

MINUTE ITEM

This Calendar Item No. 37
was approved as Minute Item
No. 37 by the State Lands
Commission by a vote of 3 MINUTE ITEM
to 0 at its 3-25-76
meeting.

3/25/76
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37. PREFERENTIAL MINERAL EXTRACTION LEASE FOR MINERALS OTHER THAN OIL AND GAS AND GEOTHERMAL RESOURCES, SCHOOL LAND IN THE AMARGOSA VALLEY, INYO COUNTY; INDUSTRIAL MINERAL VENTURES, INC. - W 9840. PRC 5109.

During consideration of Calendar Item 37, Mr. William Tilden, attorney representing Industrial Mineral Ventures, Inc, appeared in support of the item. Mr. Tilden requested 1) the term of the lease commence on the date of signature rather than the arbitrary date which is presently before the Commission; and 2) the lease run 20 years instead of the proposed 10 years.

Mr. William F. Northrop, Executive Officer, stated the staff would have no problem with the term of the lease commencing on the date of signature, as long as a one year cutoff date is also included. However, with regard to the length of the lease term, Mr. Northrop indicated it was the staff's opinion that 10 years was sufficient.

Mr. Dennis Goldstein, Deputy Attorney General, appeared. He clarified questions raised by Mr. Tilden concerning the State prescribing in its rules and regulations those conditions it deems necessary for the protection of other mineral resources. Mr. Tilden objected to this provision stating the lease could be reconstituted in terms of what could be done under it. Mr. Goldstein explained that the provision referred to "other mineral resources"--not clay which is the subject of this application--and would not limit the applicant's right to extract clay.

The Commission unanimously approved the resolution as presented on Calendar Item 37 attached on the condition that the lease form would be amended to reflect the following:

1. The lease will be effective on the date of signature; and
2. The lease form will be changed to provide that if the lease is not signed within one year of date of Commission approval, the lease becomes null and void.

Attachment:
Calendar Item 37 (4 pages)

CALENDAR ITEM

37

3/76
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W 9840

PREFERENTIAL MINERAL EXTRACTION LEASE FOR MINERALS
OTHER THAN OIL AND GAS AND GEOTHERMAL RESOURCES

APPLICANT: Industrial Mineral Ventures, Inc.
c/o Lonergan, Jordan, Gresham,
Varner and Savage
3987 West 4th Street
San Bernardino, California 92401

TYPE OF LAND: Reserved minerals (school lands).

AREA & LOCATION: 160 acres of Section 36, T 27 N, R 4 E, SBM,
in the Amargosa Valley, Inyo County.

SURFACE OWNERS: Industrial Mineral Ventures, Inc.

Mineral: Clay

TERMS OF ASSIGNED LEASE:

Initial period: 10 years from February 26, 1976.

Surety bond: \$25,000.

Consideration: 10% of the sales prices, F.O.B.
Mine, dry basis, but not less
than \$0.40 per ton.

PERTINENT INFORMATION:

On February 22, 1972, the State Lands Commission authorized the issuance of Prospecting Permit PRC 4732.2 to Mr. Edward P. Prescott, covering 640 acres (entire Section 36). It was subsequently assigned to Industrial Mineral Ventures with all terms and conditions of the permit remaining the same. During the 2-year period of the permit, an extensive exploration program was conducted.

70 holes were drilled and sampled along with 5 bulldozer cuts and 3 backhoe pits which were sampled and backfilled, and resulting in the testing of over 551 samples. In addition, a small pilot plant was constructed in Nevada and numerous samples from the permit area were tested over a 6 month period.

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(Revised 3/22/76)

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A compilation of the data from testing, prospecting and exploration indicates that the applicant has discovered a commercially valuable deposit of whiting and colloidal clay (used in paints, cement and oil well drilling fluids).

