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CALENDAR ITEM

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PRC 2036.1

REQUEST FOR STATE LEASE RENEWAL AND
MODIFICATION OF LEASE TERMS

LEASE: Mineral Extraction Lease PRC 2036.1.

LESSEE: Moe Sand Company.

LOCATION: San Francisco Bay, southwesterly of Angel Island; Marin and San Francisco Counties.

INITIAL TERM: November 12, 1957 through November 11, 1977.

PERTINENT INFORMATION:

1. Under the terms of the subject lease, paragraph 18, the lessee has the right to renew this lease for successive periods of 10 years each upon such reasonable terms and conditions as the State may impose.
2. Royalty presently paid for all sand extracted from the lease is calculated as follows:

$$R = 0.03 + .10(C - 0.30)$$

Where:

R = Royalty in dollars and cents per cubic yard of sand extracted

C = Weight of sales price of sand per cubic yard.

Royalty under this schedule is basically 10% of the weighted average sales price but not less than \$0.10 per cubic yard.
3. As a condition of renewal, the following modification of terms in the subject lease are recommended.
 - (1) The basic royalty formula shall remain the same except that the last month of the lease year (October) will be used to determine the "C" factor; with such factor to

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be adjustable by the Commission staff throughout the term of the lease. The effective date of this lease renewal is hereupon determined to be November 1, 1977. The "C" factor for October, 1977, has been determined to be \$2.86 and the royalty for the ensuing lease year therefore is \$0.286 per cubic yard.

- (2) A minimum extraction amount of 50,000 cubic yards of material per year shall be specified in Paragraph 10 of the lease.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION, SUBJECT TO ISSUANCE OF A U. S. ARMY CORPS OF ENGINEERS PERMIT, AUTHORIZE THE RENEWAL OF MINERAL EXTRACTION LEASE PRC 2036.1 FOR A 10-YEAR TERM WITH THE FOLLOWING MODIFIED TERMS AND CONDITIONS:

THE BASIC ROYALTY FORMULA TO BE AS FOLLOWS:

- (1) FOR ALL SAND EXTRACTED

$$R = 0.03 + .10(C - 0.30)$$

WHERE

R = ROYALTY IN DOLLARS AND CENTS PER CUBIC YARD OF SAND EXTRACTED

C = WEIGHTED AVERAGE SALES PRICE OF SAND PER CUBIC YARD, TO BE DETERMINED AT THE END OF THE LEASE YEAR AND EVERY YEAR THEREAFTER, USING THE LAST MONTH OF THE LEASE YEAR (OCTOBER) IN DETERMINING THE "C" FACTOR, OR AT SUCH OTHER TIMES, AS IS DEEMED APPROPRIATE BY THE STAFF OF THE STATE LANDS COMMISSION, INCLUDING THE FIRST YEAR OF THE RENEWED LEASE, THE EFFECTIVE DATE OF THIS LEASE RENEWAL IS HEREUPON DETERMINED TO BE NOVEMBER 1, 1977.

- (2) A MINIMUM EXTRACTION AMOUNT OF 50,000 CUBIC YARDS OF MATERIAL PER YEAR SHALL BE SPECIFIED IN PARAGRAPH 10 OF THE LEASE.
- (3) ROYALTIES PAYABLE UNDER TERMS OF THE LEASE ARE TO BE RECEIVED NO LATER THAN THE 25TH

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DAY OF THE MONTH FOLLOWING THE CALENDAR QUARTER
OF PRODUCTION WITH A 5% PENALTY TO BE ASSESSED
FOR ROYALTIES AND RENTALS PAID AFTER THEIR
DUE DATES.

ALL OTHER TERMS AND CONDITIONS OF STATE LEASE PRC 2036.1
TO REMAIN UNCHANGED.