

MINUTE ITEM
This Calendar Item No. 34
was approved as Minute Item
No. 34 by the State Lands
Commission by a vote of 2
to 0 at its 7-22-76
meeting.

CALENDAR ITEM

7/76
JFS
W 9978

34.

APPLICATION FOR SUBLEASE FOR MINERAL EXTRACTION LEASES
PRC 4754.1, PRC 4996.1, PRC 2967.1 AND RIGHT OF WAY
AND USE PERMITS PRC 2976.1 AND PRC 3511.1, INYO COUNTY;
MORRISON AND WEATHERLY CHEMICAL PRODUCTS

An application has been received from Lake Minerals Corporation requesting the approval of the subleasing of Mineral Extraction Leases PRC 4754.1 and PRC 4996.1, and Brine Lease PRC 2967.1 and Use Permits PRC 2976.1 and PRC 3511.1 for the remaining terms of each lease.

Mineral Extraction Lease PRC 4754.1 was issued on April 26, 1973, for an initial period of five years to Morrison Weatherly Chemical Products.

Mineral Extraction Lease PRC 4996.1 was issued on February 27, 1975, for an initial period of five years to Morrison and Weatherly Chemical Products.

Brine Lease PRC 2967.1 was issued on December 6, 1962, for an initial period of twenty years, to Guy Weatherly and subsequently assigned on July 2, 1965 to Morrison and Weatherly Chemical Products.

Right of Way Lease PRC 3511.1 was issued on July 12, 1966, for an initial period of 10 years to Morrison and Weatherly Chemical Products.

All of the foregoing leases require that any assignment or sub-lease be approved by the State Lands Commission.

APPLICANT: Lake Minerals Corporation
1360 Bayport Avenue
San Carlos, California 94070

TYPE OF LAND: 8870 acres of sovereign lands in Owens Lake, Inyo County.

MINERALS: Trona.

- PREREQUISITE ITEMS:
1. Statutory filing fee and expense deposit fee have been deposited by the applicant.
 2. Applicant has submitted a copy of the sublease document between Lake Minerals Corporation and Morrison and Weatherly Chemical Products.

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3. Applicant has submitted the Corporation Papers and a brief resume of individuals that own an interest in Lake Minerals Corporation.
4. Lake Minerals has submitted, in abstract form, their purpose in acquiring the sublease agreement and their proposed development plans for Morrison and Weatherly leases.
5. All rents and royalties due under the terms of the subject leases are current.
6. Lake Minerals shall deposit performance bonds in the amount specified for each lease, and shall be bound to the terms and conditions specified in each lease.
7. Morrison and Weatherly shall maintain on deposit throughout the entire lease period performance bonds in the amount specified for each lease, and shall be bound to the terms and conditions specified in each lease.
8. Applicant has submitted documentation of power of attorney, granted to applicant to conduct all future leasing procedures with the State.
9. Applicant has submitted a certified copy of resolution by the Board of Directors naming the officers of the Corporation authorized to execute and sign documents to be filed with the State Lands Commission.

BRIEF HISTORY OF MORRISON AND WEATHERLY OPERATIONS:

Morrison and Weatherly Chemical Products started operations on Owens Lake in 1966 in a rather inconspicuous manner with a small lease on the fringes of the lake bed. By 1973 they had mined and quitclaimed 4 such fringe leases which produced a total of 154,558 tons of trona and yielded a royalty of approximately \$137,433 to the State. Brine Lease PRC 2967.1 was acquired by Mr. Guy Weatherly in 1962 and subsequently assigned to Morrison and Weatherly Chemical Products. This lease has never been produced primarily because the firm's basic market was in trona and the lease area was never considered to contain the quality of brine to make it competitive.

In 1973 Morrison and Weatherly Chemical Products was awarded Lease PRC 4754.1 and in 1975 Lease PRC 4996.1. The acquisition

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of these leases made available improved mining areas, from which they have been able to build their current average annual royalty to the State to \$100,000+. To date, the two leases have produced a total of 297,861 tons of trona and have yielded approximately \$286,728 in royalty. Thus, since 1966 under the operations of Morrison and Weatherly Chemical Products, Owens Lake has yielded a total of approximately 452,449 tons of trona and \$424,162 in royalties to the State.

Future growth of the firm, however, will probably be inhibited as it has in the past, by the limited extractive technique.

Technological development of the lessee's mining and extractive operations have not kept pace with the sales primarily because of the lack of cash flow and this has affected their market potential. These factors, compounded by uncontrollable seasonal water runoffs that often make the present mining operations impossible, contamination of the trona reefs by blow sand, and strikes involving customer's operations have resulted in very sporadic development of the potential mineral resources of Owens Lake.

