

CALENDAR ITEM

C53

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V. Perez

**CONSIDER APPLICATION FOR A PROSPECTING PERMIT
FOR MINERALS OTHER THAN OIL, GAS, GEOTHERMAL RESOURCES,
OR SAND AND GRAVEL, ASSESSOR'S PARCEL NUMBER 097-210-06,
ADMINISTERED BY THE COMMISSION AS TRUSTEE, CONTAINING
APPROXIMATELY 145 ACRES OF STATE FEE-OWNED SCHOOL LANDS,
WITHIN SECTION 36, TOWNSHIP 28.5 SOUTH, RANGE 40 EAST, MDM,
KERN COUNTY**

APPLICANT:

Ronald James Martin

AREA, TYPE LAND AND LOCATION:

Approximately 145 acres of State fee-owned school land (Assessor's Parcel Number 097-210-06) located within Section 36, T28.5S, R40E, MDM, Kern County (State Parcel No: 168-011) (see Exhibits A and B, attached).

BACKGROUND:

On October 14, 2014, the Commission issued mineral prospecting permit (permit) No. PRC 9164.2 to Ronald James Martin (Applicant) to prospect for precious metals (gold and silver) on approximately 145 acres of State fee-owned land (State parcel). The initial 1-year term of the permit expired on October 31, 2015; however, Martin submitted an application for a 1-year extension of the permit on October 29, 2015. Following expiration of the permit, the Applicant ceased prospecting efforts.

Following submission of the approximate expense deposit and executed reimbursement agreement, the application was deemed complete on July 6, 2016. Since nearly a year has elapsed since the expiration of the initial permit, a one year extension is not viable as the extended permit would lapse a few days following Commission action. Instead, Commission staff is recommending issuance of a new 2-year permit, which may be extended for 1 additional year. The total term of this new permit cannot exceed 3 years. Staff believes that issuing a new 2-year prospecting permit is appropriate, because there are currently no other applicants who have expressed an interest to prospect these lands, and because it will provide the Applicant with additional time to not only

CALENDAR ITEM NO. **C53** (CONT'D)

investigate the mineral potential of the State parcel, but also research the commerciality.

The Applicant is requesting a permit to conduct geologic exploration, hand sample collection, dry-washing, hand-panning, and analysis on-site to help determine if the State parcel contains mineral deposits in commercial quantities. Applicant proposes to explore the State parcel with not more than two additional people, working approximately 5- to 8-hour days, for 6 to 10 days. Approximately 20 pounds of rock samples will be collected per day using two or three, 5-gallon buckets, a handheld shovel, and a handheld geologic rock hammer. The primary method used for prospecting will be dry-washing, using a 40-pound dry-washer. A dry-washer is a mechanical apparatus powered either by hand, a small electric motor or a lawn mower engine, that is used to discover and separate heavier mineral particles and precious metals from loose, dry sediments.

The denser mineral particles are transferred to a gold pan, in order to pan out and segregate finer particles of gold. The Applicant will use about 10 to 20 gallons of water in a small tub for his hand-panning method. After the completion of his prospecting operations, the Applicant will document and report all of his findings.

All access will be on foot, with the exception of a personal pickup truck that is to be used on existing roads. There will be no disturbance to any vegetation or items of historical or archeological significance. To ensure that the prospecting activities will not affect the desert tortoise, a state and federally threatened species that is likely present on the State parcel, Commission staff has added permit conditions included in Exhibit C of the attached mineral prospecting permit. These conditions are designed to prevent any harm to desert tortoises or desert tortoise burrows for the duration of the permit.

During the 1-year term of the first prospecting permit, using a dry-washer, Applicant recovered 3 grams of placer gold, valued at \$102. All permits require a royalty of 20 percent of the gross value of all minerals produced, extracted, shipped, used or sold. On February 25, 2015, the Applicant submitted his 20 percent royalty payment. Due to these positive results, he is requesting to continue his prospecting activities under a new permit. No other additional activity is proposed in this application.

CALENDAR ITEM NO. **C53** (CONT'D)

TERM OF PROPOSED PERMIT:

The primary term of this proposed mineral prospecting permit is 2 years with an effective date of the first day of the month following approval by the Commission and execution by both the State and permittee. The Applicant has executed the permit. If approved by the Commission on October 13, 2016, and subsequently executed by the State prior to November 1, 2016, the term of this permit will be November 1, 2016, through October 31, 2018. The Commission, at its discretion, may extend the term for an additional period not to exceed 1 year. In accordance with Public Resources Code section 6891, the term of this permit cannot exceed 3 years.

ROYALTY:

Royalty payable under this permit is 20 percent of the gross value of the minerals secured from the permitted area that are sold, or otherwise disposed of, or held for sale, or other disposition.

