

MINUTE ITEM

This Calendar Item No. C124 was approved as Minute Item No. 124 by the State Lands Commission by a vote of 3 to 0 at its 11/15/94 meeting.

**CALENDAR ITEM
C124**

11/15/94

PRC 7808 W 40698
PRC 7809 W 24986

Willard
Frey
Gonzalez

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**APPROVE A MINERAL EXTRACTION LEASE AND
SURFACE ESTATE AGREEMENT,
NAPA AND YOLO COUNTIES**

APPLICANT:

Homestake Mining Company of California
Attention: Dennis B. Goldstein
650 California Street, 10th Floor
San Francisco, California 94108-2788

AREA, TYPE LAND AND LOCATION:

This item involves approximately 305 acres of School Land located immediately adjacent to and on both sides of the McLaughlin Open Pit gold mine in Napa and Yolo Counties (see land description Exhibit "A" and site map Exhibit "B"). A dispute exists between Homestake Mining Company of California (Homestake) and the State of California (State) over the title to the mineral and the surface estate of the proposed lease area.

LAND USE:

The lease area, referred to in the proposed lease as the "Mineral Property", contains approximately 305.12 acres comprised of Lots 1 through 11 and the NE 1/4 of the SE 1/4 of Section 36, Township 12 North, Range 5 West, MDB&M, situated in the counties of Napa and Yolo. The Mineral Property is enclosed within the approximately 17,000 acres McLaughlin Gold Mine Property and is adjacent to the 214 acre open pit mine which is in active gold production. The Mineral Property is to be explored for gold and other valuable minerals by a mandatory drilling of exploration drill holes from the surface and possibly by underground drifting from within the existing open pit. The prospecting work to be conducted under the terms of the mineral extraction lease is fully described in the "Prospecting and Development Plan, Exhibit A", of the mining lease on file in the office of the Commission.

The Surface Estate Agreement covers the same area as the mineral extraction lease and allows Homestake to occupy and use the surface estate and the improvements thereto and to comply with the reclamation plans for the surface. This

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agreement provides for the continued use and occupancy by Homestake of the surface estate until terminated by the parties in writing.

PROPOSED LEASE TERMS:

1. The primary term of this lease shall be 15 years with a right of renewal for one additional term of 10 years.
2. Annual rental of \$7.50 per acre for the first through fifth lease years; \$15.00 per acre for the sixth through tenth years; and \$60.00 per acre for the tenth through fifteen years.
3. For gold, silver and other precious metals produced from the Mineral Property by underground mining methods, Homestake shall pay the State, a production royalty of three percent (3%) of the gross proceeds received from the sale thereof; for precious metals produced by open pit or surface mining methods, Homestake shall pay the State, a production royalty of four percent (4%) of the gross proceeds from the sale thereof.
4. For production of other "hard minerals" from the Mineral Property, Homestake will pay the State, a production royalty of ten percent (10%) of the gross proceeds for the sale thereof.
5. All State royalties will be deposited into an interest bearing escrow account pending resolution of the surface and mineral ownership dispute.
6. Homestake shall diligently prospect the Mineral Property during the first 24 months of the lease term in accordance with the "Prospecting and Development Plan", Exhibit A, of the mineral extraction lease.

BACKGROUND:

The McLaughlin Open Pit Gold Mine is located at the junction of Lake, Napa and Yolo Counties and has been in production since 1985. The open pit mine and associated processing plant have a production capacity of over 5,000 tons of ore per day. Production of gold in 1993 totaled over 305,000 ounces. Over two million ounces of gold have been produced

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from the McLaughlin Open Pit Gold Mine since startup of the operation.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Code Regs.: Title 3, Div. 3;

AB 884:

N/A

OTHER PERTINENT INFORMATION:

- 1. The County of Napa and the Bureau of Land Management (BLM) jointly prepared and certified EIR 048/EIS-INT 83-30 in 1984, SCH No. 82101201, as the environmental document for the permitting and licensing of the mining and mining related activities at the McLaughlin Mine. A copy of this EIR/EIS is on file in the offices of the Commission.
- 2. Homestake has submitted copies of State and local agency required reclamation plan, environmental monitoring manual, emergency response plan, mine/mill spill prevention, control and countermeasure plan, and contiguous lands management plan.
- 3. Homestake shall pursue environmental review and permitting by local and State agencies for any future mining, exploration or development activities not described and analyzed in the certified EIR/EIS and already permitted by the Lead Agency, Napa County.

