

MINUTE ITEM

This Calendar Item No. C65 was approved as Minute Item No. 65 by the California State Lands Commission by a vote of 2 to 0 at its 2/27/96 meeting.

CALENDAR ITEM

C65

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02/27/96
W 24480
A. Willard
J. Frey
P. Pelkofer
S. Sekelsky

**CONSIDER APPROVAL OF A MEMORANDUM OF AGREEMENT
WITH THE BUREAU OF LAND MANAGEMENT
TO EXCHANGE STATE SCHOOL LANDS
PURSUANT TO THE CALIFORNIA DESERT PROTECTION ACT
FOR BUREAU OF LAND MANAGEMENT OWNED LANDS
LOCATED IN THE CHOCOLATE MOUNTAINS**

PARTY:

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, California 95825

Bureau of Land Management
2800 Cottage Way
Sacramento, California 95825

AREA, TYPE LAND AND LOCATATION:

School land parcels as described in pursuant to provisions of Section 707 of the California Desert Protection Act (PL 103-433) October 31, 1994.

LAND USE:

Exchange.

CALENDAR ITEM NO. C65 (CONT'D)

BACKGROUND:

At its November 15, 1994, meeting, the California State Lands Commission (SLC) approved Calendar Item C114, which authorized staff to negotiate Exchange Agreements with the Department of Interior (DOI) and to take all other actions necessary to expeditiously implement the provisions of the California Desert Protection Act (CDPA). The Memorandum of Agreement (MOA) attached hereto as Exhibit "B", is the result of the negotiations and agreement as to substance between the parties. The subject MOA facilitates a land exchange which will involve the conveyance of two half sections to the SLC in exchange for an equal value of SLC's inholdings within the confines of the CDPA boundaries. A mineral assessment will be done in accordance with a previously SLC approved MOA between DOI and the SLC "regarding treatment of mineral potential in land exchanges".

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code Sections: 6442, 6444, 6445, 7303, and 7305.5.
- B. Cal. Code Regs.: Title 3, Div.; Title 14, Div.6

AB 884:

N/A

OTHER PERTINENT INFORMATION:

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code Section 21065 and 14 Cal. Code Regs. 15378.

CALENDAR ITEM NO. C65 (CONT'D)

EXHIBITS:

- A. Location Map
- B. Memorandum of Agreement to Exchange Lands

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061, BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTIONS 21065 AND 14 CAL. CODE REGS. 15378.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE, TO ENTER AND EXECUTE THE MEMORANDUM OF AGREEMENT BETWEEN THE CALIFORNIA STATE LANDS COMMISSION AND BUREAU OF LAND MANAGEMENT (DEPARTMENT OF INTERIOR), IN SUBSTANTIALLY THE SAME FORM AS ATTACHED HERETO AS EXHIBIT "B".

OREGON



EXHIBIT "A"

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EXHIBIT B

MEMORANDUM OF AGREEMENT

BETWEEN

THE BUREAU OF LAND MANAGEMENT, CALIFORNIA

AND

THE STATE LANDS COMMISSION, CALIFORNIA

FOR

THE CHOCOLATE MOUNTAIN EXCHANGE, AND OTHER EXCHANGES OR

STATE IN LIEU SELECTIONS, AS APPROPRIATE

INTRODUCTION

This Memorandum of Agreement (MOA) between the Bureau of Land Management (BLM) and the State Lands Commission (SLC) is designed to partially satisfy the requirements of Section 707 of the Desert Protection Act of October 31, 1994, wherein it states in part:

Upon request of the California State Lands Commission, the Secretary shall enter into negotiations for an agreement to exchange Federal Lands or interest therein...for California State School Lands or interests therein which are located within the boundaries of one or more of the wilderness areas or park system units. The Secretary shall negotiate in good faith to reach a land exchange agreement consistent with the requirements of section 206 of the Federal Land Policy and Management Act of 1979, as amended.

