CALENDAR ITEM
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W 40951
S 18 | V. Perez

CONSIDER APPLICATION FOR A PROSPECTING PERMIT FOR MINERALS OTHER THAN OIL, GAS, AND GEOTHERMAL RESOURCES ON STATE SCHOOL LANDS, SAN BERNARDINO COUNTY

APPLICANT:

Bagdad Chase, Inc.
Attn.: Mr. George Rodda, Jr.
33440 Barrington Drive
Temecula, CA 92592

AREA, TYPE LAND AND LOCATION:

All of Section 16, T6N, R8E, SBM, San Bernardino County, containing 640 acres, more or less, of State school lands (SLC Parcel # 193-003, APN # 0551-171-12), near the town of Ludlow.

BACKGROUND:

On November 2, 2010, the California State Lands Commission (Commission) staff received an application from Bagdad Chase, Inc. (Bagdad) to prospect for solid minerals on approximately 640 acres of State fee-owned lands. Staff deemed the application complete on February 9, 2011.

Bagdad's purpose for seeking a prospecting permit is to determine whether the parcel contains commercial-grade construction materials that would warrant a longer leasing arrangement with the Commission. If the desired minerals are present, Bagdad believes that a mining operation might be economically viable due to the high demand for aggregate if numerous proposed renewable energy and energy transmission projects in the area are developed.

The initial stage of the proposed exploration consists of collecting small rock samples under the guidance of Bagdad's Staff Geologist Peter J. Butterfield and Project Director/Biologist, Douglas Erickson. Bagdad estimates the maximum amount of samples taken from the parcel would fill about a dozen five-gallon

buckets. The maximum size of the rock samples to be taken is estimated to be no larger than a baseball. The sampling will require one small pickup truck. The vehicle will be used only on existing roads; samplers will access more remote sites on foot. No heavy equipment or large vehicles will be allowed. The collecting phases will vary depending upon the results of the initial hand sampling. More samples will be taken from those areas of Section 16 that appear more promising for construction materials than from less-promising areas.

Bagdad has established a crushed rock sampling analysis account with ALS Minerals in Reno, Nevada. Mr. Erickson will deliver the rock samples personally to the lab in Reno to avoid concerns related to chain of custody. Bagdad will be required to send Staff quarterly reports of its progress, together with analysis of its rock samples, during the term of the prospecting permit.

To ensure that the prospecting will not affect the desert tortoise, a state and federally threatened species which is likely present on the parcel, Staff has added permit conditions to be included within Exhibit B of the prospecting permit (see Exhibit C, attached hereto). These conditions are designed to minimize the possibility that the permitted activity will harm any tortoises or tortoise burrows.

TERMS OF PROPOSED PROJECT:

The initial term of the CEQA-exempt mineral prospecting permit shall be one year beginning May 1, 2011 and ending April 30, 2012. The Commission, in its discretion, may extend the term for no more than two additional periods, not to exceed one year each, so that in no event the term of the permit shall exceed three years.

ROYALTY:

In accordance with Public Resources Code section 6896, 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.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

1. The required filing fee, processing fee and acreage deposit have been submitted by the applicant.

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

3. If permittee perfects the permit into a preferential lease, the determination of the royalty charges for commercial production shall be at the discretion of the Commission and set forth in the lease. Permittee understands that pursuant to Public Resources Code section 6895, the royalty under a mineral lease cannot be less than ten percent (10%) of the gross value less any approved charges for processing and/or transportation.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code section: Division 6, section 6891
B. California Code of Regulations: Title 2, section 2200

OTHER PERTINENT INFORMATION:

1. 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 CEQA as a categorically exempt project. The project is exempt under Class 6, Information Collection; Title 2, California Code of Regulations, section 2905(e)(3).

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

2. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. However, the Commission has declared that all lands are “significant” by nature of their public ownership (as opposed to “environmentally significant”). Because such declaration of significance is not based upon the requirements and criteria of Public Resources Code sections 6370, et seq., use classifications for such lands have not been designated. Therefore, the finding of the project’s consistency with the use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.

3. This mineral prospecting permit shall not provide for a performance bond or other security device in favor of the State until such time as the extent of further prospecting activity, such as an exploratory drilling program, is proposed by the applicant.

