

15. APPROVAL OF AGREEMENTS FOR THE SALE OF GEOTHERMAL STEAM, PRC 4596.2, PRC 4597.2, AND PRC 4341.2, THE GEYSERS AREA, LAKE AND SONOMA COUNTIES; UNION OIL COMPANY OF CALIFORNIA, MAGMA POWER COMPANY, AND THERMAL POWER COMPANY - W 9199, PRC 4596.2, PRC 4597.2, PRC 4341.2.

After consideration of Calendar Item 13 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF:

1. THE AGREEMENT FOR THE SALE OF GEOTHERMAL STEAM, DATED MAY 11, 1970, BY AND BETWEEN UNION OIL COMPANY OF CALIFORNIA AND PACIFIC GAS AND ELECTRIC COMPANY, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.
2. THE REVISED AGREEMENT FOR THE SALE OF GEOTHERMAL STEAM, DATED MAY 11, 1970, BY AND BETWEEN MAGMA POWER COMPANY AND THERMAL POWER COMPANY, AND PACIFIC GAS AND ELECTRIC COMPANY, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.
3. THE APPROVAL SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS:
  - A. SAID APPROVAL IS NOT INTENDED TO PASS UPON THE QUESTION OF WHETHER OR NOT SAID AGREEMENTS ARE IN COMPLIANCE WITH STATE OR FEDERAL ANTI-TRUST LAWS NOR TO CREATE ANY IMMUNITY IN RELATION THERETO.
  - B. SAID APPROVAL SHALL NOT BE CONSTRUED SO AS TO VEST IN THE APPLICANTS NOR IN ANY PARTY TO SAID AGREEMENTS ANY RIGHT, TITLE, OR INTEREST IN THE SUBJECT LANDS IN ADDITION TO THOSE CONVEYED BY THE LEASE OR PERMIT ISSUED BY THE STATE LANDS COMMISSION.
  - C. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS AND CONDITIONS OF THE SUBJECT AGREEMENTS, ON THE ONE HAND, AND THOSE OF THE LEASE OR PERMIT, OR RULES AND REGULATIONS OF THE STATE LANDS COMMISSION, ON THE OTHER, THE TERMS AND CONDITIONS OF THE PERMIT OR LEASE AND THE SAID RULES AND REGULATIONS SHALL PREVAIL AS BETWEEN THE STATE, ON THE ONE HAND, AND ITS PERMITTEE OR LESSEE AND ANY OTHER PARTY TO SAID AGREEMENTS, ON THE OTHER.
  - D. SAID APPROVAL SHALL NOT BE CONSTRUED AS A PRIOR APPROVAL BY THE COMMISSION OF ANY ASSIGNMENT OF ANY LEASE OR PERMIT OR OF ANY RIGHT, TITLE, OR INTEREST IN THE LANDS COVERED BY ANY SAID LEASE OR PERMIT.
  - E. IN THE EVENT THAT STEAM FROM THE LANDS COVERED BY ANY LEASE OR PERMIT HERE INVOLVED IS DELIVERED BY UNION AT NO COST OR AT A REDUCED COST PURSUANT TO THE PROVISIONS OF SECTIONS 8(d) OR 10(d) OF THE SUBJECT AGREEMENTS, UNION SHALL SO NOTIFY THE STATE, AND THEREUPON THE STATE SHALL ESTABLISH THE METHOD OF ACCOUNTING FOR SUCH STEAM FOR ROYALTY PURPOSES, AND MAY, AT ITS DISCRETION, INVOKE THE PROVISIONS OF PUBLIC RESOURCES CODE SECTION 6916 WITH REGARD TO ROYALTIES ON SUCH STEAM.

