

MINUTE ITEM

28
28
2
CALENDAR ITEM
relating. 7/27/77 28.

9/77
W 40018
Brady
Smith

AUTHORIZATION TO OFFER
MINERAL EXTRACTION LEASE

AREA, TYPE OF LAND AND LOCATION:

Approximately 6,580 acres of sovereign
land in Owens Lake, Inyo County.

MINERALS:

All minerals other than oil and gas and
geothermal resources deposited in or on
those lands or existing in the waters of
Owens Lake to a maximum depth of 12 feet
below the present bed of Owens Lake.

BID REQUEST JUSTIFICATION:

Presently, portions of Owens Lake are under
lease by the State Lands Commission to
Morrison and Weatherly (M&W) Inc., and
are subleased by M&W to Lake Minerals,
Inc., (LM). LM has requested that certain
additional portions be made available for
extraction via competitive public bidding.
The areas selected and proposed for bid
are those that appear to contain such adequate
crude ore reserves as to justify the expenditure
of capital for a large volume ore handling,
chemical processing, product storage and
outloading facility and acquisition of
large volume extraction equipment for the
production of several products not now
being extracted and produced from the minerals
in Owens Lake. It is staff's belief that
in order for an individual to obtain financial
backing to make it economically feasible
to undertake such a large scale project:
that a large acreage and 20 year primary
term with three 10 year renewal options
is justified.

APPROVALS OBTAINED:

1. Comments have been solicited from the
Department of Parks and Recreation
pursuant to 6818 of the Public Resources
code. They offered no objections.
2. The Attorney General shall review and
approve the proposal for compliance
with the provisions of Public Resources
Code Sections 6890 and 6818.

CALENDAR ITEM NO. 28. (CONTD)

OTHER PERTINENT DATA:

1. The Division, in accordance with Article 10, Section 2906(b), CAC has conducted an Initial Study and believes that the project will not have a significant effect on the environment, and in accordance with subsection (c) of such Section 2906 has prepared and filed with the State Clearinghouse a Negative Declaration, E.I.R. ND #210. No comments were received.
2. Amended Standard Mineral Extraction Lease and revised Bid Proposal Forms shall comprise the bid package, as approved by the Executive Officer and Office of the Attorney General.

EXHIBITS: A. Royalty Formul . B. Land Description.
 C. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. PURSUANT TO SECTION 6891 OF THE PUBLIC RESOURCES CODE, CLASSIFY THE LANDS DESCRIBED IN EXHIBIT "B" ATTACHED AS CONTAINING COMMERCIALY VALUABLE MINERAL DEPOSITS, BUT SUCH DETERMINATION IS LIMITED TO A DEPTH OF 12 FEET BELOW THE LEVEL OF THE PRESENT BED OF OWENS LAKE.
2. DETERMINE THAT AN INITIAL STUDY AND NEGATIVE DECLARATION HAVE BEEN PREPARED BY THE DIVISION.
3. CERTIFY THAT NEGATIVE DECLARATION E.I.R. ND #210 HAS BEEN COMPLETED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED, AND THE STATE GUIDELINES, AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
4. DETERMINE THAT THE PROPOSED PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1 ET SEQ., OF THE PUBLIC RESOURCES CODE.
5. DETERMINE THAT THE PROPOSED ACTION WILL NOT UNREASONABLY INTERFERE WITH THE MAINTENANCE OR USE OF THE LANDS INVOLVED FOR RECREATIONAL PURPOSES OR PROTECTION OF SHORE PROPERTIES.