APPROVALS OBTAINED:

Pursuant to Public Resources Code section 6890, the prospecting permit document has been approved by the Office of the Attorney General as to compliance with the applicable provisions of the law.

EXHIBITS:

A. Land Description
B. Site Map
C. Prospecting Permit

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

1. Find that the activity is exempt from the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15061 as a categorically exempt project, Class 6, Information Collection; Title 2, California Code of Regulations, section 2905(e)(3).

2. The project shall include this prospecting permit with an initial term of one year that may be extended by the Commission for no more than two periods not to exceed one year each.

3. Determine that the lands described in the permit are not presently known to contain commercially-valuable mineral deposits.

AUTHORIZATION:

1. Authorize the issuance of a Mineral Prospecting Permit to Bagdad Chase, Inc. for all minerals other than oil, gas, and geothermal resources on section 16, T16N, R8E, SBM substantially in the form attached as Exhibit C and under the conditions set forth in Exhibit B of the permit.

2. Authorize the Executive Officer or his designee to execute any documents necessary to implement the Commission's action.

Exhibit A

W 40951

LAND DESCRIPTION

Those state-owned school lands in San Bernardino County, California, described as follows:

All of Section 16, T6N, R8E, SBM as shown on the official U.S. Government Township Plat approved May 2, 1922

END OF DESCRIPTION

PREPARED 2/24/11 BY THE CALIFORNIA STATE LANDS COMMISSION BOUNDARY UNIT

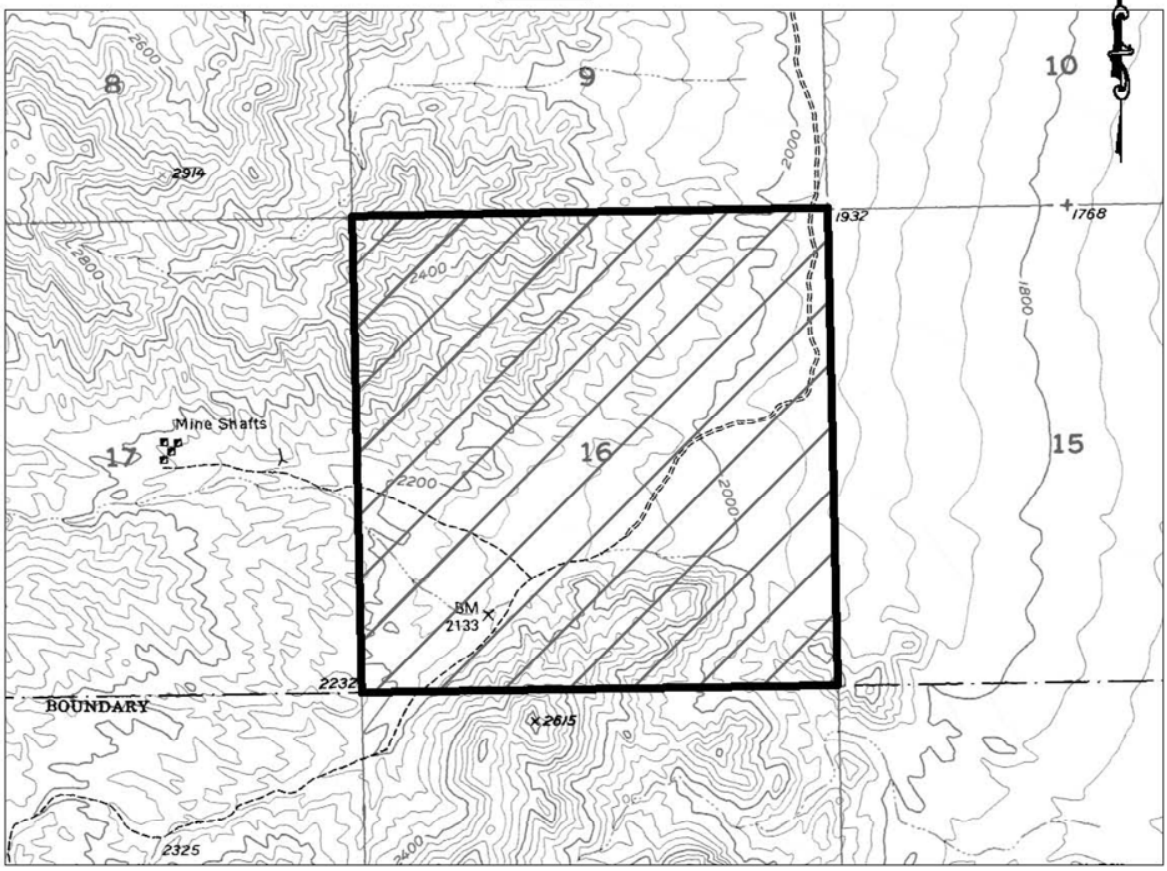
LICENSED LAND SURVEYOR
STEVE C. LEMAN
Exp. 12/31/11
No. 7377
STATE OF CALIFORNIA

