

MINUTE ITEM

This Calendar Item No. C18.
was approved as Minute Item
No. 18 by the State Lands
Commission by a vote of 3
to 0 at its 6-26-80
meeting.

CALENDAR ITEM

C18.

6/80
WP 5464
Smith
Pinson

APPROVAL OF AGREEMENT REGARDING UNIFICATION OF
STATE MINERAL EXTRACTION LEASES PRC 4754.1, PRC 4996.1
PRC 2967.1 AND PRC 5464.1, OWENS LAKE, INYO COUNTY

PURPOSE:

The Commission staff has negotiated an Agreement with lessee, Lake Minerals Corporation, which will provide uniform and efficient administration of existing leases, PRC's 2967.1, 4754.1, 4996.1 and 5464.1 totaling approximately 16,120 contiguous acres on Owens Lake, under unified operations, to the mutual economic benefit of the Lessee and the State. Each of the leases has different terms and renewal options, different minimum annual royalties and operating requirements. Unification of the leases will permit development to proceed based on geologic and engineering principles rather than on arbitrary lease boundaries and conflicting lease conditions.

LESSEE:

Lake Minerals Corporation
1360 Bayport Ave.
San Carlos, CA 94070

MINERALS:

All minerals other than oil, gas and geothermal resources.

LOCATIONS:

Owens Lake, Inyo County.

PERTINENT INFORMATION:

1. The Agreement accomplishes the Unification by modification of the existing leases as follows:

- (1) Extension and renewal of leases PRC 4754.1 and PRC 4996.1 to July 31, 1980.

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- (2) Quitclaim of leases PRC 2967.1, PRC 4754.1 and PRC 4996.1
- (3) Amendment of lease PRC 5464.1 to include the lease area of the quitclaimed leases and modification of terms and conditions to provide for unified operations.

2. Significant unified lease provisions:

- (1) Performance bond in the amount of \$30,000.
- (2) Minimum annual royalty of \$120,000 commencing on August 1, 1980 and each lease year thereafter.
- (3) Provide one land description for PRC 5464.1, to include the acreage in present PRC 5464.1 and that formerly in PRC 4754.1, PRC 4996.1 and PRC 2967.1, totaling approximately 16,120 acres.
- (4) Provide that production royalties shall be due and payable on or before the 25th day of the month following each lease quarter.
- (5) Provide that production statements shall be due on or before the 25th day of the month following each lease quarter.
- (6) Provide that the first lease quarter (as used on this lease) shall be the first three months following August 1, 1980, and every three-month period thereafter shall be a lease quarter.

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- (7) Add the stipulation to Lease paragraph No. 31 (Force Majeure) that Lessee must timely inform the State of the occurrence of a condition subject to Force Majeure and timely inform the State when such conditions terminates.
- (8) Add a paragraph (No. 36) to the Lease providing a Non-Warranty of Title.

- EXHIBITS:
- A. Location Map.
 - B. Agreement Regarding Quitclaim of Three State Mineral Extraction Leases and Amendment of One State Mineral Extraction Lease.