EXHIBITS:

- A. Land Description
- B. Site Map
- C. CEQA Findings

IT IS RECOMMENDED THAT THE COMMISSION:

- 1. FIND THAT THE COUNTY OF NAPA, AS CEQA LEAD AGENCY, AND THE BUREAU OF LAND MANAGEMENT, HAVE PREPARED AND CERTIFIED EIR 048/EIS-INT 83-30, STATE CLEARINGHOUSE NO. 82101201 FOR THIS PROJECT AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION THEREIN.
- 2. ADOPT THE CEQA FINDINGS MADE IN CONFORMANCE WITH SECTION

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15096(h) OF THE STATE CEQA GUIDELINES, AS CONTAINED IN EXHIBIT "C", ATTACHED HERETO.

3. AUTHORIZE ISSUANCE OF A MINERAL EXTRACTION LEASE AND EXECUTION OF SURFACE ESTATE AGREEMENT WITH HOMESTAKE MINING COMPANY OF CALIFORNIA FOR A PRIMARY TERM OF FIFTEEN YEARS EFFECTIVE ON THE FIRST DAY OF THE MONTH FOLLOWING THE MONTH IN WHICH THE LEASE AND SURFACE ESTATE AGREEMENT ARE APPROVED BY THE STATE LANDS COMMISSION.

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EXHIBIT "A"
LAND DESCRIPTION

W40698/24968

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and the NE 1/4 of the SE 1/4 of Section 36, Township 12 North, Range 5 West, Mount Diablo Base & Meridian, said land is situated in the Counties of Napa and Yolo, State of California, including 305.12 acres, more or less, also identified as the "Mineral Property".

END OF DESCRIPTION

Prepared by SFBCC Team August 1994

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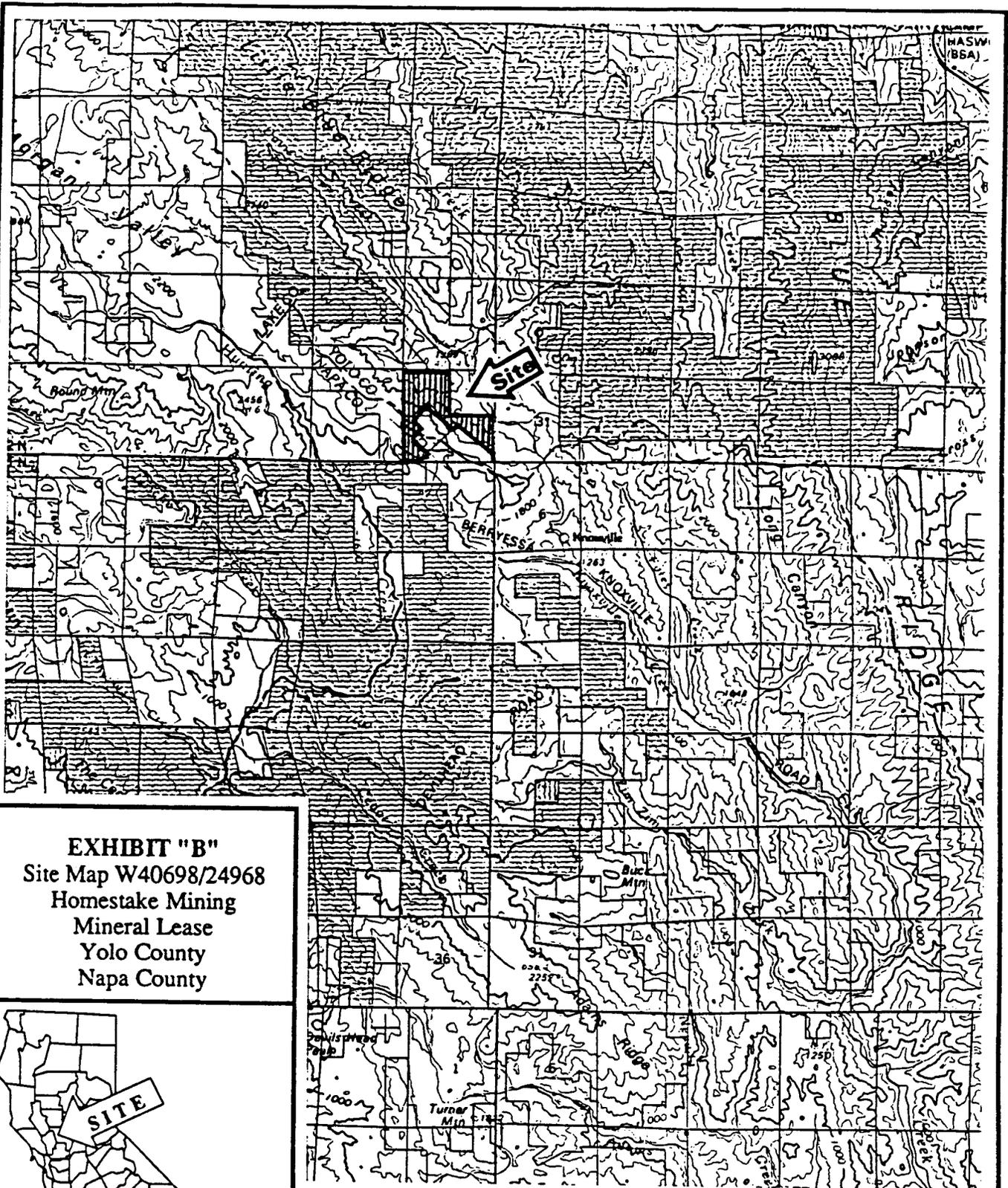