Under Section (b)(2) and (b)(2)(B), the Secretary of Interior is to determine what lands are suitable for disposal for exchange giving priority to "lands with mineral interests, including geothermal, which have the potential for commercial development but which are not currently under mineral lease or producing Federal revenues".

The many and varied land patterns and ownerships in California present other opportunities for SLC and BLM to continue to exchange lands or to satisfy State In-Lieu Selections obligations outside of wilderness areas or the national park system. As such, the intent of this MOA is to recognize those opportunities.

BACKGROUND

The State Lands Commission is interested in the two half sections deleted from the Chocolate Mountain Gunnery Range Chocolate Mountain Parcels by the California Desert Protection Act of 1994. These lands involve about two half sections and are described as lots 1 through 10 of sections 5 and 6, T13S, R19E, SBM. This interest is due to the likely mineral value in these two half sections and the potential value of future revenues to the State Teachers Retirement Fund. There are several unpatented mining claims that encumber the area, but otherwise these lands have been closed continuously to mineral entry since April 14, 1953.

Rather than opening the lands to mining claim location under the 1872 Mining Law, a greater public interest is served by partially satisfying the Congressional mandate to compensate SLC for SLC lands (about 260,000 acres) which are situated within areas designated by the California Desert Protection Act as wilderness and units of the National Park System. Such State owned land are hereinafter referred to as Inholdings.

In anticipation of an exchange with SLC, BLM segregated the Chocolate Mountain Parcels on June 17, 1994, for a period of 5 years, to pursue the exchange under the authority of the Federal Land Policy and Management Act, as amended.

The land exchange will involve conveyance of the two half sections to SLC in exchange for equal value of SLC's inholdings within the confines of the California Desert Protection Act Boundaries. If the lands contain minerals, as later defined, the SLC will receive royalties from an exploration and mining lease issued by it; and the United States will receive title to SLC Lands of corresponding value.

THEREFORE, BLM AND SLC AGREE TO THE FOLLOWING ACTIONS:

1. **LAND EXCHANGE:** (a) BLM agrees to exchange the Chocolate Mountain Parcels for lands of equal value among the inholdings owned by the State of California and administered by the SLC and now located within wilderness areas or park system units (Inholdings) as defined by the Desert Protection Act of October 31, 1994.

(b) SLC shall convey to BLM parcels of lands from within the Inholdings equal in value to the surface estate, excluding minerals, of the Chocolate Mountain Parcels.

(c) BLM shall convey the surface and mineral estates of the Chocolate Mountain Parcels to the SLC with the reservation of an overriding royalty as specified in (e) below.

(d) Upon compensation to SLC in accordance with (e) below, SLC shall convey additional parcels of land from within their Inholdings to BLM. Such parcels shall be appraised and the value of the parcels to be conveyed shall be equal to the value of the continuing net royalties received by SLC from the mineral production on the Chocolate Mountain Parcels. Conveyances shall be made annually unless otherwise agreed to by the parties.

