qualify that as a prospect under our old law.

Under our old law the definition of a "Geothermal Resources Area" was an area that had a well capable of producing geothermal in paying quantities. Now admittedly, that's a marginal well, but it is not a nonproductive well.

MR. McDONOUGH: Mr. Chairman, all we're saying now is that the cities have expended about two million dollars up there in furtherance of this project. We have no question that the law is the way it is now, but we believe that if we were given another 60 days, we would be in a position to come back to this commission and make a convincing argument that this area is or is not going to be geothermally productive. We'll have more information, and we can put forth a better argument. We don't think the state is going to be prejudiced in any way by this short delay.

MR. NORTHRUP: Mr. Chairman, if I may.

ACTING CHAIRPERSON BELL: Yes. I was going to
call on you.

MR. NORTHRUP: Staff doesn't understand where money was expended in an area in which there was not -- the commission has given no approval for any operation in the parcel indicated.

ACTING CHAIRPERSON BELL: That's what bugged me. It was the other parcel that had the expired prospecting permit. There has never been a prospecting permit on this outfit.

MR. McDONOUGH: That's absolutely true. We're not suggesting that there ever has been, but only that this is part of a large geothermal area, 1,425 acres, and that an area of some substance is needed to produce successful quantities. A larger area is needed for exploration.

Although operating without a permit, we had so far envisioned this as 1,425 acres of land that was available to us.

ACTING CHAIRPERSON BELL: Mr. Ackerman has a question.

MR. ACKERMAN: Bob, does a lease have to go out to bid, or can a prospecting permit be issued to a particular individual without bidding?

MR. HIGHT: A prospecting permit can be issued to anybody who applies. You apply for a prospecting permit and satisfy the necessary requirements, and a prospecting
permit is issued. There is no bidding procedure at that time.

MR. ACKERMAN: But if a lease were to be entered into for this particular parcel, then that has to be put out to competitive bid?

MR. HIGHT: Yes.

ACTING CHAIRPERSON BELL: In fact, that is what the staff is suggesting.

MR. HIGHT: Right.

MR. MCDONOUGH: Mr. Chairman, we really have two requests. One is that you give us the postponement. If there is some indication that you are not agreeable to that, I'd like to put into the record a little more information about the bidding process and why that won't be productive for the state in this particular area.

ACTING CHAIRPERSON BELL: Would you please address yourself to that part?

MR. MCDONOUGH: Dave, you've given some consideration to that.

MR. TUTTELMAN: Dave Tuttelman, staff counsel with NCPA.

I guess there are two ways to look at the problem. For one thing, as Mr. Padilla pointed out, for the parcel in question there's quite a bit of speculation as to whether or not commercial quantities of steam will be
produced from this parcel. Since that is the underlying policy of establishing a prospecting permit procedure, it seems that the state may wish to go along that route.

More important is the fact that since we are right now the only entity up in the Geysers, at least up in that area, who has, shall we say, a feasible production program going, the value of the steam from that parcel to the state will, in essence, be consistent with the value of the steam to NCPA. We have a number of other parcels that we're looking at to try to determine the value of steam from them, and if, of course, the cost of producing steam from the state parcel is in excess of the price we're going to have to pay for steam from other parcels, we will, of course, tend to go to those other parcels. Right now, as I said, it is very speculative.

I also want to point out that the well we drilled actually goes to the south of the state parcel. I've been trying to talk to Mr. Padilla about this, but --

ACTING CHAIRPERSON BELL: I assume that's labeled on our map "Cobb Valley Number 1".

MR. TUTTELMAN: Yes.

What I'm trying to say is there's a fault that goes to the northeast of the state parcel. The way things are working out right now it seems that the closer you get to the fault the less are the possibilities that you will
produce commercial quantities of steam. So from that point of view it seems that the policy of issuing a prospecting permit would seem to be fulfilled better if one were issued to NCPA, seeing we're the only entity up there that has, shall we say, the tangible interest in getting the steam out. More important is the fact that right now it's a very speculative venture.