EXHIBIT "B"
 Site Map W40698/24968
 Homestake Mining
 Mineral Lease
 Yolo County
 Napa County



NOTE:
 THIS EXHIBIT IS SOLELY FOR PURPOSE OF GENERALLY
 DEFINING THE LEASE PREMISE, AND IS NOT INTENDED TO BE,
 NOR SHALL IT BE CONSTRUED AS, A WAIVER OR LIMITATION
 OF ANY STATE INTEREST IN THE SUBJECT OR ANY OTHER
 PROPERTY.

Exhibit C

CEOA FINDINGS

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McLAUGHLIN GOLD MINE PROJECT
Use Permit (#U-198283)

RECOMMENDED

FINDINGS OF THE CONSERVATION, DEVELOPMENT AND
PLANNING COMMISSION OF THE COUNTY OF NAPA MADE IN
ACCORDANCE WITH THE PROVISIONS OF THE CALIFORNIA
ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED.

BACKGROUND:

1. The Homestake Mining Company is proposing to develop a gold mine and extraction facility involving approximately 1,450 acres and located along Berryessa/Knoxville Road-Morgan Valley Road near the junction of Napa, Lake and Yolo Counties. The project is known as the McLaughlin Gold Mine Project (McLaughlin Project).

The project includes the mining of ore from an open pit in Napa and Yolo Counties, crushing and grinding in Napa County for transport in a slurry pipeline to a mill processing facility in Lake County. The tailings will be deposited in a tailings disposal site in Lake County. Waste rock will be disposed in a waste rock disposal site in Napa County. Water will be supplied from a reservoir in Yolo County. A portion of Morgan Valley Road and Berryessa/Knoxville Road in Napa and Lake Counties will be relocated and improved. P.G. & E. transmission lines (115 KV Power Line) will be extended from Lower Lake generally along Morgan Valley Road to the mine site.

Facilities located in Napa County include approximately 80% of the mine pit, waste rock disposal site, crushing and grinding facilities, mine truck shop/office and warehouse, domestic sewage treatment facilities and holding pond, sediment control ponds M-1, M-2, W-1 and W-3, low grade ore stockpiles, topsoil stockpile A, slurry pipeline/waterline, 115 KV high voltage main electrical substation, tank farm and fuel dispensing island on Napa County Assessor's Parcels No's. 15-010-03, 04, 05, 07, 08, 11, 15, 16, 17, 19 & 20; 15-020-01, 03, 04, 06 & 07; and 15-100-08.

2. The McLaughlin Project requires that discretionary permits be approved by Lake, Napa and Yolo Counties, the Bureau of Land Management (BLM), various State and Regional agencies, and local Special Districts. (See Tables 1.1 and 1.2 of the Final EIR/EIS). Napa County's permit requirements include the approval of a Use Permit and Surface Mining and Reclamation Permit (SMARA) by the Conservation, Development and Planning Commission (CDPC).
3. An Environmental Impact Report/Environmental Impact Statement (Final EIR/EIS) was prepared for the McLaughlin Project. On July 6, 1983, the CDPC certified that the Final EIR/EIS was complete in compliance with the California Environmental Quality Act of 1970, as amended (CEQA), 631

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the State EIR Guidelines and the Napa County CEQA Guidelines. Approval of the EIS under provisions of the National Policy Act (NEPA) has been the responsibility of the Bureau of Land Management (BLM) and has been approved.