- (e) BLM shall reserve to itself an overriding royalty of 25% of the net royalty income (royalty income after deduction of SLC administrative expenses) received by SLC from the production of minerals from the Chocolate Mountain Parcels. Such override shall not take effect until SLC has been compensated for the full value of the inholdings.
2. **VALUE:** (a) The value of the Chocolate Mountain Parcels, for purposes of this exchange, shall include the contributory value of the surface estate plus the net value of the royalties received by the SLC up to a maximum of the appraised value of the Inholdings acquired under this agreement. Any remaining value expressed in net royalty income shall be subject to the 25% overriding royalty.
- (b) The value of parcels within the Inholdings shall be the value determined by an appraisal of both the surface and mineral estates. Mineral monetary values will be determined in accordance with the Memorandum of Understanding between BLM and SLC, on exchanges involving mineral values. Copy attached.
3. **CHANGED CIRCUMSTANCES:** (a) In the event that there are insufficient Inholdings to fully compensate the United States for the mineral value of the Chocolate Mountain Parcels conveyed to the SLC, which could occur as a result of exchanges under other arrangements, BLM shall begin to receive the overriding royalty of 25% of the net royalty income received from mineral production of the Chocolate Mountain Parcels.
- (b) Upon mutual consent of the parties, this overriding royalty account may be used:
- (1) To equalize values of other BLM/SLC land exchanges (outside the scope of this agreement) conducted under a separate assembled land exchange agreement between the parties; **and/or**
- (2) To reduce the remaining outstanding indemnity selection debt owed to the SLC consistent with the terms and conditions of the 1981 Memorandum of Understanding between the parties. Copy attached.
- (c) In the absence of mutual consent of the parties in paragraph (b) of this section, or upon agreement by both parties that land exchange or indemnity selection opportunities are no longer viable, any remaining monies derived from the overriding royalty will be transferred to BLM for deposit into the public lands account (14 X 5881) of the U.S. Treasury. SLC shall transfer overriding royalties to BLM within 10 working days of receipt of royalties from any permittee or lessee.
4. **TIME FOR EXCHANGE AND LEASE:** BLM shall endeavor to convey the Chocolate Mountain Parcels to SLC no later than July 1, 1996. The State Lands Commission agrees to use its best efforts to issue a prospecting permit and /or lease to the Chocolate Mountain Parcels to a qualified applicant within 90 days after the execution of this Memorandum of Agreement and the completion by the applicant of the Commission's application process including preparation of any environmental document. Said permit or lease shall not be effective until approved by the SLC at a ~~regularly scheduled meeting~~.

5. **ADMINISTRATIVE COSTS:** Administrative costs shall be actual costs incurred by the SLC in the leasing and administration of the lease and shall be computed according to customary SLC lease cost accounting procedures. BLM shall have a right to audit the costs incurred and shall be compensated for the audit which compensation may be considered a cost of administration by the SLC.
6. **MINERALS:** For the purpose of the calculation of the overriding royalty, the term mineral shall include the metallics, sand and gravel, construction and fill material, and decorative rock.

**DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

**STATE OF CALIFORNIA
STATE LANDS COMMISSION**

Ed Hastey

Ed Hastey
California State Director

Robert C. Hight
Executive Officer

Date: _____

Date: _____

**MEMORANDUM OF UNDERSTANDING
BETWEEN
CALIFORNIA STATE LANDS COMMISSION
AND
CALIFORNIA STATE OFFICE OF BUREAU OF LAND MANAGEMENT
REGARDING
TREATMENT OF MINERAL POTENTIAL IN LAND EXCHANGES**

WHEREAS:

1. The California State Office of the Bureau of Land Management (BLM) and the California State Lands Commission (SLC) have agreed to a long range program of statewide land exchanges for mutual public benefit. Under the provisions of the California Desert Protection Act (CDPA) alone, up to 400,000 acres in some 700 parcels of School Lands and their mineral interests will be considered for this program, in conjunction with a value-equivalent in selected Public Lands and reserved Mineral Interests, as well as other valuable interests, held by the United States; AND
2. Equal value for all rights transferred in exchanges must be determined by Fair Market Value appraisals. Therefore such appraisals cannot include "add-on" value for any undefined mineral potential (Uniform Appraisal Standards for Federal Land Acquisitions, 1992, page 9, and regulations at 43 CFR 2201.3-2(b)); AND
3. Market transactions to date do not include allocations of dollar value to mineral potential; AND
4. The cost to determine the dollar value of the mineral potential of a parcel is generally in excess of its surface value; AND
5. Both agencies are willing to develop and facilitate a procedure to allow exchanges of land with mineral potential without detailed, time consuming and expensive evaluation of mineral potential. Under this procedure the purposes of the Federal Land Policy and Management Act (FLPMA) and the California Public Resources Code will be satisfied and the public interest served;

NOW THEREFORE BE IT RESOLVED THAT:

1. For exchanges in this program, BLM and SLC will each assess, on their respective lands, the mineral potential of each parcel by comparison with the Geology-Energy-Mineral (G-E-M)

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BLM and SLC MOU

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assessment plats maintained by the BLM, SLC and other sources, and prepare summary tables (as shown on Attachment 2). These tables will then be submitted for review by the other agency. For parcels having "high" potential for mineral occurrence, reports will be prepared in accordance with protocols established pursuant to this MOU. These mineral assessments will be exchanged with each agency as they become available. All reports, including appraisal reports and title encumbrance reports, will be organized in the parcel order of the Notice of Realty Action to permit direct comparisons.