ACTING CHAIRPERSON BELL: Any other comments?

MR. ACKERMAN: Could you please clarify what the two positions are?

ACTING CHAIRPERSON BELL: Actually these are the positions of just the people concerned with Cobb Valley. We still have to hear from Aminoil.

(Laughter.)

MR. ACKERMAN: Just on Cobb Valley. The Lands Commission staff contends that this is a commercially feasible area and therefore should be put out to competitive bid for a lease. Your contention is that it has not yet proven to be commercially feasible and therefore should not be subject to a lease bid, but we should issue a prospecting permit so you can determine whether or not it is commercially feasible.

MR. TUTTELMAN: That's correct.

MR. ACKERMAN: Bob, is the normal action taken that if a prospecting permit is issued and it's then
determined that it is commercially feasible, then that
prospecting permit is terminated and a bid is advertised
and a lease situation entered into?

ACTING CHAIRPERSON BELL: Would you like to
explain the right of the prospecting permit holder?

MR. HIGHT: Under the new law the prospecting
permit owner -- the commission has the option of either
going with him or putting it out to bid.

ACTING CHAIRPERSON BELL: And if it's put out to
bid, then what right does the prospecting permit holder
have?

MR. HIGHT: He can bid. If he is the high bidder,
then he wins. If he's the low bidder, a certain amount of
his costs in exploration are paid back to him from the high
bidder.

MR. EVERITT: He also has more geological
expertise.

ACTING CHAIRPERSON BELL: I was going to say that
he's the only guy that's got any expertise in terms of the
geological aspects.

MR. ACKERMAN: So he is in an ideal competitive
situation in the bidding process anyway.

MR. HIGHT: Yes.

MR. McDONOUGH: We suggest that that leg up, if
there is one --
ACTING CHAIRPERSON BELL: -- may make for a more attractive bid.

MR. MCDONOUGH: It's certainly more attractive from our viewpoint, particularly in view of the fact that we've spent so much money to date.

ACTING CHAIRPERSON BELL: We recognize that, but it really isn't our fault, since we never gave you a prospecting permit in the first place.

MR. ACKERMAN: How did you spend money?

MR. MCDONOUGH: We'd like you to believe, however, that the citizens of our cities are the same constituents as the citizens of the state.

ACTING CHAIRPERSON BELL: We're sure you did it in good faith.

I would suggest that we now hear from the holder of the -- I'm assuming this is now going to be about the other half.

MR. HIGHT: Mr. Chairman. These should have been separate items.

ACTING CHAIRPERSON BELL: All right then, You're suggesting, really subtly, that we settle this one before we hear from the next one?

MR. ACKERMAN: Should this one be settled independently?

MR. HIGHT: Yes.
ACTING CHAIRPERSON BELL: They are not related, really.

MR. HIGHT: Right.

ACTING CHAIRPERSON BELL: I guess I'm going to have to ask a question, then, of Mr. Northrop.

MR. NORTHROP: Yes, sir.

ACTING CHAIRPERSON BELL: The first request of the group isn't that we turn off the bid process and everything. They just want 60 more days to find out whether things are "gooder" or "badder" up there, and if they're gooder, they'd be very happy to come in with a good bid. They don't really want to turn off the process, but merely postpone it for two months.

MR. MCDONOUGH: That's true.

MR. ACKERMAN: Have we ever issued a 60-day prospecting permit?

(Laughter.)

MR. NORTHROP: That raises a matter of trespass and a whole lot of other things and the liability we have in case they have a problem up there. We don't have any "hold harmless". This should be a lawyer's argument, but as a practical matter --

ACTING CHAIRPERSON BELL: I'd rather keep the trespass charge against them by not giving them the prospecting permit, and just put it over for two months.
MR. NORTHROP: That was the question on my face. They understand, I hope, that the prospecting permit entitles them to bid in case they find something. In the other case, where they already are there and have much geology -- it's a decision they have to make, of course. It might be well to just take your shot at a net-profits bid on that basis.

