

Staff Report 53

Consider Application for a Modification of The State's Right of Surface Entry on State Reserved Mineral Interest School Land

APPLICANT:

Desert Quartzite, LLC

PROPOSED ACTION:

AREA, LAND TYPE, AND LOCATION

Approximately 160 acres of State 100 percent reserved mineral interest State school lieu land, Assessor's Parcel Number: 879-110-001, State Parcel Number 237-534, located about 4 miles southwest of the Blythe Airport, near the city of Blythe, in the northeast quarter of Section 15, Township 7 South, Range 21 East, SBBM, Riverside County. See Exhibits A and B, attached.

AUTHORIZED USE:

Modification of the State's right to use or cause to be used, for purposes of developing its mineral reservation, the surface, including its right to enter such lands to a depth of 500 feet below the surface of the lands described in Exhibit A, attached.

TERM:

30 years, beginning September 1, 2020, through August 31, 2050.

CONSIDERATION:

\$900 per year, with an annual Consumer Price Index adjustment.

BACKGROUND:

On August 28, 2019, Desert Quartzite, LLC (Desert Quartzite), applied for a Modification of the State's Right of Surface Entry (Modification) for a mineral interest in State school lieu lands. A solar project has been approved by the County of Riverside for construction of a 450-megawatt solar facility on approximately 5,275 acres of land owned by the U.S. Bureau of Land Management and other parties. Of those 5,275 acres, the State retains 160 acres of a 100 percent reserved mineral interest (RMI). The

State acquired and patented this parcel as lieu land under the Congressional Act of August 1, 1946 (60 Stat. 755). The Desert Quartzite project includes an option to purchase the surface estate of the State parcel.

The proposed solar facility will include approximately 2,660 acres of photovoltaic panels, or concentrated photovoltaic collectors, across the entire site. Photovoltaic panels convert solar energy into electricity using semiconducting materials. In October 2019, the County of Riverside certified an Environmental Impact Report for the Desert Quartzite Solar Project (State Clearinghouse No. 2015031066). Desert Quartzite has also acquired a Conditional Use Permit (No. 3721) and Development Agreement (DA No. 1900017) from the County of Riverside. Both documents were approved by the County on October 29, 2019.

This application for the Modification was originally on the agenda for the April 29, 2020 Commission meeting but was removed from the agenda due to a pending sale of Desert Quartzite, LLC, from First Solar, Inc., to EDF Renewables. The Applicant is now proceeding with the application as a subsidiary of EDF Renewables.

Desert Quartzite is seeking a Modification of the State's Right of Surface Entry to prevent the possible future conflict between exploration or development of the State's minerals and operation of the solar facility over the next 30 years.

Under Public Resources Code section 6401, subdivision (b), the Commission may modify, and surrender its right to enter the State's RMI, to a depth of 500 feet below the surface, to allow for the orderly use and development of lands where the State has sold the surface but retained the mineral interest. The Commission may modify its right of surface entry upon a finding that there are no known deposits of commercially valuable minerals in and above a plane located 500 feet below the surface of the lands and that such modifications are not inconsistent with federal laws pertaining to the grant of lieu lands (i.e., the RMI is not sold or otherwise disposed of).

Consequently, one of the essential elements to such an application is the submission of a detailed Mineral Potential Report prepared by a California Professional Geologist. This report must document the parcel's mineral potential within 500 feet of the surface and evaluate what mineral potential, such as the presence of oil and gas or geothermal resources, may exist at greater depths.

MINERAL POTENTIAL EVALUATION REPORT:

Desert Quartzite submitted a Mineral Potential Evaluation Report, on September 13, 2019, prepared by California Professional Geologist, Natalie Evans (License No. 9097) of the URS Corporation. The report evaluated the mineral potential from the surface to a depth of 500 feet, concluding that there are no known commercially valuable mineral deposits above and below that plane including the potential for oil and gas and

geothermal resources. The parcel is characterized by a variety of different sediment types, consisting primarily of fine sands and gravels with varying degrees of coarseness. These sediments are generally found in mixed alluvial fan depositional settings. Despite the prevalence of some aggregate mining within 10 miles of the property, the subject site does not currently possess aggregate resources in commercial quantities. The property is also located within a designated Mineral Resource Zone 4, which are areas where there is insufficient information available to determine the presence or absence of mineral resources (Mineral Lands Classification System CGS-DOC 1994). The subject parcel is currently vacant and was the former site of a Jojoba farm, indicated by low, linear berms with parallel remnants of black irrigation tubing protruding out of the soil. A variety of low-lying brush and other plants typically found in arid environments are also present. No other significant vegetation occurs on this site.

There is no evidence of active or historic mineral prospects, mining operations, or oil and gas wells on the parcel, and historically, wildcat oil wells drilled in the project vicinity have not exhibited any oil or gas potential. The only two wells drilled within 25 miles of the property were dry holes that have been plugged and abandoned. There is no commercial potential for the occurrence of precious metals in the parcel. The potential for the development of sand and gravel deposits suitable for use as construction sand and road fill is also low. The factors limiting the development include variability in lateral and vertical extent, increased processing costs and waste content, and the haul distance to any market.

