

MINUTE ITEM

This Calendar Item No. 32
was approved as Minute Item
No. 32 by the State Lands
Commission by a vote of 3
to 4 at its 10-31-79
meeting.

CALENDAR ITEM

32.

10/79
W 9226
Gonzales
PRC 5752

AWARD OF MINERAL EXTRACTION LEASE

At the Commission meeting of March 28, 1979, 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 on July 31, 1979 in the San Mateo Times and on August 6, 1979 in the Oakland Tribune, calling for a bid opening on August 21, 1979.

On August 21, 1979, the bids were opened in accordance with the notice in the Commission's Long Beach Office. Morris Tug and Barge, Inc. was the high bidder with a bid factor of 1.91. The only other bid was that of Kay Bell, Jr., an individual, in the amount of 1.13. The bid factor 1.91 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 19.1% of the weighted average sale 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 an option of two 5-year renewal periods upon such reasonable terms and conditions as may be prescribed by the State.

The Office of the Attorney General, pursuant to Section 6090 of the P.R.C., has reviewed and approved the bid of Morris Tug and Barge, Inc. as to conformance with the requirements specified in 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 the applicable provisions of law and the rules and regulations of the State Lands Commission.

An EIR, No. 225, SCH 74090292, was prepared by the State Lands Commission staff pursuant to CEQA and implementing regulations, and was certified by the Commission on March 28, 1979. The project is situated on submerged lands identified as possessing significant environmental values pursuant to P.R.C., Section 6370.1 and is classified in a use category, Class C, which authorizes Multiple Use. Staff has coordinated this project with those agencies concerned with the use of this site, and has determined that there will be no significant effect on the identified environmental values.

A 20, 25
S 10, 11

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CALENDAR ITEM NO. 32. (CONTD)

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.

1. FIND THAT THE COMMISSION, ON MARCH 28, 1979, CERTIFIED THAT THE EIR NO. 225, SCH 74090292, WAS COMPLETED IN COMPLIANCE WITH CEQA AS AMENDED AND WITH THE STATE GUIDELINES, AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. FIND THAT MORRIS TUG AND BARGE, INC., HAVING SUBMITTED A BID WITH A BID FACTOR OF 1.91, IS THE HIGHEST QUALIFIED AND RESPONSIBLE BIDDER AMONG THOSE PRESENTING BIDS FOR THE SUBJECT LEASE.
3. AUTHORIZE THE ISSUANCE OF A 10-YEAR MINERAL EXTRACTION LEASE TO MORRIS TUG AND BARGE, INC. ON 1,313 ACRES OF SOVEREIGN LANDS IN SOUTH SAN FRANCISCO BAY, ALAMEDA AND SAN MATEO COUNTIES. MORE 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"

LAND DESCRIPTION

W 9226

A parcel of submerged land within San Francisco Bay, lying partly within unincorporated territory in San Mateo County, and partly within the City of Hayward, Alameda County, and more particularly described as follows:

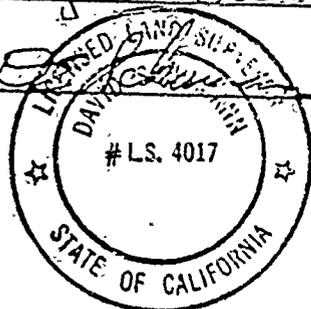
BEGINNING at a point in San Francisco Bay (Zone 3, California Coordinates X = 1,514,720.64 feet and Y = 396,215.16 feet) which bears N 35° 29' 59" E 25,160.81 feet from Leslie Salt Company Monument 23 at the common corner for Sections 5, 6, 7 and 8, T5S, R3W, MDM, as described in the deed for Parcel "H" from Leslie Salt Company to the State of California, recorded in Volume 5426 at page 110, of Official Records of San Mateo County, said point of beginning also bears N 80° 43' 10" W 17,967.24 feet from Leslie Salt Company Monument 149 as described in the deed for Parcel "R" from Leslie Salt Company to the State of California recorded Reel 2119, Image 305 of Official Records of Alameda County; thence from said point of beginning the following four courses:

1. S 47° 46' 45" E 11,407.46 feet;
2. S 55° 30' 23" W 6,674.00 feet;
3. N 39° 24' 20" W 8,075.14 feet;
4. N 22° 42' 41" E 5,643.43 feet to the point of beginning.

