

MINUTE ITEM
This Calendar Item No. C14
was approved as Minute Item
No. 14 by the State Lands
Commission by a vote of 3
to 0 at its 2-5-01
meeting.

CALENDAR ITEM
C14

A 61
S 25

02/05/01
WP 7519
B. Dugal

GENERAL LEASE - INDUSTRIAL USE

APPLICANT:

Viceroy Gold Corporation
PO Box 68
Searchlight, Nevada 89046

AREA, LAND TYPE, AND LOCATION:

640 acres, more or less, of school lands in Section 16, T14N, R17E, SBM and located southeast of Ivanpah, San Bernardino County.

AUTHORIZED USE:

Continued use, operation and maintenance of four existing water wells (Well Nos. 4, 39, 40 and 42) and necessary appurtenant facilities including, but not limited to underground utilities, four concrete pads, four electrical transformers, one 500-gallon settling tank, chain link fence, together with those necessary rights of ways to connect and service the wells and to transport water to the Lessee's gold mine operation that is located on nearby federal lands.

LEASE TERM:

Five years, beginning April 3, 2001.

CONSIDERATION:

Minimum rent of \$12,350 per year, payable in advance, for the right to extract 100-acre feet of water per year. The minimum annual rent shall be paid whether or not any water is extracted from the Lease Premises. In addition, Lessee shall pay to Lessor, annually in arrears, \$100 per acre-foot for all quantities of water in excess of 100-acre feet extracted from the existing wells.

Three of the four wells (Well Nos. 39, 40, and 42) are subject to the following offsets for the excess water payments. The Lessee is entitled to recover capital costs for suitable pumps, valving, instrumentation, and flow meter devices, and

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for those existing facilities to connect such wells into the gathering system. Lessee is entitled to offset one-fifth of these capital costs in each of the first five years a well is placed in service by deducting the annual capital recovery cost charge for that well from the annual usage fee otherwise payable for such well.

SPECIFIC LEASE PROVISIONS:

Insurance:

Combined single limit coverage of no less than \$1,000,000.

Bond:

\$10,000.

OTHER PERTINENT INFORMATION:

1. Applicant has the right to use the lands adjoining the Lease Premises.
2. On April 2, 1991, the California State Lands Commission (CSLC) authorized the issuance of a ten-year General Lease – Industrial Use to Castle Mountain Venture for an existing water well along with the right to drill up to three additional wells. Castle Mountain ultimately drilled the three additional wells in July 1996.
3. The water from the wells is transported to the Applicant's adjacent heap-leach gold mining operation that is located on adjacent federal lands. No activities associated with the gold mining operation take place on State land.
4. The applicant for the replacement lease is Viceroy Gold Corporation which operates the gold mine on behalf of Castle Mountain Venture.
5. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; Title 2, California Code of Regulations, section 2905 (a)(2).

Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300 and Title 2, California Code of Regulations, section 2905.

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APPROVALS OBTAINED:

US Department of the Interior, Bureau of Land Management
US Fish and Wildlife Service
California Department of Fish and Game
County of San Bernardino
Colorado River Regional Water Quality Control Board
Mojave Desert Air Quality Management District

EXHIBITS:

- A. Location Map
- B. Land Description

PERMIT STREAMLINING ACT DEADLINE:

March 6, 2001

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 1, EXISTING FACILITIES; TITLE 2, CALIFORNIA CODE OF REGULATIONS, SECTION 2905 (a)(2).

AUTHORIZATION:

AUTHORIZE ISSUANCE TO VICEROY GOLD CORPORATION OF A GENERAL LEASE - INDUSTRIAL USE, BEGINNING APRIL 3, 2001, FOR A TERM OF FIVE YEARS, FOR THE USE, OPERATION AND MAINTENANCE OF FOUR EXISTING WATER WELLS TOGETHER WITH EXISTING APPURTENANT FACILITIES AND THOSE EXISTING RIGHTS OF WAYS TO CONNECT AND SERVICE THE WELLS AND TO TRANSPORT WATER TO LESSEE'S GOLD MINE OPERATION THAT IS LOCATED ON NEARBY FEDERAL LANDS, ON THE LAND DESCRIBED ON EXHIBIT B ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; MINIMUM RENT OF \$12,350 PER YEAR PAYABLE IN ADVANCE FOR THE RIGHT TO EXTRACT 100-ACRE FEET OF WATER PER YEAR. THE MINIMUM ANNUAL RENT SHALL BE PAID WHETHER OR NOT ANY WATER IS EXTRACTED FROM THE LEASE PREMISES. IN ADDITION, LESSEE SHALL PAY TO LESSOR,

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ANNUALLY IN ARREARS, \$100 PER ACRE FOOT FOR ALL
QUANTITIES OF WATER IN EXCESS OF 100-ACRE FEET
EXTRACTED FROM THE EXISTING WELLS; COMBINED SINGLE LIMIT
LIABILITY INSURANCE COVERAGE OF NO LESS THAN \$1,000,000;
SURETY IN THE AMOUNT OF \$10,000.