CALENDAR ITEM NO. 28. (CONTD)

6. AUTHORIZE THE OFFERING FOR LEASE BY COMPETITIVE PUBLIC BIDDING IN ACCORDANCE WITH A BID AND LEASE FORM, APPROVED BY THE EXECUTIVE OFFICER AND THE OFFICE OF ATTORNEY GENERAL, WHICH WILL SPECIFY A PRIMARY TERM OF 20 YEARS SUBJECT TO A PERIODIC ROYALTY RATE ADJUSTMENT PURSUANT TO A PROFITABILITY INDEX FORMULA AS APPROVED BY THE EXECUTIVE OFFICER AND THE OFFICE OF THE ATTORNEY GENERAL, WITH 3 SUCCESSIVE RENEWAL OPTIONS OF 10 YEARS EACH ON SUCH TERMS AND CONDITIONS AS ARE APPROVED BY THE STATE LANDS COMMISSION AT THE TIME OF RENEWAL, OF THE AREA OF LAND IN THE BED OF OWENS LAKE TO A DEPTH OF 12 FEET BELOW THE PRESENT BED OF OWENS LAKE, INYO COUNTY, MORE PARTICULARLY DESCRIBED IN EXHIBIT "B" ATTACHED AND BY REFERENCE MADE A PART HEREOF, AT AN ANNUAL RENTAL OF \$2.50 PER ACRE AND AT A MINIMUM ROYALTY OF \$25,000 THE FIRST YEAR, \$50,000 THE SECOND YEAR AND \$100,000 EACH YEAR THEREAFTER FOR THE TERM OF THE LEASE. THE BEGINNING ROYALTY RATE SHALL BE AS SET FORTH IN THE ATTACHED EXHIBIT "A".

EXHIBIT "A"

1. Royalties for the mineral resources produced and/or extracted and sold are to be determined according to the following formula:

$$R = [0.10 C(T) + 0.05P]B$$

WHERE R = Royalty in dollars and cents paid to the State. In the case of unprocessed ore, the royalty per ton shall not be less than \$1.00 per ton.

C = Weighted average gross sales price for unprocessed ore extracted and/or produced and sold per ton.

T = Tonnage of unprocessed ore extracted and/or produced and sold.

P = Gross sales for all processed products sold by lessee at sales price F.O.B. Owens Lake.

B = Bid factor (expressed as 1.0, 1.1, 1.2, etc. but not less than 1.0).

2. Annual minimum Royalty shall be \$25,000 for the first year, \$50,000 the second year, \$100,000 for the third year and each year thereafter. Said minimums shall be credited against the royalty accrued during the year from the sales of unprocessed ore and processed products and shall be due and payable in advance on lease date.

3. The determination of what is processed product and unprocessed ore, for purposes of the application of the various royalty rates for processed and unprocessed ore shall be made by the State.

Generally, however, the State shall utilize the following definitions for the determination of what is processed product and unprocessed ore:

Unprocessed ore shall be the unconcentrated ore as it leaves the lake bed, except for the physical separation of brine or of free moisture.

Processed Product shall be that which is not unprocessed ore.

EXHIBIT "B"

W 40018

Those portions of the State-owned bed of Owens Lake, Inyo County, State of California, as shown on that certain map entitled "Plat of Owens Lake", approved by W. S. Kingsbury, dated November, 1921, on file in the office of the Division of State Lands and designated as LRB 237. Said portions being more particularly described as follows:

PROJECTED SECTIONS 20, 21, 27, 28, 29, 33, 34, E $\frac{1}{2}$ 19, S $\frac{1}{2}$ 22, W $\frac{1}{2}$ 26, E $\frac{1}{2}$ E $\frac{1}{2}$ 30, N $\frac{1}{2}$, SE $\frac{1}{4}$ and E $\frac{1}{2}$ of SW $\frac{1}{4}$ 32, NW $\frac{1}{4}$ 35, ALL IN T17S, R37E, MDM.

PROJECTED SECTIONS 4, NW $\frac{1}{4}$ 3, E $\frac{1}{2}$, S $\frac{1}{2}$ of SW $\frac{1}{4}$ 5 ALL IN T18S, R37E, MDM

END OF DESCRIPTION

Prepared *A. J. Kumsche* Checked *John W. Henry*
Reviewed *D. B. ...* Date *11/22/70*