

**STAFF REPORT
C70**

A 33
S 16

11/29/17
PRC 9305.2
V. Perez

**CONSIDER APPLICATION FOR AN EXTENSION OF
MINERAL PROSPECTING PERMIT FOR MINERALS OTHER THAN
OIL, GAS, OR GEOTHERMAL RESOURCES, SAND AND GRAVEL**

APPLICANT:

Robert G. Wetzel

AREA, TYPE LAND AND LOCATION:

Approximately 633 acres of State fee-owned school land (State Parcel Number 202-017; Assessor's Parcel Number 0570-051-24), located within Section 16, Township 15 North, Range 10 East, SBM, approximately 3 miles northwest of Interstate 15 Halloran Springs Exit, San Bernardino County (see Exhibits A and B, attached).

BACKGROUND:

On October 19, 2012 ([Item C86, October 19, 2012](#)), the Commission authorized a 1-year mineral prospecting permit, Permit No. PRC 9026.2, to Robert G. Wetzel (Permittee) to allow for prospecting for precious metals (gold and silver) on approximately 633 acres of a State fee-owned school land parcel (State parcel). The Permittee was authorized to conduct geological mapping and hand sampling. The 1-year term of the permit was set to expire on October 31, 2013.

On June 21, 2013, the Commission extended and amended Permit No. PRC 9026.2 to include drilling six holes on the State parcel ([Item C83, June 21, 2013](#)). On February 20, 2015, the Commission authorized an additional 1-year extension to Permit No. PRC 9026.2 ([Item C89, February 20, 2015](#)) that expired on October 31, 2015.

On December 18, 2015, the Commission authorized a new 2-year permit, Permit No. PRC 9305.2, to Mr. Wetzel to prospect for precious metals on the same State parcel ([Item C112, December 18, 2015](#)). The original term of that permit expires on December 31, 2017.

On September 18, 2017, the Permittee applied for an additional 1-year extension to his permit. The Permittee is proposing to conduct the previously approved exploration and drilling activities, which include the drilling of six test holes, as discussed below. The Permittee will work under the same conditions and

STAFF REPORT NO. C70 (CONT'D)

restrictions as in the previously approved permit and no other additional activity is proposed in the Permittee's extension application.

DRILLING PROJECT, PERMIT EXTENSION, AND EXPLORATION RESULTS:

The Permittee's project includes drilling up to six holes. Five of the holes will be drilled from adjacent Bureau of Land Management (BLM) land into the State parcel and one of the holes will be drilled directly on the State parcel. The holes will be directionally drilled at about a 45 degree angle up to 1,425 feet in length. The corresponding true vertical depth of the bottom hole locations will be about 700 feet below the surface. A specialized drill bit will be used to drill and provide a 2.5-inch-diameter core sample. The collected core samples will be cut in half and taken to Australian Laboratory Services in Reno, Nevada, for assay, while the remaining core will be saved for assay quality control. All drilled holes will be plugged and abandoned according to applicable regulatory standards that include backfilling the drilled holes with a bentonite clay mixture, and plugging the top 10 feet of the drill hole with cement.

The Permittee has collected and assayed rock chip samples revealing precious metal values worthy of pursuing additional detailed prospecting and economic evaluation of the State parcel. The permittee completed one of the drill holes on the adjacent BLM land, but exhausted his funding before he could complete his drilling project on the State parcel. The Permittee has now secured additional funding and would like to extend the permit term to resume his prospecting based on the positive exploration results.

TERM OF PROPOSED PERMIT EXTENSION:

The original term of the permit is for 2 years with an effective date of January 1, 2016, and is set to expire on December 31, 2017. If approved by the Commission on November 29, 2017, the term of the permit will be extended 1 year from January 1 through December 31, 2018. Pursuant to Public Resources Code section 6891, this last 1-year extension will conclude the 3-year term allowed under the current permit.

ROYALTY:

Royalty payable under this permit is 20 percent of the gross value of the minerals secured from the State parcel that are sold, or otherwise disposed of, or held for sale or other disposition during the term of the permit.

STATE'S BEST INTERESTS ANALYSIS AND RECOMMENDATION:

Authority:

Public Resources Code sections 6005, 6216, 6217.5, 6890, 6891, 6895, and 8701; California Code of Regulations, title 2, sections 2200 through 2203.