Exhibit B

W 40951

NO SCALE

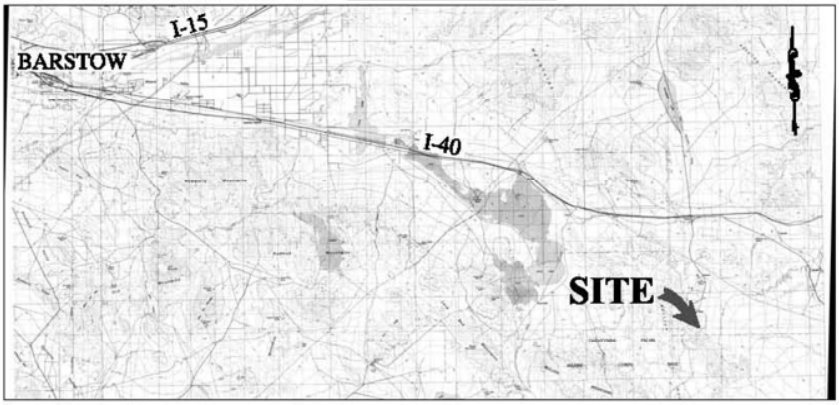
SITE



Section 16, T6N, R8E, SBM - 3 miles South of I-40

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

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

Exhibit B

W 40951
BAGDAD CHASE, INC.
APN 0551-171-12
SOLID MINERAL
PROSPECTING PERMIT:
SURFACE SAMPLING
SAN BERNARDINO COUNTY

MJF 2/23/11

Exhibit C

W 40951
PRC

CALIFORNIA STATE LANDS COMMISSION

MINERAL PROSPECTING PERMIT

Permit to Prospect for Minerals other than Oil, Gas, and Geothermal Resources

This Mineral Prospecting Permit (the "Permit") is made and entered into pursuant to Division 6 of the California Public Resources Code, by and between the State of California, acting through the California State Lands Commission (the "State"), and Bagdad Chase, Inc. ("Permittee"), whose mailing address is: 33440 Barrington Drive, Temecula, CA 92592.

The State grants a Mineral Prospecting Permit to Permittee for those certain parcels of State land, and designated as the "Permitted Land," situated in the County of San Bernardino, State of California, and more particularly described as follows:

All of Section 16, T6N, R8E, SBM, San Bernardino County, containing 640 acres more or less, (SLC Parcel # 193-003, APN # 0551-171-12) and subject to any valid easements and rights-of-way particularly described in Exhibit "A."

1. The term of this Permit shall commence on the first day of the month following the month in which it is approved by the State and executed by both the State and Permittee (the "effective date") and shall continue for one (1) year. The State may extend the term of this Permit for no more than two additional periods not to exceed one (1) year each, so that the term of this Permit, including all additional periods, shall not exceed a total of three (3) years.

2. Permittee shall have the exclusive right, subject to the provisions of Paragraph 22(a), to prospect for precious and semi-precious metals, and all other minerals except oil, gas, other hydrocarbons, and geothermal resources. Permittee's mineral prospecting activities shall be confined to those information gathering techniques described in Exhibit "B" of this Permit.

3. Categorical Exemption, Class 6, information collection (14 California Code of Regulations section 2905) was issued for this Permit and is on file in the office of the California State Lands Commission. Permittee shall comply with all conditions and limitations on its operations as set forth in Exhibit "B" of this Permit. Any additional activities not specifically allowed in Exhibit "B" will require additional environmental review pursuant to the California Environmental Quality Act (CEQA).

4. Additional provisions which amend, supplement or supplant the provisions of this Permit are included in Exhibits "B" and "C" of this Permit. If a provision in

this Permit is inconsistent with a provision in Exhibit "B" or "C," the provision in Exhibit "B" or "C" shall control.