FINDINGS:

1. The CDPC has read and considered the information contained in the Final EIR/EIS prepared for the McLaughlin Gold Mine Project.
2. Based on the information contained in the Final EIR/EIS, the CDPC has determined the McLaughlin Project would have a significant effect on the environment.
3. The CDPC included the environmental mitigation measures, identified in Attachment B into the McLaughlin Project which eliminates or significantly reduces associated significant environmental effects.
4. The Final EIR/EIS found that the McLaughlin Project would have the following unavoidable significant environmental effects:

UNAVOIDABLE SIGNIFICANT ADVERSE EFFECTS:

- Habitat loss from vegetation removal during construction and operation.
- Erosion increases during construction activities.
- Conversion of grazing land to reservoir use, resulting in loss of grazing land.
- Loss of seeps and springs that provide water for wildlife and sensitive plants.
- Loss of 121 sensitive plant populations.
- Increases in noise levels in project vicinity from truck traffic.
- Increases in dust generation.
- Leaks, spills, or accidents from hazardous materials handling and storage.
- Visual disturbances that would be inconsistent with BLM's Visual Resource Management System.
- Loss of potentially significant cultural resource sites in the project area.
- Change in land use from a quiet rural environment to one of an industrial type.

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- Increase in rent levels in Lake County during the peak construction period.
 - Increase in demand for services by new employees in housing units in Lake County.
5. In accordance with Section 15091 of the State CEQA Guidelines, the following findings are adopted:
- a. The CDPC has included into the McLaughlin Project the environmental mitigation measures identified in Attachment B. Said mitigation measures will eliminate, avoid or significantly reduce associated significant environmental effects identified in the Final EIR/EIS for project related activities located in Napa County.
 - b. Because the McLaughlin Project involves land located in two other Counties (Lake and Yolo) and on lands managed by the BLM, the environmental mitigation measures recommended in the Final EIR/EIS are within the responsibility and jurisdiction of other public agencies and should be adopted by the agencies to fully mitigate the associated significant environmental effects of the McLaughlin Project.
6. In accordance with Section 15091 of the State CEQA Guidelines, the following finding is adopted:

STATEMENT OF OVERRIDING CONSIDERATIONS:

The following public benefits derived from the project outweigh the unavoidable significant adverse effects resulting from the construction and operation of the McLaughlin Gold Project:

a. Significant Beneficial Effects of the McLaughlin Project Identified in the Final EIR/EIS:

Upgrading and realignment of Morgan Valley Road-Berryessa/Knoxville Road resulting in significant improvement from the standpoint of public safety from Lower Lake to the project site.

Electricity and telephone services to properties along Morgan Valley Road from proposed transmission and telephone lines from Lower Lake to project area.

Improvement in water quality of Knoxville Creek.

Increase in property value of project site and resultant increase in revenues to Napa, Lake and Yolo Counties.

Increase in local employment opportunities during project construction and operation.

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USE PERMIT/SMARA PERMIT FINDINGS

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Increased opportunity for recreational use of BLM lands following upgrading of Morgan Valley Road-Berryessa/Knoxville Road.

b. Additional Public Benefits:

Clean-up of the extensive, unreclaimed, disturbed areas at the mine site resulting from the Manhattan Mine operation.

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McLAUGHLIN GOLD MINE PROJECT
Use Permit (#U-198283)

RECOMMENDED

FINDINGS OF THE CONSERVATION, DEVELOPMENT AND
PLANNING COMMISSION OF THE COUNTY OF NAPA
APPROVING THE McLAUGHLIN GOLD MINE PROJECT.

BACKGROUND:

1. The Homestake Mining Company is proposing to develop a gold mine and extraction facility involving approximately 1,450 acres and located along Berryessa/Knoxville Road-Morgan Valley Road near the junction of Napa, Lake and Yolo Counties. The project is known as the McLaughlin Gold Mine Project (McLaughlin Project).

The project includes the mining of ore from an open pit in Napa and Yolo Counties, crushing and grinding in Napa County for transport in a slurry pipeline to a mill processing facility in Lake County. The tailings will be deposited in a tailings disposal site in Lake County. Waste rock will be disposed in a waste rock disposal site in Napa County. Water will be supplied from a reservoir in Yolo County. A portion of Morgan Valley Road and Berryessa/Knoxville Road in Napa and Lake Counties will be relocated and improved. P.G. & E. transmission lines (115 KV Power Line) will be extended from Lower Lake generally along Morgan Valley Road to the mine site.

Facilities located in Napa County include approximately 80% of the mine pit, waste rock disposal site, crushing and grinding facilities, mine truck shop/office and warehouse, domestic sewage treatment facilities and holding pond, sediment control ponds M-1, M-2, W-1 and W-3, low grade ore stockpiles, topsoil stockpile A, slurry pipeline/waterline, 115 KV high voltage main electrical substation, tank farm and fuel dispensing island on Napa County Assessor's Parcels No's. 15-010-03, 04, 05, 07, 08, 11, 15, 16, 17, 19 & 20; 15-020-01, 03, 04, 06 & 07; and 15-100-08.

