

## EXHIBIT

## DIVISION OF OIL AND GAS

1416 9th Street, Room 1316  
 Sacramento, California 95814  
 945 9000



April 27, 1979

Mr. Reid T. Stone  
 Area Geothermal Supervisor  
 U.S. Geological Survey  
 Conservation Division, MS 92  
 345 Middlefield Road  
 Menlo Park, California 94025

RECEIVED  
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 AREA GEOTHERMAL SUPERVISOR'S OFFICE  
 CONSERVATION DIVISION  
 U.S. GEOLOGICAL SURVEY  
 MENLO PARK, CALIF.

Dear Mr. Stone:

Cooperative procedures practiced during the past several years have reduced paperwork and benefited both the California Division of Oil and Gas (CDOG) and the U.S. Geological Survey (USGS). The resolution of the status of Stockraising Homestead Act geothermal rights now permits those informal procedures, which have worked so well, to be reaffirmed in more precise and formal terms. These procedures should benefit our respective field representatives by allowing them to understand their regulatory jurisdiction and responsibilities more clearly.


In general, it has been the established policy of the CDOG that the USGS is responsible for the issuance of permits for and inspections of exploration and production activities of those geothermal resources belonging to the Federal Government. Furthermore, those geothermal resources not belonging to the Federal Government are under the jurisdiction of the respective local, County, or State agencies. The following statements further clarify the jurisdiction, responsibilities, and cooperative measures.

1. The USGS has the responsibility to permit and inspect all exploration, development, production, and utilization operations where the lessee or his operator is conducting the activity to recover Federal geothermal resources. This responsibility includes all Federal lands and those Stockraising Homestead Act (SRHA) lands where the geothermal resources belong to the United States. If the resource is sold to a third party prior to the utilization on SRHA lands, the permitting authority for plant utilization vests with the appropriate local, County, or State agency. In cases where directional drilling from non-Federal lands into Federal geothermal resources occurs, the USGS is responsible for well permitting and inspection regardless of surface ownership; however, the CDOG shall be consulted for its advice prior to approval of any drilling program. An appropriate site stability analysis with an engineering review by a qualified engineering geologist and/or civil engineer will be conducted on each drill site in unstable terrain. The lessee or operator must provide written assurance to the USGS that legal rights to surface occupancy on SRHA lands have been obtained prior to approval of any permit.


2. The CDOG has the responsibility to permit and inspect all exploration, development, and production operations where the lessee or his operator is conducting the activity to recover geothermal resources from non-Federal lands. In cases where directional drilling from Federal lands into non-Federal geothermal resources occurs, the CDOG is responsible for well permitting and inspection regardless of surface ownership; however, the USGS shall be consulted for its advice prior to approval of any drilling program. An appropriate site stability analysis with an engineering review by a qualified engineering geologist and/or civil engineer will be conducted on each drill site in unstable terrain, pursuant to Section 1931.5, Title 14, California Administrative Code. However, the operator must obtain a surface use permit from the appropriate Federal agency granting the right to access and use of the Federal surface lands for that purpose.
3. Dual completion of a single well that includes both non-Federal and Federal resources will require well permitting by both the USGS and CDOG. However, both agencies will work together to support each other and reduce duplication of records requirements and enforcement activities.
4. Exchange of information regarding site and drilling plans and well permits will continue on the part of both agencies for nonproprietary data. Exchange of proprietary data will require the concurrence of the lessees. Inspection by either USGS or CDOG representatives of activities permitted by the other agency shall be arranged through the regional or district office having jurisdiction over that area. During emergencies, if the regional or district staff having primary well permit authority is unavailable, the regional or district staff of the other agency shall take such action as is necessary to prevent pollution, or damage to persons, natural resources or property. However, in this case the agency with primary well permitting authority shall be notified as soon as possible to assume jurisdiction.
5. If the CDOG is required to prepare an environmental impact document for a geothermal exploratory project under State law and the USGS is required to prepare an environmental impact document for the same project under Federal law, only one environmental document shall be prepared. That document shall meet the requirements of both the National Environmental Policy Act and the California Environmental Quality Act and shall be completed within 135 days from the date the operator files a complete application with the USGS or the CDOG for a geothermal exploratory project.

We trust this addresses the subject covered in our recent discussions and will provide the basis for our continued cooperative support of geothermal activities.

Sincerely,

  
M. O. [unclear]  
State Oil and Gas Supervisor

Concurred by:

  
Reid T. Stone  
Area Geothermal Supervisor, USGS Date: 5-5-79