

7/21/83
PRC 736.2
Gonzalez

CALENDAR ITEM

33

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RENEWAL AND AMENDMENT OF MINERAL
EXTRACTION LEASE PRC 736.2

LESSEE: U.S. Borax and Chemical Corp.
3075 Wilshire Boulevard
Los Angeles, California 90010

PROPOSED AUTHORIZATION:

Approval of a five-year Renewal and Amendment of Mineral Extraction Lease PRC 736.2 effective May 1, 1982, for the extraction of borate bearing ore. Modification of terms and conditions of the lease pertaining to renewal period, annual rental, calculation of royalty, minimum annual royalty, bond requirement and other items.

LOCATION AND TYPE OF LAND:

A 160-acre parcel of State school land in the NW $\frac{1}{2}$ S16, T22N R7E, SBM, Inyo County, approximately three miles northeast of Shoshone.

TERM OF ORIGINAL LEASE:

May 11 1952 to May 10, 1962.

TERM OF FIRST RENEWAL AND AMENDMENT:

May 11, 1962 to May 10, 1972.

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TERM OF SECOND RENEWAL:
May 11, 1972 to May 10, 1982.

TERM OF PROPOSED RENEWAL:
May 1, 1982 to April 30, 1987.

PREREQUISITE ITEMS:

Lessee has made a written request for renewal. There are no filing fees or deposits required due to the economic benefit to the State from rentals and royalties under terms of the lease.

STATUTORY REFERENCES:

P.R.C., Div. 6, Sections 6898, 6899.

AB 884:

N/A.

PERTINENT INFORMATION:

1. Under the terms of the original lease and subsequent amendments and renewals, the lessee has the right to renew said lease for additional periods not to exceed ten years each. The lessee seeks to exercise a renewal option for a period of five years.
2. As a condition of renewal, the following modification of terms of the lease are recommended:
 - a. The lease renewal period shall commence May 1, 1982 and end April 30, 1987.
 - b. Annual rental shall be \$3 per acre of leased lands or \$480 per year.
 - c. Royalty for minerals produced or extracted shall be determined according to the Royalty Formula, Exhibit "B", attached, which relates to the published sales price for 5 MOL 49% B₂O₃ refined concentrate.
 - d. Minimum annual royalty payable to the State shall be computed based on a minimum annual required production of 500 tons per year multiplied by the applicable calculated royalty rate determined from the Royalty Formula.

