

MINUTE ITEM

10. *APPLICATION FOR PROSPECTING PERMIT ON PROPRIETARY LAND IN IMPERIAL COUNTY, R. W. CYPHER - W.O. 3735, P.R.C. 2706.4.

After consideration of Calendar Item 17 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

PURSUANT TO SECTION 6891 OF THE PUBLIC RESOURCES CODE, THE EXECUTIVE OFFICER IS AUTHORIZED TO ISSUE TO R. W. CYPHER A TWO-YEAR PROSPECTING PERMIT AUTHORIZING PROSPECTING FOR GEOTHERMAL STEAM, FOR MINERAL WATERS, AND FOR ALL MINERALS OTHER THAN OIL AND GAS AND CARBON DIOXIDE GAS, IN 160 ACRES OF PROPRIETARY LAND IN THE SE $\frac{1}{4}$ OF SECTION 23, T. 11 S., R. 13 E., S.B.B. & M., IMPERIAL COUNTY, SUBJECT TO THE CONDITIONS INCLUDED IN EXHIBITS "B", "C", "D" AND "E" OF MINUTE ITEM 9 (W.O. 3734) OF THESE MINUTES, WITH ROYALTY PAYABLE:

1. UNDER ANY PROSPECTING PERMIT ISSUED, 20 PERCENT OF THE GROSS VALUE OF ANY MINERALS AND GEOTHERMAL STEAM SECURED BY PERMITTEE FROM THE LANDS EMBRACED WITHIN THE PERMIT AND SOLD OR OTHERWISE DISPOSED OF OR HELD BY THE PERMITTEE FOR SALE OR OTHER DISPOSITION;

2. UNDER ANY PREFERENTIAL LEASE ISSUED UPON THE DISCOVERY OF GEOTHERMAL STEAM, VALUABLE DEPOSITS OF MINERALS, AND WATER, TO BE DETERMINED AS FOLLOWS:

A. UPON ANY AND ALL MINERALS PRODUCED AND EXTRACTED AND SOLD FROM SAID PREMISES:

(1) FOR GOLD, SILVER, OTHER PRECIOUS MINERALS, AND RADIOACTIVE MINERALS

$$R = 3.00 + 0.01 (C - 20.00)^2$$

(2) FOR NONPRECIOUS METALLIC MINERALS

$$R = 3.00 + 0.37 (C - 60.00)$$

(3) FOR NONMETALLIC MINERALS

$$R = 0.40 + 0.05 (C - 8.00)$$

WHERE R = ROYALTY IN DOLLARS AND CENTS PER TON OF MINERAL SALTS

C = WEIGHTED AVERAGE OF GROSS SALES PRICE OF MINERAL SALTS SOLD DETERMINED ON A QUARTERLY BASIS DURING THE FIRST YEAR IN WHICH SALES OCCUR. THEREAFTER, THE WEIGHTED AVERAGE DETERMINED BY GROSS SALES PRICE OF MINERAL SALTS SOLD DURING THE PREVIOUS YEAR IN WHICH SALES OCCUR.

THE MINIMUM ROYALTY UNDER ANY LEASE ISSUED PURSUANT TO THIS PERMIT SHALL BE:

(1) FOR GOLD, SILVER, OTHER PRECIOUS MINERALS, AND RADIOACTIVE MINERALS: \$3.00 PER TON.

(2) FOR NONPRECIOUS METALLIC MINERALS: \$3.00 PER TON.

(3) FOR NONMETALLIC MINERALS: \$0.40 PER TON.

THE MAXIMUM ROYALTY FOR GOLD, SILVER, OTHER PRECIOUS MINERALS, AND RADIOACTIVE MINERALS SHALL NOT EXCEED 50 PERCENT OF THE AVERAGE GROSS SALES PRICE OF THE MINERAL SALTS.

THE MAXIMUM ROYALTY FOR ALL NONPRECIOUS METALLIC AND NONMETALLIC MINERALS SHALL NOT EXCEED 25 PERCENT OF THE AVERAGE GROSS SALES PRICE OF THE MINERAL SALTS.

B. UPON ALL ELECTRIC ENERGY AND SALABLE WATER PRODUCED FROM MINERAL WATERS EXTRACTED FROM SAID LEASE PREMISES:

(1) A FIXED MINIMUM PAYMENT OF $12\frac{1}{2}$ PERCENT OF THE GROSS SALES VALUE OF ALL ELECTRIC POWER AND WATER PRODUCED.

