

Title: 27
No. 28 LINES CALENDAR ITEM
Com. to 6/30/77
meeting

6/77
PRC 11.2
JFS

RENEGOTIATION OF ROYALTY RATE

LEASE: PRC 11.2.
LESSEE: Cyprus Mines Corporation
655 South Flower Street
Los Angeles, California 90071
LEASE TERM: February 25, 1972, to February 24, 1982.
LEASE LOCATION: SW 1/4 NE 1/4 Section 36, T. 18 S., R. 39 E.,
M.D.B. & M., Inyo County.

PERTINENT INFORMATION:

1. Sierra Talc Company entered into a lease with the State on February 25, 1942. The lease was renewed for ten years on February 25, 1962, with all terms and conditions of the original lease remaining in full force and effect, and subsequently was assigned on August 12, 1964, to Cyprus Mines Corporation. The lease was renewed for an additional ten-year period commencing February 25, 1972, and the royalty was redefined and made subject to redetermination every three years.
2. Existing covenants and royalty requirements include:
 - a. Annual rental of \$40 per year.
 - b. A royalty rate of \$1.80 per ton (2000 lbs.) of talc ore mined and removed from the lease premises.
 - c. Minimum royalty for the first three years of the lease shall be \$1800 annually or \$450 per quarter, payable in advance at the beginning of each quarter.
3. After consideration of the talc market, processing costs and transportation costs from the mine to the mill, the staff has determined, and the lessee has agreed to, royalty rates applicable to the mined ore as follows:

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a. That the royalty rate shall be \$3.54 per ton of talc ore mined and removed from the leased premises for the lease year 1976 (commencing March 1). Lessee had paid \$1.80 per ton on 2863.61 tons for the year 1976 and therefore the difference due and payable to the State is \$4,982.68 for the year 1976.

b. Commencing March 1, 1977, royalty per ton of talc ore mined and sold from the leased premises shall be \$4.10 per ton. On March 1, 1978 (royalty review date) the royalty of \$4.10 per ton of ore mined and removed shall be adjusted by the percentage change from the sales price in effect on March 1, 1977, and the sales price in effect on March 1, 1978. With each 3-year increment thereafter, the royalty rate will be adjusted by the percentage change in the sales price in effect on that date. Minimum extraction required will remain the same.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. AUTHORIZE THE RENEGOTIATION OF THE ROYALTY RATE FOR MINERAL EXTRACTION LEASE PRC 11.2, AND THE ACCEPTANCE OF ADJUSTED ROYALTY PAYMENT FOR CALENDAR YEAR 1976 IN ACCORDANCE WITH THE FOLLOWING NEGOTIATED TERMS AND CONDITIONS, WITH ALL OTHER TERMS OF SAID LEASE TO BE IN ACCORDANCE WITH THE TERMS OF THE CURRENT FORM APPROVED BY THE COMMISSION AND ON FILE WITH THE COMMISSION.

A. THE ROYALTY RATE SHALL BE \$3.54 PER TON OF MATERIAL MINED AND REMOVED FROM THE LEASE PREMISES FOR THE LEAST YEAR COMMENCING MARCH 1, 1976.

B. COMMENCING MARCH 1, 1977, THE ROYALTY RATE SHALL BE \$4.10 PER TON OF MATERIAL MINED AND REMOVED FROM SAID LEASE.

C. COMMENCING ON MARCH 1, 1978, THE ROYALTY RATE OF \$4.10 PER TON OF MATERIAL MINED AND REMOVED SHALL BE ADJUSTED BY THE PERCENTAGE CHANGE FROM THE SALES PRICE IN EFFECT ON MARCH 1, 1977 AND THE SALES PRICE IN EFFECT ON MARCH 1, 1978, AND WITH EACH 3-YEAR INCREMENT THEREAFTER, THE ROYALTY RATE WILL BE ADJUSTED BY THE PERCENTAGE CHANGE IN THE SALES PRICE IN EFFECT ON THAT DATE.

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2. AUTHORIZE THE ACCEPTANCE BY THE STATE FROM THE LESSEE OF THE SUM OF \$4,982.68 AS PAYMENT IN FULL FOR ADJUSTED ROYALTY DUE FOR LEASE YEAR OF 1976.