

MINUTE ITEM
This Calendar Item No. 57
was approved as Minute Item
No. 57 by the State Lands
Commission by a vote of 3
to 0 at its 8/10/88
meeting.

CALENDAR ITEM

57

08/10/88
PRC 5678
Pelka
Frey

A 80

S 37

AMENDMENT OF MINERAL EXTRACTION LEASE
FOR IRON ORE, RIVERSIDE COUNTY

PERMITTEE: Kaiser Steel Corporation
102 S. Tejon, #800
Colorado Springs, Colorado 80903

AGENT: Orlo J. Anderson
Mine Superintendent
Kaiser Steel Corporation
Eagle Mountain Iron Ore Mine
Post Office Box 317
Desert Center, California 92239

PROPOSED AUTHORIZATION:
Approval of amendment of the term, royalty
calculation and annual rent for an existing
iron ore lease located on 145.43 acres of land
in Riverside County.

AREA, TYPE LAND AND LOCATION:
Patented state school land - SW 1/4 of Lot 5;
Lots 6, 10, 11; N 1/2 of Lot 9; S 1/2 of SW 1/4
of NE 1/4, Sec. 36, T3S, R14E, SBM, Riverside
County, twelve miles northwest of Desert-Center.

PROPOSAL: In September 1980, the Commission approved a
mineral extraction lease for iron ore to Kaiser
Steel Corporation. The royalty provision is
\$.093 per ton based upon a cost basis for
mining computation. In addition the lease
required a minimum annual royalty of \$20,000.
Between January 1, 1981 and December 31, 1982,
Kaiser Steel removed 3,624,442 tons of
overburden and ore from the state parcel. The
mine was shut down in 1982 because of low

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priced foreign steel and stringent air quality standards imposed on their Fontana Steel Mill. Kaiser Steel Corporation continued payment of the minimum annual royalty and in 1985 requested modification of the lease terms to reduce the economic burden due to the idled nature of the mine. On December 31, 1985, staff received a quitclaim deed executed by Kaiser Steel Corporation. Due to a misunderstanding, the quitclaim deed was not processed by staff. Kaiser Steel Corporation subsequently filed for bankruptcy on February 11, 1987, under 11 U.S.C. Chapter 11. In June 1987, Kaiser Steel Corporation requested reinstatement of the lease, albeit with modified royalty provisions. Ensuing discussions between staff and Kaiser Steel Corporation resulted in lease amendment agreements concerning term, royalty formula, rent and minimum annual royalty. The amendments to the lease will be retroactive to January 1, 1988. Kaiser Steel Corporation agreed to the State filing a proof of claim for \$40,392 for past due rent and royalty for calendar years 1986 and 1987. This proof of claim was filed January 29, 1988.

Kaiser Steel Corporation is hopeful that demand for iron ore generated by the proliferating cement industry, will allow their mine to reopen. Staff believes the amendment and maintenance of this mineral extraction lease for iron ore with Kaiser Steel Corporation is in the best interest of the State.

TERM: The primary term of the original lease was 20 years commencing January 1, 1981. The amendment alters this term to twelve years from and after January 1, 1981.

ROYALTY: 1. Royalty payable under the lease shall be ten percent of the gross value of all minerals produced, extracted, shipped, used or sold from the leased land, less any charges made or incurred with respect to transporting or processing the State's royalty share of production.

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2. Annual rent shall be \$2,500 (in lieu of a minimum royalty).

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes there is no possibility that this project may have a significant effect on the environment.

Authority: 14 Cal. Adm. Code 15061(b)(3).

APPROVALS OBTAINED:

Pursuant to P.R.C. Section 6890, the subject lease amendment has been approved by the Office of the Attorney General as to compliance with the applicable provisions of the law.

EXHIBITS:

- A. Land Description.
- B. Site Map.

AB 884:

N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT (14 CAL. ADM. CODE 15061(b)(3)).
2. AUTHORIZE THE AMENDMENT OF THE MINERAL EXTRACTION LEASE FOR IRON ORE TO KAISER STEEL CORPORATION. THE NEW TERM SHALL BE TWELVE YEARS FROM AND AFTER JANUARY 1, 1981. ROYALTY PAYABLE UNDER THE LEASE SHALL BE TEN PERCENT OF THE GROSS VALUE OF ALL MINERALS PRODUCED, EXTRACTED, SHIPPED, USED OR SOLD FROM THE LEASED LAND, LESS ANY CHARGES MADE OR INCURRED WITH RESPECT TO TRANSPORTING THE STATE'S ROYALTY SHARE OF PRODUCTION. THERE SHALL BE NO MINIMUM ROYALTY. THE ANNUAL RENT SHALL BE \$2,500.