STAFF ANALYSIS AND RECOMMENDATION:

Authority:

- A. Public Resources Code, Division 6, section 6891
- B. California Code of Regulations, title 2, section 2200

State's Best Interests Analysis:

The issuance of this permit is in the State's best interests because if exploration is successful and development of the minerals follows, royalty revenue will be generated for the State Teachers' Retirement System. Upon a discovery of commercially valuable mineral deposits, the Applicant may apply for a preferential lease.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

1. The Applicant has submitted the required filing fee, acreage deposit, and the approximate expense deposit.
2. The subject State parcel is currently not known to contain commercially valuable deposits of minerals.
3. Pursuant to Public Resources Code section 6895, royalty payable under any preferential lease that may be issued shall not be less than 10 percent of the gross value of all mineral production from the permitted area, less any charges approved by the Commission, made or incurred, with regard to transportation or processing, of the State's royalty share of production.

CALENDAR ITEM NO. **C53** (CONT'D)

The determination of the royalty charges shall be at the discretion of the Commission and set forth in the lease. To simplify the accounting matters for both the lessee and the State, recent mineral leases incorporate a percentage of the gross royalty that meets or exceeds the requirements of Public Resources Code section 6895.

4. No drilling on the permitted area is allowed. Any drilling activities would require an amendment to the permit and environmental review pursuant to the California Environmental Quality Act (CEQA).

OTHER PERTINENT INFORMATION:

1. Staff conducted a site inspection on September 14, 2016. The inspection report with photographs is on file in the Commission's Long Beach office.
2. Staff recommends that the Commission find that this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 6, Information Collection; California Code of Regulations, title 2, section 2905, subdivision (e)(3).

Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15300 and California Code of Regulations, title 2, section 2905.

3. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq.; however, the Commission has declared that all lands are significant by nature of their public ownership (as opposed to environmentally significant). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code section 6370 et seq., use classifications for such lands have not been designated. Therefore, the finding of the project's consistency with the use classification as required by California Code of Regulations, title 2, section 2954 is not applicable.
4. This mineral prospecting permit does not provide for a performance bond or other security device in favor of the State, unless and until, more intensive prospecting activity, including an exploratory drilling program, is proposed.

CALENDAR ITEM NO. **C53** (CONT'D)

5. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan, to deliver the highest levels of public health and safety in the protection, preservation and responsible economic use of the lands and resources under the Commission's jurisdiction; and Strategy 2.1, to optimize returns for the responsible development and use of State lands and resources, both onshore and offshore.

APPROVALS OBTAINED:

Pursuant to Public Resources Code section 6890, the prospecting permit was approved by the Office of the Attorney General as compliant with the applicable provisions of the law.

EXHIBITS:

- A. Land Description
- B. Site and Location Map
- C. Mineral Prospecting Permit

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 6, Information Collection; California Code of Regulations, title 2, section 2905, subdivision (e)(3).

STATE'S BEST INTERESTS:

Find that the proposed permit is in the best interests of the State.

AUTHORIZATION:

1. Find that the subject State parcel is currently not known to contain commercially valuable deposits of minerals.
2. Authorize the issuance of a mineral prospecting permit to Ronald James Martin for a primary term of 2 years beginning November 1, 2016, through October 31, 2018, for all minerals other than oil, gas, geothermal resources, or sand and gravel located on the parcel described in Exhibit A and shown on Exhibit B (for reference purposes only), attached and by this reference made a part hereof, in accordance with the specific terms of the mineral prospecting

CALENDAR ITEM NO. **C53** (CONT'D)

permit in substantially the same form as set forth in the attached Exhibit C. Royalty payable under the permit issued shall be 20 percent of the gross value of any mineral production. Upon a discovery of commercially valuable mineral deposits, the permittee may apply for a preferential lease.

EXHIBIT A

W 40985

LAND DESCRIPTION

That certain parcel of State School Land in Kern County, State of California, more particularly described as follows:

Section 36, Township 28½ South, Range 40 East, Mount Diablo Meridian, as shown on the Official U.S. Government Township Plat approved January 16, 1978.

END OF DESCRIPTION

Prepared 08/19/2014 by the California State Lands Commission Boundary Unit.



