MINUTE ITEM
This Calendar Item No. 23
was approved as Minute Item
23 by the State Lands
Commission by a vote of
to at its
meeting.

CALENDAR ITEM

23

4/81
W 40142
Gonzalez
PRC 5991

AWARD OF MINERAL EXTRACTION LEASE

On August 26, 1980, the Commission authorized Staff to offer for lease by competitive bid 110 acres of tide and submerged land north of Middle Ground Island, Suisun Bay, for the extraction of minerals other than oil, gas and geothermal resources. The area is known to contain commercially valuable sand and gravel deposits. In accordance with this authorization, a Notice of Intention to Lease was published on September 17, 1980 in the San Francisco Examiner, Contra Costa Times and Fairfield Daily Republic calling for bids on October 21, 1980.

On October 21, 1980 bids were opened in the Commission's Long Beach Office.

Tidewater Sand and Gravel Company, Oakland, California was apparent high bidder with a bid factor of 2.0., but later revoked its bid. Other bids received were Olin Jones Sand Company; bid factor 1.4, and Western Pacific Construction Materials Company; bid factor 1.051. The bid factor is to be applied to the royalty formula attached as Exhibit "B" hereto. The bid factor operates as a multiplier to the lease royalty formula which results in a payment of royalties to the State based on a percentage of gross sales price for the sand and gravel. For Olin Jones Company, this would be 14.0% of gross sales and 10.51% in the case of Western Pacific Construction Company.

Since the estimated State's royalty is based on the estimated gross sales price of the sand and gravel sold, a larger bid factor does not necessarily mean a greater State royalty. For a first year production of 100,000 cubic yards, Olin Jones Sand Company estimates a total income of $125,000 with a sales price of $1.25 per cubic yard. Western Pacific Construction Company estimates a total wholesale income of $406,000 or $4.06 per cubic yard. Based on these estimates, Olin Jones Sand Company will only be able to pay the minimum royalty of $0.30 per cubic yard, which will result in an estimated royalty to the State of $30,000 for the first year. Western Pacific Construction Company will have an estimated first year royalty of $0.426 per cubic yard for wholesale sales, which will result in a royalty to the State of $42,600.

A 10, 4

S 7, 4

Based on the submitted plans of development, Olin Jones Company will never be able to pay more than the yearly minimum royalty of $30,000 for production of 100,000 cubic yards, resulting in a total royalty of $150,000 for the first five years of the lease. From Western Pacific Construction Company's plan of development, the total estimate State royalties for the first five-year period is $356,160, based on production of 100,000 cubic yards per year.

In addition, after evaluation by the Lease Management and Audit Sections, staff has determined that Olin Jones Sand Co. lacks the financial resources and equipment necessary to develop this lease in addition to the two other State leases held by Olin Jones. Therefore, Western Pacific Construction Company is the more qualified of the remaining bidders and based on the proposed plan of development, the bid of Western Pacific will result in greater royalty to the State.

The minimum annual production is 50,000 cubic yards per year and the minimum royalty shall not be less than $0.30 per cubic yard resulting in a minimum royalty of $15,000 per year.

The Lease has a primary term of 5 years with an option of one 5-year renewal period upon such reasonable terms and conditions as may be prescribed by the State.

PREREQUISITE ITEMS:

I. a) The bid submitted by Western Pacific Construction Materials Company has been reviewed by the Leasing and Audit Staff for completeness and the bidder's technical and economic capability.

b) Staff Counsel has reviewed the bid and determined that the Commission has complied with the procedural requirements of the law and that the bid submitted conforms with:

1) The bid requirements specified in the proposal of the Commission.

2) The applicable provisions of the law;

3) The rules and regulations of the Commission.

II. The bid of Western-Pacific Company was accompanied by the required $1000 deposit.

ENVIRONMENTAL INFORMATION:

An EIR ND No. 261, SCH 80042911, was prepared by the State Lands Commission staff pursuant to CEQA and implementing regulations, and was certified by the Commission on May 29, 1980.

This project is situated on submerged lands identified as possessing significant environmental values pursuant to PRC Section 6370.1 and is classified in a use category, Class C, which authorizes Multiple Use. Through the circulation of ND 261, staff has coordinated this project with those agencies and organizations who nominated the site as containing significant environmental values. They have found this project to be compatible with their nomination.

APPROVALS OBTAINED:

1) The Office of the Attorney General, pursuant to P.R.C. Section 6890, has reviewed and approved the bid of Western-Pacific Construction Materials Company, 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 Suisun Bay, and as to compliance with the applicable provisions of law and the rules and regulations of the State Lands Commission.

2) In accordance with P.R.C. Section 6818, the Director of Parks and Recreation was notified of the proposed lease.

and he has determined that the project will not interfere with recreational use of the littoral lands.

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

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 MAY 29, 1980, CERTIFIED THAT EIR ND NO. 261, SCH 80042911, WAS PREPARED BY COMMISSION STAFF PURSUANT TO THE PROVISIONS OF THE CALIF. ENVIRONEMTAL QUALITY ACT AND SUCH DOCUMENT WAS REVIEWED AND CONSIDERED. AT THAT TIME A FINDING WAS MADE THAT THIS PROJECT WOULD NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.

2. FIND THAT GRANTING OF THIS LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. SECTION 6370.1.

3. FIND THAT WESTERN-PACIFIC CONSTRUCTION MATERIALS COMPANY, HAVING SUBMITTED A BID WITH A BID FACTOR OF 1.051, IS THE HIGHEST QUALIFIED AND RESPONSIBLE BIDDER AMONG THOSE PRESENTING BIDS FOR THE SUBJECT LEASE.