2. The McLaughlin Project requires that discretionary permits be approved by Lake, Napa and Yolo Counties, the Bureau of Land Management (BLM), various State and Regional agencies, and local Special Districts. (See Tables 1.1 and 1.2 of the Final EIR/EIS). Napa County's permit requirements include the approval of a Use Permit and Surface Mining and Reclamation Permit (SMARA) by the Conservation, Development and Planning Commission (CDPC).
3. An Environmental Impact Report/Environmental Impact Statement (Final EIR/EIS) was prepared for the McLaughlin Project. On July 6, 1983, the CDPC certified that the Final EIR/EIS was complete in compliance with the California Environmental Quality Act of 1970 (CEQA), as amended (CEQA), 636 the State EIR Guidelines and the Napa County CEQA Guidelines. Approved 4333 of the EIS under provisions of the National Policy Act (NEPA) has been the responsibility of the Bureau of Land Management (BLM) and has been approved.

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FINDINGS:

1. The CDPC approves the Use Permit application and SMARA Permit application (#U-198283) subject to the conditions contained in Attachment A and the mitigation measures contained in Attachment B.
2. The CDPC finds that the Project Description/Environmental Assessment Report, dated February, 1983 and submitted as part of the application for a Surface Mining Permit, is complete and adequately describes the project mining plan.
3. The CDPC finds that the Final EIR/EIS, prepared for the McLaughlin Project and certified by the Commission on July 6, 1983, complies with the provisions of the California Environmental Quality Act of 1970, as amended.
4. The CDPC, in accordance with Section 15091 of the State CEQA Guidelines, made the following findings:
 - a. The CDPC has included into the McLaughlin Project the environmental mitigation measures identified in Attachment B. Said mitigation measures will eliminate, avoid or significantly reduce associated significant environmental effects identified in the Final EIR/EIS for project related activities located in Napa County.
 - b. Because the McLaughlin Project involves land located in two other Counties (Lake and Yolo) and on lands managed by the BLM, the environmental mitigation measures recommended in the Final EIR/EIS are within the responsibility and jurisdiction of other public agencies and should be adopted by the agencies to fully mitigate the associated significant environmental effects of the McLaughlin Project.
5. The CDPC, in accordance with Section 15091 of the State CEQA Guidelines, made the following finding:

STATEMENT OF OVERRIDING CONSIDERATIONS:

The following public benefits derived from the project outweigh the unavoidable significant adverse effects resulting from the construction and operation of the McLaughlin Gold Project:

- a. Significant Beneficial Effects of the McLaughlin Project Identified in the Final EIR/EIS:

Upgrading and realignment of Morgan Valley Road-Berryessa/Knoxville Road resulting in significant improvement from the standpoint of public safety from Lower Lake to the project site.

Electricity and telephone services to properties along Morgan Valley Road from proposed transmission and telephone lines from Lower Lake to project area.

Improvement in water quality of Knoxville Creek.

Increase in property value of project site and resultant increase in revenues to Napa, Lake and Yolo Counties.

Increase in local employment opportunities during project construction and operation.

Increased opportunity for recreational use of BLM lands following upgrading of Morgan Valley Road-Berryessa/Knoxville Road.

b. Additional Public Benefits:

Clean-up of the extensive, unreclaimed, disturbed areas at the mine site resulting from the Manhattan Mine operation.

6. The CDPC finds that the approved project will not result in detrimental effects to the public health, safety or general welfare.
7. The CDPC finds that the approved project is consistent with the Napa County General Plan.
8. The CDPC finds that the approved project is in conformance with the Napa County Zoning Ordinance.
9. The CDPC finds that the approved project is in conformance with the California Surface Mining and Reclamation Act of 1975 and the Napa County Surface Mining and Reclamation regulations set forth in the Napa County Code.
10. The CDPC finds that the timing of the reclamation activities provides for reclamation to begin upon completion of the mining operation. Reclamation of the waste rock facility will be ongoing throughout the life of the project.
11. The CDPC finds that the estimated cost of reclamation reasonably approximates the projected cost of reclamation work proposed in the reclamation plan. Prior to commencement of mining operations, Homestake Mining Company will be required to execute a financial assurance agreement with Napa County for reclamation and for emergency clean-up and abatement work.
12. The CDPC finds that the Homestake Mining Company has provided the County with evidence that Homestake has a public liability policy in force for both the mining and reclamation operation which provides for personal injury and property protection in an amount adequate to compensate any or all persons injured or for property damaged as a result of the mining or reclamation operations.

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