

MINUTE ITEM

This Calendar Item No. C103 was approved as Minute Item No. 103 by the California State Lands Commission by a vote of 3 to 0 at its 4-24-01 meeting.

**CALENDAR ITEM
C103**

A 34

PRC 8322
PRC 8323

04/24/01
W 40752
W 25675
E. Kruger
B. Dugal

S 17

**CONSIDER TWO APPLICATIONS,
A NEGOTIATED MINERAL EXTRACTION LEASE
AND A GENERAL LEASE RIGHT-OF-WAY
USE FOR AN EXISTING ROAD, ON
STATE FEE-OWNED SCHOOL LAND,
SAN BERNARDINO COUNTY**

APPLICANT:

Protech Minerals, Inc.
Attn.: Mr. Chul Lim Choe
17092 D Street
Victorville, CA 92392

AREA, LAND TYPE, AND LOCATION:

Approximately 13 acres of State fee-owned school land, that includes the proposed mine site and access road, as shown on Exhibit A, attached hereto, located in portions W2 and the NE 4 of Section 36, T20N, R10E, SBM, situated in the Kingston Mountains of northern San Bernardino County adjacent to the Pahrump Valley Wilderness area.

BACKGROUND:

Protech Minerals Inc.; a California Corporation, (Protech) has applied to the California State Lands Commission (Commission) for a negotiated mineral extraction and right-of-way lease for access to and mining of talc mineral on a parcel of State school land. In accordance with the Surface Mining and Reclamation Act of 1975, the County is typically the lead agency for the preparation of an appropriate environmental document and associated Mining and Reclamation Plan. In October 2000, Commission staff reviewed a proposed Negative Declaration (SCH No. 2000091111) prepared by the Planning Department of San Bernardino County (County) for a Mining Conditional Use

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Permit and Reclamation Plan (CUP/RP) submitted by Protech. The total project considered by the County for the CUP/RP consisted of the access road and talc mining at the Pioneer mine on State land, and approximately two acres of adjacent federal land associated with the Piopex talc mine. The total project area for the Pioneer and Piopex mine sites and access road considered by the County is approximately 13 acres.

Protech had previously obtained authorization from the Bureau of Land Management (BLM) in the form of an approved Plan of Operations in 1998. This action authorized the mining of talc on federal land comprising the Piopex Mine under a federal mining claim, adjacent to the State Pioneer Mine. Due to the fact that the mining of talc from the Pioneer Mine necessitates removal of overburden from federal land, the BLM conditioned their Plan of Operations for the Pioneer Mine on Protech successfully obtaining a mineral lease from the Commission. Protech has applied for a negotiated mineral lease, in part based on the fact that they control the adjacent federal mining claims and have successfully obtained a conditioned Plan of Operations. They have also demonstrated that talc on the State parcel may be commercially extracted. The proposed mine plan entails talc mining over a period of twenty years during three mining phases with truck transportation to a mill site in Victorville for processing into various salable products. The mine plan also provides for a five-year period of reclamation including revegetation.

The State parcel had been historically mined for talc prior to the Surface Mining and Reclamation Act of 1975 so current reclamation standards were not employed. The proposed mining and reclamation plan will allow the talc on the State parcel to be properly mined and the parcel reclaimed in accordance with the Public Resources Code.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code: Division 6
- B. Public Resources Code: section 21000, et seq.
- C. California Code of Regulations: Title 14, Chapter 3, section 15096,
California Code of Regulations, Title 2, section 2200.

OTHER PERTINENT INFORMATION:

- 1. Commission staff has reviewed Protech's mineral lease application in accordance with the criteria of Public Resources Code section 6897 pertaining to negotiated mineral extraction leases, and recommends that

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the Commission find that the proposed lease area of the Pioneer Mine contains a commercially valuable deposit of talc. Staff further recommends that entering into a negotiated mineral extraction lease with Protech is in the best interests of the State.

