

MINUTE ITEM

5/24/72
JFS

15. RENEWAL OF MINERAL EXTRACTION LEASE PRC 11.2, MODIFICATION OF LEASE TERMS, AND CASH SETTLEMENT FOR UNPERFORMED WORK SHIFTS; SCHOOL LANDS, INYO COUNTY; CYPRUS MINES CORPORATION - W 9491, PRC 11.2.

After consideration of Calendar Item 13 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. AUTHORIZES THE RENEWAL OF MINERAL EXTRACTION LEASE PRC 11.2 FOR A TEN-YEAR TERM COMMENCING FEBRUARY 25, 1972, WITH AN ANNUAL RENTAL OF \$40 AND THE FOLLOWING MODIFIED TERMS AND CONDITIONS, WITH ALL OTHER TERMS OF SAID LEASE TO BE IN ACCORDANCE WITH THE TERMS OF THE CURRENT FORM APPROVED BY THE COMMISSION AND ON FILE WITH THE COMMISSION.
 - A. THE ROYALTY RATE FOR THE RENEWED LEASE SHALL BE \$1.80 PER TON (2000 LBS.).
 - B. THE ROYALTY RATE SHALL BE SUBJECT TO RE-EVALUATION EVERY THIRD YEAR.
 - C. THERE SHALL BE A NONREFUNDABLE MINIMUM ROYALTY OF \$1800 PER YEAR, PAYABLE AT THE BEGINNING OF EACH QUARTER AT THE RATE OF \$450 PER QUARTER. AS ROYALTIES ACCRUE, THEY SHALL BE DEDUCTED FROM THE MINIMUM ADVANCE PAYMENT, AND ANY EXCESS ROYALTY PER QUARTER SHALL BE PAID WITH THE QUARTERLY STATEMENTS.
 - D. A SURETY BOND IN THE PENAL SUM OF TEN THOUSAND AND NO ONE-HUNDREDTHS DOLLARS (\$10,000) SHALL BE FILED WITH THE STATE.
2. AUTHORIZES THE ACCEPTANCE BY THE STATE FROM THE LESSEE OF THE SUM OF \$1,914 AS PAYMENT IN FULL FOR THE STATE'S CLAIM FOR UNPERFORMED SHIFT WORK UNDER LEASE PRC 11.2 FOR THE PERIOD ENDING FEBRUARY 24, 1972.

Attachment:

Calendar Item 13 (2 pages)

CALENDAR ITEM

5/72
JFS
PRC 11.2

13.

RENEWAL OF MINERAL EXTRACTION LEASE,
MODIFICATION OF LEASE TERMS,
AND CASH SETTLEMENT FOR UNPERFORMED WORK SHIFTS

LEASE: PRC 11.2.
LESSEE: Cyprus Mines Corporation.
LEASE TERM: February 25, 1972, to February 24, 1982.
LEASE LOCATION: SE $\frac{1}{4}$ of NE $\frac{1}{4}$, Section 36, T. 18 S., R. 39 E., M.D.B. & M.,
Inyo County.

PERTINENT INFORMATION:

1. Sierra Talc Company entered into a lease with the State on February 25, 1942. The lease was renewed for ten years on February 25, 1962, with all terms and conditions of the original lease remaining in full force and effect, and subsequently was assigned on August 12, 1964, to Cyprus Mines Corporation. Cyprus has now requested an additional renewal for ten years commencing February 25, 1972.
2. Existing covenants and royalty requirements include:
 - a. An annual rental of \$40 per year;
 - b. A royalty rate of \$1.25 per ton (2,000 lbs.) of talc ore mined and removed from the leased premises;
 - c. The completion of 1,000 shifts of work each and every year during the term of the lease and during any extension thereof (a shift is defined as the work of one man for a day of at least 8 hours); and
 - d. The furnishing of a surety bond in the penal sum of One Thousand and No One-Hundredths Dollars (\$1,000) in favor of the State of California, approved by the State Lands Commission to guarantee the faithful performance by the Lessee.
3. Upon review of the existing lease provisions, the following revised terms have been proposed by the Division and concurred in by the Lessee:
 - a. Annual rental shall remain the same.
 - b. A royalty rate of \$1.80 per ton (2,000 lbs.) of ore mined or removed from said premise, with such royalty to be reviewed every three years;

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- c. The replacement of the work-shift requirements with a minimum annual royalty of \$1,800, due and payable at the beginning of each quarter at the rate of \$450 per quarter; and
 - d. A surety bond in the penal sum of Ten Thousand and No One-Hundredths Dollars (\$10,000) to be filed with the State.
4. The existing lease required the Lessee to perform 1,000 shifts of work during each year of the term of the lease. Full operations have not been maintained over the past term due to the low quality of the talc mined and to market conditions. After negotiations, the Division recommends that the State accept the sum of \$1,914 as full settlement of any claim for unperformed shift work.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. AUTHORIZE THE RENEWAL OF MINERAL EXTRACTION LEASE PRC 11.2 FOR A TEN-YEAR TERM COMMENCING FEBRUARY 25, 1972, WITH AN ANNUAL RENTAL OF \$40 AND THE FOLLOWING MODIFIED TERMS AND CONDITIONS, WITH ALL OTHER TERMS OF SAID LEASE TO BE IN ACCORDANCE WITH THE TERMS OF THE CURRENT FORM APPROVED BY THE COMMISSION AND ON FILE WITH THE COMMISSION.
 - A. THE ROYALTY RATE FOR THE RENEWED LEASE SHALL BE \$1.80 PER TON (2,000 IBS.).
 - B. THE ROYALTY RATE SHALL BE SUBJECT TO RE-EVALUATION EVERY THIRD YEAR.
 - C. THERE SHALL BE A NON-REFUNDABLE MINIMUM ROYALTY OF \$1,800 PER YEAR, PAYABLE AT THE BEGINNING OF EACH QUARTER AT THE RATE OF \$450 PER QUARTER. AS ROYALTIES ACCRUE, THEY SHALL BE DEDUCTED FROM THE MINIMUM ADVANCE PAYMENT, AND ANY EXCESS ROYALTY PER QUARTER SHALL BE PAID WITH THE QUARTERLY STATEMENTS.
 - D. A SURETY BOND IN THE PENAL SUM OF TEN THOUSAND AND NO ONE-HUNDREDTHS DOLLARS (\$10,000) SHALL BE FILED WITH THE STATE.
2. AUTHORIZE THE ACCEPTANCE BY THE STATE FROM THE LESSEE OF THE SUM OF \$1,914 AS PAYMENT IN FULL FOR THE STATE'S CLAIM FOR UNPERFORMED SHIFT WORK UNDER LEASE PRC 11.2 FOR THE PERIOD ENDING FEBRUARY 24, 1972.