Staff inspected the parcel on October 2, 2019, to conduct an independent geologic assessment. The inspection confirmed that the conclusions detailed in the consultant's mineral potential report were valid and accurate. The most economically viable mineral resource that could possibly occur in this region is aggregate, which is not presently commercial within this parcel. Staff concurs that there is low mineral development potential for other solid minerals, precious and base metals, industrial minerals, oil, gas, and geothermal resources on the site.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Codes sections 6005, 6216, 6301, and 6401; California Code of Regulations, title 2, section 2003.

STATE'S BEST INTERESTS:

The proposed Modification of the State's Right of Surface Entry is in the State's best interests because it will help the state achieve its ambitious greenhouse gas emission

reduction target of 40 percent below 1990 levels by 2030 (SB 32, 2016) and renewable energy procurement targets of 60 percent by 2030 and 100 percent by 2045 (SB 100, 2018), through the development and expansion of the State's renewable energy portfolio. Despite the temporary loss of entry onto a low mineral potential parcel, the State will benefit from the new energy production resulting from the solar facility. As consideration for the Modification of the State's Right of Surface Entry, Desert Quartzite will pay an annual rental fee of \$900, adjusted annually by the Consumer Price Index. This consideration was determined using methods authorized by the Commission under California Code of Regulations, title 2, section 2003. Finally, this subject Modification is for a limited term of 30 years to preserve the ability to enter the surface if future mineral resources are discovered.

CONCLUSION:

For all the reasons above, staff believes the approval of the Modification is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the application is a discretionary action by the Commission. Each time the Commission approves or rejects a use of State school or lieu lands, it exercises legislatively delegated authority and responsibility as trustee of those lands as authorized by law. If the Commission denies the application, the Applicant would not be able to deny the State the authority to extract resources from its RML. However, a future mineral lessee of the State would be economically responsible for any loss to surface improvements made by the Applicant if they are impacted by mineral development. Upon expiration or prior termination of the Modification, the Commission would no longer be bound by its terms. Desert Quartzite may submit a new application for a modification, the approval of which would be at the Commission's sole discretion.
2. The Modification of the State's Right of Surface Entry is consistent with federal statutes pursuant to 43 U.S.C. section 870 because the State is not alienating its mineral interest and retains the ability to develop any minerals at the end of the Modification's term.
3. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation and responsible economic use of the lands and resources under the Commission's jurisdiction.

4. Authorization to issue a Modification of the State's Right of Surface Entry is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

EXHIBITS:

- A. Land Description
- B. Site and Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

FINDINGS:

1. Find that there are no known commercially valuable minerals located on the subject parcel in and above a plane of 500 feet.
2. Find that the proposed Modification will permit the orderly use and development of the lands for renewable energy.
3. Find that the proposed Modification is not inconsistent with federal statutes pursuant to 43 U.S.C. section 870.

STATE'S BEST INTERESTS:

Find that the Modification is in the best interests of the State.

AUTHORIZATION:

Authorize the Executive Officer, or her designee, to issue to Desert Quartzite, LLC, a Modification of the State's Right of Surface Entry to use or cause to be used, for purposes of developing its mineral reserves, the surface, including its right to enter such lands to a depth of 500 feet below the surface of the lands described in Exhibit A and shown on Exhibit B (for reference purposes only), attached and by this reference made a part hereof, beginning September 1, 2020, for a term of 30 years; consideration in the amount of \$900 per year with an annual Consumer Price Index adjustment.

EXHIBIT A

A 2228

LAND DESCRIPTION

That certain parcel of State School (Lieu) Land in Riverside County, State of California, more particularly described as follows:

Northeast ¼ of Section 15, Township 7 South, Range 21 East, San Bernardino Meridian, as shown on that Official U.S. Government Township Plat approved October 6, 1856.

