

MINUTE ITEM

10/78
Greenwood

33. AWARD OF MINERAL EXTRACTION LEASE - W 9759

Calendar Item 33, attached, was pulled prior to the meeting.

Attachment: Calendar Item 33 (5 pages)

A 15, 19

S 6, 8

CALENDAR ITEM

33.

10/78
W 9759
Greenwood

AWARD OF MINERAL EXTRACTION LEASE

At the Commission Meeting of August 31, 1978, the Commission authorized the staff to offer for competitive bid, a lease of a portion of South San Francisco Bay for the extraction of minerals other than oil, gas and geothermal resources. The area is known to contain commercially-valuable oyster shell deposits. In accordance with this authorization, the staff prepared a bid package and a notice inviting responses was published twice in Los Angeles Daily Journal on September 14, 1978, and on September 21, 1978, and twice in the San Francisco Chronicle on September 14, 1978, and on September 21, 1978, calling for a bid opening on October 5, 1978.

On October 5, 1978, the bids were opened in accordance with the notice in the Commission's Long Beach Office, and Morris Tug and Barge, Inc. was the high bidder with a bid factor of 1.81. The bid factor 1.81 is to be applied to the royalty formula attached as Exhibit "C" hereto. The bid factor operates as a multiplier to the lease royalty formula which will effectively result in the payment of royalties at 18.1% of the average sales price. The minimum annual rental for the first 2 years is \$6,000 per year, and \$12,000 for each year thereafter. The lease has a primary term of 10 years with two 5-year rights of renewal with the State having the right to review and adjust at 5-year intervals.

The Office of the Attorney General has reviewed and approved the bid of Morris Tug and Barge, Inc. as being in compliance with the Commission's proposal to enter into a Mineral Extraction Lease on those specified sovereign lands in South San Francisco Bay and as to compliance with applicable provisions of law and the rules and regulations of the State Lands Commission.

EXHIBITS: A. Legal Description. B. Location Map.
 C. Royalty Formula.

IT IS RECOMMENDED THAT THE COMMISSION, IN ACCORDANCE WITH THE PROVISIONS OF DIVISION 6 OF THE P.R.C., AUTHORIZE THE ISSUANCE OF A MINERAL EXTRACTION LEASE TO MORRIS TUG AND BARGE, INC., ON 1,560 ACRES OF SOVEREIGN LANDS IN SOUTH SAN FRANCISCO BAY, ALAMEDA AND SAN MATEO COUNTIES, MORE

A 15, 19

S 6, 8

CALENDAR ITEM NO. 33. (CONTD)

PARTICULARLY DESCRIBED IN EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF; AT A ROYALTY DETERMINED IN ACCORDANCE WITH THE FORMULA ATTACHED AS EXHIBIT "C" AND THE OTHER TERMS AND CONDITIONS AS SET FORTH IN THE LEASE OFFERING.

EXHIBIT "A"

Proposed Lease Area Description

A parcel of submerged land in the South San Francisco Bay lying southerly of the southern boundary of the City of South San Francisco, partially in San Mateo County and Alameda County, more particularly described as follows:

W $\frac{1}{2}$ of Section 4, all of Section 5, and all of Section 6 excepting the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of said Section 6, all in T. 4 S., R. 3 W., M.D.B. & M., containing 1560 acres more or less.

APPLICATION FOR AUTHORIZATION
OF BID LEASE

by
KAY BELL JR.