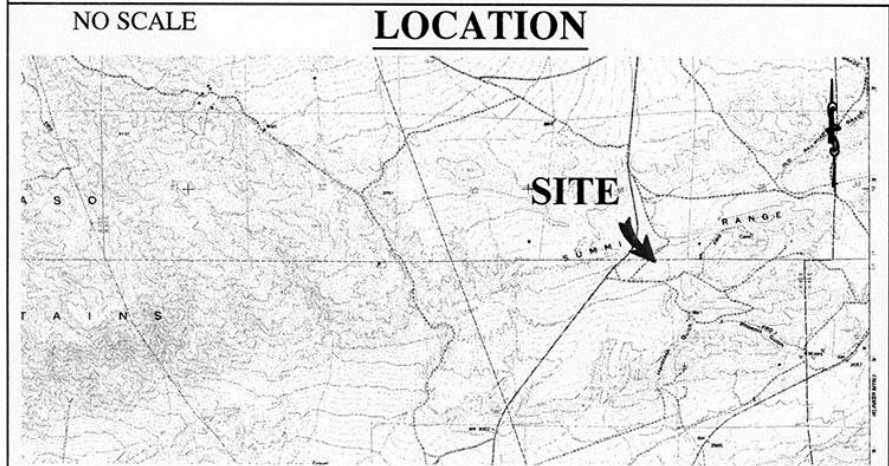
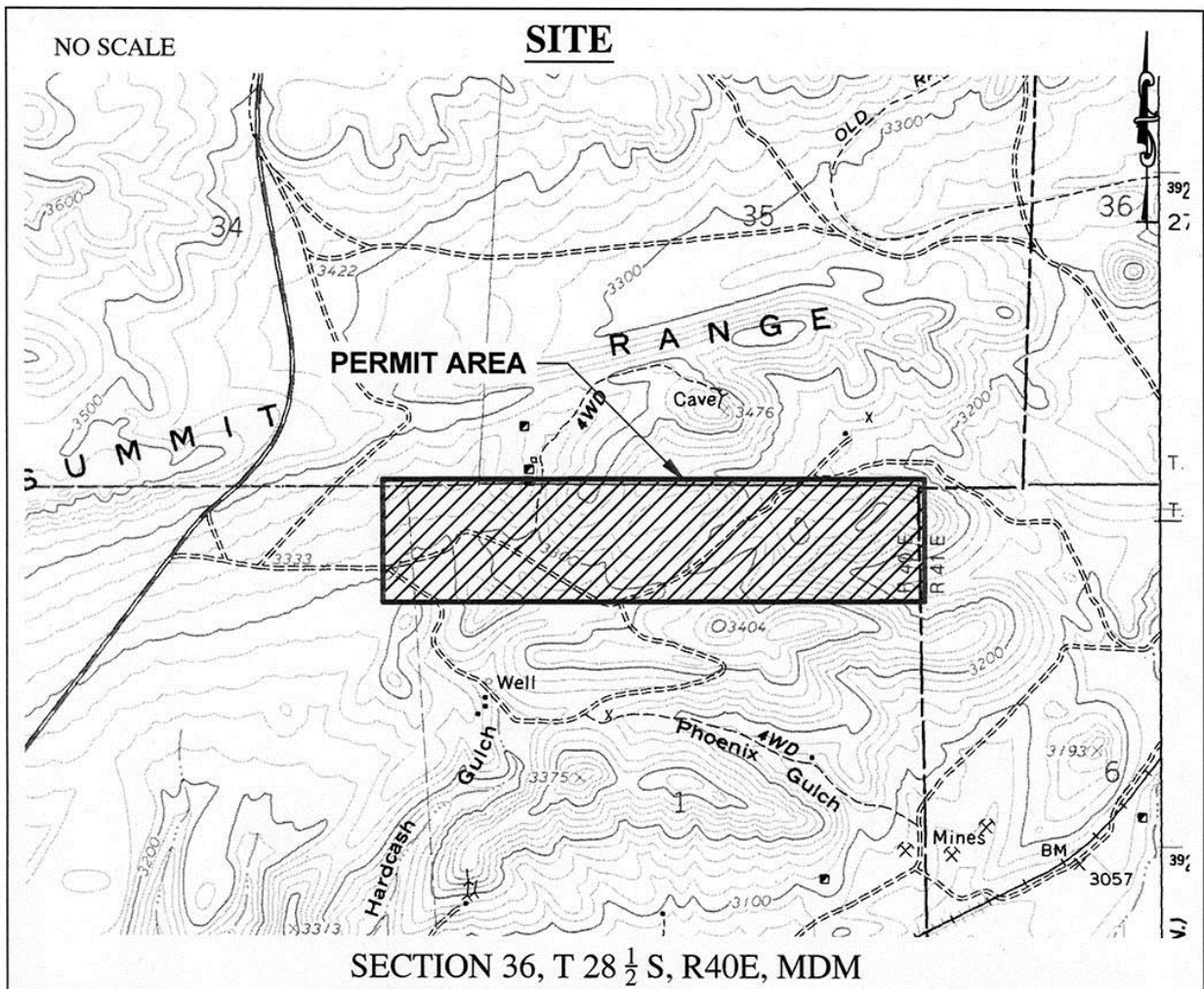


Exhibit B
 W 40985
 MARTIN
 APN 097-210-06
 MINERAL PROSPECTING
 PERMIT APPLICATION
 KERN COUNTY



MAP SOURCE: USGS QUAD

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT C

PRC
W40985

CALIFORNIA STATE LANDS COMMISSION

MINERAL PROSPECTING PERMIT

Permit to Prospect for Minerals other than Oil, Gas,
Geothermal Resources, Sand, and Gravel

This mineral prospecting permit (Permit) is made and entered into pursuant to Division 6 of the California Public Resources Code, by and between the State of California, acting through the California State Lands Commission (Commission), and Ronald James Martin (Permittee), whose mailing address is: 501 Pacific Coast Highway, Unit A, Hermosa Beach, CA 90254.