ACTING CHAIRPERSON BELL: Just out of curiosity, how long does it take, after we approve putting something out to bid, before the bids are actually closed?

MR. EVERITTS: Ninety days.

MR. NORTHROP: I'd say 90 to 120 days.

MR. McDONOUGH: We understood there was some time lag. On the other hand, we'd like to move this back.

ACTING CHAIRPERSON BELL: That would then give you six months instead of four.

MR. McDONOUGH: Well, there's some logic to that, yes.

ACTING CHAIRPERSON BELL: Mr. Ackerman, do you have any opinions on this? Staff seems to feel we ought to act on this item before we hear about the other one.

MR. ACKERMAN: In terms of liability, then, and trespass, the best thing would be to hold off for 60 days; that correct?

ACTING CHAIRPERSON BELL: Let's ask the Attorney
General, who would have to defend us.

MR. STEVENS: It's still not clear to me whether actual exploration activities are being conducted on the state parcel or merely in the area around it pursuant to agreements with other people who are private landowners.

MR. MCDONOUGH: The latter is true.

MR. STEVENS: So there is no question of trespass, apparently.

ACTING CHAIRPERSON BELL: The whole place up there is not state land. I'd say then that unless staff tells us we have a real problem, our best solution to this is just defer it for 60 days. I think that was their initial request.

MR. ACKERMAN: Is there any problem with that?

MR. HIGHT: No.

ACTING CHAIRPERSON BELL: If the staff has no problem with that, we will accept your first suggestion. We will defer this item for two months.

MR. NORTHRUP: We will put it on the November agenda.

MR. MCDONOUGH: Fine. Thank you very much.

ACTING CHAIRPERSON BELL: The second half of this agenda item concerns an expired prospecting permit, and Mr. C.E. Woods has asked to address us on this item.

Are you Mr. C.E. Woods?
MR. WOODS: That I am, sir. Better known as Bill Woods.

My name, of course, is Bill Woods, and I represent the applicant in this prospecting permit for extension of this prospecting permit, Aminoil USA, Inc.

ACTING CHAIRPERSON BELL: They're the ones that had the permit that expired?

MR. WOODS: That is correct.

ACTING CHAIRPERSON BELL: As opposed to the last people, who didn't have one.

MR. WOODS: As opposed to the last one. I will try to make my comments very brief.

Aminoil commenced the geophysical investigation of this area surrounding the 200-acre Squaw Creek parcel in early 1975. As a result of that preliminary work, areas of greatest potential for successful geothermal exploration, which included that Squaw Creek parcel, were identified.

The topography of that particular area is extremely difficult and contains many steep canyons and landslide areas. The specific 200-acre parcel which is the subject of the Squaw Creek prospecting permit is located on one of these steep canyons, which drops off into a water course identified as Hummingbird Creek and is extremely limited in its potential for surface locations for wells.

Subsequent to the issuance of the prospecting...
permit in 1976, Aminoil has diligently pursued the
exploration efforts in the area, which include extensive
gеological and geophysical work and the drilling of one
well on the prospecting permit parcel and three wells
approximately two miles to the southwest of the parcel.
Only one of these wells has been completed as a potential
commercial producer.

The latest geophysical work, a magnetotuleric
survey of the regional area, has, in fact, just been
completed and is still under evaluation. The exploration
costs for the regional area represent an investment by
Aminoil of approximately $6 million. Approximately $2
million of that investment can be related to the
exploration efforts directly related to the Squaw Creek
prospect.

Aminoil firmly believes that the best interests
of the state could be better served by granting the
extension of the prospecting permit, which could provide
Aminoil with the opportunity to perform additional
exploration efforts on the prospecting permit parcel based
upon data collected as recently as early this year.

The 200-acre parcel, which is not sufficient land
area to become a viable geothermal project in itself, could
then become a viable portion of a geothermal project area,
and if it does contain geothermal resource reserves in
commercial quantities, it could be more expeditiously
developed.