2. The Mineral Extraction Lease provides for a primary term of five years with four successive rights of renewal for periods of five years each, not to exceed a maximum lease term of twenty-five years. This period coincides closely with the term of the County CUP/RP, which has an expiration date of January 21, 2026. Annual rental will be fixed during the primary term at \$5.00 dollars an acre. The State's royalty shall be ten percent of the gross value of talc minerals; less allowable processing and transportation charges, but in no case shall the royalty be less than \$4.40 per short ton. A non-refundable minimum royalty payable on the date of the lease anniversary, whether or not any talc is produced from the leased lands, shall be computed on required production of 1,500 short tons multiplied by the royalty rate. Such minimum royalty shall be credited to royalties due on talc produced from the leased lands during the lease year. Lessee shall furnish a performance bond or other acceptable security device in the amount of \$7,500 to ensure lease performance. Lessee must obtain comprehensive liability insurance in an amount not less than \$1,000,000.

3. **GENERAL LEASE RIGHT OF WAY USE**

AUTHORIZED USE:

Use and maintenance of an existing dirt road.

LEASE TERM:

Beginning May 1, 2001, and ending April 30, 2011, with two rights to renew for a period not to exceed an additional 15 years.

CONSIDERATION:

\$100 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance:

Combined single limit coverage of not less that \$1,000,000.

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4. The Applicant has the right to use the lands that adjoin the lease premises.
5. Protech has submitted the required filing and staff reimbursement fees for both the General Lease Right-of-Way Use and the negotiated Mineral Extraction Lease.
6. As lead agency under the Surface Mining and Reclamation Act and the California Environmental Quality Act (CEQA), San Bernardino County Planning Department prepared and adopted a Mitigated Negative Declaration (SCH. No. 2000091111) and approved Mining Conditional Use Permit (CUP) No. SAMR/DS817-841/00 and Reclamation Plan (RP) No. 2001M-01. A Notice of Determination was filed by the County of San Bernardino finding that the project will not have a significant effect on the environment. The California State Lands Commission's staff has reviewed such documentation and concurs with its findings. A Mitigation Monitoring Program was adopted by the County of San Bernardino.

APPROVALS OBTAINED:

Pursuant to Public Resources Code section 6890, the mineral lease form has been approved by the Office of the Attorney General as to its compliance with applicable provisions of the law.

EXHIBIT:

- A. Location Map.

PERMIT STREAMLINING ACT DEADLINE:

July 9, 2001.

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

1. FIND THAT A MITIGATED NEGATIVE DECLARATION (SCH. No. 2000091111) AND A MITIGATION MONITORING PROGRAM WERE PREPARED AND ADOPTED FOR THIS PROJECT BY THE COUNTY OF SAN BERNARDINO AND THAT THE CALIFORNIA STATE LANDS COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

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2. ADOPT THE MITIGATION MONITORING PROGRAM AS AVAILABLE ON FILE IN THE LONG BEACH OFFICE OF THE CALIFORNIA STATE LANDS COMMISSION.

OTHER FINDINGS:

1. FIND THAT THE LANDS EMBRACED WITHIN THE PROPOSED MINERAL LEASE CONTAINS COMMERCIALY VALUABLE MINERAL DEPOSITS.
2. FIND THAT THE ISSUANCE OF A NEGOTIATED MINERAL LEASE TO THE APPLICANT IS IN THE BEST INTERESTS OF THE STATE.

AUTHORIZATION:

1. APPROVE ISSUANCE OF A STATE MINERAL EXTRACTION LEASE, UPON TERMS AND CONDITIONS OUTLINED IN THIS CALENDAR ITEM, TO PROTECH MINERALS, INC., FOR THAT PORTION OF STATE FEE-OWNED SCHOOL LAND COVERING THE PROPOSED MINERAL LEASE SITE AS SHOWN ON EXHIBIT A, ATTACHED HERETO. SUCH LEASE TO BE FOR A PRIMARY TERM OF FIVE YEARS WITH THE PREFERENTIAL RIGHT, UPON SUCH REASONABLE TERMS AND CONDITIONS AS THE STATE MAY PRESCRIBE, TO RENEW THE LEASE FOR FOUR SUCCESSIVE FIVE-YEAR PERIODS.
2. APPROVE ISSUANCE OF A GENERAL LEASE RIGHT OF WAY USE COVERING THE EXISTING ROAD DEPICTED ON EXHIBIT A, UPON TERMS AND CONDITIONS OUTLINED IN THIS CALENDAR ITEM, TO PROTECH MINERALS, INC., FOR A PRIMARY TERM OF TEN YEARS WITH THE PREFERENTIAL RIGHT, UPON SUCH REASONABLE TERMS AND CONDITIONS AS THE STATE MAY PRESCRIBE, TO RENEW THE LEASE FOR TWO SUCCESSIVE PERIODS, NOT TO EXCEED A TOTAL RENEWAL TERM OF 15 YEARS.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