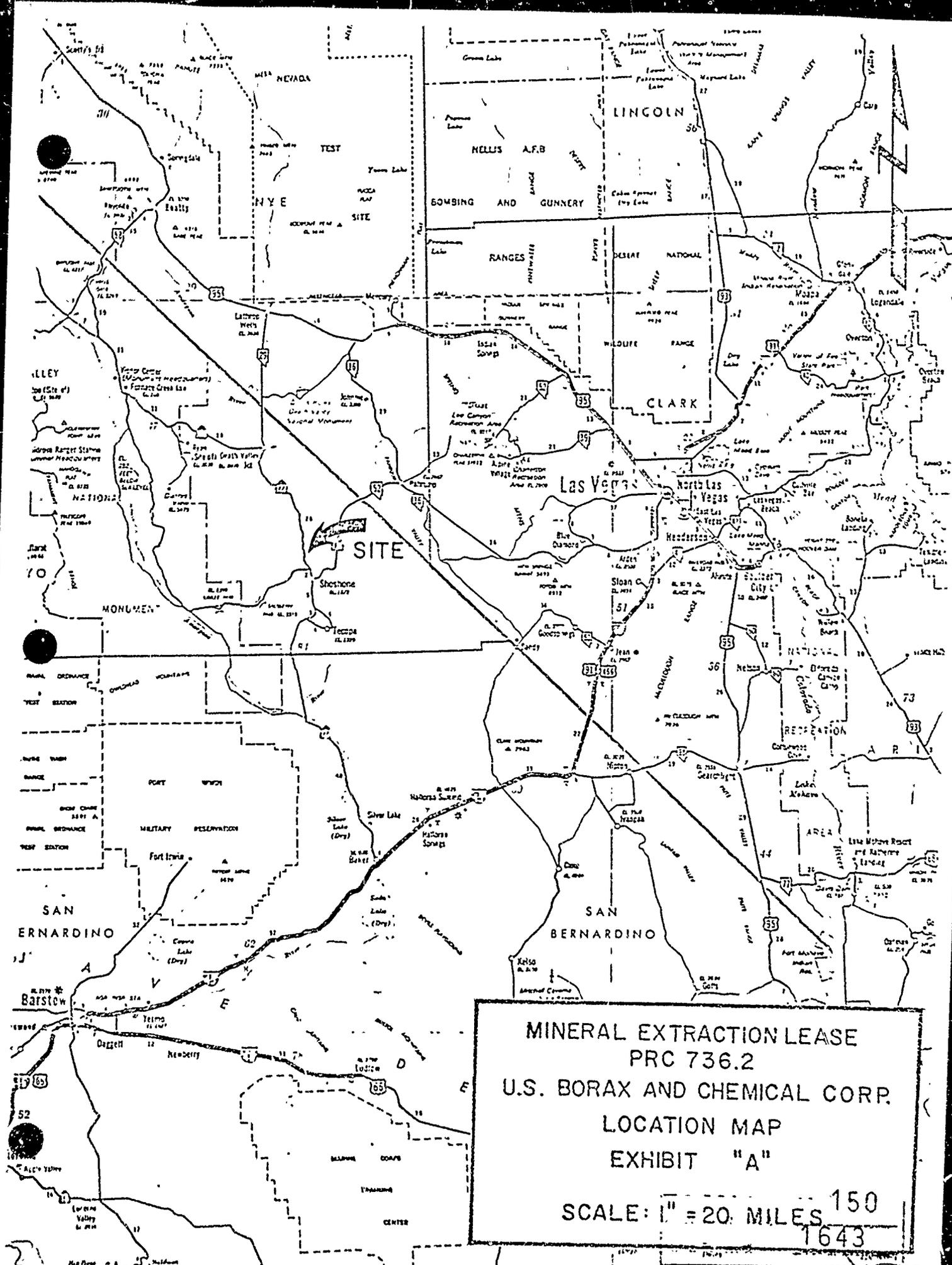
- e. Royalties shall be due and payable on the 25th day of the month following the lease quarter of production.
 - f. Penalty and interest charges shall be due for any royalty or rental not paid when due.
 - g. The required performance bond shall be \$50,000.
 - h. Lessee shall have the option to renew said lease for two successive five-year periods upon such reasonable terms and conditions as may be prescribed by the State at the end of each five year period including modification of the royalty, rental or other provisions of the lease.
3. This project is exempt from CEQA as an ongoing project with no physical changes in the operation.

Authority: P.R.C. Div. 13, Section 21169,
14 Cal. Adm. Code Section 15070.

- EXHIBITS:
- A. Location Map.
 - B. Royalty Formula.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21169, AND 14 CAL. ADM. CODE 15070.
2. AUTHORIZE THE RENEWAL AND AMENDMENT OF MINERAL EXTRACTION LEASE PRC 736.2 FOR A FIVE-YEAR TERM COMMENCING ON MAY 1, 1982, WHICH INCLUDES THE CHANGES IN TERMS STATED ABOVE.



MINERAL EXTRACTION LEASE
 PRC 736.2
 U.S. BORAX AND CHEMICAL CORP.
 LOCATION MAP
 EXHIBIT "A"

SCALE: 1" = 20 MILES 150
 1643

EXHIBIT "B"

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

$$R = A + B (C-D)$$

$$R = \$1.27 + 0.1663 (C-15.35)$$

Where

R = Royalty in dollars and cents paid to the State per ton of ore sold.

A = Fixed minimum royalty, or \$1.27 per ton ore.

B = 0.1663.

C = Weighted average per ton sales price which shall be determined by considering the gross sales price of all of the ore sold, whether it be a mine-run ore, sized ore, milled and/or processed ore. The following formula shall be use:

$$C = \frac{f + g}{t}$$

Where

f = the gross sales f.o.b. mine, of mine-run ore sold during previous lease year.

g = the gross calculated sales of ore which is sized, milled and/or processed, obtained by multiplying the tons of processed ore sold during the previous lease year by the calculated sales price, with the calculated sales price being computed as follows:

Calculated Sales Price = published sales price for 5 Mol, a 49 percent B_2O_3 refined concentrate, on the first day of each lease year and multiplied by the ratio of the standard percent B_2O_3 of ore at 31 percent and the 49 percent concentrate.

t = the total tons of ore of all types sold during the previous lease year. If there were no sales during the previous year, f, g, and t shall be based on sales to date for the current lease year.

D = Initial estimated weighted gross sales price per ton of ore sold f.o.b. the mine, or \$15.35.

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