For these reasons and the reasons stated in our
letter of June 13, 1979, Aminoil would respectfully
reiterate its request that the primary term of the
prospecting permit identified as PRC 5147.2 be extended for
the two-year term as provided by the terms of the agreement.

I'd be happy to answer any questions that you
might have with regard to that permit.

ACTING CHAIRPERSON BELL: Let's hear from staff
first.

MR. NORTHROP: Mr. Chairman and members, the staff
feels that we couldn't agree more with Aminoil that this
area probably has some good geothermal potential. Under
the prospecting agreement the state's revenue is limited to
ten per cent. While we have indeed issued leases in the
area -- as a matter of fact, Aminoil itself, as I recall,
matched a lease of considerably higher than ten per cent --
staff feels that this is a good geothermal area and should
be leased on a net-profits or other lease as the commission
sees fit in future meetings to direct us to do.

MR. WOODS: If I could respond to one portion of
that, the area of the leasehold that we matched the highest
bid on we do not consider as related substructurally to the
area of this prospecting permit.
MR. NORTHROP: Staff didn't mean to imply that there was any communication between the two producing areas.  

ACTING CHAIRPERSON BELL: Actually, the request then is to extend the prospecting permit for two years. That's what I interpret your request to be.  

MR. WOODS: That is correct.  

ACTING CHAIRPERSON BELL: And that is opposed to the staff position that instead of doing that, we put it out to bid. You've given us some reasons why you don't think it's profitable for us to put it out to bid, and Mr. Northrop apparently thinks it is.  

MR. NORTHROP: Staff feels that the economics would probably be better served if we went out to bid.  

MR. WOODS: From the standpoint of economics, what we would suggest is that the more expeditious development of the leasehold could have an impact on those economics.  

MR. NORTHROP: Mr. Chairman, the commission has been very direct to staff in seeing that these net-profits and other type bids are developed as expeditiously as possible. As a matter of fact, our fuse now is much shorter than it was before on moving to develop the resource. We think the resource should be developed quickly, as Mr. Woods knows. The two of us on other occasions and in other areas have cooperated fully in trying to get
geothermal developed expeditiously.

MR. WOODS: That is the name of the game.

ACTING CHAIRPERSON BELL: You don't think he's unreasonable in that respect?

MR. WOODS: No.

ACTING CHAIRPERSON BELL: Just on this point.

MR. WOODS: Just on this point.

ACTING CHAIRPERSON BELL: Mr. Ackerman.

MR. ACKERMAN: Is there precedent set previously for a corporation which has an existing geothermal development operation to come in and ask for a prospecting permit on another piece of land in order to add that to their ongoing operation to make the whole thing commercially feasible? Is that normally then put out to lease bid?

MR. NORTHRUP: Other than the new legislation, we've really had our hands tied in that area, Mr. Ackerman. I'm not sure that historically it's ever been done.

Don, do you recall that we've ever denied an extension and put it out to bid?

MR. EVERITTS: No.

MR. NORTHRUP: I don't think so, either.

ACTING CHAIRPERSON BELL: This may be a first-time kind of thing. I will move it.

MR. ACKERMAN: Second.

ACTING CHAIRPERSON BELL: On this particular one
we are going to agree with the staff that it should be put out to bid. Without objection, that is approved.

MR. NORTHROP: Staff would welcome Aminoil's bid.

MR. WOODS: Thank you very much for the opportunity to speak.

ACTING CHAIRPERSON BELL: Thank you, Mr. Woods.

Item 37, authorize award of the Santa Barbara County beach hazard removal contract --

MR. NORTHROP: -- to Robert Haller, who is the only bidder on that contract.

ACTING CHAIRPERSON BELL: Robert Haller is the sole bidder.

MR. ACKERMAN: No problem with that.

ACTING CHAIRPERSON BELL: I have no problem with that, either, so item 37 will be approved.

Item 38, request the Lake County Planning Commission to consider the state-county cooperative and joint environmental review process for geothermal exploration of a portion of Boggs Mountain. I believe we also have an appearance request on item 38. This is the last appearance item of the day, according to the record.