NO SCALE

SITE MAP

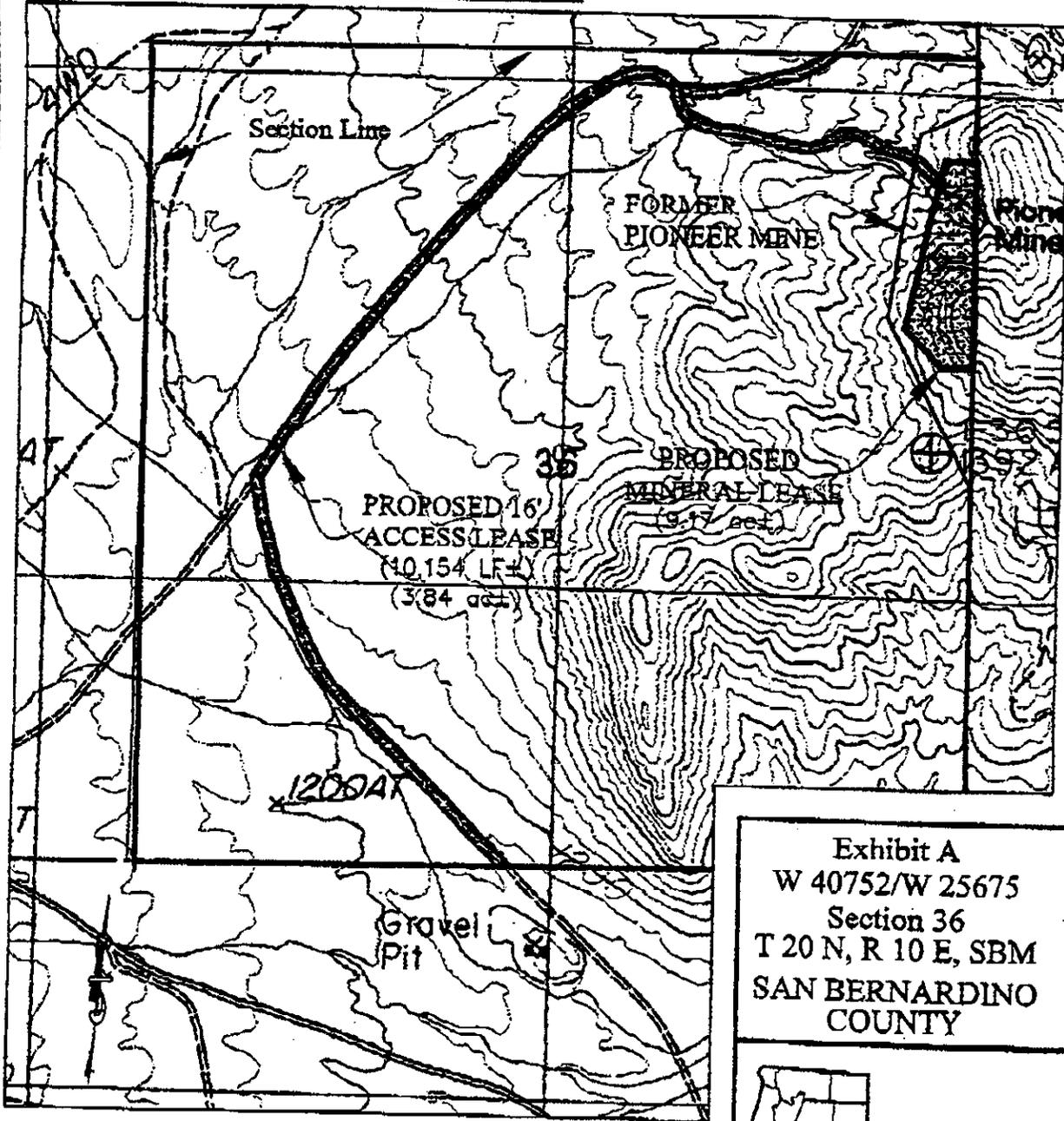


Exhibit A
 W 40752/W 25675
 Section 36
 T 20 N, R 10 E, SBM
 SAN BERNARDINO
 COUNTY



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SLC

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by Lessee or other parties, 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.