STAFF REPORT. C70 (CONT'D)

There are currently no other interests or applications to prospect this State parcel. Previous mining and prospecting efforts on the State parcel have yielded favorable results. The permit extension will provide the Permittee sufficient time to continue investigating the mineral potential and to determine its commercial viability. If the permit extension is approved by the Commission, the Permittee will resume drilling during the permit's 1-year extension.

The extension of this permit is in the Commission's best interests because the successful exploration may result in responsible extraction of valuable minerals pursuant to a lease authorized by Commission that would generate royalty revenue for the California State Teachers' Retirement System.

Pursuant to Public Resources Code section 6895, and subject to the satisfaction of the Commission, the Permittee shall be entitled to a preferential lease upon a discovery of commercially valuable mineral deposits. Staff recommends that the Commission find this permit extension to be in the best interests of the State.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

1. The Permittee submitted the required filing fee (\$25) and the approximate expense deposits.
2. The State parcel is currently not known to contain commercially valuable mineral deposits.
3. The Commission has a performance bond, or other approved security, in the amount of \$10,000.

OTHER PERTINENT INFORMATION:

1. The BLM prepared and circulated an Environmental Assessments (EA) for this project, and on August 13, 2010, and May 23, 2013, adopted the EAs and a Finding of No Significant Impacts (FONSI). Staff circulated the EAs for public review as broadly as State and local law require and a notice was given meeting the standards in California Code of Regulations, title 14, section 15072, subdivision (a). In June 2013 ([Item C83, June 21, 2013](#)), the Commission adopted the federal EA/FONSIs in place of a Mitigated Negative Declaration to amend and extend the original permit to authorize the drilling of six holes and the collection of data pursuant to California Code of Regulations, title 14, sections 15221 and 15225.

STAFF REPORT NO. **C70** (CONT'D)

2. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq.; however, the Commission has declared that all lands are significant by nature of their public ownership (as opposed to environmentally significant). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code section 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 California Code of Regulations, title 2, section 2954 is not applicable.
3. Staff conducted site inspections on the State parcel on May 24 and August 2, 2017, and found no evidence of physical alteration as a result of the Permittee's exploration.
4. This action is consistent with Strategy 1.1, of the Commission's Strategic Plan, to deliver the highest levels of public health and safety in the protection, preservation and responsible economic use of the lands and resources under the Commission's jurisdiction; and Strategy 2.1, to optimize returns for the responsible development and use of State lands and resources, both onshore and offshore.

EXHIBITS:

- A. Land Description
- B. Site and Location Map
- C. Mineral Prospecting Permit

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the EA/FONSI, adopted for this project by the BLM on August 13, 2010, and May 23, 2013, met the requirements of the California Environmental Quality Act. Therefore, pursuant to California Code of Regulations, title 14, sections 15221 and 15225, the Commission adopted such federal documents for use in place of a Mitigated Negative Declaration in 2013 ([Item C83, June 21, 2013](#)) and 2015 ([Item C112, December 18, 2015](#)); and that the Commission has reviewed and considered the information contained therein; that in the Commission's independent judgment, the scope of activities to be carried out under the permit extension have been adequately analyzed; that none of the events specified in Public Resources Code section 21166 or the State CEQA

STAFF REPORT. **C70** (CONT'D)

Guidelines section 15162 resulting in any new or substantially more severe significant impacts has occurred; and, therefore no additional CEQA analysis is required.

STATE'S BEST INTERESTS:

Find that the proposed permit extension is in the best interests of the State.

AUTHORIZATION:

Authorize the extension of Mineral Prospecting Permit No. PRC 9305.2 to Robert G. Wetzel for an additional and final 1-year term from January 1 through December 31, 2018, for all minerals other than oil, gas, geothermal resources, sand and gravel on the State parcel described in Exhibit A and shown on Exhibit B (for reference purposes only).

PRC 9305.2

EXHIBIT A

W 40981

LAND DESCRIPTION

All those portions of Section 16, T15N, R10E, SBM as shown on General Land Office township plat approved 1/21/1857.

EXCEPTING THEREFROM

All those portions of SA 5708 as per document #94097317 recorded in the Official Records of San Bernardino County February 28, 1994.

