

MINUTE ITEM

This Calendar Item No. 26
was approved as Minute Item
No. 26 by the State Lands
Commission by a vote of 2
to 0 at its 4/2/91
meeting.

CALENDAR ITEM

26

04/02/91

W 24075

PRC 7519

Reese

A 61

S 25

GENERAL LEASE - INDUSTRIAL USE

APPLICANT:

Castle Mountain Venture
999 W. Hasting Street, Suite 880
Vancouver, B. C., V6C,2W2

AREA, TYPE LAND AND LOCATION:

A 640-acre parcel of land in the Castle Mountain area
located in the eastern Mojave, San Bernardino County.

LAND USE:

Water wells and associated appurtenances.

TERMS OF PROPOSED LEASE:

Initial period:

Ten (10) years beginning April 3, 1991.

Surety bond:

\$10,000.

Public liability insurance:

Combined single limit coverage of \$1,000,000.

CONSIDERATION:

A minimum rent of \$10,000 per year payable in advance, which shall entitle Castle Mountain Venture to extract 100 acre-feet of water per year. The minimum rent shall be paid, without offset, whether or not any water is extracted from the subject land. In addition, Castle Mountain Venture will pay to the Commission, annually in arrears, \$100 per acre-foot for all quantities of water which exceed 100 acre-feet extracted from the existing well (W-4) or any additional wells drilled on the leased land, subject to the following offsets:

- (i) For the existing cased well (W-4) on Section 16, Castle Mountain Venture shall be entitled to offset one-half of the capital cost of a suitable pump,

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valving, instrumentation, and flow meter devices in each of the first two years the well is in service. The capital recovery charge shall be credited against the fee otherwise payable in those years, after first deducting the annual minimum rental of \$10,000, which shall be payable in any event.

- (ii) For any additional wells drilled in Section 16, Castle Mountain Venture shall be solely responsible for well drilling and casing costs, and shall not recover capital costs therefor. Castle Mountain Venture shall be entitled to recover capital costs for suitable pumps, valving, instrumentations, and flow meter devices, and for those facilities reasonably necessary to connect such wells into the gathering system, including trenching, backfilling, and compacting, installing water and power lines, and instrumentation cables. Castle Mountain Venture shall be entitled to offset one-fifth of such capital costs in each of the first five years the well is in service, by deducting the annual capital recovery cost charge for that well from the annual usage fee otherwise payable for such well.

BASIS FOR CONSIDERATION:

Pursuant to 2 Cal. Code Regs. 2003.

APPLICANT STATUS:

Applicant is permittee of adjacent land.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Filing fee has been received.

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

AB 884:

04/28/91

OTHER PERTINENT INFORMATION:

1. On October 26, 1987, Viceroy Gold Corporation, a Delaware corporation and a wholly owned subsidiary of Viceroy Resource Corporation, a Canadian company, applied to the Commission for a lease to drill up to four water wells to supply a heap-leach gold mining

operation on nearby federal lands. In addition, the Applicant sought a right-of-way for access to the water wells, a short service road, and water pipelines. The Applicant has already drilled a trespass well on the State school section and, after a survey had revealed actual location, an application was submitted.

The county of San Bernardino, as CEQA lead agency, and the Bureau of Land Management, as the NEPA lead agency, have prepared a combined Environmental Impact Report and Environmental Impact Statement (EIR/EIS) on Viceroy's proposed Plan of Development for the nearby heap-leach gold mining operation. The county of San Bernardino approved the project on September 27, 1990. Additionally, the State Director, Bureau of Land Management, issued a Record of Decision on October 31, 1990 approving the Plan of Development.

2. At the beginning of last month Viceroy Gold Corporation, original applicant, sold MK Gold Company (a wholly owned subsidiary of Morrison-Knudsen Corporation of Boise, Idaho) a 25% interest in the Castle Mountain Project. The two companies have formed a California general partnership known as Castle Mountain Venture, to hold their respective interests in the project. Viceroy and MK Gold are the sole partners, and Viceroy is the Manager of the Venture.
3. An EIR/EIS (SCH 880262708) was prepared and certified for this project by the Planning Commission of the County of San Bernardino. The State Lands Commission has reviewed and considered the information contained within the EIR/EIS, the relevant CEQA Findings adopted by the Planning Commission, and makes the CEQA Finding attached as Exhibit "C".

