

From: Paul_Dunlevy@blm.gov
Sent: Saturday, April 12, 2003 4:16 PM
To: MRM Comments; Gebhardt, Sharron
Cc: Kermit_Witherbee@blm.gov; Sean_Hagerty@ca.blm.gov;
karl@geo-energy.org; susan.norwood@hq.doe.gov
Subject: New Royalty Valuation Approaches

I am providing my comments to the Federal Register request for comments and ideas pertaining to developing new valuation proposals for measuring geothermal heat consumption by federal lessees. My comments are as follows:

1.) Yes, I believe that there is a need to discuss modifications or alternatives to the existing royalty valuation procedures. I base this opinion on the fact that, although there were only a few geothermal companies at the follow-up Renewable Energy meeting in Palm Springs, all the companies who were present commented that the system was unsatisfactory. They expressed the belief that there were alternative methods to achieve a fair market value for public resources used. They complained that the existing system is burdensome, too expensive, and actually costs more than the royalty payments make as a result of production.

2.) As Geothermal Program Lead for the BLM, I would welcome the opportunity to participate in all your workshops, and would even be willing to help facilitate them. My telephone number is 202-452-7707.

You should also know that the Department of Energy has formed an interagency/industry/public Geothermal Collaborative, which is addressing several questions and issues within the geothermal development industry. BLM participates on that Collaborative at this time, as an alternative to creating a duplicate effort with a Geothermal Coordinating Committee. The contractor for the Collaborative has expressed an interest in coordinating workshops to discuss Royalty issues, including how the military system relates to BLM's. You may want to take advantage of their expertise to hold your workshops.

3.) Many proposals have been raised by interested parties. Even the Energy Subcommittees of the U.S. Congress have identified royalty rates as an issue. I will be willing to help consolidate the proposals and coordinate the plans. The comment made in the federal register, that the royalty should be "value neutral" seems to contradict the concept of using the resource to generate a salable product. The amount of geothermal resource royalties that are paid, should reflect both the amount of resources used and the value of the product, as well as to the quantity. These issues should be discussed at the workshops.

If you have any questions about my comments, call me at the number above.