Early in 1975 Nevada Power and Light Co., a current customer of the lessee, retained Agricultural & Industrial Minerals, Inc. (A.I.M.) of San Carlos, on behalf of and with the approval of Morrison & Weatherly, with the intent to core and evaluate the salt deposits of Owens Lake. A.I.M. is a consulting firm with extensive world-wide experience in evaluating salt deposits.

In the course of their evaluation, A.I.M. recognized that the mineral potential of Owens Lake had never been fully developed. Intrigued by the possible potential development of the salt body, they approached Morrison & Weatherly with a development proposal which the latter accepted and as a result Lake Minerals Corporation was formed.

LAKE MINERALS CORPORATION:

The proposed sublessee, Lake Minerals Corporation, was recently formed by Agricultural Industrial Minerals, Inc., for the express purpose of handling the proposed development of the Morrison and Weatherly Chemical Products leases on Owens Lake. Lake Minerals Corporation is owned one-third by Agricultural and Industrial Minerals, Inc., one-third by Mr. Charles T. Draney and Mr. Charles A. R. Lambly, with the Bank of America's Small Business Enterprise Company holding an option to acquire the remaining one-third of the corporation upon the approval of the subleasing of the subject leases from Morrison and Weatherly Chemical Products.

Under the agreement of the sublease document, Lake Minerals Corporation will assume full control of Morrison and Weatherly's

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current operations by January of 1977. There are three key elements to Lake Minerals Corporation's anticipated development of the mineral resources of Owens Lake. First, a more effective and efficient extractive method must be developed. They are convinced that a wet extractive method utilizing slurry transportation techniques is the answer. Second, they are confident they have the capabilities and knowledge to apply new processing technology which will result in an upgraded product. Third, they propose to actively pursue new markets for intermediate grades of soda ash in air pollution control, as well as for industrial chemical uses. To implement this program, they propose to request amendments to existing leases to modify the mining depth (currently limited to two feet) so that slurry mining techniques may be employed, and to acquire additional acreage on the deeper areas of the salt deposit to be able to supply the anticipated market growth. An environmental impact study of slurry mining is now being prepared and will be submitted with any request for lease modification. To carry out the proposed plans, they have projected a capital investment from the year 1977 to 1986, of \$13,000,000.

EXHIBITS: A. Lease Descriptions. B. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE SUBLEASE FROM MORRISON AND WEATHERLY CHEMICAL PRODUCTS TO LAKE MINERALS CORPORATION FOR AN INITIAL PERIOD FOR THE REMAINING TERMS OF THE FOLLOWING LEASES: PRC 4754.1, PRC 4996.1, PRC 2967.1, PRC 3511.1., AND PRC 2976.1, SUBLESSEE SHALL DEPOSIT PERFORMANCE BONDS IN THE AMOUNT SPECIFIED FOR EACH LEASE, AND SHALL BE BOUND TO THE TERMS AND CONDITIONS SPECIFIED IN EACH LEASE. SUBLESSOR SHALL MAINTAIN ON DEPOSIT THROUGHOUT ENTIRE LEASE PERIOD, PERFORMANCE BONDS IN THE AMOUNT SPECIFIED FOR EACH LEASE, AND SHALL BE BOUND TO THE TERMS AND CONDITIONS SPECIFIED IN EACH LEASE. THE AREAS UNDER LEASE ARE DESCRIBED IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF.

Attachment: Exhibit "A"

EXHIBIT "A"

PRC 2967.1

Parcel No. 1

Beginning at the S.E. corner of the N.E. Quarter of the S.E. Quarter of Section 5, T. 18 S., R. 37 E., M.D.M., and running thence S. 33° 07' E., a distance of 5,000 feet.

Parcel No. 2

Beginning at a point which bears S. 33° 07' E., 500 feet and S. 26° 32' W., 57.94 feet from the S.E. corner of the N.E. Quarter of the S.E. Quarter of Section 5, T. 18 S., R. 37 E., M.D.M., and running thence S. 26° 32' W., a distance of 6,942.06 feet.

Parcel No. 3

Beginning at a point which bears S. 33° 07' E., 3,400 feet and S. 26° 32' W., 57.94 feet from the S.E. corner of the N.E. Quarter of the S.E. Quarter of Section 5, T. 18 S., R. 37 E., M.D.M., and running thence S. 26° 32' W., a distance of 6,942.06 feet.

The total length of the above-described center lines is 18,884.12 feet.
The total area of lands defined is 43.35 acres more or less.

PRC 4754.1

Sections 13, 14, 15, 23, 24, 25, the N $\frac{1}{2}$ of Section 22
and E $\frac{1}{2}$ Section 26 all in T. 17 S., R. 37 E., H.D.B.M., Inyo
County, containing approximately 4480 acres.

EXHIBIT "A"

PRC 4996.1

All M.D.B.M.