5. (a)(1) Permittee shall pay to the State a royalty of twenty percent (20%) of the gross value of all minerals produced, extracted, shipped, used or sold under this Permit, until this Permit terminates or is superseded by the issuance of a mineral lease as provided in Paragraph 15. The gross value upon which the royalty rate is based shall not be less than the reasonable fair market value, as fixed by the State, of any mineral resources extracted from the Permitted Land.

(a)(2) Royalties shall be paid on a permit-quarter basis and shall be due and payable by the twenty-fifth (25th) day of the month following the quarter in which the minerals are sold. A permit quarter is a period of three (3) consecutive calendar months, with the first permit quarter being the first three months after the Permit's effective date, and every three-month period thereafter being a permit quarter.

(b) Royalties that are not paid when due shall bear interest from the day following the due date until they are paid at the rate of one and one-half percent (1 1/2%) per month. The State may assess the Permittee a penalty of not more than five percent (5%) of any such royalties that are not paid when due.

(c) All payments required to be made under this Permit shall be made to the State at the address as set forth in Paragraph 6.

6. All notices to be given under this Permit shall be in writing and shall be deemed to have been given when deposited with the United States Postal Service with first class postage prepaid, when deposited with a responsible private overnight mail delivery service or when sent by facsimile to the parties as follows:

To the State:	California State Lands Commission 200 Oceangate, 12th Floor Long Beach, CA 90802-4331 FAX: (562) 590-5295
To Permittee:	Bagdad Chase, Inc. 33440 Barrington Drive Temecula, CA 92592 FAX: (951) 302-1311

The addresses to which notices shall be sent may be changed by written notice given by one party to the other in any manner provided above.

7. Permittee represents to the State by its execution of this Permit that it is qualified to hold the Permit under Division 6 of the California Public Resources Code. If the State determines that Permittee is not so qualified, this Permit shall terminate automatically and Permittee shall be liable to the State for all proceeds and/or minerals extracted, produced or sold from the Permitted Land and for all other matters for which it is

in default under this Permit.

8. Within ninety (90) days of the effective date of this Permit, Permittee shall mark each corner of the Permitted Land with a substantial monument constructed of rock or wood. Within the same ninety (90) days, Permittee shall post a notice in a conspicuous location on the Permitted Land stating that this Mineral Prospecting Permit has been issued and describing the Permitted Land.

9. Permittee shall safely construct all excavations and shall timber all underground and surface-entry workings, where necessary, in a safe, sufficient manner by applying good mining engineering practice. All operations under this Permit shall be conducted in accordance with approved and accepted mining and exploration methods and practices, and with due regard for the protection of life and property, preservation of the environment and the conservation of natural resources.

10. This Permit is issued subject to all existing valid rights in the Permitted Land at the Permit's effective date. If the Permitted Land has been sold by the State subject to a reserved mineral interest, Permittee shall abide by whatever conditions and limitations are prescribed by law, including California Public Resources Code Section 6401, governing the extraction and production of minerals from and the occupancy and use of the surface of such land.

11. The State reserves whatever right it may have to grant to any person, upon such terms as it may determine, easements, rights of way, permits, leases or other interests in the Permitted Land, including easements for tunnels or wells bored through or in the Permitted Land. However, the State shall not grant interests which unreasonably interfere with or endanger Permittee's operation under this Permit.

12. (a) Permittee shall keep accurate records of its operations under this Permit and shall file with the State no later than the twenty-fifth (25th) day of the month following each permit quarter, a detailed accounting statement for permit operations including, but not limited to, information showing the amount or gross value derived, earned or attributable to all minerals produced, extracted, shipped, used or sold, and the amount of royalty due.

(b) Royalties shall be paid when the accounting statement is submitted.

(c) At the State's request, Permittee shall provide more detailed statements and explanatory materials to aid the State in interpreting and evaluating Permittee's accounting statement.

(d) All accounting statements are subject to audit and revision by the State. Permittee shall allow the State to inspect at all reasonable times all Permittee's books, records and accounts relating to operations under this Permit, including, but not limited to, the development, production, sale, use or shipment of minerals. Permittee

waives whatever statutory or other rights it may have to object to such inspection.