The Commission grants a mineral prospecting permit to Permittee for that certain parcel of State land, and designated as the "Permitted Land," situated in the County of Kern, State of California, and more particularly described as follows:

Section 36, T28½S, R40E, MDM, Kern County, containing 145 acres more or less, (APN 097-210-06) and subject to any valid easements and rights-of-way particularly described in Exhibit A.

1. The term of this Permit shall commence on the first day of the month following the month in which it is approved by the Commission and executed by both the Commission and Permittee (Effective Date) and shall continue for 2 years. The Commission may extend the term of this Permit for no more than 1 additional year, so that the term of this Permit, including all additional periods, shall not exceed a total of 3 years.

2. Permittee shall have the exclusive right, subject to the provisions of paragraph 23(a), to prospect for precious and base metals, and all other minerals except oil, gas, other hydrocarbons, geothermal resources, sand, and gravel. Permittee's mineral prospecting activities shall be confined to those information gathering techniques described in Exhibit B of this Permit.

3. Categorical Exemption, Class 6, information collection (14 California Code of Regulations section 2905) was issued for this Permit and is on file in the office of the Commission. Permittee shall comply with all conditions and limitations on its operations as set forth in Exhibit B of this Permit. Any additional activities not specifically allowed in Exhibit B will require additional environmental review pursuant to the California Environmental Quality Act, Public Resources Code section 21000, et seq. (CEQA).

4. Additional provisions which amend, supplement or supplant the provisions of this Permit are included in Exhibits B and C of this Permit. If a provision in this Permit is inconsistent with a provision in Exhibit B or C, the provision in Exhibit B or C shall control.

5. (a)(1) Permittee shall pay to the Commission a royalty of 20 percent of the gross value of all minerals produced, extracted, shipped, used or sold under this Permit, until this Permit terminates or is superseded by the issuance of a mineral lease as provided in paragraph 15. The gross value upon which the royalty rate is based shall not be less than the reasonable fair market value, as fixed by the Commission, of any mineral resources extracted from the Permitted Land.

(a)(2) Royalties shall be paid on a permit-quarter basis and shall be due and payable by the twenty-fifth day of the month following the quarter in which the minerals are sold. A permit quarter is a period of 3 consecutive calendar months, with the first permit quarter being the first 3 months after the Permit's Effective Date, and every 3-month period thereafter being a permit quarter.

(b) Royalties that are not paid when due shall bear simple interest from the day following the due date until they are paid at the rate of 1½ percent per month. The Commission may assess the Permittee a penalty of not more than 5 percent of any such royalties that are not paid when due.

(c) All payments required to be made under this Permit shall be made to the Commission at the address as set forth in paragraph 6.

6. All notices to be given under this Permit shall be in writing and shall be mailed with the United States postal service as registered or certified mail, postage prepaid, return receipt requested, or delivered by a private overnight delivery company or in person to the parties at the addresses set forth below. All notices shall be effective upon receipt.

To the Commission: California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

To Permittee: Ronald James Martin
501 Pacific Coast Highway, Unit A
Hermosa Beach, CA 90254

The addresses to which notices shall be sent may be changed by written notice given by one party to the other in any manner provided above.

7. Permittee represents to the Commission by its execution of this Permit that it is qualified to hold the Permit under Division 6 of the California Public Resources Code. If the Commission determines that Permittee is not so qualified, this Permit shall terminate automatically and Permittee shall be liable to the Commission for all proceeds and/or minerals extracted, produced or sold from the Permitted Land and for all other matters for which it is in default under this Permit.

8. Within 90 days of the Effective Date of this Permit, Permittee shall mark each corner of the Permitted Land with a substantial monument constructed of rock or wood. Within the same 90 days, Permittee shall post a notice in a conspicuous location on the Permitted Land stating that this mineral prospecting permit has been issued and describing the Permitted Land.

9. If and when authorized by the Commission, Permittee shall safely construct all excavations and shall timber all underground and surface-entry workings, where necessary, in a safe, sufficient manner by applying good mining engineering practice. All operations under this Permit shall be conducted in accordance with approved and accepted mining and exploration methods and practices, and with due regard for the protection of life and property, preservation of the environment and the conservation of natural resources.

