

MINUTE ITEM

4/4/74
CPP

28. DECLARATION OF GEOTHERMAL POOLING, PRC 4596.2 AND PRC 4597.2, COBB MOUNTAIN AREA, LAKE AND SONOMA COUNTIES; UNION OIL COMPANY OF CALIFORNIA - W 9671, PRC 4596.2, PRC 4597.2.

During consideration of Supplemental Calendar Item 26 attached, Mr. E. N. Gladish, Executive Officer, State Lands Commission, requested that the item be put over until the next meeting. Mr. Gladish stated that he had reservations about granting the pooling agreement to Union without Union obtaining a drilling permit from the County of Lake. Mr. J. L. Wilson, Manager of Lands, Union Oil Company, appeared and acknowledged Mr. Gladish's concerns and, as an alternative, suggested that the Commission approve the item on the condition that the Commission's approval be contingent upon the County of Lake granting to Union a drilling permit.

Upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. DETERMINES THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS PROJECT BUT THAT A NEGATIVE DECLARATION HAS BEEN PREPARED BY THE DIVISION.
2. CERTIFIES THAT THE NEGATIVE DECLARATION, ND EIR 146, HAS BEEN COMPLETED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED, AND THE STATE GUIDELINES AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
3. DETERMINES THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
4. AUTHORIZES APPROVAL OF THE AMENDMENT OF GEOTHERMAL LEASES PRC 4596.2 AND PRC 4597.2 AND THE DECLARATION OF GEOTHERMAL POOLING, COBB MOUNTAIN AREA, SONOMA AND LAKE COUNTIES, ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF; UPON THE CONDITION THAT UNION OIL COMPANY OBTAIN A DRILLING PERMIT FROM THE COUNTY OF LAKE.

ALL OTHER TERMS AND CONDITIONS OF GEOTHERMAL LEASES PRC 4596.2 AND 4597.2, EXCEPT AS MODIFIED BY THE AMENDMENT AND THE DECLARATION OF GEOTHERMAL POOLING, SHALL REMAIN IN FULL FORCE AND EFFECT.

Attachment:

Supplemental Calendar Item 26 (2 pages)

SUPPLEMENTAL CALENDAR ITEM

3/74
CPP
W 9671

26.

DECLARATION OF GEOTHERMAL POOLING,
PRC 4596.2 AND PRC 4597.2

Geothermal Resources Leases PRC 4596.2 and PRC 4597.2 were issued on May 27, 1971, to Union Oil Company on lands in which the State has reserved mineral interests. An assignment to Magma Power Company of an undivided 1/4 interest and to Thermal Power Company of an undivided 1/4 interest in the leases was approved on April 27, 1972.

Union Oil Company of California, as operator, has submitted for approval by the State Lands Commission a pooling agreement entitled "Declaration of Geothermal Pooling, Cobb Mountain Area, Sonoma and Lake Counties, California". State Geothermal Leases PRC 4596.2 and PRC 4597.2 do not contain pooling provisions and Union has requested that the leases be modified to provide for pooling.

Section 6923 of the Public Resources Code provides that for the purpose of conserving the natural resources of any geothermal resources area, the lessees thereof may unite with others in a unit plan of development. The Commission may, with the consent of the lessees, permit apportionment of production and make regulations in connection with the institution and operation of any unit plan necessary to protect the interests of the State.

Union proposes to form a "Unit Pooled Area" of 1990.71 acres by combining 240 acres out of State Geothermal Lease PRC 4596.2 (2543.43 acres total) and 160.22 acres out of State Geothermal Lease PRC 4597.2 (1444.87 acres total) with 1590.49 acres of non-State land. Production from any well drilled in the unit will be allocated to the leased land in proportion that the acreage of the leased land bears to the total acreage of the unit. The State's percentage of the proposed unit is 20.104%.

The proposed unit area is located approximately one-half mile east of the geothermal field and has not been developed by drilling. Only one well has been drilled into the lands covered by the proposed unit, and it was drilled into the 160.22 acre parcel of State land. This well, LFH-1, was drilled to a total depth of 8396 feet. No steam entry was observed while drilling and the well has been suspended since June 19, 1970. The well is apparently non-commercial.

Formation of the proposed unit will provide the State with an interest in a much larger area and thereby increase the chance of participating in a geothermal discovery. On the other hand, if the State parcels prove to be productive, then the royalties that the State received would be shared with the unit and possible income might be reduced.

Approval of the unit will encourage Union Oil Company to extend the boundaries of the field and develop the area in an orderly manner by systematic

SUPPLEMENTAL CALENDAR ITEM NO. 26. (CONTD)

step-out drilling. This development plan should minimize the impact on the environment and promote conservation of the resources.

Approval of the unit will be contingent upon compliance with Section 3756 of the Public Resources Code requiring the Geothermal Resources Board to (1) find that the Declaration of Geothermal Pooling attached is in the interest of the protection of geothermal resources from unreasonable waste and (2) approve the entering into of the agreement by the lessors and lessees for the purpose of bringing about the cooperative development and operation of all of the area.

The Office of the Attorney General has reviewed the proposed Declaration of Geothermal Pooling and has advised that it is in compliance with applicable sections of the Public Resources Code.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS PROJECT BUT THAT A NEGATIVE DECLARATION HAS BEEN PREPARED BY THE DIVISION.
2. CERTIFY THAT THE NEGATIVE DECLARATION, ND EIR 146, HAS BEEN COMPLETED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED, AND THE STATE GUIDELINES AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
4. AUTHORIZE APPROVAL OF THE AMENDMENT OF GEOTHERMAL LEASES PRC 4596.2 AND PRC 4597.2 AND THE DECLARATION OF GEOTHERMAL POOLING, COBB MOUNTAIN AREA, SONOMA AND LAKE COUNTIES, ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.

ALL OTHER TERMS AND CONDITIONS OF GEOTHERMAL LEASES PRC 4596.2 AND 4597.2 EXCEPT AS MODIFIED BY THE AMENDMENT AND THE DECLARATION OF GEOTHERMAL POOLING SHALL REMAIN IN FULL FORCE AND EFFECT.