- (1) NE $\frac{1}{2}$ NW $\frac{1}{2}$ & NW $\frac{1}{2}$ NE $\frac{1}{2}$ & W $\frac{1}{2}$ W $\frac{1}{2}$ - Sec. 36, T. 17 S., R. 37 E.
- (2) E $\frac{1}{2}$ & SW $\frac{1}{2}$ - Sec. 35, T. 17 S., R. 37 E.
- (3) NE $\frac{1}{2}$ NE $\frac{1}{2}$ & W $\frac{1}{2}$ NE $\frac{1}{2}$ & NW $\frac{1}{2}$ & W $\frac{1}{2}$ SW $\frac{1}{2}$ - Sec. 2, T. 18 S., R. 37 E.
- (4) E $\frac{1}{2}$ & SW $\frac{1}{2}$ - Sec. 3, T. 18 S., R. 37 E.
- (5) N $\frac{1}{2}$ & SW $\frac{1}{2}$ - Sec. 10, T. 18 S., R. 37 E.
- (6) All Sec. 9, T. 18 S., R. 37 E.
- (7) All Sec. 8, T. 18 S., R. 37 E.
- (8) N $\frac{1}{2}$ - Sec. 17, T. 18 S., R. 37 E.
- (9) N $\frac{1}{2}$ - Sec. 16, T. 18 S., R. 37 E.
- (10) NW $\frac{1}{2}$ - Sec. 15, T. 18 S., R. 37 E.

Excepting therefrom the following portions of Sections 8, 9, 17, T. 18 S.
R. 37 E. that comprise the greater portion of PRC 2967.

Parcel "A"

A strip of land 100 feet in width, situate in the bed of Owens Lake, Inyo County, the centerline being described as follows:

Beginning at the meander corner between Sections 24 and 25, T. 18 S., R. 36 E., M.D.M., thence northeasterly along the meander line 1103.06 feet to the true point of beginning of the herein-described centerline; thence N. 46° 08' 48" E., 5157.05 feet to a point on the south line of Section 18, T. 18 S., R. 37 E., M.D.M., 50 feet easterly of the southwest corner of the southeast quarter of the southeast quarter of said section; thence N. 0° 15' E., 5280 feet to the north line of Section 18; thence continuing N. 0° 46' E., 50 feet; thence parallel to the north line of Section 18, N. 89° 14' West, 150.21 feet; thence N. 7° 25' E., 3941.65 feet; thence N. 5° 17' E., 1200.5 feet; thence N. 8° 20' E., 2200 feet; thence N. 51° 36' 05" E., 811.89 feet to the westerly line of Section 5 of said township, distant 61.49 feet southerly from the west quarter corner of said section, containing 45.4 acres more or less.

Two parcels of land situated in the bed of Owens Lake, Inyo County, California, described as follows:

Parcel "B"

Commencing at the U. S. meander corner common to fractional Sections 7 and 18, T. 18 S., R. 37 E., M.D.M.; thence S. 89° 14' E., 700 feet along the projected section line of Sections 7 and 18, T. 18 S., R. 37 E., M.D.M.; thence S. 0° 15' W., 1000 feet; thence N. 89° 14' W., 700 feet to a point on the meander line; thence N. 0° 15' E., 1000 feet along the meander line to the point of beginning and containing 16.07 acres more or less.

Parcel "C"

The northern half of the southern half of Section 5, T. 18 S., R. 37 E., M.D.M., containing 169 acres more or less.

PRE 3511.1

A STRIP OF LAND 100 FEET WIDE IN THE BED OF OWENS LAKE, INYO COUNTY, CALIFORNIA; LYING 50 FEET ON EACH SIDE OF THE FOLLOWING-DESCRIBED CENTERLINE:

BEGINNING AT A POINT ON THE NORTH BOUNDARY LINE OF PROJECTED SECTION 26, T. 17 S., R. 23 E., M.D.S. & M., WHICH IS DISTANT EASTERLY ALONG THE SECTION LINE 665 FEET FROM THE NORTHWEST CORNER OF SAID SECTION 26; THENCE SOUTHWESTERLY APPROXIMATELY 10,340 FEET TO A POINT WHICH IS 3,157 FEET EAST AND 100 FEET NORTH OF THE SOUTHWEST CORNER OF PROJECTED SECTION 18 IN THE ABOVE-MENTIONED TOWNSHIP AND RANGE; THENCE SOUTHERLY 11,594 FEET MORE OR LESS TO A POINT ON THE NORTH BOUNDARY LINE OF PROJECTED SECTION 31 OF THE ABOVE-MENTIONED TOWNSHIP AND RANGE WHICH IS DISTANT EASTERLY ALONG THE SECTION LINE 1,477 FEET FROM THE NORTHWEST CORNER OF SAID SECTION 31; CONTAINING 49.09 ACRES MORE OR LESS.