MINUTE ITEM 55

W 40641

Kruger

APPROVE A PROSPECTING PERMIT
FOR VALUABLE MINERALS OTHER THAN OIL, GAS,
GEOTHERMAL, RESOURCES, SAND AND GRAVEL
ON 640 ACRES OF STATE-OWNED SCHOOL LAND,
SAN BERNARDINO COUNTY

Calendar Item 55, attached, was pulled from the agenda prior to the meeting.

Attachment: Calendar .em 55

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GEOTHERMAL RESOURCES, SAND AND GRAVEL
ON 640 ACRES OF STATE-OWNED SCHOOL LAND,
SAN BERNARDINO COUNTY

APPLICANT:

Viceroy Gold Corporation
Attn: J. C. Mitchell
880-999 W. Hastings Street
Vancouver, BC Canada V6C 2W2

AREA, TYPE LAND AND LOCATION:

Approximately 640 acres of State-owned school land described as Section 36, T14N, R17E, SBM, in the Castle Mountains of eastern San Bernardino County, about 50 miles east of Baker, California.

LAND USE:

Viceroy Gold Corporation proposes to conduct mineral prospecting activities for precious metals. The project consists of Phase I, geological reconnaissance, that includes geologic mapping and surface rock sampling. There will be very minimal surface disturbance during this phase of the proposed project. One vehicle will be used for access and will remain on existing dirt roads and jeep trails. Personnel working on this phase will include a project geologist and technicians.

The geologic reconnaissance will be conducted on virtually the entire section. Any activity undertaken in roadless areas will be conducted on foot. Geologic mapping will consist of identifying surface features and locating

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mineralized samples. Surface sampling methods will include using hand tools to obtain samples of surface material weighing one to five pounds each that will be removed from the project area and assayed off-site for trace element geochemistry and precious metals presence. A total of approximately 400 samples will be taken at various locations within the parcel. The locations will be on a grid pattern.

Exploration results will be interpreted after completion of the Phase I, geological reconnaissance. Should these results prove to be positive and further exploratory work, including drilling, is warranted, the Applicant may then apply for a permit amendment providing for such activity. This would be subject to necessary CEQA review process and further approval by the Commission acting solely in its discretion.

TERM OF PROPOSED PERMIT:

Primary term:

Primary term shall be one year.

Renewal options:

The Commission, in its discretion, may extend the term for additional period(s) not to exceed one year each. In no event shall the term of any permit exceed three years.

Royalty:

Royalty payable under this permit shall be 20 percent of the gross value of the minerals secured from the permitted area and sold or otherwise disposed of or held for sale or other disposition.

Royalty payable under any preferential lease that might be issued in the future shall not be less than ten percent of the gross value of all mineral production from the leased lands, less any charges approved by the Commission made or incurred with regard to transportation and processing of the State's royalty share of production or the equivalent Net Smelter Return (NSR). The determination of acceptable royalty charges shall be at the discretion of the Commission, and will be set forth in the lease.

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PREREQUISITE CONDITIONS, FEES AND EXPENSES:

1. Filing fee ($25), acreage deposit ($640), Reimbursement Agreement R01491 ($5,000), and expense deposit for processing services have been submitted by the Applicant.

2. The parcel is not known to contain commercially valuable mineral deposits.

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Section 6891.

B. Cal. Code Regs.: Title 2, Section 2000.

AB 884:

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OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that the proposed activity is a categorically exempt project from the requirements of CEQA under Class 6, Information Collection, where minimal disturbance of State property is involved, 2 Cal. Code Regs. 2905(e)(3).

   Authority: P.R.C. 21084, 14 Cal. Code Regs. 15300 and 2 Cal. Code Regs. 2905.

2. Pursuant to P.R.C. Section 6895, upon establishing to the satisfaction of the Commission that commercially valuable mineral deposits have been discovered within the limits of the permitted area, the Applicant would have a preferential right to a lease for a maximum of 640 acres embraced within the permit, if the Commission elects to issue such a lease. This right shall be subject to all necessary environmental analyses and approvals. The issuance of this permit shall not affect the discretion of the Commission in granting or denying such a lease because of environmental considerations.