APPROVALS OBTAINED:

County of San Bernardino and the Bureau of Land Management.

EXHIBITS:

- A. Land Description
- B. Location Map
- C. Notice of Determination - San Bernardino County
- D. CEQA Finding

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT AN EIR/EIS (SCH 88062708) WAS PREPARED AND CERTIFIED FOR THIS PROJECT BY THE COUNTY OF SAN BERNARDINO AS THE CEQA LEAD AGENCY AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. ADOPT THE FINDING MADE PURSUANT TO THE PROVISIONS OF THE CEQA AND ATTACHED AS EXHIBIT "D".
3. AUTHORIZE ISSUANCE TO CASTLE MOUNTAIN VENTURE A TEN-YEAR GENERAL LEASE - INDUSTRIAL USE BEGINNING APRIL 3, 1991 IN CONSIDERATION OF A BASE ANNUAL RENT IN THE AMOUNT OF \$10,000 PAYABLE IN ADVANCE, WHICH SHALL ENTITLE CASTLE MOUNTAIN VENTURE TO EXTRACT 100 ACRE-FEET OF WATER PER YEAR. THE MINIMUM RENT SHALL BE PAID, WITHOUT OFFSET, WHETHER OR NOT ANY WATER IS EXTRACTED FROM THE SUBJECT LAND. IN ADDITION, CASTLE MOUNTAIN VENTURE WILL PAY TO THE COMMISSION, ANNUALLY IN ARREARS, \$100 PER ACRE-FOOT FOR ALL QUANTITIES OF WATER WHICH EXCEED 100 ACRE-FEET EXTRACTED FROM THE EXISTING WELL (W-4) OR ANY ADDITIONAL WELLS DRILLED ON THE LEASED LAND, SUBJECT TO THE FOLLOWING OFFSETS:
 - (i) FOR THE EXISTING CASED WELL (W-4) ON SECTION 16, CASTLE MOUNTAIN VENTURE SHALL BE ENTITLED TO OFFSET ONE-HALF OF THE CAPITAL COST OF A SUITABLE PUMP, VALVING, INSTRUMENTATION, AND FLOW METER DEVICES IN EACH OF THE FIRST TWO YEARS THE WELL IS IN SERVICE. THE CAPITAL RECOVERY CHARGE SHALL BE CREDITED AGAINST THE FEE OTHERWISE PAYABLE IN THOSE YEARS, AFTER FIRST DEDUCTING THE ANNUAL MINIMUM RENTAL OF \$10,000, WHICH SHALL BE PAYABLE IN ANY EVENT.
 - (ii) FOR ANY ADDITIONAL WELLS DRILLED IN SECTION 16, CASTLE MOUNTAIN VENTURE SHALL BE SOLELY RESPONSIBLE FOR WELL DRILLING AND CASING COSTS, AND SHALL NOT RECOVER CAPITAL COSTS THEREFOR. CASTLE MOUNTAIN VENTURE SHALL BE ENTITLED TO RECOVER CAPITAL COSTS FOR SUITABLE PUMPS, VALVING, INSTRUMENTATIONS, AND FLOW METER DEVICES, AND FOR THOSE FACILITIES REASONABLY NECESSARY TO CONNECT SUCH WELLS INTO THE GATHERING SYSTEM, INCLUDING TRENCHING, BACKFILLING, AND COMPACTING, INSTALLING WATER AND POWER LINES, AND INSTRUMENTATION CABLES. CASTLE MOUNTAIN VENTURE SHALL BE ENTITLED TO OFFSET ONE-FIFTH OF SUCH CAPITAL COSTS IN EACH OF THE FIRST FIVE YEARS THE WELL IS IN SERVICE, BY DEDUCTING THE ANNUAL CAPITAL RECOVERY COST CHARGE FOR THAT WELL

FROM THE ANNUAL USAGE FEE OTHERWISE PAYABLE FOR SUCH WELL, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENTAL ON EACH FIFTH ANNIVERSARY OF THE LEASE; PROVISION OF A \$10,000 SURETY BOND; PROVISION OF PUBLIC LIABILITY INSURANCE FOR COMBINED SINGLE LIMIT COVERAGE OF \$1,000,000; FOR UTILIZATION OF ONE EXISTING WATER WELL AND THE RIGHT TO DRILL UP TO THREE ADDITIONAL WELLS AND ASSOCIATED APPURTENANCES ON THE LAND DESCRIBED ON EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF.