10. This Permit is issued subject to all existing valid rights in the Permitted Land at the Permit's Effective Date. If the Permitted Land has been sold by the Commission subject to a reserved mineral interest, Permittee shall abide by whatever conditions and limitations are prescribed by law, including California Public Resources Code Section 6401, governing the extraction and production of minerals from and the occupancy and use of the surface of such land.

11. The Commission reserves whatever right it may have to grant to any person, upon such terms as it may determine, easements, rights of way, permits, leases or other interests in the Permitted Land, including easements for tunnels or wells bored through or in the Permitted Land. However, the Commission shall not grant interests which unreasonably interfere with or endanger Permittee's operation under this Permit.

12. (a) Permittee shall keep accurate records of its operations under this Permit and shall file with the Commission no later than the 25th day of the month following each permit quarter, a detailed accounting statement for permit operations including, but not limited to, information showing the amount or gross value derived, earned or attributable to all minerals produced, extracted, shipped, used or sold, and the amount of royalty due.

(b) Royalties shall be paid when the accounting statement is submitted.

(c) At the Commission's request, Permittee shall provide more detailed statements and explanatory materials to aid the Commission in interpreting and evaluating Permittee's accounting statement.

(d) All accounting statements are subject to audit and revision by the Commission. Permittee shall allow the Commission to inspect at all reasonable times all Permittee's books, records and accounts relating to operations under this Permit, including, but not limited to, the development, production, sale, use or shipment of minerals. Permittee waives whatever statutory, common law, or other rights it may have to object to such inspection.

13. Permittee shall supply to the Commission within 30 days of their completion, or the completion of any recorded portion of them, all physical and factual exploration results, logs, surveys and any other data in any form resulting from operations under this Permit or from any surveys, tests or experiments conducted on the Permitted Land by Permittee, or by any person or entity acting with the consent of Permittee or with information or data provided by Permittee. Permittee shall supply to the Commission within 30 days of their completion, or the completion of any recorded portion of them, the results of all geological, geophysical or chemical tests, experiments, reports and studies, interpretive or factual, irrespective of whether the results of such tests, experiments, reports and studies contain sensitive, proprietary or confidential information or trade secrets. Permittee waives whatever rights or objections it might have to prevent disclosure of any such tests, experiments, reports or studies. All such data and documents supplied by Permittee shall be deemed to have been "obtained in confidence" for purposes of California Government Code section 6254(e), and may be disclosed to other persons only with the written consent of Permittee or upon a determination by the State or a court that their disclosure is in the public interest.

14. Permittee shall comply with all valid laws of the United States and of the State of California and with all valid ordinances of cities and counties applicable to Permittee's operations including, but not limited to, all applicable provisions of the California Public Resources Code and the California Code of Regulations. In its employment practices connected with its operations under this Permit, Permittee shall not discriminate against any person because of race, color, religion, sex, national origin, physical disability, sexual orientation, AIDS or AIDS related condition, marital status or age.

15. Upon establishing to the satisfaction of the Commission that commercially valuable deposits of minerals have been discovered on the Permitted Land, Permittee shall be entitled to a lease of not more than 145 acres, provided that:

(a) The Commission complies with the provisions of California Public Resources Code Section 6371 relating to environmental documents.

(b) Royalty payments to the Commission for minerals produced, extracted, shipped, used or sold under the mineral lease are to be determined according to the guidelines set forth in Exhibit C of this Permit.

(c) The annual rental under the mineral lease shall be not less than one dollar per acre. The annual rental shall be due and payable on the anniversary of the Effective Date of the mineral lease, except the first year's rental which shall be due 30 days after the Effective Date of the mineral lease.

(d) The right to lease, sell or otherwise dispose of whatever right, title or interest the Commission has in the surface of the land included within the mineral lease, insofar as the surface is not required by Permittee for its operations under the mineral lease, is reserved to the Commission.

16. (a) Permittee shall pay, when due, all taxes and assessments lawfully assessed and levied under the laws of the State of California and of any political subdivision of the State of California, and of the United States of America, against any and all improvements, property or assets of Permittee situated upon the Permitted Land, or other rights of Permittee arising out of the Permit. Such taxes include possessory interest taxes imposed by a city or county on the permitted interest. The payment of any such taxes by Permittee shall not reduce the amount of consideration due the Commission under this Permit.

(b) Permittee understands that the permitted interest, and if a mineral lease is ultimately issued, the leasehold interest, may be a possessory interest subject to property taxation, and that Permittee is solely responsible for paying all property taxes levied on such possessory interests as provided above.

17. At all times and with respect to all operations under this Permit, Permittee shall carry worker's compensation insurance fully covering all its employees.

18. If Permittee is not the surface owner of the Permitted Land, then at the expiration or sooner termination of this Permit, Permittee shall surrender possession of the Permitted Land with all improvements, structures and fixtures in good order and condition, or the Commission may require Permittee, at its own cost, to remove, within 90 days, designated improvements, structures and fixtures that were put on the Permitted Land by Permittee, and restore the Permitted Land to the extent and in the manner specified by the Commission.