4. AUTHORIZE THE ISSUANCE OF A 5-YEAR MINERAL EXTRACTION LEASE TO WESTERN-PACIFIC CONSTRUCTION MATERIALS COMPANY ON 110 ACRES OF SUBMERGED LANDS IN SUISUN BAY, CONTRA COSTA AND SOLANO 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 HERETO AS EXHIBIT "B" AND THE OTHER TERMS AND CONDITIONS AS SET FORTH IN THE LEASE OFFERING.

EXHIBIT "A"

LAND DESCRIPTION

NORTH MIDDLE GROUND W 40142

A parcel of State-owned sovereign land in the bed of Suisun Bay, Contra Costa and Solano Counties, California, said parcel described as follows:

COMMENCING at the corner common to Sections 4, 5, 8, and 9, T2N, R1W, MDM, thence along the following six (6) courses:

1.	North	1,320.00 feet;
2.	N 30° E	78.54 feet;
3.	East	1,320.00 feet;
4.	N 1° W	4,200.00 feet;
5.	East	2,700.00 feet; and
6.	North	3,992.62 feet to the POINT OF BEGINNING;

thence the following four courses:

7.	North	1,157.38 feet;
8.	West	4,149.97 feet;
9.	South	1,157.38 feet; and
10.	East	4,149.97 feet to the point of beginning

END OF DESCRIPTION

PREPARED JUNE 30, 1980 BY TECHNICAL SERVICES UNIT, ROY MINNICK, SUPERVISOR.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

W 40142

PRC

EXHIBIT B

CONSIDERATION:

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

$$R = B\,[0.10\,W\,(Y)]$$

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

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

W = weighted average lease quarter sales price, f.o.b. the dock, per cubic yard.

Y = total lease quarter yardage 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 extraction volume shall be 50,000 cubic yards. The minimum royalty per cubic yard shall not be less than $0.30.

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

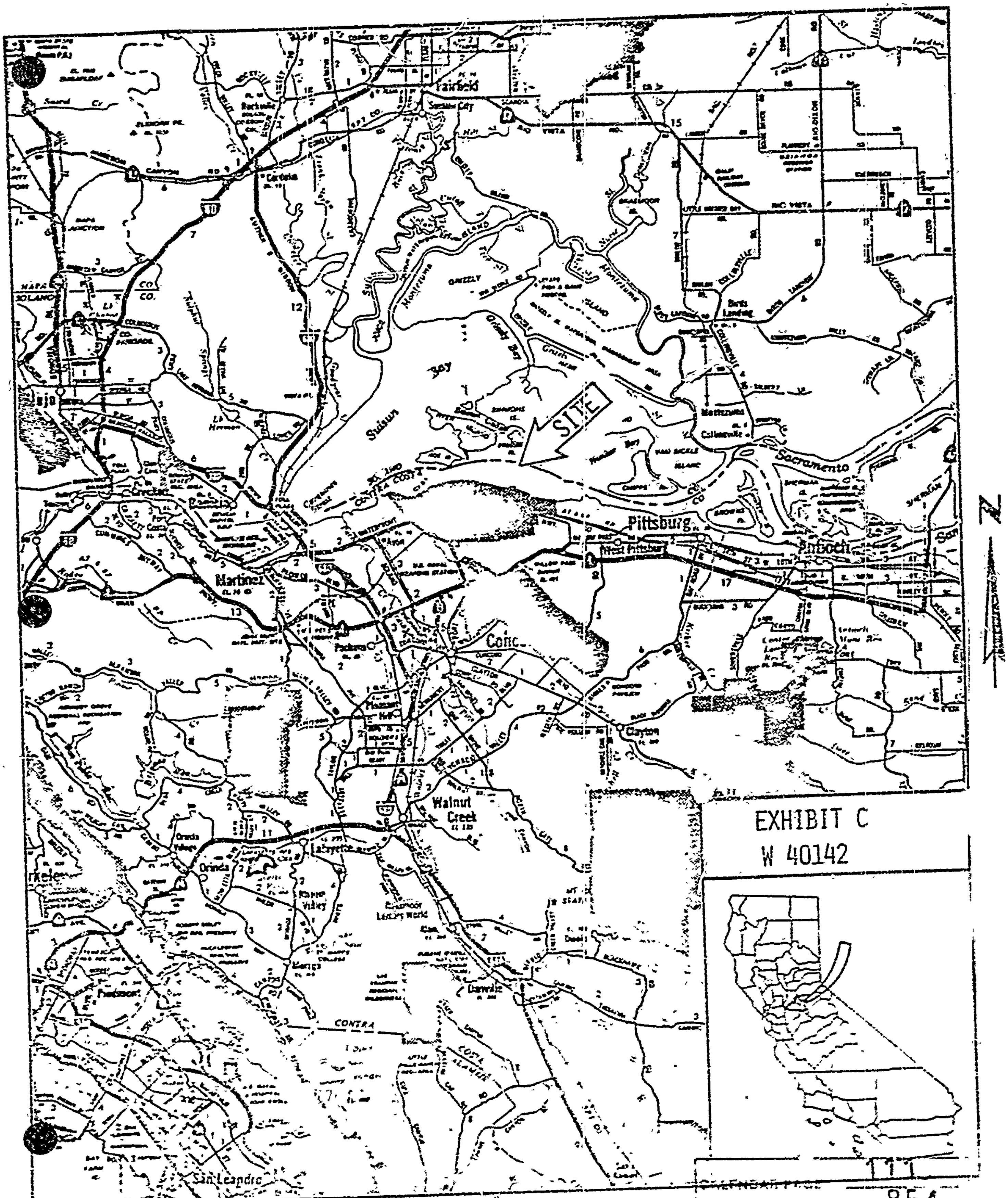

EXHIBIT C
W 40142

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