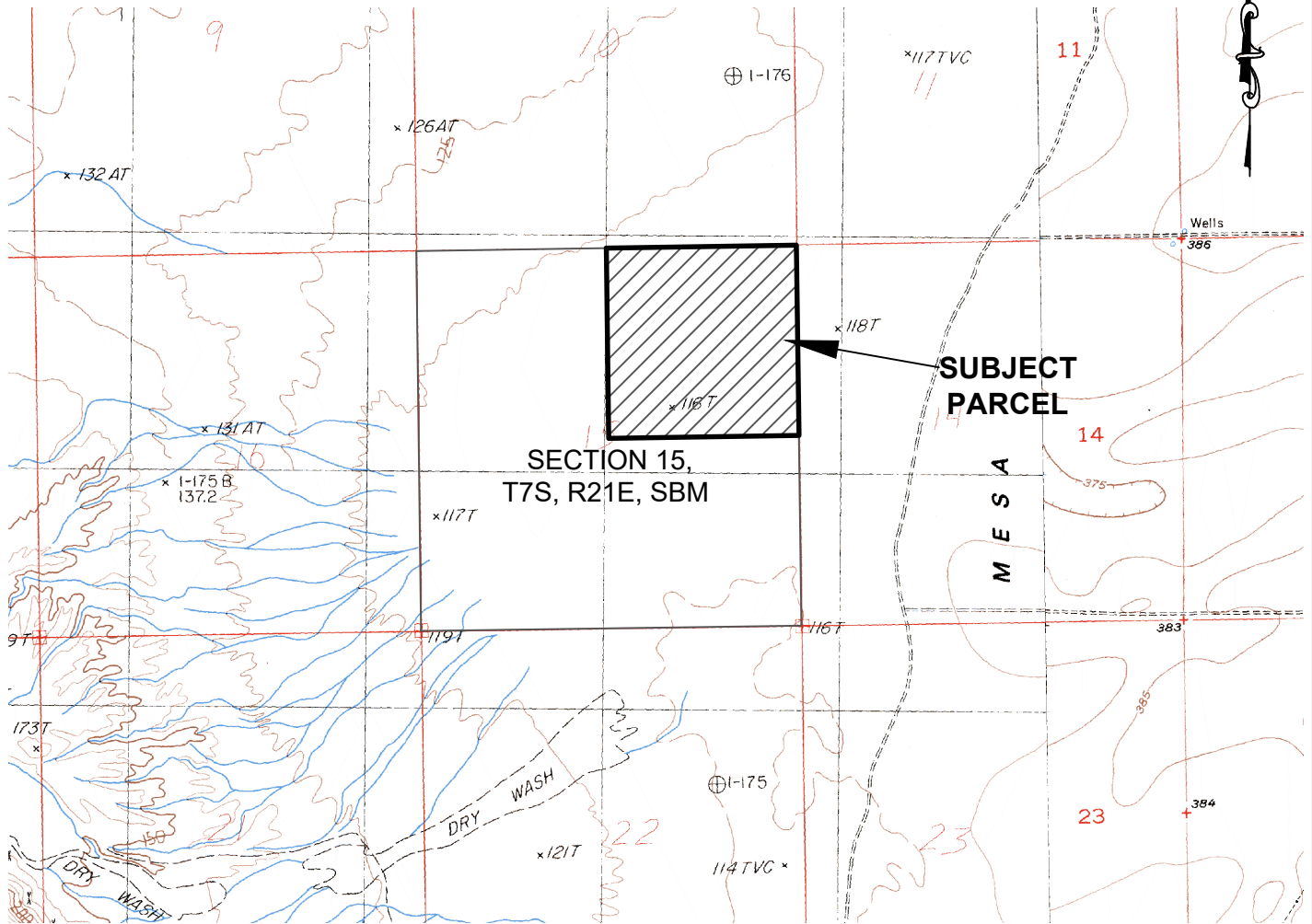
END OF DESCRIPTION

Prepared 12/05/2019 by the California State Lands Commission Boundary Unit.



NO SCALE

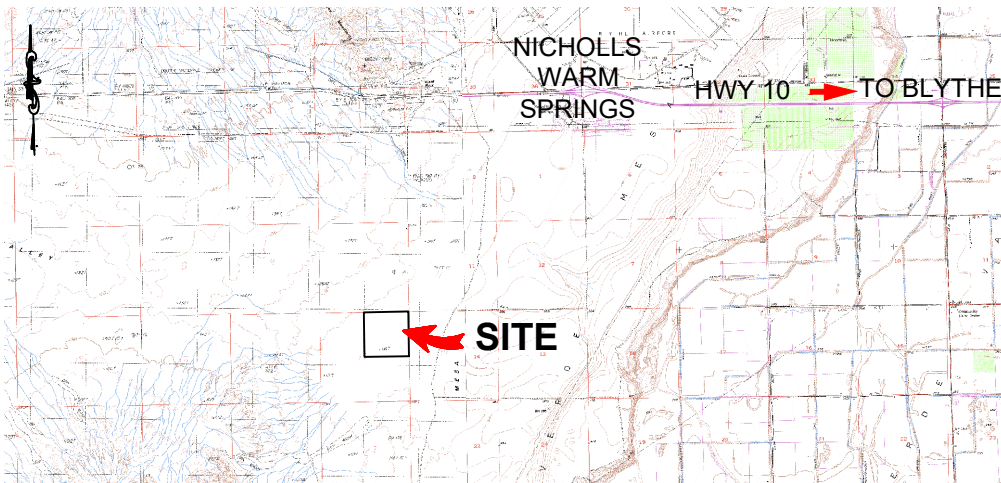
SITE



PORTIONS OF SEC. 15, T7S, R21E, SBM, SOUTHWEST OF CITY OF BLYTHE

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

Exhibit B

A 2228
DESERT QUARTZITE, LLC
APN: 879-110-001
MODIFICATION OF
SURFACE ENTRY RIGHT
RIVERSIDE COUNTY



TS 12/05/19