19. Permittee may at any time make and file with the Commission a written relinquishment of all rights under this Permit, pursuant to California Public Resources Code Section 6804.1. The relinquishment shall be effective as of the date of its filing, subject to the continued duty of Permittee to comply with all permit obligations that have accrued prior to such filing.

20. (a) Permittee shall indemnify, hold harmless and, at the option of the Commission, defend, except in matters involving title, the State of California, any of its agencies, boards, or commissions, or any of its officers, agents and employees, against any and all claims, demands, causes of action, or liability of any kind which may be asserted against or imposed upon the State of California, or any of its agencies, boards, or commissions, or any of its officers, agents or employees, by any third person or entity arising out of or connected with Permittee's operations under this Permit, or the use by Permittee or its agent, employees or contractors of the Permitted Land. Without limiting the generality of the foregoing, such indemnification shall include any claim, demand, cause of action or liability of any kind asserted against or imposed upon the State of California, or any of its agencies, boards, or commissions, or any of its officers, agents or employees, arising out of or connected with any alleged or actual violation by Permittee, its agents, employees or contractors, of the property, personal or contractual rights of any third person or entity. This provision shall not be construed to require Permittee to indemnify the Commission for any alleged negligence or other wrongful act of the Commission, or any of its officers, agents, or employees, except to the extent that such negligence or other wrongful act is alleged to consist of the issuance of this Permit, the adoption and enforcement of the provisions of the Permit or the failure of the Commission to enforce adequately any such provisions.

(b) At the option of the Commission, Permittee shall procure and maintain liability, property damage or other insurance for the benefit of the Commission in an amount satisfactory to the Commission.

(c) Permittee is advised that the Permitted Lands may contain underground workings in the form of shafts, adits or other features from past mineral exploration and development. By initialing below, Permittee acknowledges the existence of such mine workings and that such workings may pose numerous dangers to Permittee's health and safety while working in their vicinity or by entering them. Permittee assumes all risk of injury, property damage, or death by entering and working within such mine workings, and agrees to hold harmless the Commission to the extent described in paragraph (a) above. Permittee shall not disturb timbers within a mine or structures and features appurtenant to a mine such as headframes, miners' cabins, refuse dumps, and old bottles that may be of historic value and protected under the Antiquities Act.

Permittee Initials

21. Disturbance of historic resources found within the Permitted Land is prohibited. Generally, anything found on the Permitted Land that is artificial or not naturally occurring and is estimated to be over 45 years old may be a historic resource. Historic resources that may be found within the Permitted Land may include, but are not limited to, mining camps, cabins, refuse dumps, structures, mines, treasure troves of

previously mined ore, headframes, timbers, bottles, and cans. Native American artifacts including, but not limited to, projectile points (arrowheads), spear points, all other stone artifacts (including flakes), cairns, pottery, petroglyphs, pictographs, baskets, shell, and bead items, shall be left undisturbed. If resources are discovered that may be considered historic, Permittee shall take a photograph and provide GPS coordinates if possible, and report the discovery to Permittee's contact at the Commission for further guidance.

22. Before discovery of a commercially valuable deposit of minerals, the Commission may cancel this Permit upon the failure of Permittee, after 30 days' written notice and demand for performance, to exercise due diligence and care in the prosecution of the mineral prospecting work in accordance with the terms and conditions of this Permit. After discovery of a commercially valuable deposit of minerals, the Commission may cancel this Permit only upon the failure of Permittee, after 90 days' written notice and demand for performance, to comply with any of the provisions of this Permit.

23. (a) The Commission reserves the right to issue additional exploratory rights, permits and leases on and in the Permitted Land for the purpose of exploring for, prospecting for, or extracting oil, gas, other hydrocarbons, and geothermal resources, sand, or gravel from this mineral prospecting permit, provided that the activities conducted under such additional exploratory rights, permits or leases do not unreasonably interfere with or endanger Permittee's operation under this Permit. The reserved exploratory rights shall include, but are not limited to, the right to conduct surveys, tests or experiments using any geological, geophysical, geochemical or other method, including core drilling, for the purpose of determining the presence of such mineral resources on or in the Permitted Land. Permittee shall allow the Commission, the Commission's permittees or lessees, and any other persons authorized by the Commission, at such party's sole risk and expense, to enter upon the Permitted Land in order to conduct such exploratory, prospecting and extraction activities.

(b)(1) The Commission, or persons authorized by the Commission, shall have the right to go upon the Permitted Land at all reasonable times for the purposes of inspecting the Permitted Land and Permittee's operations, placing signs upon the property, responding to a fire, taking police action and protecting the premises. Entry by the Commission, or by persons authorized by the Commission, shall not give Permittee any right to charge the Commission or subject the Commission to liability for any loss of occupation or quiet enjoyment.

