

MINUTE ITEM

This Calendar Item No. 5
was approved as Minute Item
No. 1 by the State Lands
Commission by a vote of 3
to 0 at its 2/23/81
meeting.

CALENDAR ITEM

15

7/81
PRC 2615
Gonzalez

RENEWAL AND AMENDMENT OF LEASE PRC 2615.1

LEASE: Mineral Extraction Lease PRC 2615.1.

LESSEE: Lone Star Industries, Inc.
2800 Campus Drive
San Mateo, California 94403.

LOCATION: Prattco, Monterey County, California.

TERMS OF ORIGINAL LEASE:

Initial period: July 28, 1960 - July 27,
1980.

TERMS OF PROPOSED LEASE RENEWAL:

Renewal period: July 28, 1980 - July 27,
1990.

AB 884: N/A.

PERTINENT INFORMATION:

1. Under the terms of paragraph 18 of the subject lease, the lessee has the right to renew said lease for successive periods of 10 years each upon such reasonable terms and conditions as the State might impose. The lessee seeks to exercise this renewal option for a period of ten years.
2. Presently, royalty paid on sand extracted is \$0.06 per cubic yard.
3. As a condition of renewal, the following modifications of terms of the lease are recommended:
 - a) The first lease renewal period as the applicant has requested shall commence July 28, 1980 and end July 27, 1990; subsequent renewal periods may be for 10 years each.

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(Rev. 7/20/81)

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- b) Royalty on sand extracted shall be 10% of the sales price less certain allowable charges as more fully described in Exhibit "B", royalty formula, attached.
- c) The minimum royalty payable to the State shall be \$0.30 per cubic yard of sand extracted.
- d) The minimum required annual production subject to royalty shall be 50,000 cubic yards per year. The maximum production during any three-year period shall not exceed 450,000 cubic yards.
- e) Royalties shall be due and payable on the 25th of the month following the lease quarter of production.
- f) Penalty and interest charges shall be due for any royalty or rental not paid when due.
- g) The required performance bond shall be increased from \$5,000 to \$25,000.
- h) The lessee shall conduct annual tests for determination of a reliable conversion factor for converting tons to cubic yards. Such tests shall be witnessed and approved by the Commission staff.
- i) An environmental document is not required. This transaction is exempt from the requirements of CEQA.

EXHIBITS: A. Location Map. B. Royalty Formula.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21169, AND 14 CAL. ADM. CODE 15070.
2. AUTHORIZE THE RENEWAL AND AMENDMENT OF MINERAL EXTRACTION LEASE PRC 2615.1 FOR A TEN-YEAR TERM COMMENCING ON JULY 28, 1980, WHICH INCLUDES THE CHANGES IN TERMS STATED ABOVE.

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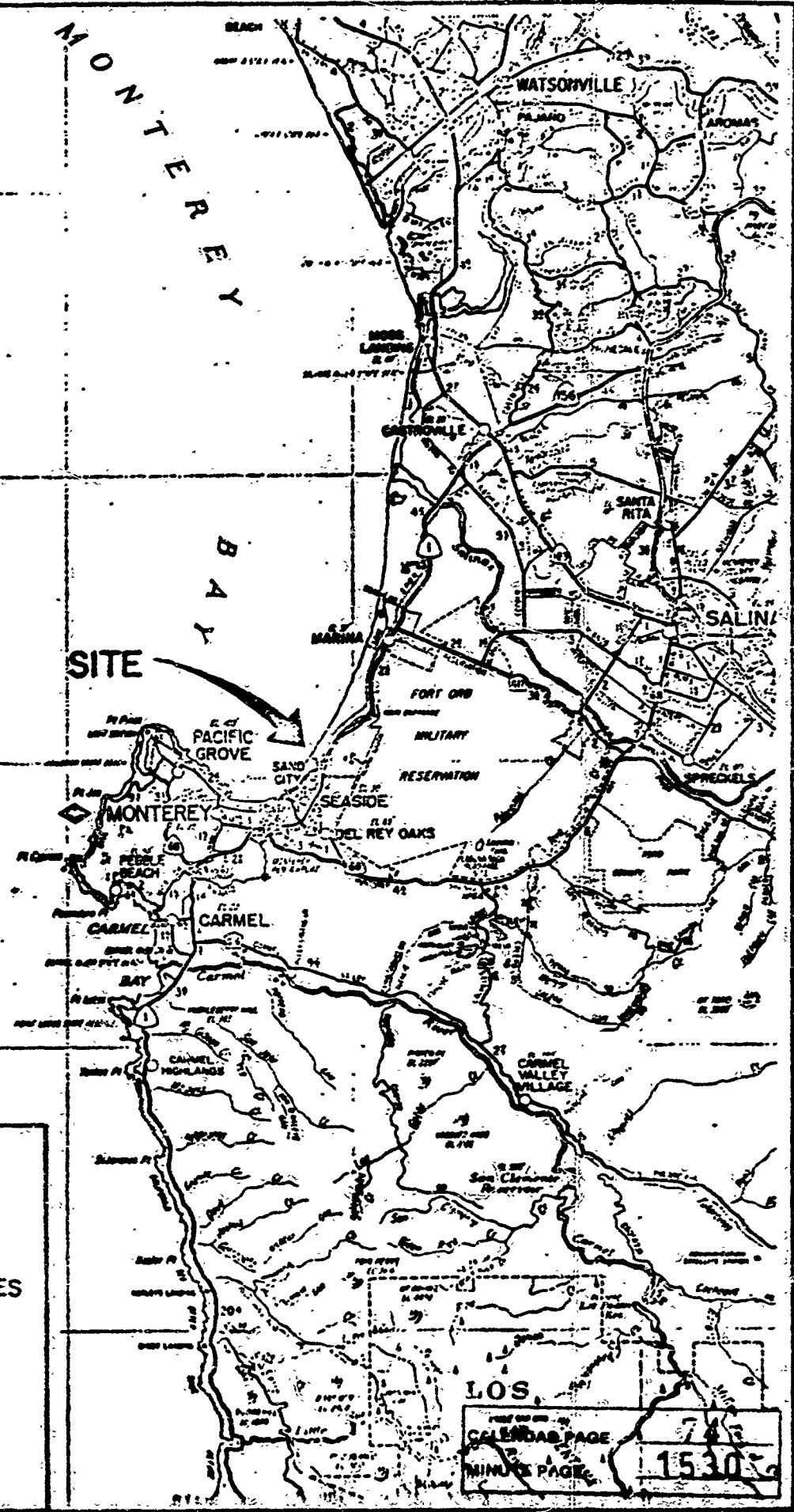


EXHIBIT "A"
PRC 2615.1
LONE STAR INDUSTRIES
PRATTCO
MONTEREY COUNTY
1980

LOS
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EXHIBIT B

Royalties for the mineral resources produced or extracted are to be determined according to the following formula:

$$R = .10 (BL) (T) (P-C)$$

Where

R = Royalty in dollars and cents due the State

T = Total tonnage sold for lease quarter

BL = Weighted average blend factor, expressed as a percentage or the mixed ratio of "beach" sand and "dune" sand sold during the lease quarter

P = Weighted average gross sales price per ton sold for lease quarter F.O.B. plant at Prattco or Lapiz

C = Allowable processing and transporting costs per ton for tonnage sold during the lease quarter