2. For all exchange parcels assessed for mineral potential, BLM and SLC will each prepare matrices of its respective parcels for comparison, using the format shown in Attachment 2. Since each party will serve as an agent of the other in preparing the required documentation, each will submit, for their respective matrices, originals of all maps and photographs as appropriate.

3. Mineral evaluation staffs of both agencies shall be responsible for ensuring that procedures, premises, and assumptions employed in SLC and BLM mineral assessments and reports are consistent and comparable with each other, and are fully stated. To that end, mineral staffs involved should meet before beginning any mineral assessment reports, and again prior to preparation of final mineral reports. The object of this communication is to facilitate subsequent comparisons of parcels for exchange.

4. Any mineral report completed for high potential parcels will be in conformance with the format described in the BLM "3060 manual" and the terms as defined in the "3031 manual" (see Attachment 1). Reports should contain sufficient substance to serve as the technical base for an appraiser to determine Fair Market Value and Highest and Best Use of a parcel.

5. Estimated acreage of the mineralized area should be listed in the matrix; otherwise the parcel acreage will control. Entire contiguous parcels will not usually be assigned to a single mineral potential unless substantially all of the parcel shares that potential. "Contiguous" in this context excludes parcels touching only at the corners.

6. If the Highest And Best Use is determined by the appropriate agency appraiser to be mineral production for all or part of any parcels, these parcels will ordinarily be set aside for further study, and if appropriate, ultimately dropped from the exchange. No dollar values will be assigned to general mineral potential unless such values are from confirmed market transactions, or appraisals based on data sufficient to support a valuation.

7. In most cases, public lands encumbered by unpatented mining claims will not be appropriate for exchange. Lands of both parties currently leased or under application for lease or permit ordinarily will be excluded from further consideration for exchange unless mutually agreed to by both parties. Appraisal reports should also reflect the presence of such situations.

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8. It is acknowledged and presumed that State School Lands have access and may be developed in a manner contemplated by and consistent with the trust under which they were granted. Therefore, in exchanges under this agreement, the Fair Market Value of School Lands will not be discounted for lying within, for example, Wilderness Study Areas, or for being totally landlocked by surrounding Federal land. These lands will be appraised in consideration of the right of reasonable access to the surface and subsurface estate.

9a. Parcels rated as "low" mineral potential or unclassified, with any level of certainty, will be exchanged without further mineral comparisons or considerations. The mineral assessment will serve as the mineral report required in BLM Manual 3060.

9b. Parcels rated as having a "moderate" mineral potential, with any level of certainty, will be subject to further mineral assessments on a case by case basis. Where specific commodity(ies) identified from the G-E-M assessments as occurring on the parcels are determined to be marketable, a mineral report will be prepared for those reported mineral occurrences. The criteria for determining whether a mineral commodity(ies) is marketable will be based on whether the commodity(ies) currently being developed and sold within the market area of the parcel(s). A commodity(ies) not having current marketability will not be factored into the appraisal of the affected parcel(s).

10. The mineral staffs of the parties will jointly review all mineral assessments or reports for parcels having high potential and determine rough equivalence of potential for high potential parcels. Where the BLM District Manager and the SLC Minerals Program Manager concur that such potentials are roughly comparable, the respective acreages may be used as the basis for equivalence, and mineral potential will not be considered in the appraisal.