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3. This mineral prospecting permit will not provide for a performance bond or other security device in favor of the State until such time as the extent of further exploration activity, that includes further exploratory work or a drilling, is proposed by the Applicant.

4. The proposed activity involves land identified as possessing significant environmental values (PRC 6370) and is assigned a land use classification of Class B, Limited Use. Based on staff's conferring with the agency nominating this land and through the environmental review process, staff concludes that the proposed project is consistent with its land use classification.

5. The permit will provide that the processing of any ore or mined material under the permit (or preferential mineral extraction lease) shall not include the use of open ponds on State lands containing cyanide leachate solutions used in the recovery of mined products.

6. The subject parcel is within the Bureau of Land Management's (BLM) East Mojave National Scenic Area, but is not within a BLM Wilderness Study Area. The parcel is not within crucial desert tortoise habitat.

7. The parcel is subject to State grazing lease PRC 7190 which expires in September 1997. The prospecting permit, if approved, will provide that permittee agrees not to undertake any activities during the term of the permit (or any mineral extraction lease) that will be inconsistent or incompatible with the rights and privileges of the lease.

APPROVALS OBTAINED:

Office of the Attorney General

EXHIBITS:

A. Land Description.
B. Location Map.

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IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE PROPOSED ACTIVITY IS EXEMPT FROM THE REQUIREMENT OF CEQA, PURSUANT TO 14 CAL. CODE REGS. 15061, AS A CATEGORICALLY EXEMPT PROJECT, CLASS 6, INFORMATION COLLECTION, 2 CAL. CODE REGS. 2905(e)(3). THE PROJECT SHALL INCLUDE THIS PROSPECTING PERMIT AND ANY OTHER EXTENSION THE COMMISSION MAY GRANT IN ITS DISCRETION FOR THE PROJECT AS DESCRIBED IN THE PERMIT. ANY SINGLE EXTENSION SHALL NOT EXCEED A PERIOD OF ONE YEAR FOR THIS PERMIT, AND THE TOTAL TERM OF THIS PERMIT SHALL NOT EXCEED THREE YEARS.

2. DETERMINE THAT THE LANDS DESCRIBED IN THE PERMIT ARE NOT PRESENTLY KNOWN TO CONTAIN COMMERCIALLY VALUABLE MINERAL DEPOSITS.

3. AUTHORIZE THE ISSUANCE OF A MINERAL PROSPECTING PERMIT TO VICEROY GOLD CORPORATION FOR A PRIMARY TERM OF ONE YEAR, FOR ALL MINERALS OTHER THAN OIL, GAS, GEOTHERMAL RESOURCES, SAND AND GRAVEL ON SECTION 36, T14N, R17E, SBM, SAN BERNARDINO COUNTY CONTAINING APPROXIMATELY 640 ACRES, IN ACCORDANCE WITH THE STANDARD FORM OF PERMIT. ROYALTY PAYABLE UNDER THE PERMIT SHALL BE TWENTY PERCENT. ROYALTY PAYABLE UNDER ANY PREFERENTIAL LEASE THAT MIGHT BE ISSUED UPON THE DISCOVERY OF COMMERCIALLY VALUABLE MINERAL DEPOSITS SHALL NOT BE LESS THAN TEN PERCENT OF THE GROSS VALUE OF ALL MINERAL PRODUCTION FROM THE LEASED LANDS, LESS ANY CHARGES APPROVED BY THE COMMISSION MADE OR INCURRED WITH REGARD TO THE TRANSPORTATION AND PROCESSING OF THE STATE'S ROYALTY SHARE OF PRODUCTION OR THE EQUIVALENT NET SMELTER RETURN (NSR). THE DETERMINATION OF THE ACCEPTABLE ROYALTY CHARGES SHALL BE AT THE DISCRETION OF THE COMMISSION.

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EXHIBIT "A"

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LAND DESCRIPTION

A parcel of state-owned school land in San Bernardino County, California, more particularly described as follows:

All of Section 36, T 14 N, R 17 E, SBM.