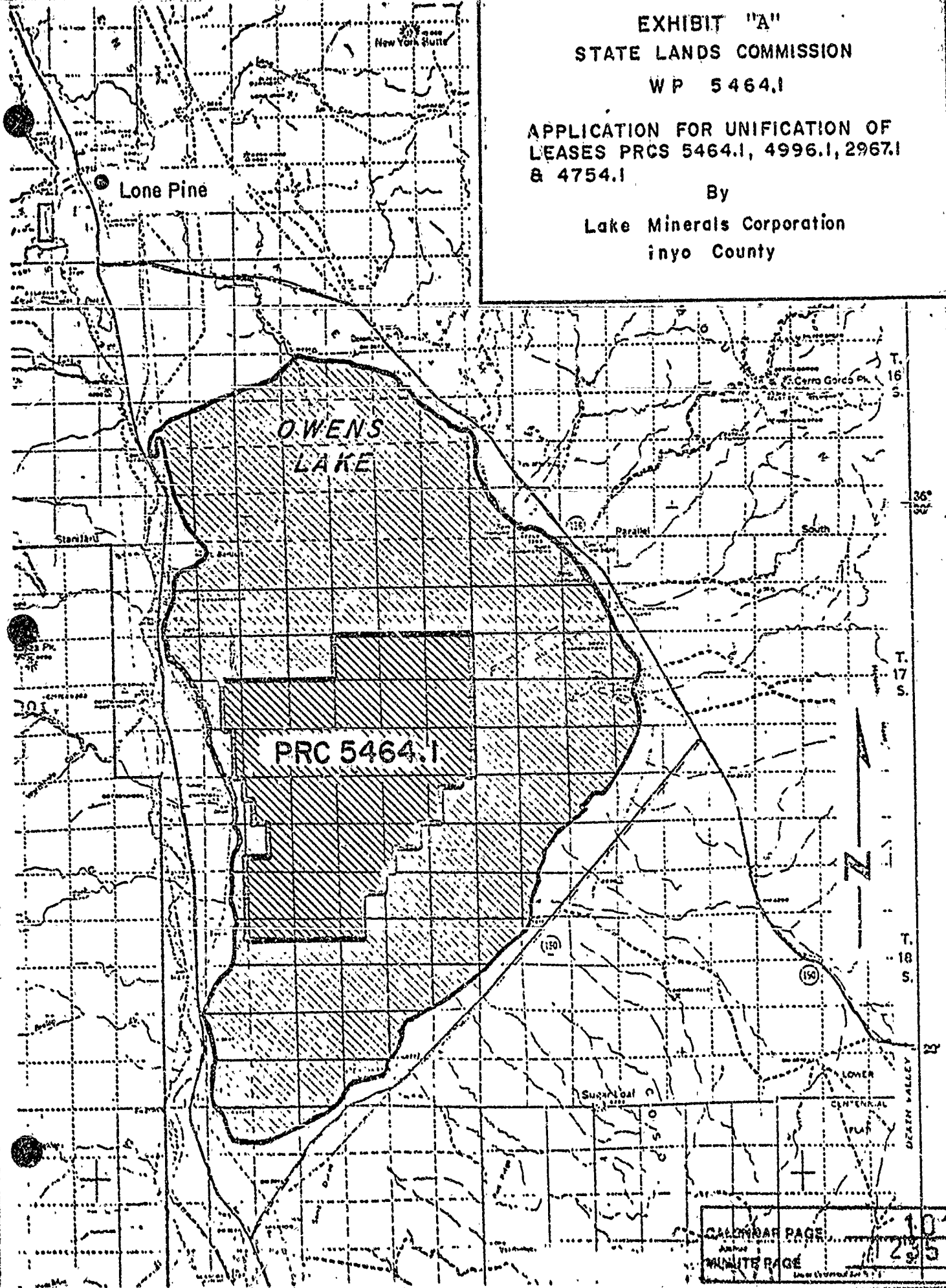
IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN E.I.R. HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISION OF PRC 21169, AND 14 CAL. ADM. CODE 15070 (ONGOING PROJECTS).
2. AUTHORIZE EXECUTION OF THE AGREEMENT REGARDING QUITCLAIM OF LEASES PRC 2967.1, PRC 4754.1 AND PRC 4996.1 AND REGARDING AMENDMENT OF LEASE PRC 5464.1 TO PROVIDE FOR UNIFIED OPERATIONS OF THE LEASE AREA ATTACHED HERETO AS EXHIBIT "A" AND MADE A PART HEREOF, SUCH AGREEMENT BEING EFFECTIVE AUGUST 1, 1980.

EXHIBIT "A"
STATE LANDS COMMISSION
WP 5464.1

APPLICATION FOR UNIFICATION OF
LEASES PRCS 5464.1, 4996.1, 2967.1
& 4754.1

By
Lake Minerals Corporation
Inyo County



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EXHIBIT "B"

AGREEMENT REGARDING QUITCLAIM OF THREE
STATE LEASES FOR MINERAL EXTRACTION AND REGARDING
AMENDMENT OF ONE STATE LEASE FOR MINERAL EXTRACTION

W I T N E S S E S

WHEREAS, the State Lands Commission of the State of California (hereinafter referred to as "the State"), acting pursuant to Division 6 of the California Public Resources Code, is the lessor of State Mineral Extraction Leases Nos. P.R.C. 2967.1, 4754.1, 4996.1, and 5464.1; and

WHEREAS, Lake Minerals Corporation, a California corporation, (hereinafter referred to as "the Lessee") is the lessee of State Mineral Extraction Leases Nos. 2967.1, 4754.1, 4996.1, and 5464.1; and