11. The intent of this Agreement is to facilitate the exchange of parcels with mineral potential without requiring a parcel for parcel match. The parties agree that the exchange of such parcels will be founded on equivalent mineral characteristics rather than equivalent numbers of parcels. It is recognized that, following the evaluation process as outlined above, the exchange of some parcels of selected or offered lands may be delayed in processing pending identification of appropriate exchange candidates, or pending a determination that specific parcels may be unsuitable for voluntary exchange.

12. A difference in monetary value may exist between acreages of mineral potential in exchange proposals, due to the state generally selecting Federal lands of higher surface use value than it is giving up. In those instances, SLC may include selection of federal Reserved Mineral Interests in patented lands of the appropriate mineral potential to balance the value of the exchange. Appraised values of the entire exchange must still balance within acceptable tolerance.

13. Both BLM and SLC expect to receive and relinquish parcels which have advantages or disadvantages from a mineral or surface development perspective, e.g., access, distance to market, environmental considerations and other potential restrictions. The opportunity for diverse professional interpretation of available data in mineral reports, and for uncertainty due to lack of information, is the same for both agencies. The parties agree that, over the term of the exchange program, neither agency will be disadvantaged by the above provisions.

14. This agreement may be amended or terminated by the agreement of both parties at any time; however, it is the intent of the parties that it continue in force until the conclusion of any exchange then in progress. This agreement does not obviate the need to enter into exchange-specific agreements for cost sharing, scheduling, assignment of responsibilities and other purposes. Both the SLC Executive Officer and BLM State Director recognize the need to complete exchanges in a timely and expeditious manner. The parties hereto agree to actively pursue the completion of exchanges which incorporate both surface and mineral values and solve land management problems on both sides.

The effective date of this Agreement shall be the date of the later signature below.

For The Bureau of Land Management

For The Commission

Ed Haste
ED HASTEY
State Director
Bureau of Land Management
2800 Cottage Way
Sacramento, CA 95825

Robert C. Hight
ROBERT C. HIGHT
Executive Officer
California State Lands Commission
100 Howe Ave, Suite 100 South
Sacramento, Ca 95825

Date: 10/26/95

Date: 10-26-95

3031 - ENERGY AND MINERAL RESOURCE ASSESSMENT

I. Level of Potential

O. The geologic environment, the inferred geologic processes, and the lack of mineral occurrences do not indicate potential for accumulation of mineral resources.

L. The geologic environment and the inferred geologic processes indicate low potential for accumulation of mineral resources.

M. The geologic environment, the inferred geologic processes, and the reported mineral occurrences or valid geochemical/geophysical anomaly indicate moderate potential for accumulation of mineral resources.

H. The geologic environment, the inferred geologic processes, the reported mineral occurrences and/or valid geochemical/geophysical anomaly, and the known mines or deposits indicate high potential for accumulation of mineral resources. The "known mines and deposits" do not have to be within the area that is being classified, but have to be within the same type of geologic environment.

ND. Mineral(s) potential not determined due to lack of useful data. This notation does not require a level-of-certainty qualifier.

II. Level of Certainty

A. The available data are insufficient and/or cannot be considered as direct or indirect evidence to support or refute the possible existence of mineral resources within the respective area.

B. The available data provide indirect evidence to support or refute the possible existence of mineral resources.

C. The available data provide direct evidence but are quantitatively minimal to support or refute the possible existence of mineral resources.

D. The available data provide abundant direct and indirect evidence to support or refute the possible existence of mineral resources.

For the determination of No Potential, use O/D. This class shall be seldom used, and when used it should be for a specific commodity only. For example, if the available data show that the surface and subsurface types of rock in the respective area is batholithic (igneous intrusive), one can conclude, with reasonable certainty, that the area does not have potential for coal.

* As used in this classification, potential refers to potential for the presence (occurrence) of a concentration of one or more energy and/or mineral resources. It does not refer to or imply potential for development and/or extraction of the mineral resource(s). It does not imply that the potential concentration is or may be economic, that is, could be extracted profitably.

