

14. RENEWAL OF MINERAL EXTRACTION LEASE PRC 736.2, AND MODIFICATION OF LEASE TERMS, SCHOOL LANDS, INYO COUNTY; UNITED STATES BORAX & CHEMICAL CORPORATION - W 9486, PRC 736.2.

After consideration of Calendar Item 12 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. AUTHORIZES THE RENEWAL OF MINERAL EXTRACTION LEASE PRC 736.2 FOR A TEN-YEAR TERM COMMENCING MAY 11, 1972, WITH AN ANNUAL RENTAL OF \$160 AND THE FOLLOWING MODIFIED TERMS AND CONDITIONS, WITH ALL OTHER TERMS OF SAID LEASE TO REMAIN IN FULL FORCE AND EFFECT.
 - A. "C" FACTOR OF THE ROYALTY FORMULA SHALL BE DEFINED TO INCLUDE MINE-RUN ORE, MILL, SIZED AND/OR PROCESSED ORE AND MAY BE COMPUTED AS A COMBINATION OF ORE TYPES.
 - B. THERE SHALL BE A NONREFUNDABLE MINIMUM ROYALTY OF \$2000 PER YEAR, PAYABLE IN ADVANCE. AS ROYALTIES ACCRUE THEY SHALL BE DEDUCTED FROM THE MINIMUM ADVANCE ROYALTY.
 - C. A SURETY BOND IN THE PENAL SUM OF TEN THOUSAND AND NO ONE-HUNDREDTHS DOLLARS (\$10,000) SHALL BE FILED WITH THE STATE.

Attachment:

Calendar Item 12 (3 pages)

RENEWAL OF MINERAL EXTRACTION LEASE AND MODIFICATION OF LEASE TERMS

LEASE: PRC 736.2.
 LESSEE: United States Borax & Chemical Corporation.
 LEASE TERM: May 11, 1972, to May 10, 1982.
 LEASE LOCATION: NW¼ Section 16, T. 22 N., R. 7 E., S.B.M., Inyo County.

PERTINENT INFORMATION:

1. On September 13, 1957, the lease was assigned by the United States Borax Co. to the United States Borax & Chemical Corporation with all terms and conditions of the lease remaining the same. On May 11, 1962, the lease was renewed with modifications for a period of ten years. U.S. Borax & Chemical Corporation has now requested an additional renewal for ten years commencing May 11, 1972. The lease provides for ten-year renewals ". . . upon such reasonable terms and conditions as the State . . . might impose."
2. The Office of the Attorney General has advised that no environmental impact report is required when the existing lease grants the preferential right of renewal and the proposed renewal terms and conditions do not alter the general concept or mode of operations of the existing lease.
3. Existing covenants and royalty requirements:
 - a. Annual rental of \$160 per year.
 - b. Royalty in accordance with the following schedule:

$$R = A + B (C-D)$$

$$R = \$1.27 + 0.1663 (C-15.35)$$

Where R = Royalty in dollars and cents per ton of ore sold.

A = Fixed minimum royalty, or \$1.27 per ton ore

B = 0.1663

C = The sales price based on either (1) sales price per ton of ore sold f.o.b. the mine, or (2) the price of borax concentrates, adjusted by the ratio of B₂O₃ content of the ore and borax concentrates, whichever is applicable to the marketing of the ore mined.

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D = Initial estimated weighted gross sales price per ton of ore sold f.o.b. the mine, or \$15.35 per ton.

- c. The furnishing of a surety bond in the penal sum of two thousand dollars (\$2,000) in favor of the State of California; approved by the State Lands Commission to guarantee the faithful performance by the lessee.
- d. That the lessee shall complete sixty shifts of work on the demised premises during each year of the term of this lease. A shift is defined as eight hours' work for one man.

4. Renewal lease terms:

- a. Annual rental shall remain the same at \$160 per year.
- b. The royalty formula shall remain the same but the "C" factor shall be redefined as follows:

C = weighted average per ton sales price which shall be determined by considering the gross sales price of all of the ore sold, whether it be mine-run ore, sized ore, milled and/or processed ore. The following formula shall be used:

$$C = \frac{f + g}{t}$$

Where f = the gross sales price, f.o.b. mine, of mine-run ore sold during previous lease year.

g = the gross calculated sales price of ore which is sized, milled and/or processed and which is sold during the previous lease year, with the calculated sales price being computed as follows:

$$\frac{\text{Calculated sales price} = \text{published sales price for } 46\% \text{ B}_2\text{O}_3 \text{ concentrate} \times \text{weighted average } \% \text{ B}_2\text{O}_3 \text{ of ore sold}}{46\%} \times$$

tons of processed ore sold during previous lease year.

t = the total tons of ore of all types sold during the previous lease year. If there were no sales during the previous year, f, g, and t shall be based on sales to date for the current lease year.

- c. A surety bond in the penal sum of ten thousand dollars (\$10,000) to be filed with the State.

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- d. Replacement of work shift requirements with an annual minimum royalty of \$2000.

EXHIBIT:

A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

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 - C. A SURETY BOND IN THE PENAL SUM OF TEN THOUSAND AND NO ONE-HUNDREDTHS DOLLARS (\$10,000) SHALL BE FILED WITH THE STATE.