END OF DESCRIPTION

PREPARED DECEMBER, 1991 BY LLB.

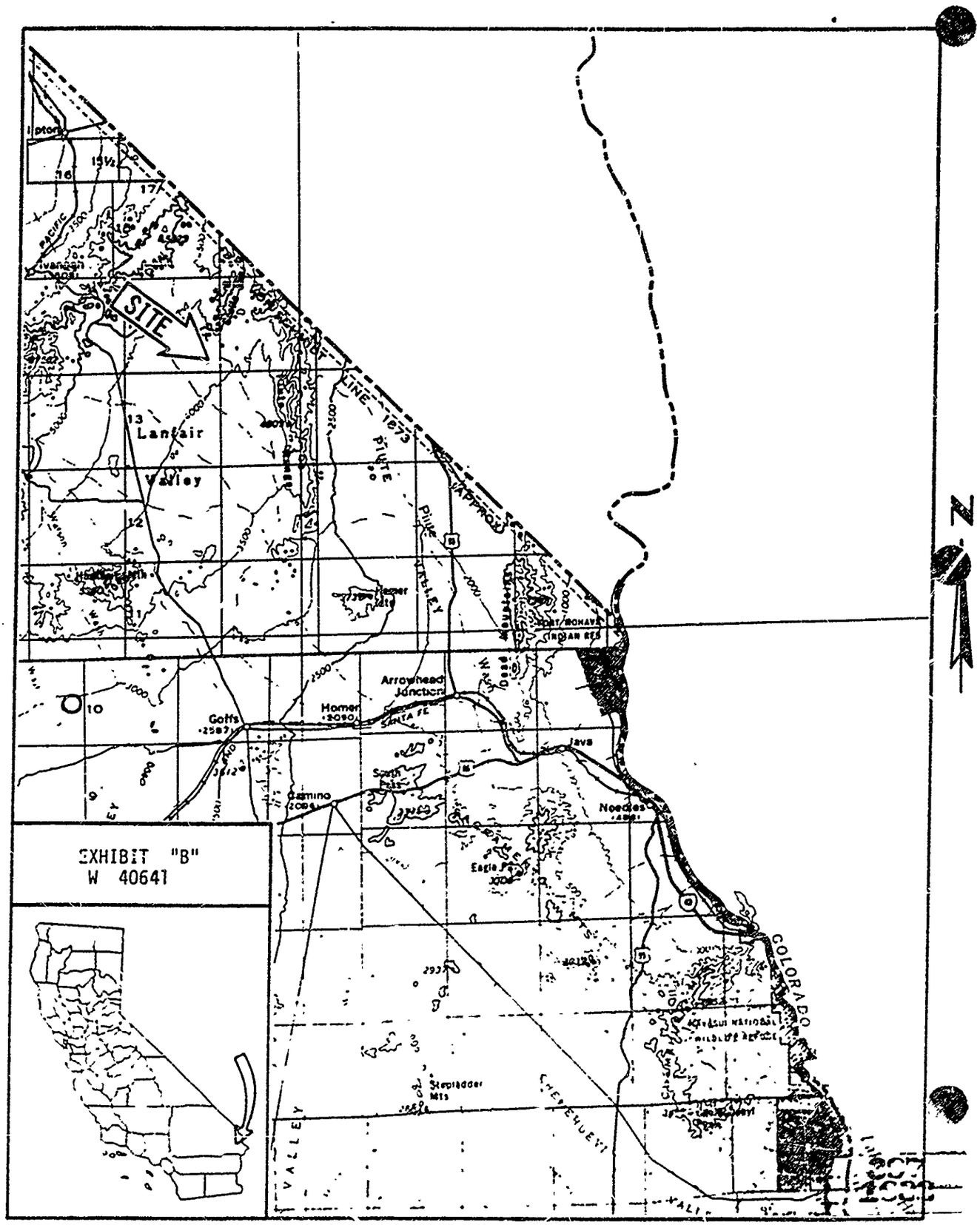

EXHIBIT "B"
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