All those portions of SA 5742 issued October 29, 1996 and on file with the California State Lands Commission.

END OF DESCRIPTION

PREPARED 10/26/15 BY THE CALIFORNIA STATE LANDS COMMISSION BOUNDARY UNIT



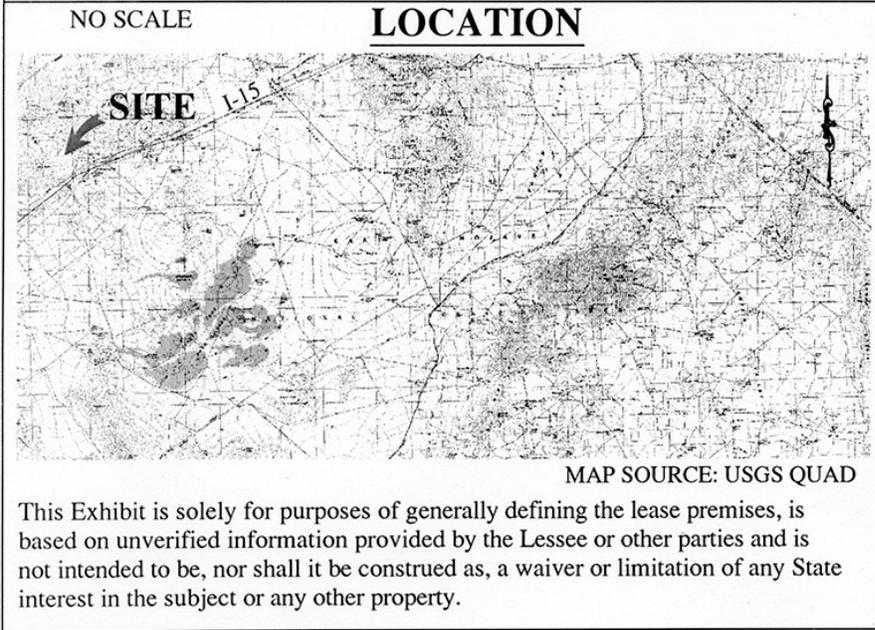
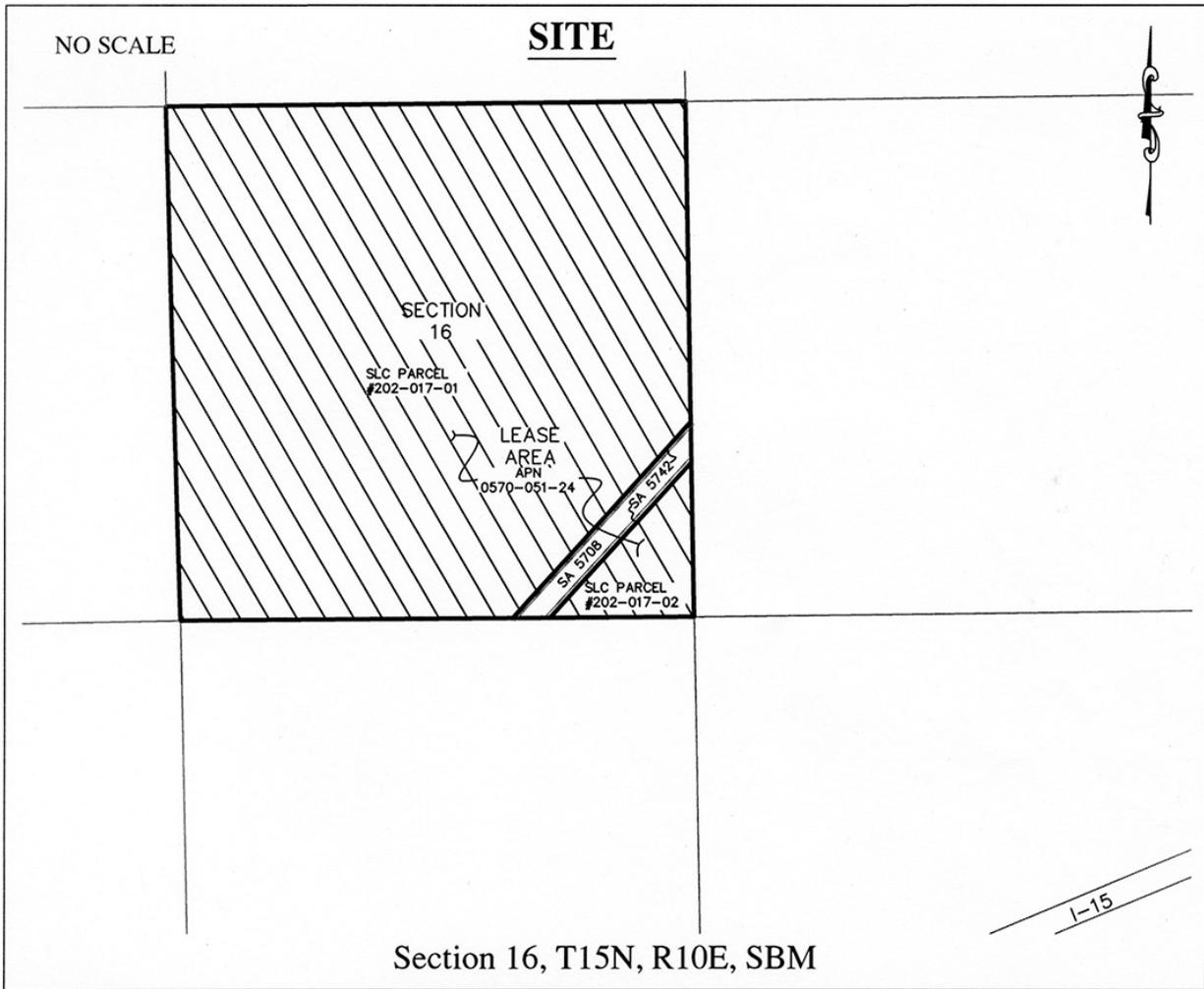