(2) AN ADDITIONAL SUM OF $33\frac{1}{3}$ PERCENT OF THE NET PROFIT DERIVED FROM ALL THE OPERATIONS ON STATE LANDS, LESS THE MINIMUM PAYMENT.

C. UPON ALL NONHYDROCARBON GASES EXCEPTING CARBON DIOXIDE GAS EXTRACTED AND SAVED UNDER THIS LEASE, A PAYMENT OF SIXTEEN AND TWO-THIRDS ($16\frac{2}{3}$) PERCENT OF THE CURRENT MARKET PRICE AT THE WELL AND OF ANY PREMIUM OR BONUS PAID ON ALL SUCH NONHYDROCARBON PRODUCTION REMOVED OR SOLD FROM THE LEASED LANDS.

Attachment

Calendar Item 17 (3 pages)

CALENDAR ITEM

17.

APPLICATION FOR PROSPECTING PERMIT ON PROPRIETARY LAND IN IMPERIAL COUNTY,
R. W. CYPHER - W.O. 3735.

An application has been received from R. W. Cypher of Long Beach for a permit to prospect for geothermal steam, for mineral waters and for all minerals other than oil and gas and carbon dioxide gas on 160 acres of proprietary land, in which the State owns all minerals except carbon dioxide gas, located in the SE $\frac{1}{4}$ of Section 23, T. 11 S., R. 13 E., S.B.B. & M., Imperial County. (Refer to Exhibit "F" attached.)

The applicant has entered into a mineral extraction lease with the owner of the carbon dioxide gas reservation. The term of said lease is for 20 years from and after January 1, 1961, and may be renewed for the further term of 20 years, provided that any wells are in process of being drilled, or any existing wells are producing carbon dioxide gas in paying quantities.

Section 6891 of the Public Resources Code provides for the issuance to a qualified applicant of a prospecting permit for lands which are not known mineral lands. In the course of drilling exploratory wells for the production of oil and gas in this general area, large quantities of superheated mineralized water were encountered at depths of less than 1000 feet. No oil or gas zones were penetrated. The area is believed to be underlain by molten magma which provides heat to the subterranean waters.

The applicant proposes to prospect for geothermal steam to be used to produce electric energy, and as a by-product of this operation some minerals and fresh water may be produced. Similar operations for the development of electric power have proved successful at the Geysers near Santa Rosa.

In the event that the proposed operations prove to be successful, the Board of Directors of the Imperial Irrigation District has agreed to purchase on any lease held by the applicant in this vicinity, not to exceed 10,000 kilowatts of electric energy at the price of $4\frac{1}{2}$ mills per kilowatt-hour delivered at a proposed generating plant.

The feasibility of isolating individual mineral salts from the precipitate deposited upon vaporization of the superheated mineral water can be determined only after the operation has been commenced. The sale of domestic water in this area should present no problem.

A field reconnaissance of the area has established that the land sought is not known to contain commercially valuable deposits of mineral. The statutory filing fee of \$5 has been paid and the permit fee of \$160 has been deposited by the applicant.

Subject land, now under the jurisdiction of the Department of Fish and Game, was acquired by the State for use as a waterfowl refuge. The Department has been notified of the receipt of the application, and has consented to the proposed prospecting subject to the following conditions:

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1. That the drilling operations be conducted outside the present duckpond area;
2. That present roadways be avoided;
3. That drilling be conducted under the supervision of the area manager and at times when duckhunting is not in season; and
4. That the testing be conducted through calorimeters or closed system; in any event, that testing not be conducted by blowing steam into the air.

The office of the Attorney General has advised that, under the authority of Public Resources Code Section 6891, the Commission may issue a prospecting permit for the exploration of mineral waters from the subject land, and, since the State is a partial owner of the mineral fee underlying the said lands, the State may properly issue a permit to explore the lands. On March 24, 1960 (Minute Item 12, pages 5763-71), the Commission authorized the Executive Officer to issue to R. W. Cypher a two-year prospecting permit for the same purpose covering an area of sovereign land in the same vicinity.