Bearings, distances, and coordinates used in this description are based upon the California Coordinate System, Zone 3.

END OF DESCRIPTION

Prepared: Kenyon B. Juerson Checked: Jack L. Jernig
Reviewed: [Signature] Date: 11/16/78



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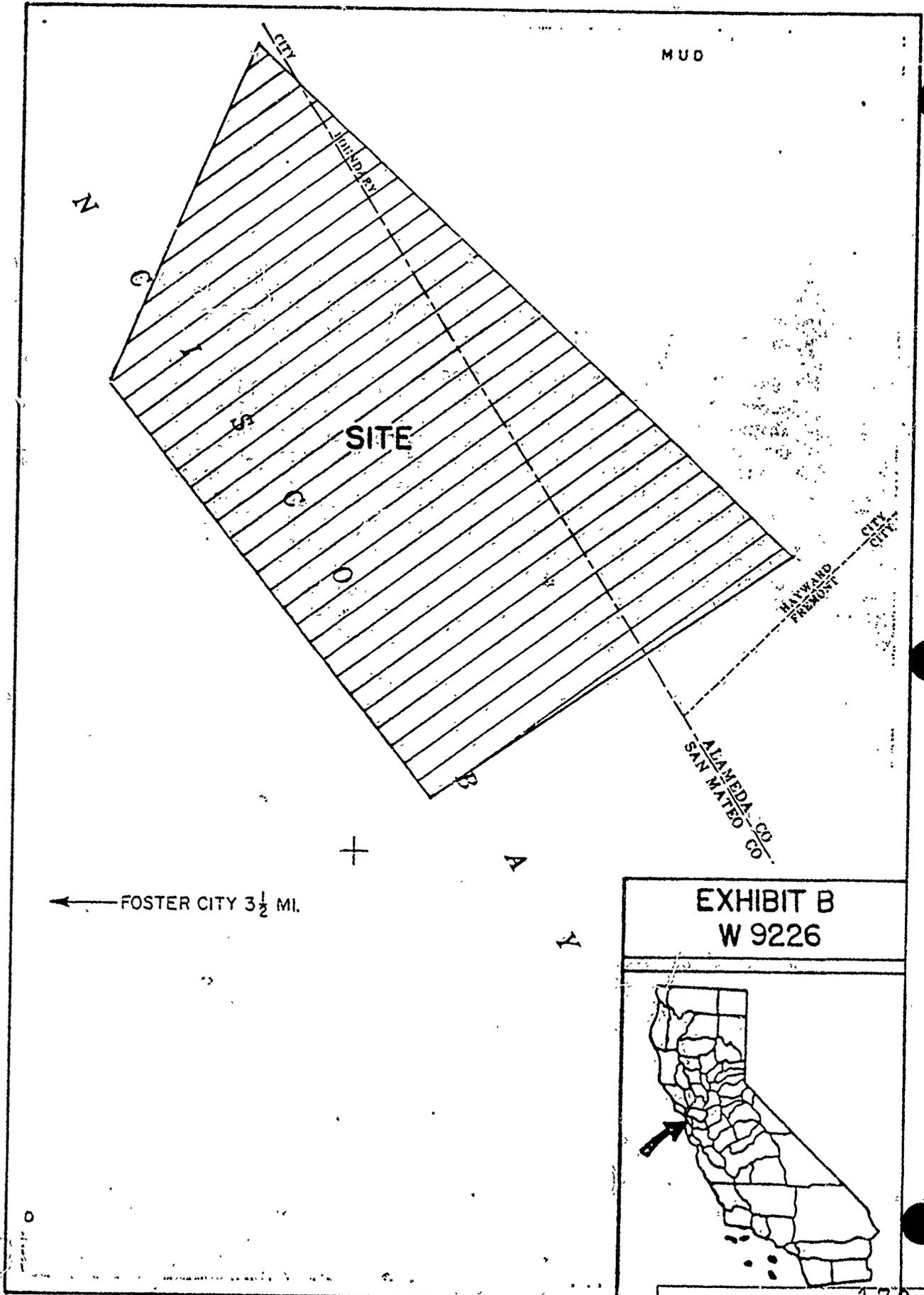


EXHIBIT B
W 9226

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EXHIBIT "C"

CONSIDERATION:

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

$$R = B \left[0.10 C (T) \right]$$

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

B = bid factor of 1.91, 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.