Exhibit B

W 40981
WETZEL
APN 0570-051-24
SOLID MINERAL
PROSPECTING PERMIT
SAN BERNARDINO COUNTY

SITE

MJF 10/26/15

EXHIBIT C

PRC 9305.2
W 40981

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 Robert G. Wetzel. ("Permittee"), whose mailing address is: 2850 Mesa Alta Lane, Arroyo Grande, CA 93420.

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:

Section 16, T15N, R10E, SBM, San Bernardino County, containing 633 acres more or less, (SLC Parcel # 202-017) 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 two (2) years. The State may extend the term of this Permit for no more than one additional period not to exceed one (1) year, 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 base 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. An Environmental Assessment (EA) and Finding of No Significant Impact (FONSI) were prepared and circulated by the Bureau of Land Management and adopted on May 23, 2013, for the project authorized by this Permit. The Commission adopted such federal documents for use in place of a Mitigated Negative Declaration on June 21, 2013, Calendar Item 83, and they are 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 expressly authorized 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 simple 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 mailed with the United States Postal Service as registered or certified mail, postage prepaid, return receipt requested, or delivered by a private overnight delivery company against receipt or in person to the parties at the addresses set forth below. All notices shall be effective upon receipt.

To the State: California State Lands Commission
200 OceanGate, 12th Floor
Long Beach, CA 90802-4331

To Permittee: Robert G. Wetzel
2850 Mesa Alta Ln.
Arroyo Grande, CA 93420

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, common law, 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 or otherwise required by law.

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 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 relinquishment of all rights under this Permit, pursuant to California Public Resources

Code section 6804.1. The 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 agencies, boards, or commissions, 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 agencies, boards, or commissions, 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, personal, 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.

(c) Permittee is advised that the Permitted Lands contain underground workings in the form of shafts, adits or other features from past mineral exploration and development. By initialing below, Permittee acknowledges the existence of such mine workings and that such workings may pose numerous dangers to Permittee's health and safety while working in their vicinity or by entering them, assumes all risk of injury, property damage, or death by entering and working within such mine workings, and agrees to hold harmless the State to the extent described in paragraph (a) above. Permittee shall not disturb timbers within a mine or structures and features appurtenant to a mine such as headframes, miners' cabins, refuse dumps, and old bottles that may be of historic value and protected under the Antiquities Act.



Permittee Initials

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, and geothermal resources 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)(1) 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.