MINERAL POTENTIAL TABLE FOR EXCHANGES BETWEEN BLM AND STATE OF CALIFORNIA

Parcel Identifier/ Number State (S) Federal (F)	Township Range Section Aliquot Part	Parcel Acreage	Mineral Commodity & Approx. Acreage	Level of Potential - High (H), Moderate (M), Low (L), Zero (0), or No data (ND)	Mining Claims (MC), Leases (L), Private Land/Minerals (P)	Comments, Recommendations	Parcel will require detailed mineral report - Yes or No ¹

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Mineral report and mineral appraisal (if valuable for mineral development, and such development is the highest and best use of the property).

ATTACHMENT 2

CA-165
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MEMORANDUM OF UNDERSTANDING
BETWEEN
CALIFORNIA STATE LANDS COMMISSION
AND
BUREAU OF LAND MANAGEMENT, CALIFORNIA

PURPOSE

It is the intent of this Memorandum of Understanding (MOU) to supplement the National level Memorandum of Understanding (January 8, 1981) between the Western States Land Commissioners Association and the Bureau of Land Management (BLM), which deals with the processing of indemnity selections.

This MOU establishes certain procedural guidelines applicable to the indemnity selection program in California and provides for cooperative efforts on property valuations.

POLICY

The policy of the Department of the Interior and the Bureau of Land Management is to expeditiously transfer all outstanding section entitlements to the State of California.

This policy reflects the Supreme Court decision entitled "Andrus vs. Utah" and the following management commitments:

1. The outstanding entitlement rights are to be considered as an obligation and debt due to the states by the Federal Government.
2. In the application of laws, regulations, and policies on indemnity selections, the Bureau will consider the equities of the states to the greatest extent possible within the constraints of applicable law.
3. Satisfaction of indemnity selection rights and disposal of parcels of public lands for that purpose will be considered as "serving the national interest" in the context of Section 102 (a)(1) of the Federal Land Policy and Management Act of 1976 (FLPMA) and in connection with land-use planning and classification activities in the indemnity selection implementation program.

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AUTHORITY

The authority permitting indemnity selections is outlined in the National level MOU incorporated as an attachment to this document.

DEFINITIONS

A. Entitlement

In December 1978, the BLM and the State Lands Commission completed a comprehensive audit of the remaining school base acreages due to the State of California. The results of this audit are:

1. Remaining indemnity Base (Includes all withdrawn lands, some of which are unsurveyed)	63,725.13 acres (acreage based on protraction diagrams and survey plats)
2. Minus Excess Indemnity Used	<u>-1,301.54 acres</u>
Subtotal	62,423.59
3. Unsurveyed Lands (Sections 16 & 36 to pass in-place at time of survey)	52,710.98 acres (acreage based on protraction diagrams)
Total	<u>115,134.57 acres</u>

For the purposes of this agreement, only those lands identified as selection base (62,423.59 acres) will be used to complete the selection process. The complete listing of these lands is incorporated herein by reference.

Those unsurveyed lands (52,710.98 acres) on which title would pass to the State, when surveyed, will be used for exchange only; specific guidance regarding these lands will be incorporated into the existing State Lands Commission/BLM MOU on exchanges. In addition, future audits or reinterpretations may increase the State's entitlement.

The BLM recognizes that the State is entitled to select no less than 62,423.59 acres (on the basis of the above audit). The State may be entitled to additional base upon the survey of unidentified hiatus townships or any other unresolved acreages,

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the resolution of which will be covered in a separate Memorandum of Understanding.

B. Selection Concepts

The State Lands Commission may, at its option, elect to utilize either the pooling concept, the tract-for-tract procedures, or a combination of the two as described below. Regardless of the approach, selections may not exceed the State's acreage entitlement or value limits.

1. Pooling Concept

This approach involves pooling all base acreage due the State and assigning a value-per-acre. The values of selected lands may not exceed the value of the pooled base lands by more than ten percent.