- F. SAID APPROVAL SHALL NOT CONSTITUTE PRIOR APPROVAL BY THE COMMISSION OF FURTHER AGREEMENTS BETWEEN THE PARTIES THERETO, WHETHER OR NOT SAID FURTHER AGREEMENTS ARE PROVIDED FOR IN THE SUBJECT AGREEMENTS. THIS CONDITION EXPRESSLY APPLIES, BUT IS NOT LIMITED, TO FURTHER AGREEMENTS PURSUANT TO PARAGRAPH 10(h) OF THE SUBJECT AGREEMENTS.
- G. IF, BY REASON OF THE PROVISIONS OF PARAGRAPH 10(f) OF THE SUBJECT AGREEMENTS, UNION IS REQUIRED TO ABSORB ANY SALES, USE, OR OTHER EXCISE TAX IMPOSED UPON THE SALE OF GEOTHERMAL RESOURCES FROM THE SUBJECT LANDS THAT WOULD, ABSENT SUCH PARAGRAPH, BE PAID BY P.G. & E., THEN UNION SHALL BE ALLOWED TO DEDUCT THE AMOUNT OF TAX SO ABSORBED IN COMPUTING GROSS REVENUE FOR ROYALTY PURPOSES UNDER THE SUBJECT LEASES AND PERMITS.
- H. EXCEPT AS PROVIDED IN CONDITION 7 HEREOF, APPROVAL OF THE SUBJECT AGREEMENTS SHALL NOT AFFECT THE NECESSITY FOR FURTHER COMMISSION APPROVAL OF CHARGES ALLOWABLE AGAINST GROSS REVENUE AS PROVIDED IN PUBLIC RESOURCES CODE SECTION 6913(a) AND THE CORRESPONDING LEASE AND PERMIT PROVISIONS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, APPROVAL OF THE SUBJECT AGREEMENTS DOES NOT CONSTITUTE APPROVAL OF THE COSTS REFERRED TO IN PARAGRAPHS 2(a), 2(b), AND 8(b) OF THE SUBJECT AGREEMENTS.
- I. IN THE EVENT P.G. & E. DOES NOT TAKE AND UTILIZE STEAM AVAILABLE TO IT UNDER THE CONTRACT, UNION'S RIGHT TO UTILIZE SAID STEAM INCLUDES THE RIGHT TO GENERATE ELECTRICITY THEREWITH FOR RESALE.
- J. IN THE EVENT THAT P.G. & E., IN ACCORDANCE WITH THE TERMS OF THE CONTRACT, FOR ANY REASON SUCCEEDS UNION AS OPERATOR ON ANY STATE PERMIT OR LEASE, P.G. & E.'S OPERATIONS SHALL BE SUBJECT TO AND IN ACCORDANCE WITH ALL THE TERMS AND CONDITIONS OF THE PERMIT OR LEASE, REGULATIONS, AND STATUTES, ALL TO THE SAME EXTENT THAT UNION'S OPERATIONS WERE SO SUBJECT, IT BEING SPECIFICALLY UNDERSTOOD THAT NO ASSIGNMENTS OR RIGHTS IN ANY SUCH STATE PERMIT OR LEASE CAN BE OR SHALL BE EFFECTIVE UNLESS AND UNTIL SUCH ASSIGNMENTS HAVE BEEN APPROVED BY THE STATE LANDS COMMISSION.

THIS APPROVAL SHALL BECOME EFFECTIVE UPON THE EXECUTION OF AN APPROPRIATE DOCUMENT BY A DULY AUTHORIZED OFFICER OF UNION OIL COMPANY ACCEPTING THE FOREGOING CONDITIONS.

Attachment;  
Calendar Item 13 (3 pages)

CALENDAR ITEM

13.

6/72  
AHJ  
W 9199

APPROVAL OF AGREEMENTS FOR THE SALE OF GEOTHERMAL STEAM  
PRC 4596.2, PRC 4597.2, AND PRC 4341.2

LESSEE: Union Oil Company of California, Magma Power Company, and Thermal Power Company.

PURCHASER: Pacific Gas and Electric Company.

LOCATION: The Geysers area, Lake and Sonoma Counties.

STATUTORY AND OTHER REFERENCES:

Public Resources Code, Sections 6916 and 6913.

Lease Form: Paragraphs 4 and 34.

Permit Form: Paragraphs 3 and 27.

PERTINENT INFORMATION:

On May 11, 1970, Union Oil Company of California, Magma Power Company, and Thermal Power Company entered into agreements covering the purchase and sale of geothermal steam from certain areas in Lake and Sonoma Counties. State Geothermal Resources Leases PRC 4596.2 and PRC 4597.2, and a Permit to Prospect for Geothermal Resources PRC 4341.2, under lease to Union-Magma-Thermal, are located within the area covered by said Agreements. Under the terms of the Agreements, Union-Magma-Thermal shall develop and sell to Pacific Gas and Electric Company geothermal steam from the lands within the boundaries of the agreements.

Steam delivered to Pacific Gas and Electric Company will be paid for on the basis of net output of the generated electricity; the sales price per kilowatt-hour will be based on the average annual cost of fossil fuel and nuclear fuel, and average plant efficiency. In no event will the sales price be less than two mills per kilowatt-hour. A geothermal generating plant (rated at 110,000 KW), currently under construction and proposed to be completed this year, will operate totally on steam produced under State lease. Royalties on such steam are expected to be in excess of \$200,000 per year. An additional plant is scheduled for completion in 1973.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF:

1. THE AGREEMENT FOR THE SALE OF GEOTHERMAL STEAM, DATED MAY 11, 1970, BY AND BETWEEN UNION OIL COMPANY OF CALIFORNIA AND PACIFIC GAS AND ELECTRIC COMPANY, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