WHEREAS, State Mineral Extraction Leases Nos. 2967.1, 4754.1, 4996.1, and 5464.1 are located contiguous to one another in the bed of Owens Lake, in the County of Inyo, California, and

WHEREAS, State Mineral Extraction Leases Nos. 2967.1, 4754.1, 4996.1, and 5464.1 have been issued by the State to

1 the Lessee for the production of minerals other than oil, gas
2 and geothermal from the leased lands; and

3 WHEREAS, said leases vary with respect to expiration dates,
4 renewal dates and formulas for determining royalties to be paid
5 to the State; and

6 WHEREAS, the chemical composition and physical character-
7 istics of the Owens Lake mineral deposits vary substantially
8 throughout the formation and, for meteorological reasons, also
9 vary from season to season; and

10 WHEREAS, the State and the Lessee recognize that there
11 would be a mutual economic benefit in the consolidation of the
12 area in the four State Mineral Extraction leases and in the
13 unitization of operations performed by the lessee thereunder;

14 NOW, THEREFORE, the State and the Lessee do hereby agree
15 as follows:

16 PART I -- GENERAL PROVISION

17 A. The effective date of this Agreement is and shall be
18 August 1, 1980.

19 PART II -- RENEWAL AND EXTENSION OF STATE LEASES NCS. P.R.C.
20 4754.1 and 4996.1.

21 A. Whereas, State Lease No. P.R.C. 4754.1, whose initial
22 term of five (5) years expired on April 25, 1978, provides in
23 its paragraph eighteen (18),

24 "That the Lessee or the heirs and assigns of, or any
25 successor in interest thereto, shall have the right to
26 renew this lease for two (2) periods of five (5) years
27 upon such reasonable terms and conditions as the State,

1 or any successor in interest thereto, might impose."
2 the State and the Lessee now agree that Lease No. P.R.C. 4754.1
3 is hereby renewed from and after April 25, 1978, through July 31,
4 1980. Said renewal is made without amendment of any provision
5 of said lease.

6 B. Whereas, State Lease No. P.R.C. 4996.1, whose initial
7 term of five (5) years expired on February 26, 1980, provides
8 in its paragraph nineteen (19),

9 "That the Lessee or the heirs and assigns of,
10 or any successor in interest thereto, shall
11 have the right to renew this lease for two (2)
12 periods of five (5) years upon such reasonable
13 terms and conditions as the State, or any
14 successor in interest thereto, might impose."

15 the State and the Lessee now agree that Lease No. P.R.C. 4996.1
16 is hereby renewed from and after February 26, 1980, through
17 July 31, 1980. Said renewal is made without amendment of any
18 provision of said lease.

19 PART III -- QUITCLAIM OF LEASES

20 A. Quitclaim of State Mineral Extraction Lease No. P.R.C.
21 2967.1:

22 1. Lessee hereby quitclaims to the State all Lessee's
23 right, title and interest in State Mineral Extraction Lease No.
24 P.R.C. 2967.1. Said quitclaim is made pursuant to Section 9
25 of said lease, and pursuant to Section 6804.1 of the Public
26 Resources Code.

27 / / /

1 2. Lessee and State agree that, said quitclaim notwith-
2 standing, Lessee remains obligated to the State for the perfor-
3 mance of all terms and conditions of State Mineral Extraction
4 Lease No. P.R.C. 2967.1, and the provisions of Section 6804.1
5 aforesaid, including but not limited to the obligation to pay
6 all rents, royalties, and obligations due and payable to the
7 State on or before the effective date of this Agreement. Said
8 payments, as agreed to herein by the State and the Lessee are as
9 described in Part IV of this Agreement, subject to audit by the
10 State.

11 B. Quitclaim of State Mineral Extraction Lease No. P.R.C.
12 4754.1.

13 1. Lessee hereby quitclaims to the State all Lessee's
14 right, title and interest in State Mineral Extraction Lease No.
15 P.R.C. 4754.1. Said quitclaim is made pursuant to Section 6804.1
16 of the Public Resources Code.

17 2. Lessee and State agree that said quitclaim notwith-
18 standing, Lessee remains obligated to the State for the perfor-
19 mance of all terms and conditions of State Mineral Extraction
20 Lease No. 4754.1, and the provisions of Section 6804.1 aforesaid,
21 including but not limited to the obligation to pay all rents,
22 royalties, and obligations due and payable to the State on or
23 before the effective date of this Agreement. Said payments, as
24 agreed to herein by the State and the Lessee, are as described
25 in Part IV of this Agreement, subject to audit by the State.