Mr. John Bannister, vice president of Geothermal Kinetics, Inc., had indicated that he wanted to testify -- if he isn't worn out yet.

Mr. Northrop.
MR. NORTHROP: Mr. Chairman, this was a first when it started out: the county and the state getting together and doing a joint environmental endeavor and review process. We felt it would be the pattern, and in the initial stages and early on in the EIR Lake County agreed, and the executive officer and many of the executive staff went to Lake County and held hearings, and we felt we were doing just fine.

Then in recent times the Lake County Planning Commission, either through new staff or new policy, indicated they had some problems with the EIR, and staff informs me that their objections were not all that specific.

What we are asking in this calendar item is we request the commission to respectfully ask the Lake County Planning Commission to carefully consider what they have done in this joint environmental process. It directs the staff to meet with Lake County officials to discuss procedures to be followed under CEQA for this project. Staff feels this is a good project and it's something that should proceed. We feel we have not only complied with the letter but with the spirit of CEQA, and we feel this project should go on, so we ask that the commission remind Lake County of what has happened in the past.

ACTING CHAIRPERSON BELL: Who owns the bed of
Clear Lake?

MR. NORTHROP: It's granted to the County of Lake in a bill carried by Senator Collier, as I recall.

ACTING CHAIRPERSON BELL: Is John Bannister here?

MR. BANNISTER: Mr. Chairman, I don't particularly desire to make a statement. I'm here primarily in case there are questions.

ACTING CHAIRPERSON BELL: The action before us is really a relatively mild one of just saying, "Hey, let's try and get together and straighten out our differences," as I understand it.

MR. BANNISTER: Mr. Chairman, that basically is true. The county, as expressed by the chairman of the planning commission, Mr. Jim Renfro, and another commissioner, would like very much to get an attorney from the State Lands Commission and the county attorney together and decide some of the legal issues that might be arising. I think a meeting between the two staffs would be very important to iron it out.

ACTING CHAIRPERSON BELL: Mr. Hight?

MR. HIGHT: We'll take care of that, Mr. Chairman.

ACTING CHAIRPERSON BELL: Fine. Thank you very much.

MR. ACKERMAN: I will so move.
Without objection, then, item 38 will be approved.

Item 39 is an informative item on a sales price for geothermal resources, Geysers area.

MR. NORTHROP: Mr. Chairman, Mr. Everitts, chief of that section, will give you an estimate on the reserves.

MR. EVERITT S: We try on an annual basis to report the revenue on our geothermal operations, and also to indicate to the commission just how prices are going up on something besides crude oil. Back in 1972 we were getting 2.40 mills for our geothermal per KWH, and we're now up to 16.58, so we've had roughly a seven-fold increase in revenue, at least on a unit basis.

We're up to an estimated four million dollars next year in royalties. That's for 1979. It's of interest that last year the royalties reversed a normally upward trend. The reason for the drop is that the companies substituted some hydro power. They also, rather than using geothermal as a base load, they were using some take-or-pay gas. In the meantime this is collecting in a trust account waiting for a settlement of who really owns the geothermal, and we now have on deposit roughly $14 million.

ACTING CHAIRPERSON BELL: Have they solved the technical problems of how to get rid of that stuff in the Imperial Valley that eats everything alive? I don't know
if I'm expressing it right.

MR. EVERITTS: There are two or three plants under construction, which will still be pretty much experimental. They're talking about closed systems that are never open to the atmosphere. That may be part of the problem. They're talking about heat-exchanger situations. Basically, I don't think they've solved the problem.

ACTING CHAIRPERSON BELL: That was an informative item only. I think it's rather impressive that these royalties or whatever you want to call it are really becoming relatively significant in this area. It wasn't too many years ago when it was just a drop in the bucket.

MR. EVERITTS: Absolutely right.

ACTING CHAIRPERSON BELL: Item 40, authorize the executive officer to execute a memorandum of understanding between the commission and the Department of Water Resources concerning the utilization of state lands for the Central Valley Project and the state water system.