2. Tract-for-Tract

Tracts of base land may be offered for tracts of selected land without the constraints of a tract-for-tract match in acreage or dollar value. When a base land tract has a value of less than \$500 per acre, the value of the selected tract may not exceed the base land value by more than 25%. If the base land tract has a value of more than \$500 per acre, the roughly equivalent guidelines (10%) will apply; i.e., a selection may not exceed the base land value by more than 10%.

C. Valuation

Valuation on both base and selected lands will be made at approximately the same date. If the State elects to utilize the pooling concept, tract-for-tract concept, or a combination of both, appraised values of base lands will be fixed as of the date of appraisal; any subsequent appraisal of selected lands will also be made as of this date.

1. Appraisals

The basic policy on valuing base and selected lands will be based on the highest and best use. Although no formal appraisals are required for this program, the comparative value approach will be used whenever possible, with cost and income approaches used when appropriate.

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2. Mineral Evaluation

Where the highest and best use includes mineral extraction or development, the contribution of minerals to the fee value of the tract shall be determined by the most supportable valuation method: either discounted cash flow for the period of depletion of the estimated reserves or market data from sales or leases of similar property rights on comparable properties.

Purely speculative mineral values will be assumed to be included in sales prices of properties with comparably speculative mineral potential. In the absence of reliable market data, however, mineral values in the base and selected lands will be balanced through the use of a mineral potential ranking system developed by BLM/State Lands Commission Geologists/Mining Engineers, to facilitate the appraisal process.

D. Mineral-In-Character

All mineral-in-character determinations will be made as of the date of the selection application. Base lands must be mineral-in-character if a selection involves mineral lands. Any base lands classified by USGS as "prospectively valuable" or "valuable" for any leasable mineral will be considered as mineral-in-character. This interpretation also applies to lands so classified for locatable minerals by BLM and State Lands Commission Geologists/Mining Engineers.

COOPERATIVE PROCEDURES

A. BLM/State Lands Commission

1. Each cooperator will name one individual from each office to coordinate the program and maintain contact with respective staffs.
2. Each cooperator will jointly agree on mineral-in-character determination for base and selected lands. These determinations will be made effective as of the date of filing a selection. The basis for determining mineral-in-character includes literature search, knowledgeable sources in industry, geologic inference, mining claim activity, etc.

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3. Each cooperator will jointly agree on Fair Market Value appraisals and mineral evaluations for base and selected lands. Since no formal reports are required, preliminary estimates of value using comparative sales, and other approaches as necessary, will be jointly prepared, however, separate appraisal reports will be made for base and selected lands. No review of estimates of value will be made unless there is disagreement, in which case, reports will be forwarded for resolution by the BLM State Director and the Executive Officer of the State Lands Commission.
4. In the interest of operating efficiency and expediency, both cooperators agree that individual selection applications will normally not be less than 2,500 or more than 15,000 acres.

B. State Lands Commission, Executive Officer

1. Assure that funding and personnel are available to continue the project through to completion recognizing, however, that budgetary constraints may limit availability of funds or personnel.
2. File selection applications on all base (62,423.59 acres). All applications will be tendered prior to December 31, 1984.
3. Excess indemnity lands (1,301.54 acres) identified under "Definitions" will be used to delete fractional acreages on the base land list. However, the Act of March 1, 1877, provided that the State could purchase for \$1.25 per acre any excess acreage used prior to enactment of that law. The State has 71.81 acres of excess in this category, leaving a remainder of 1,229.73 acres. If the State does not exercise the above option, all of the excess will be applied to the base list. The State will review the base list and advise BLM of the areas where these fractional acreages are to be deleted.

C. BLM California, State Director

1. Initiate the processing of a selection on receipt of an application.
2. Assure that adequate funding and personnel are considered in the formulation of the annual lands and realty budget, recognizing, however,

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that budgetary constraints may limit the availability of funds or personnel.