In accordance with Section 6895 of the Public Resources Code, and Section 14 of the Permit, an application has been filed by the permittee for a preferential mineral extraction lease. The statutes provide that upon establishing to the satisfaction of the Commission that valuable deposits of minerals have been discovered; the permittee shall be entitled to a lease for not more than 160 acres of the area within the permit, at a royalty rate specified therein. Provided, that the State Lands Commission shall have made a favorable Environmental Impact Report on such lease operations in accordance with Section 6371 of the Public Resources Code.

In accordance with the requirements of the Permit, an Environmental Impact Report No. 185, was prepared by the State Lands Division, which is on file in the office of the Commission, and available for public review. The report concludes that the proposed mineral extraction lease would not have a significant detrimental environmental effect. All interested agencies and persons have reviewed the Environmental Impact Report and have indicated that they have no objections to the proposed lease.

The present mineral extraction lease form was modified and approved by the Office of the Attorney General to include changes in the statutes and the rules and regulations of the Commission. The lease form is on file in the Office of the State Lands Commission.

EXHIBITS: A. Land Description. B. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT A FINAL ENVIRONMENTAL IMPACT REPORT HAS BEEN PREPARED FOR THIS PROJECT BY THE DIVISION FOLLOWING EVALUATION OF COMMENTS AND CONSULTATION WITH PUBLIC AGENCIES WHICH WILL ISSUE APPROVALS FOR THE PROJECT.
2. CERTIFY THAT THE FINAL ENVIRONMENTAL IMPACT REPORT (EIR 185) HAS BEEN COMPLETED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED, AND THE STATE

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GUIDELINES, AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
4. DETERMINE THAT VALUABLE DEPOSITS OF MINERALS HAVE BEEN DISCOVERED WITHIN THE LIMITS OF THE PROSPECTING PERMIT PRC 4732.2.
5. AUTHORIZE THE MODIFICATION OF THE STANDARD LEASE FORM AS APPROVED BY THE OFFICE OF THE ATTORNEY GENERAL.
6. AUTHORIZE THE ISSUANCE OF A MINERAL EXTRACTION LEASE TO INDUSTRIAL MINERAL VENTURES, INC.; IN ACCORDANCE WITH THE PROVISIONS OF DIVISION 6, OF THE PUBLIC RESOURCES CODE; FOR A PERIOD OF 10 YEARS, ON 160 ACRES OF RESERVED MINERAL LANDS, MORE PARTICULARLY DESCRIBED IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF; SUBJECT TO (1) THE DEPOSIT OF A SURETY BOND IN THE AMOUNT OF \$25,000, AND (2) A MINIMUM EXTRACTION REQUIREMENT OF 3,750 TONS OF MATERIAL PER LEASE YEAR. THE ROYALTY UPON ALL MINERALS PRODUCED THEREUNDER AND EXTRACTED FROM SAID LEASE PREMISES IS TO BE DETERMINED AS FOLLOWS:
10% OF THE SALES PRICES, F.O.B. MINE, DRY BASIS,
BUT NOT LESS THAN \$0.40 PER TON.
THE MINIMUM ANNUAL ROYALTY ON 3,750 TONS SHALL BE DUE AT THE BEGINNING OF THE LEASE YEAR. SUCH MINIMUM ROYALTY SHALL BE CREDITED AGAINST ROYALTIES PRODUCED DURING THE YEAR.

Attachment: Exhibit "A"

EXHIBIT "A"

LAND DESCRIPTION

W 0840

Those portions of Section 36, T27N, R4E, S.B.M., Inyo County, California,
described as follows:

PARCEL 1

SE $\frac{1}{4}$ SE $\frac{1}{4}$

PARCEL 2

S $\frac{1}{2}$ S $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$

PARCEL 3

N $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$

PARCEL 4

SE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$

PARCEL 5

S $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$

PARCEL 6

W $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$

PARCEL 7

NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$

PARCEL 8

NW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$

PARCEL 9

N $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$

PARCEL 10

N $\frac{1}{2}$ N $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$

PARCEL 11

S $\frac{1}{2}$ S $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$

PARCEL 12

SE $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$

PARCEL 13

NE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$

END OF DESCRIPTION