26 C. Quitclaim of State Mineral Extraction Lease No. P.R.C.
27 4996.1.

1 1. Lessee hereby quitclaims to the State all Lessee's
2 right, title and interest in State Mineral Extraction Lease No.
3 P.R.C. 4996.1. Said quitclaim is made pursuant to Section
4 6804.1 of the Public Resources Code.

5 2. Lessee and State agree that said quitclaim notwith-
6 standing, Lessee remains obligated to the State for the perfor-
7 mance of all terms and conditions of State Mineral Extraction
8 Lease No. P.R.C. 4996.1, and the provisions of Sec. 6804.1 afore-
9 said, including but not limited to the obligation to pay all
10 rents, royalties, and obligations due and payable to the State
11 on or before the effective date of this Agreement. Said payments,
12 as agreed to herein by the State and the Lessee, are as described
13 in Part IV of this Agreement, subject to audit by the State.

14 PART IV - PAYMENT OF CONSIDERATION

15 A. On or before August 25, 1980, the Lessee shall submit
16 the amounts due the State in accordance with the provisions of
17 P.R.C. 5464.1, P.R.C. 4996.1, P.R.C. 4754.1 and P.R.C. 2967.1,
18 respectively. Said amounts, which are shown in Exhibit "A" of
19 this Agreement and which are subject to audit by the State, are
20 intended to satisfy the Lessee's royalty obligations under each
21 respective lease, through July 31, 1980, and the Lessee's rental
22 obligations through July 31, 1981.

23 B. On or before August 25, 1980, the Lessee shall submit
24 royalty statements and royalty payments for the period beginning
25 with the first then unreported day of each individual lease
26 through July 31, 1980.

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1 PART V - AMENDMENT OF STATE MINERAL EXTRACTION LEASE NO. P.R.C.
2 5464.1

3 The State and the Lessee agree to the following
4 amendments of State Mineral Extraction Lease No. 5464.1,
5 (hereinafter "the lease").

6 1. On page 2 of Section 1, paragraph 4 of the lease which
7 reads as follows:

8 "4. The bond required pursuant to paragraph 19 of
9 Section 5 is to be in the amount of \$10,000."

10 is hereby deleted and the following is substituted therefor:

11 "4. The bond required pursuant to paragraph 19 of
12 Section 5 is to be in the amount of \$35,000."

13 2. In Section 3, on page 2 of the lease, the sentence,
14 "Annual minimum royalties shall be \$25,000 for the
15 first year, \$50,000 for the second, and \$100,000 for
16 the third and each successive lease year thereafter."

17 is hereby deleted and the following is substituted therefor:

18 "Annual minimum royalties shall be \$25,000 for the
19 first year, \$50,000 for the second and \$120,000 for
20 the third and each successive lease year thereafter."

21 3. All of Section 4, "Land Description" of the lease is
22 hereby deleted and the following is substituted as Section 4:

- 23 T 17 S, R 37 E
24 Sec. 13 All = 640 Acres
25 Sec. 14 All = 640 Acres
26 Sec. 15 All = 640 Acres
27 Sec. 19 E1/2 = 320 Acres

1 Sec. 20 All = 640 Acres
2 Sec. 21 All = 640 Acres
3 Sec. 22 All = 640 Acres
4 Sec. 23 All = 640 Acres
5 Sec. 24 All = 640 Acres
6 Sec. 25 All = 640 Acres
7 Sec. 26 All = 640 Acres
8 Sec. 27 All = 640 Acres
9 Sec. 28 All = 640 Acres
10 Sec. 29 All = 640 Acres
11 Sec. 30 E 1/2 E 1/2 = 160 Acres
12 Sec. 32 N 1/2, SE 1/4, E 1/2 SW 1/4 = 560 Acres
13 Sec. 33 All = 640 Acres
14 Sec. 34 All = 640 Acres
15 Sec. 35 All = 640 Acres
16 Sec. 36 NE 1/4 NW 1/4, NW 1/4 NE 1/4, W 1/2 W 1/2=240 Acres
17 T 18 S, R 37 E
18 Sec. 2 NE 1/4 NE 1/4, W 1/2 NE 1/4, NW 1/4, W 1/2
19 SW 1/4 = 360 Acres
20 Sec. 3 All = 640 Acres
21 Sec. 4 All = 640 Acres
22 Sec. 5 E 1/2, S 1/2 SW 1/4 = 400 Acres
23 Sec. 8 All = 640 Acres
24 Sec. 9 All = 640 Acres
25 Sec. 10 N 1/2, SW 1/4 = 480 Acres
26 Sec. 15 NW 1/4 = 160 Acres
27 Sec. 16 N 1/2 = 320 Acres

