

MINUTE ITEM

7. (APPLICATION FOR PREFERENTIAL MINERAL EXTRACTION LEASE, KARL PIERCE, FEREE PIERCE AND FRANK PIERCE, SAN LUIS OBISPO COUNTY - W. C. 2865, P.R.C. 2150.2.)

After presentation of Calendar Item 11 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION DETERMINES THAT COMMERCIALY VALUABLE DEPOSITS OF MINERALS HAVE BEEN DISCOVERED WITHIN THE LIMITS OF LOTS 1 AND 7, PROSPECTING PERMIT P.R.C. 1899.2 AND THE EXECUTIVE OFFICER IS AUTHORIZED TO ISSUE TO KARL PIERCE, FEREE PIERCE AND FRANK PIERCE A PREFERENTIAL MINERAL EXTRACTION LEASE, IN ACCORDANCE WITH DIVISION 6 OF THE PUBLIC RESOURCES CODE, COVERING LOTS 1 AND 7 OF P.R.C. 1899.2 IN SECTION 33, T. 29 S., R. 12 E., M.D.B.& M., SAN LUIS OBISPO COUNTY, SUBJECT TO THE DEPOSIT OF A PERFORMANCE BOND IN THE AMOUNT OF \$1,000, AND WITH THE ROYALTY UPON ALL MINERALS PRODUCED THEREUNDER AND EXTRACTED FROM SAID LEASED PREMISES TO BE DETERMINED AS FOLLOWS:

1. FOR GOLD, SILVER, OTHER PRECIOUS MINERALS AND RADIOACTIVE MINERALS

$$R = 2.00 + .01 (C - 20.00)^2$$

2. FOR NONPRECIOUS METALLIC MINERALS

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

3. FOR NONMETALLIC MINERALS

$$R = 1.00 + 0.20 (C - 20.00)$$

WHERE R = ROYALTY IN DOLLARS AND CENTS PER TON OR ORE

C = WEIGHTED AVERAGE GROSS SALES PRICE PER TON DETERMINED AT THE END OF THE FIRST YEAR OF THE LEASE AND EVERY FOUR YEARS THEREAFTER.

THE MAXIMUM ROYALTY SHALL NOT EXCEED 50 PER CENT OF THE AVERAGE GROSS SALES PRICE OF THE ORE FOR GOLD, SILVER, AND OTHER PRECIOUS MINERALS AND RADIOACTIVE MINERALS.

THE MAXIMUM ROYALTY SHALL NOT EXCEED 25 PER CENT OF THE AVERAGE GROSS SALES PRICE OF THE ORE FOR ALL NONPRECIOUS METALLIC AND NONMETALLIC MINERALS.

THE ROYALTY DURING THE FIRST YEAR OF ANY LEASE ISSUED PURSUANT TO THE PERMIT SHALL BE:

1. FOR PRECIOUS AND RADIOACTIVE MINERALS -- \$2.00 PER TON.
2. FOR NONPRECIOUS METALLIC MINERALS -- \$3.00 PER TON.
3. FOR NONMETALLIC MINERALS -- \$1.00 PER TON.

Attachment
Calendar Item 11 (2 pages)

CALENDAR ITEM

MINERAL LEASE

11.

(APPLICATION FOR PREFERENTIAL MINERAL EXTRACTION LEASE, KARL PIERCE, FEREE PIERCE AND FRANK PIERCE, SAN LUIS OBISPO COUNTY - W. O. 2865.)

Prospecting Permit P.R.C. 1899.2 covering Lots 1, 7 and 15 in Section 33, T. 29 S., R. 12 E., M.D.B.& M., San Luis Obispo County, was issued on March 11, 1957 to Harry J. Stevens of Cayucos.

On August 8, 1957 (Minute Item 26, page 3431), the Commission approved the assignment by Harry J. Stevens to Karl Pierce, Feree Pierce and Frank Pierce of Morro Bay of Lots 1 and 7 of Prospecting Permit P.R.C. 1899.2.

An application for a preferential mineral extraction lease has been received from the assignees of Lots 1 and 7. In a letter from Mr. L. J. Work, Superintendent of the Castro Mining Company of San Luis Obispo, dated March 11, 1958, it is estimated that 10,000 to 14,000 tons of 20 to 25 per cent chrome ore could be recovered from Lot 7. This estimate was based on ore exposed by current operations and the result of core drilling.

A field reconnaissance disclosed that the area has been subjected to considerable faulting, with the result that the ore bodies occur at different levels. Stripping operations have exposed an ore body on the adjoining property, which ore body extends under State lands. From an analysis of the cores taken, a second body of ore at a level approximately 35 feet lower, containing an estimated 6,000 tons, has been blocked out. The ore will be recovered by open pit mining operations. At this point the overburden is, approximately, 80 feet thick. Concentrates and high grade ore from the adjoining property is purchased by the government for stock piling at, approximately, \$89 per ton. The application filing fee in the amount of \$5 has been received.

IT IS RECOMMENDED THAT THE COMMISSION DETERMINE THAT COMMERCIALY VALUABLE DEPOSITS OF MINERALS HAVE BEEN DISCOVERED WITHIN THE LIMITS OF LOTS 1 AND 7, PROSPECTING PERMIT P.R.C. 1899.2 AND AUTHORIZE THE EXECUTIVE OFFICER TO ISSUE TO KARL PIERCE, FEREE PIERCE AND FRANK PIERCE A PREFERENTIAL MINERAL EXTRACTION LEASE, IN ACCORDANCE WITH DIVISION 6 OF THE PUBLIC RESOURCES CODE, COVERING LOTS 1 AND 7 OF P.R.C. 1899.2 IN SECTION 33, T. 29 S., R. 12 E., M.D.B.& M., SAN LUIS OBISPO COUNTY, SUBJECT TO THE DEPOSIT OF A PERFORMANCE BOND IN THE AMOUNT OF \$1,000, AND WITH THE ROYALTY UPON ALL MINERALS PRODUCED THEREUNDER AND EXTRACTED FROM SAID LEASED PREMISES TO BE DETERMINED AS FOLLOWS:

1. FOR GOLD, SILVER, OTHER PRECIOUS MINERALS AND RADIOACTIVE MINERALS

$$R = 2.00 + .01 (C - 20.00)^2$$

2. FOR NONPRECIOUS METALLIC MINERALS

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

MINERAL LEASE 11, (CONTD.)

3. FOR NONMETALLIC MINERALS

$$R = 1.00 + 0.20 (C - 20.00)$$

WHERE R = ROYALTY IN DOLLARS AND CENTS PER TON OF ORE

C = WEIGHTED AVERAGE GROSS SALES PRICE PER TON DETERMINED
AT THE END OF THE FIRST YEAR OF THE LEASE AND EVERY
FOUR YEARS THEREAFTER.

THE MAXIMUM ROYALTY SHALL NOT EXCEED 50 PER CENT OF THE AVERAGE
GROSS SALES PRICE OF THE ORE FOR GOLD, SILVER, AND OTHER PRECIOUS
MINERALS AND RADIOACTIVE MINERALS.

THE MAXIMUM ROYALTY SHALL NOT EXCEED 25 PER CENT OF THE AVERAGE
GROSS SALES PRICE OF THE ORE FOR ALL NONPRECIOUS METALLIC AND
NONMETALLIC MINERALS.

THE ROYALTY DURING THE FIRST YEAR OF ANY LEASE ISSUED PURSUANT TO THE PERMIT
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3. FOR NONMETALLIC MINERALS -- \$1.00 PER TON.