3. Appoint a BLM team to review and process all approved selections in accordance with the timeframes established in the implementation schedule.

OPERATIONAL PROCEDURES

The Task Implementation Plan, which is incorporated by reference in the National-level MOU, proposes certain procedures for identifying selections. For the purposes of this agreement, the following procedures will be utilized for the selection program in California:

1. The State Lands Commission will develop a listing of selected public lands by geographic area, ranking them in order of priority.
2. The BLM will review (30-45 days) the State's selection list. Within 15 days after the initial screening, the BLM will notify the State Lands Commission as to the areas where they would or would not recommend classifications for lieu selection. This determination will be reviewed jointly by both parties who will reach agreement on questionable areas. If further study of a selection area is required before BLM can make a decision on classification, both parties will agree on a completion date. The final BLM decision on whether a selection classification would or would not be approved will be made by the State Director.
3. Within 30 days after joint agreement on selection areas, the State will file a selection(s) application utilizing the pooling, tract-for-tract, or an approach combining both concepts.
4. The BLM will process the selection application. After proposed and initial classifications have been issued and all protests resolved, BLM will issue a clear list to the State.

IMPLEMENTATION SCHEDULE

The proposed implementation schedule for the selection program in California is planned for completion in 1984. Specific time frames for completing certain actions are as follows:

1. Mineral-in-character determination lands by BLM/SLC Geologists/Mining

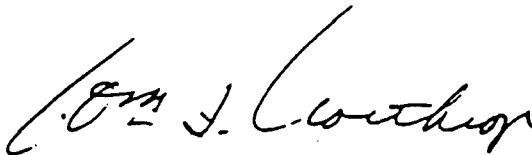
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1982. Mineral-in-character determinations will be made for each selection application when filed. Each case is estimated to take four weeks.

2. After the 30-to-45-day initial screening of a selection proposal and the BLM decision to allow, the SLC will file an application within 30 days.
3. BLM will assign a team to analyze and make recommendations on a selection application (30-to-60-day review period). This analysis will include the mineral potential ranking and fair market value appraisals. If values conform to the percentage guidelines, BLM will issue a proposed and an initial classification decision each with a 30-day review period. Publication of the selection in local newspapers may require another three weeks.

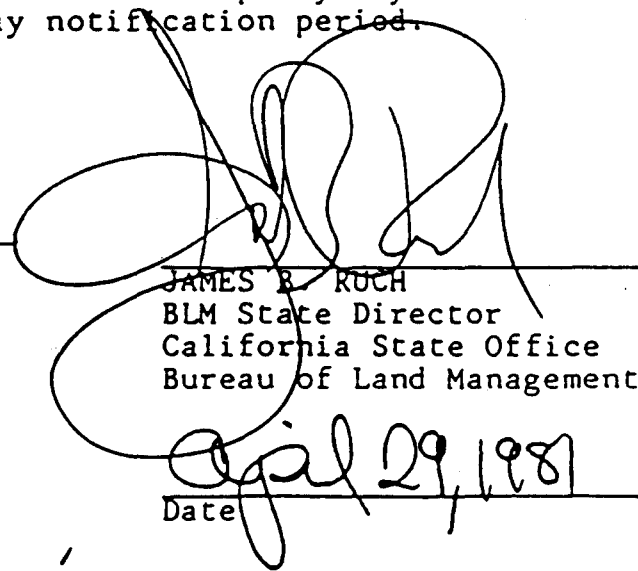
The total amount of time to process any particular selection will vary depending on acreage and the particular resource values of the selected lands. On the average, however, most selections will require at the minimum, three months to process after receipt of the application.

This Memorandum of Understanding will become effective upon the date of the last signature below. This MOU may be renegotiated at any time and either party may cancel the agreement after a 60-day notification period.



WILLIAM F. NORTHROP
Executive Officer
State Lands Commission
State of California

April 29, 1981
Date



JAMES B. RUCH
BLM State Director
California State Office
Bureau of Land Management

April 29, 1981
Date

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