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EXHIBIT "A"

W24075

LAND DESCRIPTION

That parcel of state owned school land in the vicinity of Ivanpah, San Bernardino County, more particularly describes as follows:

All of Section 16, T 14 N, R 17 E, SBM

END OF DESCRIPTION

PREPARED MARCH, 1991 BY LLB

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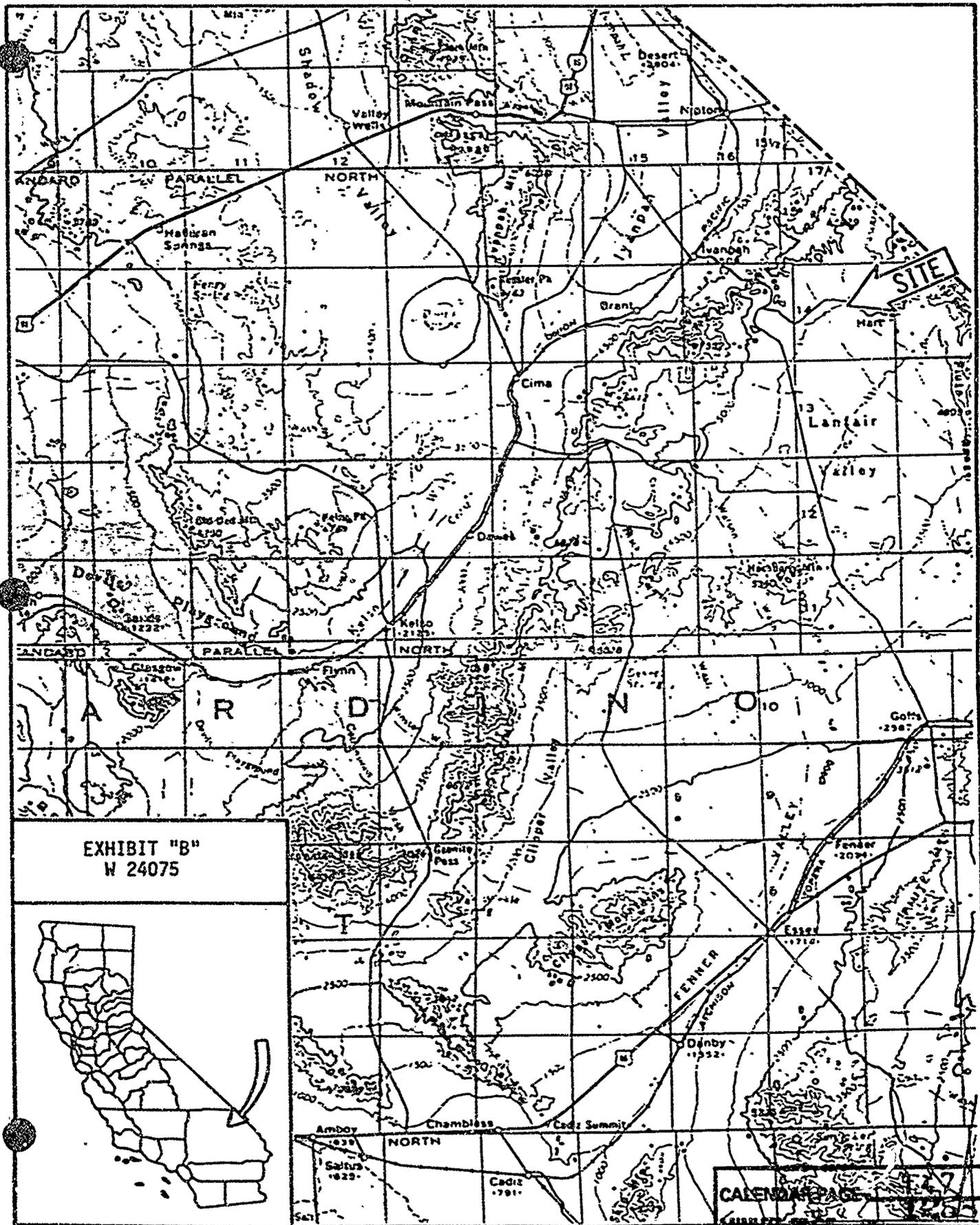


EXHIBIT "B"
N 24075



CALENDAR PAGE
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To: X Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814.