Mr. Northrop.

MR. NORTHROP: Mr. Chairman, this is some property that is needed by the Central Valley Project, and we're asking that the executive officer be allowed to execute a memorandum of understanding.

MR. ACKERMAN: No problem.
ACTING CHAIRPERSON BELL: Without objection, then, item 40 is approved.

Item 41.

MR. NORTHROP: Mr. Chairman, we now have a geothermal task force, and there is an attempt in the Resources Agency and in other places to put this into some sort of more formal group. They are contemplating a Geothermal Coordinating Council. We are asking for permission to execute a memorandum of understanding so State Lands production will be represented on that council.

ACTING CHAIRPERSON BELL: Is this, as you understand it, primarily state people?

MR. NORTHROP: Yes, sir, exclusively state people.

ACTING CHAIRPERSON BELL: Probably under the Resources Agency?

MR. NORTHROP: Yes, probably under Conservation. Wait. It has three public members.

ACTING CHAIRPERSON BELL: Well, I see no objection to protecting our interests.

MR. ACKERMAN: No.

ACTING CHAIRPERSON BELL: All right. Without objection, then, item 41 will be approved.

Item 42.

MR. NORTHROP: Mr. Chairman, item 42 authorizes a
suit. I think staff counsel would like to address himself to it.

MR. HIGHT: Yes, Mr. Chairman. This is an authorization to collect some back rent for occupation of a marina in Suisun City.

ACTING CHAIRPERSON BELL: This is litigation because he doesn't want to pay up?

MR. HIGHT: Correct, Mr. Chairman.

MR. ACKERMAN: No problem.

ACTING CHAIRPERSON BELL: I have no problem, either. Without objection, item 42 is approved.

Items 43 and 44 have been dropped. Those are the last items I have on my agenda, Mr. Northrop, except for the comment in the executive officer's report that at the end of the meeting there will be an executive session.

MR. NORTHROP: That's right, sir.

MR. STEVENS: Mr. Chairman, I might make a brief report on the progress of one lawsuit which the commission authorized and that was to assert the rights of the public to navigate rivers of California which are navigable against the contentions of local counties that they had the right to close these rivers to public use. The Court of Appeals sustained the commission's position and held that there is a state constitutional right to navigate which cannot be broadly prohibited or blocked by a county ordinance.
Therefore, the south fork of the American River will remain open, and the El Dorado County ordinance was declared invalid.

ACTING CHAIRPERSON BELL: You can't put a chain across the river, but can you prevent somebody from something which may be life-harming or something?

MR. STEVENS: You can prevent littering, dangerous activities, things of that sort.

ACTING CHAIRPERSON BELL: Public-safety-type activities, but you cannot prevent a guy from just rowing a boat up the river?

MR. STEVENS: The court held it was simply too broad, in the guise of preventing these activities, to say the river is closed, period, to nonresidents.

ACTING CHAIRPERSON BELL: I hadn't realized they said closed to nonresidents completely. That's a very effective case, because it seems to more or less justify all the claims we've been making to our rights on navigable rivers, doesn't it?

MR. STEVENS: It helps considerably.

ACTING CHAIRPERSON BELL: Thank you.

Now if there is no other business, do I declare the meeting adjourned?

MR. NORTHROP: Yes, sir, if you would, please,

Mr. Chairman.
ACTING CHAIRPERSON BELL: All right. The meeting is adjourned, and we will now clear the room and have an executive session.

(Thereupon this public meeting of the State Lands Commission was adjourned at 11:59 a.m.)

---000---
CERTIFICATE OF SHORTHAND REPORTER

I, PAUL D. RAMSHAW, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing public meeting of the State Lands Commission was reported in shorthand by me, Paul D. Ramshaw, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of October, 1979.

PAUL D. RAMSHAW
Certified Shorthand Reporter
C.S.R. License No. 3434

PETERS SHORTHAND REPORTING CORPORATION
2908 COLLEGE TOWN DRIVE, SUITE 213
SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3001