13. Permittee shall supply to the State within thirty (30) days of their completion, or the completion of any recorded portion of them, all physical and factual exploration results, logs, surveys and any other data in any form resulting from operations under this Permit or from any surveys, tests or experiments conducted on the Permitted Land by Permittee, or any person or entity acting with the consent of Permittee or with information or data provided by Permittee. Permittee shall supply to the State within thirty (30) days of their completion, or the completion of any recorded portion of them, the results of all geological, geophysical or chemical tests, experiments, reports and studies, interpretive or factual, irrespective of whether the results of such tests, experiments, reports and studies contain sensitive, proprietary or confidential information or trade secrets. Permittee waives whatever rights or objections it might have to prevent disclosure of any such tests, experiments, reports or studies. All such data and documents supplied by Permittee shall be deemed to have been "obtained in confidence" for purposes of California Government Code Section 6254(e), and may be disclosed to other persons only with the written consent of Permittee or upon a determination by the State that their disclosure is in the public interest.

14. Permittee shall comply with all valid laws of the United States and of the State of California and with all valid ordinances of cities and counties applicable to Permittee's operations including, but not limited to, all applicable provisions of the California Public Resources Code and the California Code of Regulations. In its employment practices connected with its operations under this Permit, Permittee shall not discriminate against any person because of race, color, religion, sex, national origin, physical disability, sexual orientation, AIDS or AIDS related condition, marital status or age.

15. Upon establishing to the satisfaction of the State that commercially valuable deposits of minerals have been discovered on the Permitted Land, Permittee shall be entitled to a lease of not more than six hundred forty (640) acres, provided that:

(a) The State complies with the provisions of California Public Resources Code Section 6371 relating to environmental documents.

(b) Royalty payments to the State for minerals produced, extracted, shipped, used or sold under the mineral lease are to be determined according to the formula set forth in Exhibit "C" of this Permit.

(c) The annual rental under the mineral lease shall be not less than one dollar ($1.00) per acre. The annual rental shall be due and payable on the anniversary of the effective date of the mineral lease, except the first year's rental which shall be due thirty (30) days after the effective date of the mineral lease.

(d) The right to lease, sell or otherwise dispose of whatever right, title or interest the State has in the surface of the land included within the mineral lease,

insofar as the surface is not required by Permittee for its operations under the mineral lease, is reserved to the State.

16. (a) Permittee shall pay, when due, all taxes and assessments lawfully assessed and levied under the laws of the State of California and of any political subdivision of the State of California, and of the United States of America, against any and all improvements, property or assets of Permittee situated upon the Permitted Land, or other rights of Permittee arising out of the Permit. Such taxes include possessory interest taxes imposed by a city or county on the permitted interest. The payment of any such taxes by Permittee shall not reduce the amount of consideration due the State under this Permit.

(b) Permittee understands that the permitted interest, and if a mineral lease is ultimately issued, the leasehold interest, may be a possessory interest subject to property taxation, and that Permittee is responsible for paying all property taxes levied on such possessory interests as provided above.

17. At all times and with respect to all operations under this Permit, Permittee shall carry worker's compensation insurance fully covering all its employees.

18. If Permittee is not the surface owner of the Permitted Land, then at the expiration or sooner termination of this Permit, Permittee shall surrender possession of the Permitted Land with all improvements, structures and fixtures in good order and condition, or the State may require Permittee, at its own cost, to remove, within ninety (90) days, designated improvements, structures and fixtures that were put on the Permitted Land by Permittee, and restore the Permitted Land to the extent and in the manner specified by the State.

19. Permittee may at any time make and file with the State a written quitclaim or relinquishment of all rights under this Permit, pursuant to California Public Resources Code Section 6804.1. The quitclaim or relinquishment shall be effective as of the date of its filing, subject to the continued duty of Permittee to comply with all permit obligations that have accrued prior to such filing.

20. (a) Permittee shall indemnify, save harmless and, at the option of the State, defend, except in matters involving title, the State of California, its officers, agents and employees, against any and all claims, demands, causes of action, or liability of any kind which may be asserted against or imposed upon the State of California, or any of its officers, agents or employees, by any third person or entity arising out of or connected with Permittee's operations under this Permit, or the use by Permittee or its agent, employees or contractors of the Permitted Land. Without limiting the generality of the foregoing, such indemnification shall include any claim, demand, cause of action or liability of any kind asserted against or imposed upon the State of California, or any of its officers, agents or employees, arising out of or connected with any alleged or actual violation by Permittee, its agents, employees or contractors, of the property or contractual rights of any third person or entity. This provision shall not be construed to require

Permittee to indemnify the State for any alleged negligence or other wrongful act of the State, or any of its officers, agents, or employees, except to the extent that such negligence or other wrongful act is alleged to consist of the issuance of this Permit, the adoption and enforcement of the provisions of the Permit or the failure of the State to enforce adequately any such provisions.