(b)(2) Entry by the State for the purposes of responding to a fire, taking police action, or protecting the premises shall not give Permittee any right of action against the State for compensation arising from property or economic damage Permittee suffers as a result of these activities by the State.

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, particulate matter, 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 statutes, 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 by 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 \$10,000 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: 12/22/15

JEFFREY W. PLANCK
Assistant Division Chief



~~MARINA VOSKANIAN, P.E.~~
~~DIVISION CHIEF,~~
MINERAL RESOURCES MANAGEMENT

PERMITTEE*

Dated: 25 NOV 2015

By: Robert H. Wright

Title

2850 MESA ALTA LN

Address

ARROYO GRANDE, CA

City and State

SEE ATTACHED FORM FOR
NOTARY CERTIFICATE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Los Angeles }

On December 22, 2015 Before me, Elaine Casarrubias, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared ***** Jeffrey W. Planck *****
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document

Description of Attached Document

Title or Type of Document: California State Lands Commission Mineral Prospecting Permit -PRC W40981

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____
Capacity(ies) Claimed by Signer(s) _____

Signer's Name: _____

- Individual
- Corporate Officer - Title(s): _____
- Partner - Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT OF SIGNER

Top of thumb here

Signer is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer - Title(s): _____
- Partner - Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT OF SIGNER

Top of thumb here

Signer is Representing: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Luis Obispo)

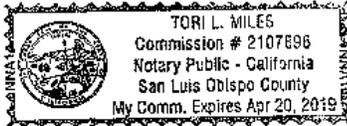
On November 25th 2015 before me, Tori L. Miles, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Robert G. Wetzel
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Tori L. Miles
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Mineral Prospecting Permit Document Date: 11/25/15

Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Corporate Officer -- Title(s): _____
 Partner -- Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

Signer's Name: _____
 Corporate Officer -- Title(s): _____
 Partner -- Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

* In executing this document, corporations shall provide a certified copy of the resolution or other document authorizing the execution of this document on behalf of the corporation.

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

By: 

Andrew Vogel
Deputy Attorney General

Date: NOVEMBER 17, 2015

EXHIBIT "A"

EXHIBIT A

W 40981

LAND DESCRIPTION

All those portions of Section 16, T15N, R10E, SBM as shown on General Land Office township plat approved 1/21/1857.

EXCEPTING THEREFROM

All those portions of SA 5708 as per document #94097317 recorded in the Official Records of San Bernardino County February 28, 1994.

All those portions of SA 5742 issued October 29, 1996 and on file with the California State Lands Commission.

END OF DESCRIPTION

PREPARED 10/26/15 BY THE CALIFORNIA STATE LANDS COMMISSION BOUNDARY UNIT



EXHIBIT "B"

(Additions, Deletions and Modifications)

Mineral prospecting will be for solid minerals on approximately 633 acres of 100% percent State fee lands. Mineral prospecting activities authorized under this Permit shall be field work involving rock chip sampling and includes prospecting activities involving drilling into the Permitted Land from a location on the Permitted Land and from locations on adjacent lands. These activities are described in and shall be conducted by Permittee subject to the conditions provided in the Bureau of Land Management (BLM) Halloran Springs Exploration Drilling Project DOI-BLM-CA-D090-2013-0028-EA and the BLM Exploration Drilling Project DOI-BLM-CA-D090-2009-0025-EA, each consisted of the Environmental Assessment, Decision Record and Conditions of Approval. The BLM Halloran Springs Exploration Drilling Project and the BLM Exploration Drilling Project documents are incorporated by reference and made part of this Permit. 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. Permittee shall not bring dogs or firearms onto the site.
2. Permittee will minimize the number of vehicles on location, to be used only on established roads, and observe a 15 mile per hour speed limit. The vehicles shall be in proper working order and free of any fluid leaks to ensure tortoise do not ingest harmful fluids.
3. Permittee shall not touch or handle any tortoises.
4. Permittee 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. Permittee 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, permittee shall not pursue activities within a 25 foot radius of the animal or burrow.
7. Permittee shall contain all trash, litter and debris and remove them from the site to avoid attracting predators such as ravens or coyotes.

Additionally, Permittee shall not leave on the site any rope, cord, twine or other material that may entangle tortoises.

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 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 environment 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.