

Summary of the Geothermal Leasing Provisions of Title II of H.R. 6  
(July 27, 2005)

Subtitle B--Geothermal Energy

Section 221: Short Title

- The subtitle may be named the "John Rishel Geothermal Steam Act Amendments of 2005" to recognize the contribution of the House Resources Committee professional staff member who originally envisioned this legislation.

Section 222: Competitive Lease Sale Requirements

- Qualified individuals and companies may nominate lands to be leased
- In state with nominations, BLM must hold lease sales at least every two years
- Tracts sold to highest bidder in competitive sale
- Tracts not sold available non-competitively for two years
- BLM may lease multiple leases as a block if information indicates they could be produced as a unit
- Pending Lease Applications
- BLM and Forest Service directed to complete plans needed for leasing
- Applications pending processed under law in effect prior to amendment unless applicant chooses to place it under the new procedures

Section 223: Direct Use

- DOI shall establish a schedule of fees in lieu of royalty for direct use
- State tribal or local governments shall be charged only a nominal fee for use of the resources
- Secretary may identify lands to be lease exclusively for direct use available to first applicant subject to 90 day public notice period. If there is competitive interest expressed in the lands, they are offered in next competitive lease sale.
- Allows Secretary to modify size of the lease for direct use leases.

Section 224: Royalties

- New leases shall provide for a royalty between 1% to 2.5% of gross proceeds from the sale of electricity during the first ten years, and between 2% and 5% thereafter.
- Secretary may accept credits in kind for value of electricity under a contract with a State or county government entitled to royalties.
- Royalties are shared 25% for the federal government, 50% for the state, and 25% for the county where the producing lease is located.
- Existing leases not converting to the new royalty system will receive a 50% reduction in royalties owed for their first four years of production if they begin

- production within 6 years of enactment or expand production more than ten percent during this same 6 year period.
- Existing leases may apply to convert to a gross proceeds royalty within 18 months of effective date for new royalty regulations. New gross proceeds rate must return yield same royalty payment as would have been received under prior royalty rate.
  - Existing lease may seek to convert to direct use fee schedule
  - Secretary shall consult with state and local governments about any proposed royalty changes

#### Section 225 Coordination of Geothermal Leasing and Permitting on Federal Land

- Secretary of Interior and Agriculture shall submit MOU to Congress within 180 days
- MOU shall set forth administrative procedures for lease processing, a five year program for leasing on National Forest lands, and a program to reduce the backlog of lease applications by 90 percent within five years.

#### Section 226: Assessment of Geothermal Energy Potential

- Secretary of Interior acting through USGS is directed to update the 1978 Geothermal Resource Assessment and submit it to Congress within three years.

#### Section 227: Unit and Communitization Agreements

- Authorities and procedures for unitization are established in detail.

#### Section 228: Royalty on Byproducts

- The additional 5% royalty on the production of byproducts from geothermal leases is removed.

#### Section 229: Authority of Secretary to Readjust Terms, Conditions, Rentals and Royalties

- General authority is retained, and limit of any increase to 50% retained, but remainder of language setting 22 1/2% royalty maximum and automatic acceptance of adjustment after 30 days, etc, are removed.

#### Section 230: Crediting of Rental Toward Royalty

- For producing leases, rentals are credited against royalty payments.

#### Section 231: Lease Duration and Work Commitment Requirements

- Established ten year primary lease term, with two five year extensions allowed if minimum work requirements established by the Secretary are met.

- Payments in lieu of work required for a limited number of years that does not impair achieving "diligent development of the resource."
- Transition rules will be applied to existing leases through regulation.
- Minimum work requirements do not apply once production in commercial quantities is achieved.

#### Section 232: Advanced Royalties Required for Cessation of Production

- Leases may continue to be held for up to ten years if commercial production stops by payment of an advance royalty. Force majeure, and other reasons excepted.

#### Section 233: Annual Rental

- Lease rentals for the first ten years are \$1/acre for a noncompetitive lease, and \$2/acre for the first year and \$3 in years 2-10 for a competitive lease. After the 10th years rentals are \$5 per acre for all leases.
- Leases not paying rental on time are notified of non-payment and given 45 days to pay with a late fee before termination.

#### Section 234: Deposit and Use of Geothermal Lease Revenues for 5 Fiscal Years

- The federal share of geothermal royalties is available to the Secretary, without further appropriation, to implement the Geothermal Steam Act of 1970 and the provisions of this Act.
- The Secretary may transfer funds to the Forest Service for the purposes of geothermal leasing and use authorizations.

#### Section 235: Acreage Limitations

- Maximum lease size is 5,120 acres, maximum lease holdings in any one state is 51,200 acres.

#### Section 236: Technical Corrections

- There are various technical corrections, particularly to the titles of the existing law, and direct use is defined.

#### Section 237: Intermountain West Geothermal Consortium

- Through the Idaho National Laboratory, and managed by Boise State University, an Intermountain West Geothermal Consortium is established, subject to the availability of appropriations.