(b) At the option of the State, Permittee shall procure and maintain liability, property damage or other insurance for the benefit of the State in an amount satisfactory to the State.

21. Before discovery of a commercially valuable deposit of minerals, the State may cancel this Permit upon the failure of Permittee, after thirty (30) days' written notice and demand for performance, to exercise due diligence and care in the prosecution of the mineral prospecting work in accordance with the terms and conditions of this Permit. After discovery of a commercially valuable deposit of minerals, the State may cancel this Permit only upon the failure of Permittee, after ninety (90) days' written notice and demand for performance, to comply with any of the provisions of this Permit.

22. (a) The State reserves the right to issue additional exploratory rights, permits and leases on and in the Permitted Land for the purpose of exploring for, prospecting for or extracting oil, gas, other hydrocarbons, geothermal resources, and any other mineral resources specifically excluded from this Mineral Prospecting Permit, provided that the activities conducted under such additional exploratory rights, permits or leases do not unreasonably interfere with or endanger Permittee's operation under this Permit. The reserved exploratory rights shall include, but are not limited to, the right to conduct surveys, tests or experiments using any geological, geophysical, geochemical or other method, including core drilling, for the purpose of determining the presence of such mineral resources on or in the Permitted Land. Permittee shall allow the State, the State's permittees or lessees, and any other persons authorized by the State, at such party's sole risk and expense, to enter upon the Permitted Land in order to conduct such exploratory, prospecting and extraction activities.

(b) The State, or persons authorized by the State, shall have the right to go upon the Permitted Land at all reasonable times for the purposes of inspecting the Permitted Land and Permittee's operations, placing signs upon the property, responding to a fire, taking police action and protecting the premises. Entry by the State, or by persons authorized by the State, shall not give Permittee any right to charge the State or subject the State to liability for any loss of occupation or quiet enjoyment.

23. The obligations imposed upon Permittee under this Permit shall be suspended when Permittee is prevented from complying with them by wars, riots, acute and unusual labor or material shortages, acts of God, laws, rules and regulations of any federal, state, county or municipal agency, or by other unusual conditions that are beyond the control of Permittee.

24. Permittee shall perform all work under this Permit with due regard for

the preservation of the Permitted Land and the environmental impact of its operations in accordance with the following terms and conditions:

(a) Permittee shall landscape and/or fence all permanent operation sites to screen them from public view to the maximum extent possible. The landscaping or fencing shall be done at the direction of the State and shall be kept in good condition.

(b) Permittee shall conduct all its operations under this Permit in a manner that will eliminate, as far as practicable, dust, noise, vibration and noxious odors. Permittee shall keep operating sites neat, clean and safe and shall control dust to prevent its widespread deposition. Permittee shall remove promptly all materials determined by the State to be detrimental to vegetation that are deposited on trees and other vegetation.

(c) Permittee shall conduct all operations disturbing the soil surface, including, but not limited to, road building, construction of facilities and movement of heavy equipment, in a manner that will not result in unreasonable damage to trees and plant cover, soil erosion or degradation of waters of the State, including fish and aquatic life habitats.

(d) Permittee shall maintain existing roads and bridges upon or serving the Permitted Land in a condition equal to or better than that existing before Permittee's commencement of use. Permittee shall locate, construct and maintain new roads and bridges on the Permitted Land in accordance with State specifications. Permittee shall protect from damage, and replace when damaged by Permittee, all improvements, structures, telephone lines, trails, ditches, pipelines, water developments, fences and other property of the State, or of other permittees of the State, and permanent improvements, including crops, of the surface owner(s). Permittee shall control the public's access to the production site to prevent accidents or injury to persons and property.