ALAMEDA & SAN MATEO COUNTIES

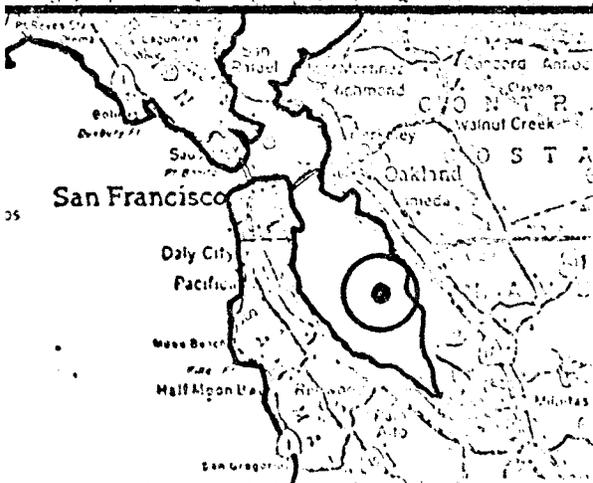
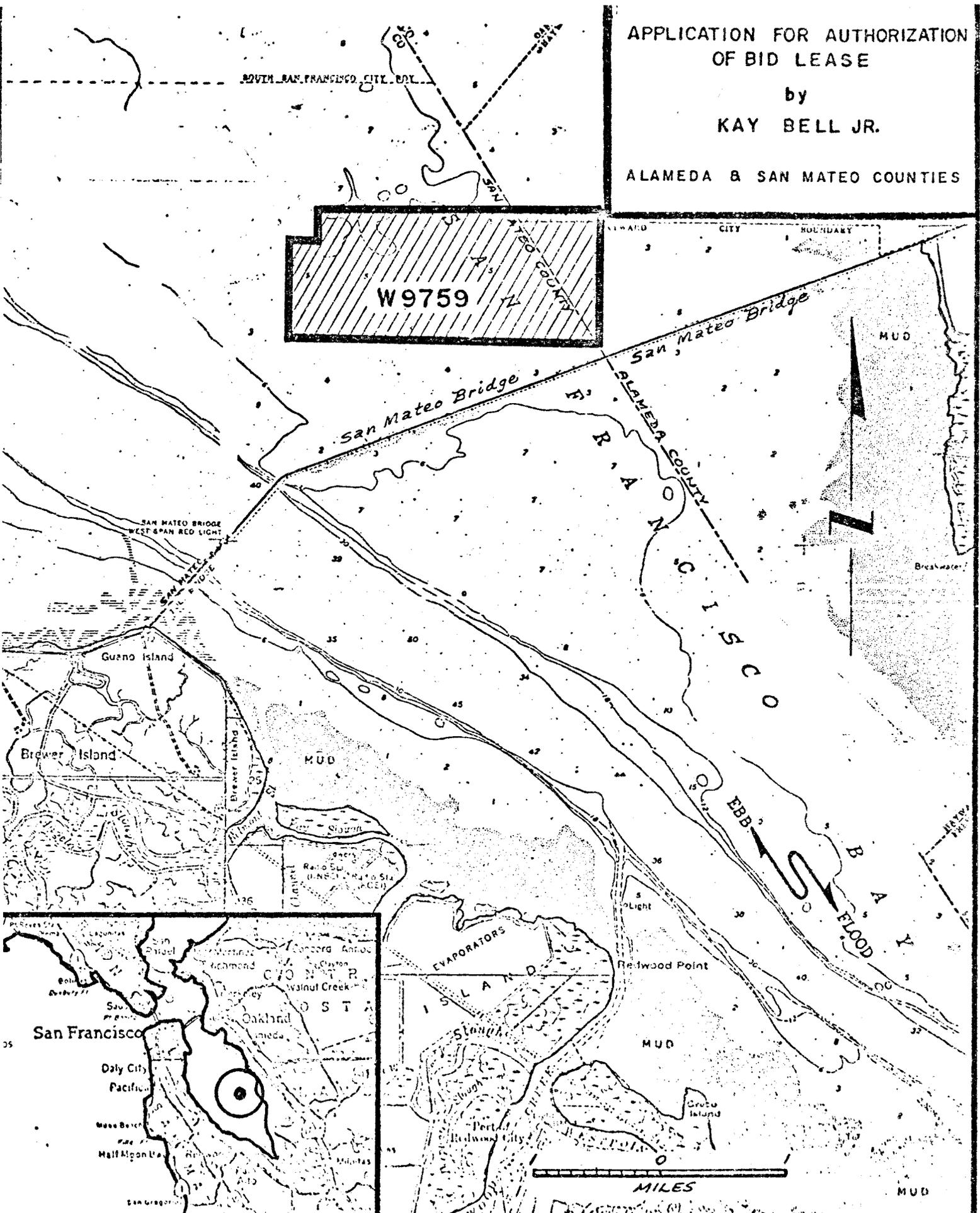


EXHIBIT "B"

Section 3

CONSIDERATION:

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

$$R = B \sqrt[0.10]{C (T) } ^7$$

Where R=royalty in dollars and cents paid to the State,

B=bid factor of 1.81, which shall be greater than or equal to 1.0.

C=weighted average lease quarter sales price, f.o.b. the dock, per ton.

T=total lease quarter tonnage sold.

The weighted average sales price (WASP) per lease quarter shall include consideration of wholesale and retail sales and is subject to approval and audit by the State. The royalty rate for a lease quarter shall be based upon the WASP for that quarter. In place sales shall not be permitted.

The annual minimum royalty shall be \$6,000.00 per year for the first two (2) years of the primary lease term. The annual minimum royalty shall be \$12,000 per year beginning with the third year through the end of the primary lease term. The minimum royalty per ton shall not be less than \$0.50.

All terms and conditions of the royalty schedule shall be subject to review and possible readjustment at the end of the fifth year of the primary lease term.