1 Sec. 17 N 1/2 = 320 Acres.

2 TOTAL = 16,120 Acres

3 4. Paragraph 2(b) of Section 5 of the lease which reads
4 as follows:

5 "(b) Operating royalties for the mineral resources produced
6 or extracted based on the formula rate, or in the amount
7 specified in Section 3 hereof, which shall be due and pay-
8 able the 25th day of the month following the month of
9 production."

10 is hereby deleted and the following is inserted in its place:

11 "(b) Operating royalties for the mineral resources produced
12 or extracted based on the formula rate, or in the amount
13 specified in Section 3 hereof, which shall be due and pay-
14 able the 25th day of the month following each lease quarter
15 of sale."

16 5. Paragraph 2(e) of Section 5 which reads as follows:

17 "(e) On or before the 25th day of each month, the lessee
18 shall deliver to the State Lands Division statements in
19 the form prescribed showing the work performed upon the
20 leased lands and, at the request of the State Lands
21 Division upon any other lands necessary to make the
22 determination referred to in the last sentence of paragraph
23 4 of Section 5 hereof, and the amount, quality and value
24 of all mineral resources extracted, produced, shipped or
25 sold therefrom during the preceding calendar month. These
26 statements shall be provided to the State each month regard-
27 less of whether any mineral resources were extracted, pro-

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duced, shipped or sold or whether any work was performed on the leased lands."

is hereby deleted and the following is inserted in its place:

"(e) On or before the 25th day of the month following each lease quarter, the lessee shall deliver to the State Lands Commission statements in the form prescribed showing the work performed upon the leased lands and at the request of the State Lands Commission upon any other lands necessary make the determination referred to in the last sentence of Paragraph 4 of Section 5 hereof, and the amount, quality and value of all mineral resources extracted, produced, shipped or sold therefrom during the preceding lease quarter. These statements shall be provided to the State following each lease quarter regardless of whether any mineral resources were extracted, produced, shipped or sold or whether any work was performed on the leased lands."

6. Paragraph 2(g) is hereby added to Section 5 and reads as follows:

"(g) As used in this lease, the first lease quarter shall be the first three months following August 1, 1980, and every three-month period thereafter shall be a lease quarter. A lease year shall be the first twelve (12) consecutive months following August 1, 1980, and every twelve month period thereafter shall be a lease year."

7. Paragraph 31 of Section 5 which reads as follows:

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"31. FORCE MAJEURE:

The obligations imposed upon lessee by the provisions of this lease may be suspended during such time as lessee is prevented from complying therewith by wars, strikes, riots, acute and unusual labor or material shortages, acts of God, laws, rules and regulations of any federal, state, county or municipal agency or by such other unusual conditions as are beyond the control of the lessee."

is hereby deleted and the following is inserted:

"31. FORCE MAJEURE:

The obligations imposed upon lessee by the provisions of this lease may be suspended during such time as lessee is prevented from complying therewith by wars, strikes, riots, acute and unusual labor or material shortages, acts of God, laws, rules and regulations of any federal, state, county or municipal agency or by such other unusual conditions as are beyond the control of the lessee. In order for the lessee to claim any such suspension it shall timely inform the State that such condition has occurred and shall timely inform the State if and when such condition terminates.

8. Paragraph 36 is added to Section 5 of the lease and reads as follows:

"36. NON-WARRANTY OF TITLE

The State enters into this lease based upon information presently available to the State Lands

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Commission, and this lease is entered into without survey or title determination. This lease shall in no way be construed as fixing State land boundaries nor as necessarily establishing the extent of the State's claim to any real property. The State warrants neither the title to the demised premises nor any right the lessee may have to possession or to quiet enjoyment of the same."

IN WITNESS WHEREOF, the State and the Lessee do execute this Agreement.