(e) Permittee shall pond drilling mud in a safe manner and place, and when required by the State, shall post the area with warning signs and fence it to protect persons, domestic animals and wildlife. Permittee shall keep all drilling areas cleared and graded, and shall keep production facility sites to a reasonable number and size, as directed by the State. Permittee shall keep noise levels to a minimum during all operations and equip all internal combustion engines with mufflers or silencers. All noise level measurements shall be made in conformity with standards prescribed by the State.

(f) The above obligations are in addition to and not limits upon all rules, regulations, restrictions, mitigation measures and other measures to which Permittee is subject that are designed to restrict, limit, modify or minimize the environmental impact of the operations under this Permit.

25. If Permittee fails to comply with any of the provisions of this Permit or with any regulations or laws applicable the operations under this Permit, the State may

cancel this Permit following ninety (90) days' written notice to Permittee setting forth the grounds for the cancellation. If this Permit is cancelled, Permittee shall still comply with the conditions specified in Paragraph 18 for surrendering the Permitted Land.

26. The State's waiver of any default or breach of any term, covenant or condition of this Permit shall not constitute a waiver of any other default or breach whether of the same or any other term, covenant or condition, regardless of the State's knowledge of such other defaults or breaches. The acceptance by the State of any monies due under this Permit shall not constitute a waiver of any preceding default or breach, other than the failure of Permittee to pay the particular monies accepted, nor shall acceptance of monies after termination of this Permit constitute a reinstatement, extension or renewal of this Permit.

27. The covenants and conditions in this Permit shall apply to and bind the heirs, successors, executors, administrators and assigns of the parties.

28. As provided in California Public Resources Code Section 6804, Permittee may assign, sublease or transfer this Permit or any interest in it with the prior written approval of the State. The consent to the transfer of any interest in this Permit shall not be deemed a consent to any subsequent assignment, sublease, occupancy or use by another person. Any assignment, sublease or transfer without the State's consent, whether voluntary or by operation of law, shall be void and transfer no rights to the purported transferee. This provision shall not prevent Permittee from subcontracting parts of the work to be performed under this Permit without State approval, so long as Permittee remains fully responsible to the State. Upon approval of any assignment, sublease or transfer, the assignee, sublessee or transferee shall be bound be the terms of this Permit to the same extent as if such transferee were the original Permittee, any conditions in the assignment, sublease or transfer to the contrary notwithstanding.

29. Within thirty (30) days of the date the State approves the issuance of this Permit, Permittee shall furnish a bond, or other security device acceptable to the State, in the sum of $ 0, which shall be in favor of the State for its exclusive use and benefit, and shall guarantee the faithful performance by Permittee of the terms and conditions of this Permit. The bond shall be maintained until it is released by the State. This requirement shall be separate from any other bonding requirements to which Permittee is subject.

30. This Permit is issued upon the application of Permittee and is entered into without a formal title determination. This Permit shall not be construed as establishing the extent of the State's claim to or interest in the Permitted Land. The State does not warrant the title to the Permitted Land or any right Permittee may have to possession or to quiet enjoyment of it.

31. If any provision of this Permit is judicially determined to be invalid, it shall be considered deleted from this Permit and shall not invalidate the remaining provisions.

32. Time is of the essence in this Permit.

This agreement shall become binding only when it is approved by the State and is duly executed by the State and by Permittee.

CALIFORNIA STATE LANDS COMMISSION

Dated:_____

GREGORY D. SCOTT, CHIEF
MINERAL RESOURCES MANAGEMENT DIVISION

PERMITTEE*

BAGDAD CHASE, INC.

Dated: 03-09-2011

By: _____
George Rodda, Jr.

Secretary
Title

33440 Barrington Drive
Address

Temecula, CA 92592
City and State

* In executing this document, the following are required:

Corporations:

(1) Corporate Seal

(2) Certified copy of the resolution or other document authorizing the execution of this agreement on behalf of the corporation.

Approved as to form:
Kamala D. Harris
Attorney General, State of California

By: _____
Deputy Attorney General

BAGDAD CHASE, INC.
A Nevada public corporation
33440 Barrington Drive
Temecula, CA 92592
951:302-9966, 302-1311 (fax)

GEORGE RODDA, JR, duly elected Secretary of Bagdad Chase, Inc. hereby certifies under the penalty of perjury of the laws of the State of California that at a November 23, 2011 meeting of the Executive Committee at which all members were present the following resolutions was unanimously approved:

RESOLVED, THAT this corporation apply for a Mineral Prospecting Permit for those adjacent lands legally described as Section 16, Township 6 North, Range 8 East, SBB&M, formerly known as State School Lands.