(b)(2) Entry by the Commission for the purposes of responding to a fire, taking police action, or protecting the premises shall not give Permittee any right of action against the Commission for compensation arising from property or economic damage Permittee suffers as a result of these activities by the Commission.

24. The obligations imposed upon Permittee under this Permit shall be suspended when Permittee is prevented from complying with them by wars, 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 other unusual conditions that are beyond the control of Permittee and/or the Commission.

25. Permittee shall perform all work under this Permit with due regard for the preservation of the Permitted Land and the environmental impact of its operations in accordance with the following terms and conditions:

(a) Permittee shall landscape and/or fence all permanent operation sites to screen them from public view to the maximum extent possible. The landscaping or fencing shall be done at the direction of the Commission and shall be kept in good condition.

(b) Permittee shall conduct all its operations under this Permit in a manner that will eliminate, as far as practicable, dust, particulate matter, noise, vibration and noxious odors. Permittee shall keep operating sites neat, clean and safe and shall control dust to prevent its widespread deposition. Permittee shall remove promptly all materials determined by the Commission to be detrimental to vegetation that are deposited on trees and other vegetation.

(c) Permittee shall conduct all operations disturbing the soil surface, including, but not limited to, road building, construction of facilities and movement of heavy equipment, in a manner that will not result in unreasonable damage to trees and plant cover, soil erosion or degradation of waters of the State, including fish and aquatic life habitats.

(d) Permittee shall maintain existing roads and bridges upon or serving the Permitted Land in a condition equal to or better than that existing before Permittee's commencement of use. Permittee shall locate, construct and maintain new roads and bridges on the Permitted Land in accordance with Commission specifications. Permittee shall protect from damage, and replace when damaged by Permittee, all improvements, structures, telephone lines, trails, ditches, pipelines, water developments, fences and other property of the Commission, or of other permittees of the Commission, and permanent improvements, including crops, of the surface owner(s). Permittee shall control the public's access to the production site to prevent accidents or injury to persons and property.

(e) Permittee shall pond drilling mud in a safe manner and place, and when required by the Commission, shall post the area with warning signs and fence it to protect persons, domestic animals and wildlife. Permittee shall keep all drilling areas cleared and graded, and shall keep production facility sites to a reasonable number and size, as directed by the Commission. Permittee shall keep noise levels to a minimum during all operations and equip all internal combustion

engines with mufflers or silencers. All noise level measurements shall be made in conformity with standards prescribed by the Commission.

(f) The above obligations are in addition to and not limits upon all statutes, rules, regulations, restrictions, mitigation measures and other measures to which Permittee is subject that are designed to restrict, limit, modify or minimize the environmental impact of the operations under this Permit.

26. If Permittee fails to comply with any of the provisions of this Permit or with any regulations or laws applicable the operations under this Permit, the Commission may cancel this Permit following 90 days' written notice to Permittee setting forth the grounds for the cancellation. If this Permit is cancelled, Permittee shall still comply with the conditions specified in paragraph 18 for surrendering the Permitted Land.

27. The Commission's waiver of any default or breach of any term, covenant or condition of this Permit shall not constitute a waiver of any other default or breach whether of the same or any other term, covenant or condition of this Permit, regardless of the Commission's knowledge of such other defaults or breaches. The acceptance by the Commission of any monies due under this Permit shall not constitute a waiver of any preceding default or breach, other than the failure of Permittee to pay the particular monies accepted, nor shall acceptance of monies after termination of this Permit constitute a reinstatement, extension or renewal of this Permit.

28. The covenants and conditions in this Permit shall apply to and bind the heirs, successors, executors, administrators and assigns of the parties.

29. As provided in California Public Resources Code section 6804, Permittee may assign, sublease or transfer this Permit or any interest in it only with prior Commission authorization. The consent to the transfer of any interest in this Permit shall not be deemed a consent to any subsequent assignment, sublease, occupancy or use by another person. Any assignment, sublease or transfer without the Commission's consent, whether voluntary or by operation of law, shall be void and transfer no rights to the purported transferee. This provision shall not prevent Permittee from subcontracting parts of the work to be performed under this Permit without Commission approval, so long as Permittee remains fully responsible to the Commission for compliance with all obligations under this Permit. Upon approval of any assignment, sublease or transfer, the assignee, sublessee or transferee shall be bound by the terms of this Permit to the same extent as if such transferee were the original Permittee, any conditions in the assignment, sublease or transfer to the contrary notwithstanding.

30. No bond or security will be required by the Permittee. This requirement shall be separate from any other bonding requirements to which Permittee is subject.