EXHIBIT "A"

PRC 5678.2

LAND DESCRIPTION

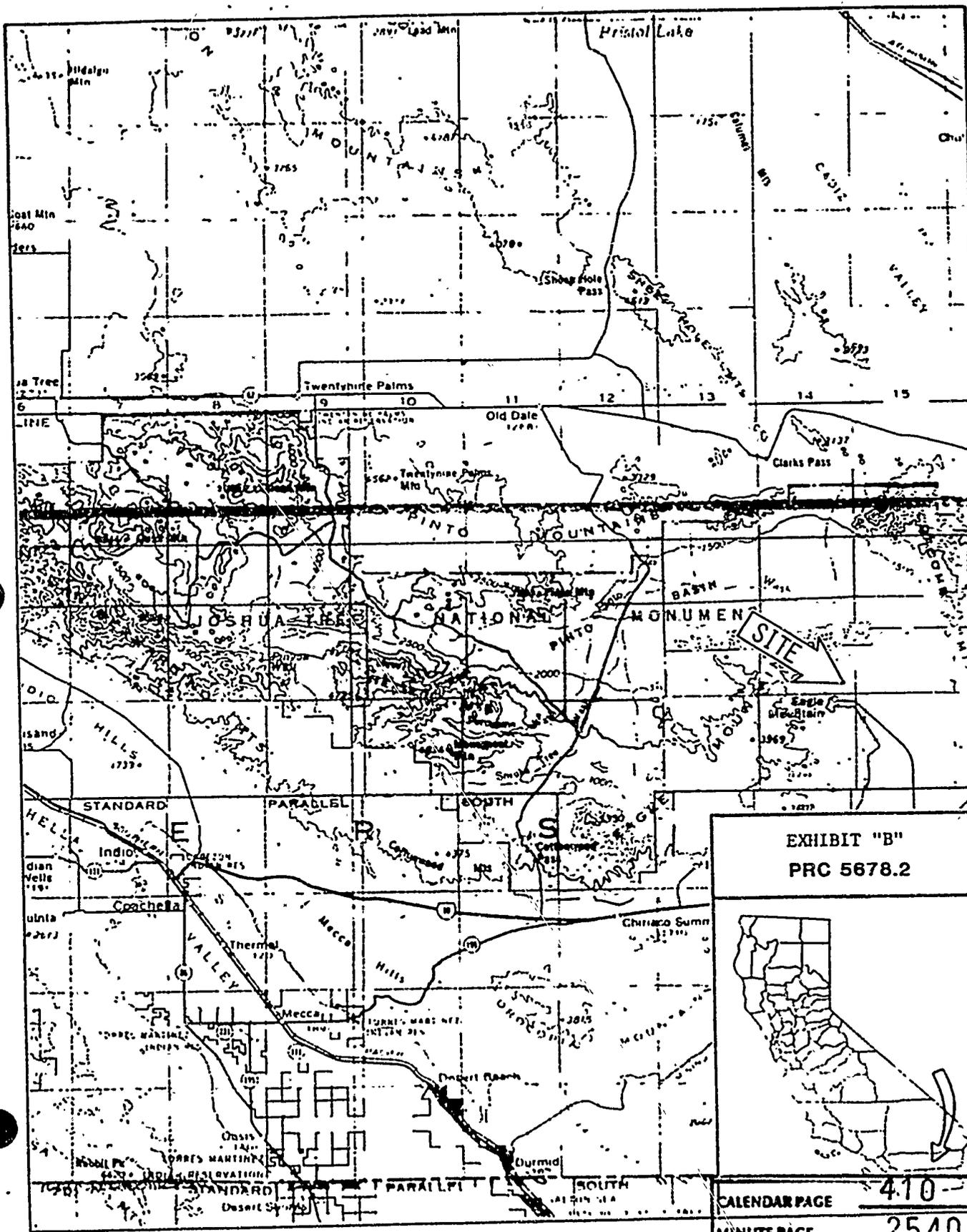
A parcel of California State school lands in Riverside County,
California, described as follows:

SW1/4 of Lot 5; Lots 6, 10, 11; N1/2 of Lot 9;
S1/2 of SW1/4 of NE1/4 of Section 36, T 3 S,
R 14 E, SBM.

END OF DESCRIPTIONS

PREPARED AUGUST 14, 1984, BY BOUNDARY AND TITLE UNIT.

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SITE

EXHIBIT "B"
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