DATED: LESSOR, STATE OF CALIFORNIA
STATE LANDS COMMISSION

By _____
WILLIAM F. NORTHROP
Executive Officer

DATED: LESSEE, LAKE MINERALS
CORPORATION

(Corporate Seal) By _____
C. WILLIAM MC CLUNG,
President
1360 Bayport Avenue
San Carlos, CA 94070

LAKE MINERALS CORPORATION

PRC	Period from the first day that rent is unpaid on each lease through the end of the first year after unification	Annual lease rental	Calculation	Amount due
2967.1	12/6/80 through 7/31/81 238-days of annual rent unpaid for the year beginning 8/1/80.	108 38	238/365 days times \$ 108.38 =	\$ 70.87
4754.1	4/26/81 through 7/31/81 97-days of annual rent unpaid for the year beginning 8/1/80.	11200 00	97/365 days times \$ 11,200.00 =	2976.44
4996.1	2/27/80 through 2/26/81 One year of back rent unpaid for the year beginning 2/27/80.	10190 00	All payable	10190 00
	2/7/81 through 7/31/81 155-days of annual rent unpaid for the year beginning 8/1/80.	10190 00	155/365 days times \$ 10,190.00 =	4227.26
5464.1	8/1/78 through 7/31/79 Additional rent unpaid for the year beginning 8/1/78. 7,520 correct acreage less 7,440 acres paid for times \$ 2.50/acre.	200 00	All payable	200 00
	8/1/79 through 7/31/80 Additional rent unpaid for the year beginning 8/1/79.	200 00	All payable	200 00
	8/1/80 through 7/31/81 Annual rent unpaid for the year beginning 8/1/80.	18800 00	All payable	18800 00
TOTAL RENT DUE AND PAYABLE ON OR BEFORE AUGUST 25, 1980.				536,764.57

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EXHIBIT "A"

LAKE MINERALS CORPORATION

Calculation of the Minimum Royalties Due the State							
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
PRC	Period from the first day of each lease year to the effective date of Unitization	Annual minimum requirements	Calculation of pro-rated minimum requirements	Extractions reported or royalties paid for period shown	Requirements over actual (D) - (E) =	Amount due	
2567.1	12/6/79 through 7/31/80 239 days elapsed	216.75 tons	239/366 days x 216.75 = 141.54 tons	None as of 5/9/80	141.54 tons @ 50¢ =	\$ 70.77	
4754.1	4/26/80 through 7/31/80 97 days elapsed	10,000 tons	97/366 days x 10,000 = 2,657.53 tons	None as of 5/9/80 (Will be calculated as explained below)	2,657.53 tons @ 90¢ =	2,391.78	
4996.1	2/1/80 through 7/31/80 156 days elapsed	10,000 tons	156/366 days x 10,000 = 4,262.3 tons	2/16-29/80 76.08 3/1-15/80 92.41 Reported as of 5/9/80 1,068.49 (Balance will be calculated as explained below)	3,193.81 tons @ 90¢ =	2,874.43	
5464.1	8/1/79 through 7/31/80	\$ 50,000.00	No proration	No operating royalties paid as of 5/9/80	\$ 50,000.00	50,000.00	
TOTAL MINIMUM ROYALTIES DUE AND PAYABLE ON OR BEFORE AUGUST 25, 1980 (Subject to reduction for sales through 7/31/80)						\$ 55,326.98	
<p>(The lessee is reporting its production on the "Lessee's Quarterly Report of Operations" as either "PRC 4996.1" or "PRC 4754.1 and 4996.1." Therefore, the reported production was allocated equally between these two leases for the calculations, above. Since PRC 4754.1's lease year begins on April 26, an average daily rate of production (extractions) will have to be calculated in order to allocate said production for April between two lease years: 25 days for the old lease year and 5 days for the new lease year. Since PRC 4996.1's lease year begins on February 27, an average daily rate of production was calculated in order to allocate said production: 11 days for the old lease year and 3 days for the new lease year. Production reported for Feb. 16 through 29: 710.09 tons @ 2 = 355.045 per lease. 355.045 @ 11 days equals average daily production times 3 days = 76.08 tons. Production reported for March 1 through March 15: 1,984.82 tons @ 2 = 992.41 tons)</p>							
TOTAL AMOUNT DUE THE STATE ON OR BEFORE AUGUST 25, 1980 (Subject to reduction for sales through 7/31/80)						\$ 92,101.35	

EXHIBIT "A"

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