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2. THE REVISED AGREEMENT FOR THE SALE OF GEOTHERMAL STEAM, DATED MAY 11, 1970, BY AND BETWEEN MAGMA POWER COMPANY AND THERMAL POWER COMPANY, AND PACIFIC GAS AND ELECTRIC COMPANY, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.
3. THE APPROVAL SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS:
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  - B. SAID APPROVAL SHALL NOT BE CONSTRUED SO AS TO VEST IN THE APPLICANTS NOR IN ANY PARTY TO SAID AGREEMENTS ANY RIGHT, TITLE, OR INTEREST IN THE SUBJECT LANDS IN ADDITION TO THOSE CONVEYED BY THE LEASE OR PERMIT ISSUED BY THE STATE LANDS COMMISSION.
  - C. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS AND CONDITIONS OF THE SUBJECT AGREEMENTS, ON THE ONE HAND, AND THOSE OF THE LEASE OR PERMIT, OR RULES AND REGULATIONS OF THE STATE LANDS COMMISSION, ON THE OTHER, THE TERMS AND CONDITIONS OF THE PERMIT OR LEASE AND THE SAID RULES AND REGULATIONS SHALL PREVAIL AS BETWEEN THE STATE, ON THE ONE HAND, AND ITS PERMITTEE OR LESSEE AND ANY OTHER PARTY TO SAID AGREEMENTS, ON THE OTHER.
  - D. SAID APPROVAL SHALL NOT BE CONSTRUED AS A PRIOR APPROVAL BY THE COMMISSION OF ANY ASSIGNMENT OF ANY LEASE OR PERMIT OR OF ANY RIGHT, TITLE, OR INTEREST IN THE LANDS COVERED BY ANY SAID LEASE OR PERMIT.
  - E. IN THE EVENT THAT STEAM FROM THE LANDS COVERED BY ANY LEASE OR PERMIT HERE INVOLVED IS DELIVERED BY UNION AT NO COST OR AT A REDUCED COST PURSUANT TO THE PROVISIONS OF SECTIONS 8(d) OR 10(d) OF THE SUBJECT AGREEMENTS, UNION SHALL SO NOTIFY THE STATE, AND THEREUPON THE STATE SHALL ESTABLISH THE METHOD OF ACCOUNTING FOR SUCH STEAM FOR ROYALTY PURPOSES, AND MAY, AT ITS DISCRETION, INVOKE THE PROVISIONS OF PUBLIC RESOURCES CODE SECTION 6916 WITH REGARD TO ROYALTIES ON SUCH STEAM.
  - F. SAID APPROVAL SHALL NOT CONSTITUTE PRIOR APPROVAL BY THE COMMISSION OF FURTHER AGREEMENTS BETWEEN THE PARTIES THERETO, WHETHER OR NOT SAID FURTHER AGREEMENTS ARE PROVIDED FOR IN THE SUBJECT AGREEMENTS. THIS CONDITION EXPRESSLY APPLIES, BUT IS NOT LIMITED, TO FURTHER AGREEMENTS PURSUANT TO PARAGRAPH 10(h) OF THE SUBJECT AGREEMENTS.
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  - H. EXCEPT AS PROVIDED IN CONDITION 7 HEREOF, APPROVAL OF THE SUBJECT AGREEMENTS SHALL NOT AFFECT THE NECESSITY FOR FURTHER COMMISSION APPROVAL OF CHARGES ALLOWABLE AGAINST GROSS REVENUE AS PROVIDED IN PUBLIC

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RESOURCES CODE SECTION 6913(a) AND THE CORRESPONDING LEASE AND PERMIT PROVISIONS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, APPROVAL OF THE SUBJECT AGREEMENTS DOES NOT CONSTITUTE APPROVAL OF THE COSTS REFERRED TO IN PARAGRAPHS 2(a), 2(b), AND 8(b) OF THE SUBJECT AGREEMENTS.

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- J. IN THE EVENT THAT P.G.&E., IN ACCORDANCE WITH THE TERMS OF THE CONTRACT, FOR ANY REASON SUCCEEDS UNION AS OPERATOR ON ANY STATE PERMIT OR LEASE, P.G.&E.'S OPERATIONS SHALL BE SUBJECT TO AND IN ACCORDANCE WITH ALL THE TERMS AND CONDITIONS OF THE PERMIT OR LEASE, REGULATIONS, AND STATUTES, ALL TO THE SAME EXTENT THAT UNION'S OPERATIONS WERE SO SUBJECT, IT BEING SPECIFICALLY UNDERSTOOD THAT NO ASSIGNMENTS OR RIGHTS IN ANY SUCH STATE PERMIT OR LEASE CAN BE OR SHALL BE EFFECTIVE UNLESS AND UNTIL SUCH ASSIGNMENTS HAVE BEEN APPROVED BY THE STATE LANDS COMMISSION.

THIS APPROVAL SHALL BECOME EFFECTIVE UPON THE EXECUTION OF AN APPROPRIATE DOCUMENT BY A DULY AUTHORIZED OFFICER OF UNION OIL COMPANY ACCEPTING THE FOREGOING CONDITIONS.