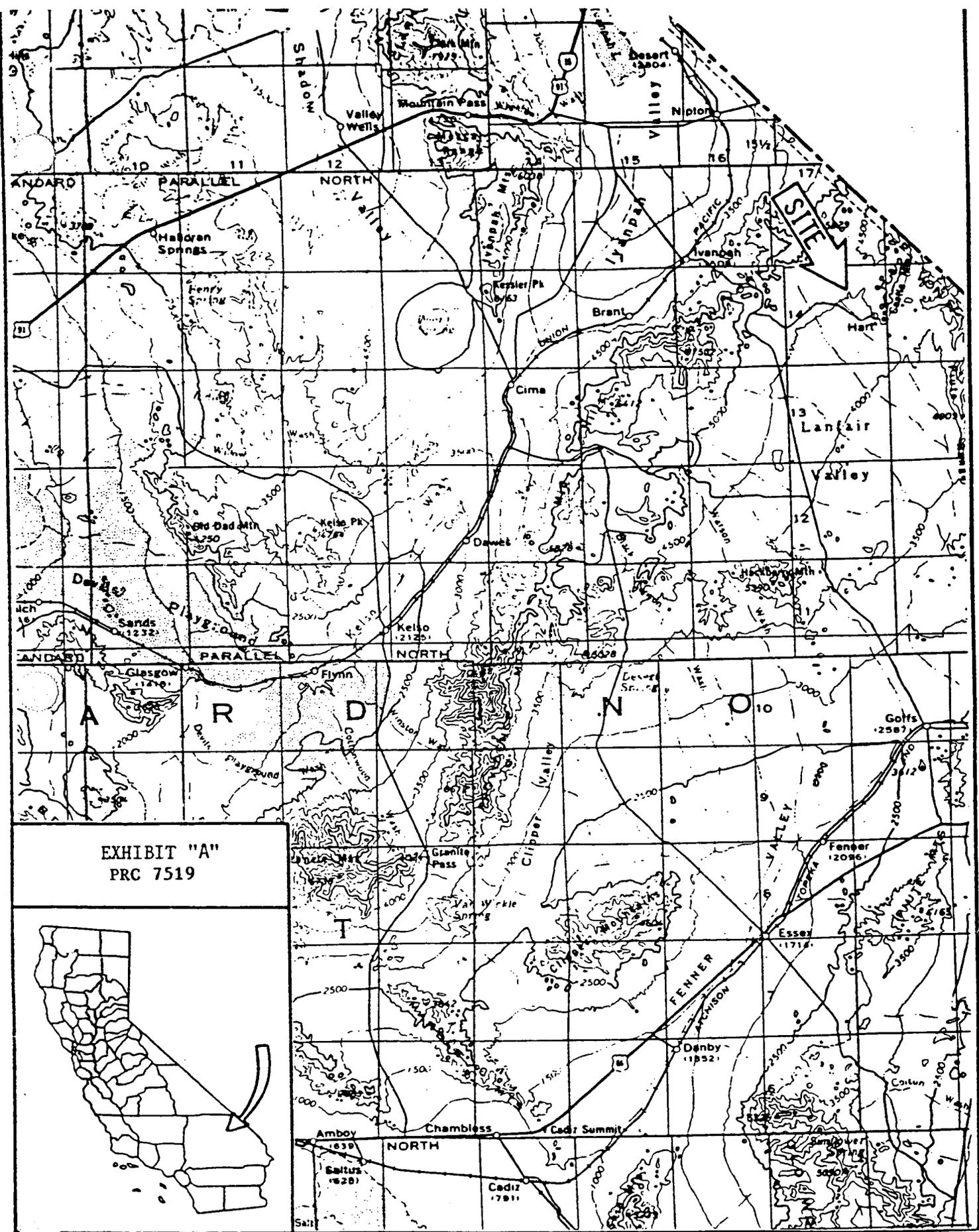


EXHIBIT "A"
 PRC 7519



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EXHIBIT B

PRC 7519.2

LAND DESCRIPTION

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

All of Section 16, T14N, R17E, SBM

END OF DESCRIPTION

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