From: (Public Agency) San Bernardino County
385 North Arrowhead Avenue
San Bernardino, CA 92415

X Clerk of The Board of Supervisors
County of San Bernardino
385 N. Arrowhead Ave., 2nd Floor
San Bernardino CA 92415-0130



Subject:

Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.

See Label

Project Title

88062708

Randy Scott

(714) 387-4155

State Clearinghouse Number
(If submitted to Clearinghouse)

Lead Agency

Area Code/Telephone/Extension

Contact Person DATES ID : 74SDSN89004413SAMR01/04413SM1

COMMUNITY : NEEDLES

FILE/INDX : SAMR/88-0003/DN585-1145N

See Label

Project Location (include county)

APPLICANT : VICEROY GOLD CORPORATION
PROPOSAL : CONDITIONAL USE PERMIT TO ESTABLISH A GOLD MINE ON 115 ACRES & RECLAMATION PLAN ON 2735 ACRES WITH ENVIRONMENTAL IMPACT REPORT ON 2735 ACRES

Project Description: See Label

LOCATION : HART MINE RD. SOUTH SIDE, APPROXIMATELY 5 MILES EAST OF LANFAIR RD.
REP : N/A

San Bernardino County

This is to advise that the Planning Commission has approved the above described project on

Lead Agency Responsible Agency

September 27, 1990 (Date) and has made the following determinations regarding the above described project:

1. The project will will not have a significant effect on the environment.
2. An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
 A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation measures were were not made a condition of the approval of the project.
4. A statement of Overriding Considerations was was not adopted for this project.
5. Findings were were not made pursuant to the provisions of CEQA.

This is to certify that the final EIR with comments and responses and record of project approval is available to the General Public at:
Planning Department on the 3rd Floor at the above address

Randy Scott
Signature (Public Agency)

September 27, 1990
Date

Senior Planner
Title

Date received for filing at OPR:

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EXHIBIT "D"

The following significant environmental effect identified in the EIR/EIS involves that part of the project which the State Lands Commission is considering.

IMPACT:

The project will consume about 725 acre-feet of water per year for about ten (10) years. This consumption could lower the local groundwater level and could dry up local wells.

FINDING:

Changes or alterations have been incorporated into the project which avoid or substantially lessen the significant environmental effect identified in the Final EIR/EIS.

FACTS SUPPORTING THE FINDING:

The estimated recharge for the Lanfair Valley groundwater basin is 300 to 500 acre-feet per year in the project vicinity. The project, as originally proposed, had water requirements of approximately 1,650 acre-feet per year, but changes in the ore crushing and irrigation aspects of the project made as a result of the EIR/EIS process reduced this requirement by almost 57 percent. Extensive hydrologic studies incorporated in the EIR/EIS indicated that minimal or no effect would occur in the basin or to existing wells at a withdrawal rate of 725 acre-feet per year (DEIR/EIS pages 5.3-4 through 5.3-6 and Final EIR/EIS Section 4.1.5.1).

MITIGATIONS:

1. Changes in the project design involving ore crushing methods and the use of drip irrigation system as described in the DEIR/EIS on page 5.3-2 have reduced water requirements from 1,650 acre-feet per year to 725 acre-feet per year.
2. Total groundwater extraction shall be measured by flow meters installed on each well.
3. Monitoring wells shall be installed between the Applicant's well field and Piaute Spring to measure any drop in water level before it affects the spring.
4. If any existing well in Lanfair Valley within ten (10) miles of the Applicant's well field go dry as a result of the project, the Applicant shall be responsible for deepening the wells or providing replacement water to the owner of the affected wells.