IT IS RECOMMENDED THAT, PURSUANT TO SECTION 6891 OF THE PUBLIC RESOURCES CODE, THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO ISSUE TO R. W. CYPHER A TWO-YEAR PROSPECTING PERMIT AUTHORIZING PROSPECTING FOR GEOTHERMAL STEAM, FOR MINERAL WATERS, AND FOR ALL MINERALS OTHER THAN OIL AND GAS AND CARBON DIOXIDE GAS, IN 160 ACRES OF PROPRIETARY LAND IN THE SE $\frac{1}{4}$ OF SECTION 23, T. 11 S., R. 13 E., S.B.B. & M., IMPERIAL COUNTY, SUBJECT TO THE CONDITIONS INCLUDED IN EXHIBITS "B", "C", "D" AND "E" OF CALENDAR ITEM 16 (W.O. 3734) OF THIS CALENDAR, WITH ROYALTY PAYABLE:

1. UNDER ANY PROSPECTING PERMIT ISSUED, 20 PERCENT OF THE GROSS VALUE OF ANY MINERALS AND GEOTHERMAL STEAM SECURED BY PERMITTEE FROM THE LANDS EMBRACED WITHIN THE PERMIT AND SOLD OR OTHERWISE DISPOSED OF OR HELD BY THE PERMITTEE FOR SALE OR OTHER DISPOSITION;
2. UNDER ANY PREFERENTIAL LEASE ISSUED UPON THE DISCOVERY OF GEOTHERMAL STEAM, VALUABLE DEPOSITS OF MINERALS, AND WATER, TO BE DETERMINED AS FOLLOWS:
 - A. UPON ANY AND ALL MINERALS PRODUCED AND EXTRACTED AND SOLD FROM SAID PREMISES:
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- (2) FOR NONPRECIOUS METALLIC MINERALS

$$R = 3.00 + 0.37 (C - 60.00)$$

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(3) FOR NONMETALLIC MINERALS

$$R = 0.40 + 0.05 (C - 8.00)$$

WHERE R = ROYALTY IN DOLLARS AND CENTS PER TON OF MINERAL SALTS

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THE MINIMUM ROYALTY UNDER ANY LEASE ISSUED PURSUANT TO THIS PERMIT SHALL BE:

- (1) FOR GOLD, SILVER, OTHER PRECIOUS MINERALS, AND RADIOACTIVE MINERALS: \$3.00 PER TON.
- (2) FOR NONPRECIOUS METALLIC MINERALS: \$3.00 PER TON.
- (3) FOR NONMETALLIC MINERALS: \$0.40 PER TON.

THE MAXIMUM ROYALTY FOR GOLD, SILVER, OTHER PRECIOUS MINERALS, AND RADIOACTIVE MINERALS SHALL NOT EXCEED 50 PERCENT OF THE AVERAGE GROSS SALES PRICE OF THE MINERAL SALTS.

THE MAXIMUM ROYALTY FOR ALL NONPRECIOUS METALLIC AND NONMETALLIC MINERALS SHALL NOT EXCEED 25 PERCENT OF THE AVERAGE GROSS SALES PRICE OF THE MINERAL SALTS.

B. UPON ALL ELECTRIC ENERGY AND SALABLE WATER PRODUCED FROM MINERAL WATERS EXTRACTED FROM SAID LEASE PREMISES:

- (1) A FIXED MINIMUM PAYMENT OF $12\frac{1}{2}$ PERCENT OF THE GROSS SALES VALUE OF ALL ELECTRIC POWER AND WATER PRODUCED.
- (2) AN ADDITIONAL SUM OF $33\frac{1}{3}$ PERCENT OF THE NET PROFIT DERIVED FROM ALL THE OPERATIONS ON STATE LANDS, LESS THE MINIMUM PAYMENT.

C. UPON ALL NONHYDROCARBON GASES EXCEPTING CARBON DIOXIDE GAS EXTRACTED AND SAVED UNDER THIS LEASE, A PAYMENT OF SIXTEEN AND TWO-THIRDS ($16\frac{2}{3}$) PERCENT OF THE CURRENT MARKET PRICE AT THE WELL AND OF ANY PREMIUM OR BONUS PAID ON ALL SUCH NONHYDROCARBON PRODUCTION REMOVED OR SOLD FROM THE LEASED LANDS.