GEORGE RODDA, JR.
SECRETARY

BGDD 11-23-2010EXEC AGENDA

EXHIBIT "A"

LAND DESCRIPTION

Those state-owned school lands in San Bernardino County, California, described as follows:

All of Section 16, T6N, R8E, SBM as shown on the official U.S. Government Township Plat approved May 2, 1922

END OF DESCRIPTION

PREPARED 2/24/11 BY THE CALIFORNIA STATE LANDS COMMISSION BOUNDARY UNIT

LICENSED LAND SURVEYOR
STEVE C. LEWMAN
Exp. 12/31/11
No. 7377
STATE OF CALIFORNIA

EXHIBIT "B"

(Additions, Deletions and Modifications)

Mineral prospecting will be for solid minerals on approximately 640 acres of 100% percent State fee lands. Mineral prospecting activities authorized under this Permit shall be limited to field work involving rock chip sampling. Exploratory drilling is not authorized by this Permit. Any form of re-drilling of existing holes is not permitted by this Permit. One bulk sample not to exceed 1000 pounds, consisting of numerous rock chip samples from the State's parcel, may be removed and delivered to the lab for analyzing. No other surface disturbance is authorized. Vehicle access shall be limited to existing roads and jeep trails. Additional access shall be on foot.

To insure the prospecting will not have any effect on the threatened desert tortoise, which is expected to be present on the parcel, Permittee shall adhere strictly to the following conditions:

1. Samplers shall not bring dogs or firearms onto the site.

2. Samplers shall bring only one truck onto the site at any one time, keep on established roads only, and observe a 15 mile per hour speed limit. The truck shall be in proper working order and free of any fluid leaks to ensure tortoise do not ingest harmful fluids.

3. Samplers shall not touch or handle any tortoises.

4. Samplers shall check under and around any parked vehicle prior to moving the vehicle. If a tortoise is under it, the vehicle shall not be moved until the tortoise leaves the vicinity of the vehicle.

5. Samplers shall not take samples from rock piles that could reasonably be sheltering a tortoise or burrow.

6. If any tortoise or burrow is spotted on State land, samplers shall not pursue activities within a 25 foot radius of the animal or burrow.

7. Samplers shall contain all trash, litter and debris and remove them from the site to avoid attracting predators such as ravens or coyotes. Additionally, samplers shall not leave on the site any rope, cord, twine or other material that may entangle tortoise.

Any leasing of the Permitted Land for mineral resource development under California Public Resources Code Section 6895, or any change in mineral prospecting activities from those permitted above, including any proposed exploratory drilling program, will require preparation of appropriate environmental documentation in accordance with the provisions of the California Environmental Quality Act (CEQA). Such leasing, or change

in mineral prospecting activities, shall not be allowed unless and until all necessary environmental approvals of the proposed mineral resource development or change in mineral prospecting activities are obtained from the California State Lands Commission and from responsible agencies under California Public Resources Code Section 21002.1. It is understood that after considering such documentation, the California State Lands Commission, or a responsible agency, may disapprove such leasing or other mineral prospecting activities, or require certain mitigation measures on grounds that one or more significant effects on the environmental would occur if leasing or any change in permitted mineral prospecting activities were allowed.

Neither the existence of this Permit nor any reliance by Permittee upon this Permit shall in any way affect the discretion of the California State Lands Commission or any other public agency in giving or denying such environmental approvals or in imposing any appropriate mitigation measures. The denial of such approvals or the imposition of such mitigation measures by the California State Lands Commission or any other public agency shall not be a force majeure condition under Paragraph 23 of this Permit or a basis for damages or any other claim against the State or any other public agency.

The provisions of this Exhibit "B" shall prevail over any and all other provisions of this Permit that are contrary to or inconsistent with them.

EXHIBIT "C"

(Preferential Lease Royalty Formula)

Royalty payable under any preferential State Mineral Extraction Lease issued hereunder shall not be less than ten percent (10%) of the gross value of all mineral production from the Leased Land, less any charges approved by the California State Lands Commission made or incurred with respect to transporting or processing the State's royalty share of production. The determination of the royalty and charges shall be at the discretion of the California State Lands Commission and as set forth in the State Mineral Extraction Lease.