31. This Permit is issued upon the application of Permittee and is entered into without a formal title determination. This Permit shall not be construed as establishing the extent of the Commission's claim to or interest in the Permitted Land. The Commission does not warrant the title to the Permitted Land or any right Permittee may have to possession or to quiet enjoyment of it.

32. If any provision of this Permit is judicially determined to be invalid, it shall be considered deleted from this Permit and shall not invalidate the remaining provisions.

33. Time is of the essence in this Permit.

This agreement shall become binding only when it is approved by the Commission and is duly executed by the Commission and by Permittee.

CALIFORNIA STATE LANDS COMMISSION

Dated: _____

MARINA VOSKANIAN, CHIEF
MINERAL RESOURCES MANAGEMENT
DIVISION

PERMITTEE*

Dated: _____

By: _____

Title

Address

City and State

* In executing this document, corporations shall provide a certified copy of the resolution or other document authorizing the execution of this document on behalf of the corporation.

Approved as to form:
Kamala D. Harris
Attorney General, State of California

By: _____
Andrew Vogel
Deputy Attorney General

Dated: _____

EXHIBIT A

W 40985

LAND DESCRIPTION

That certain parcel of State School Land in Kern County, State of California, more particularly described as follows:

Section 36, Township 28½ South, Range 40 East, Mount Diablo Meridian, as shown on the Official U.S. Government Township Plat approved January 16, 1978.

END OF DESCRIPTION

Prepared 08/19/2014 by the California State Lands Commission Boundary Unit.



EXHIBIT B

(Additions, Deletions and Modifications)

Mineral prospecting will be for solid minerals on approximately 145 acres of 100 percent State fee lands. Mineral prospecting activities authorized under this Permit shall be limited to field work involving geological mapping, rock chip sampling, drywashing, and hand-panning. Approximately 20 pounds of rock samples will be collected per day and utilized in a drywasher and returned in its same area. No other surface disturbance is authorized. Exploratory drilling is not authorized by this Permit. Vehicle access shall be limited to existing roads and jeep trails. Additional access shall be on foot.

To insure the prospecting will not have any effect on the threatened desert tortoise, which is expected to be present on the Permitted Land, Permittee shall adhere strictly to the following conditions:

1. Permittee shall not bring dogs or firearms onto the site.
2. Permittee will minimize the number of vehicles on location to be used only on established roads, and observe a 15 mile per hour speed limit. The vehicles shall be in proper working order and free of any fluid leaks to ensure tortoise do not ingest harmful fluids.
3. Permittee shall not touch or handle any tortoises.
4. Permittee shall check under and around any parked vehicle prior to moving the vehicle. If a tortoise is under it, the vehicle shall not be moved until the tortoise leaves the vicinity of the vehicle.
5. Permittee shall not take samples from rock piles that could reasonably be sheltering a tortoise or burrow.
6. If any tortoise or burrow is spotted on the Permitted Land, Permittee shall not pursue activities within a 25-foot radius of the animal or burrow.
7. Permittee shall contain all trash, litter and debris and remove them from the site to avoid attracting predators such as ravens or coyotes. Additionally, Permittee shall not leave on the site any rope, cord, twine or other material that may entangle tortoise.

Any leasing of the Permitted Land for mineral resource development under California Public Resources Code Section 6895, or any change in mineral prospecting activities from those permitted above, including any proposed exploratory drilling program, will require preparation of appropriate environmental documentation in accordance with the provisions of the California Environmental Quality Act, Public Resources Code section

21000, et seq. Such leasing, or change in mineral prospecting activities, shall not be allowed unless and until all necessary environmental approvals of the proposed mineral resource development or change in mineral prospecting activities are obtained from the Commission and from responsible agencies under California Public Resources Code section 21002.1. It is understood that after considering such documentation, the Commission, or a responsible agency, may disapprove such leasing or other mineral prospecting activities, or require certain mitigation measures on grounds that one or more significant effects on the environment would occur if leasing or any change in permitted mineral prospecting activities were allowed.

Neither the existence of this Permit nor any reliance by Permittee upon this Permit shall in any way affect the discretion of the Commission or any other public agency in giving or denying such environmental approvals or in imposing any appropriate mitigation measures. The denial of such approvals or the imposition of such mitigation measures by the Commission or any other public agency shall not be a force majeure condition under paragraph 23 of this Permit or a basis for damages or any other claim against the Commission or any other public agency.

The provisions of this Exhibit B shall prevail over any and all other provisions of this Permit that are contrary to or inconsistent with them.

EXHIBIT C

(Preferential Lease Royalty Formula)

Royalty payable under any preferential State mineral extraction lease issued hereunder shall not be less than 10 percent of the gross value of all mineral production from the Leased Land, less any charges approved by the Commission made or incurred with respect to transporting or processing the State's royalty share of production. The determination of the royalty and charges shall be at the discretion of the Commission and as set forth in the State mineral extraction lease.