

**STAFF REPORT
C101**

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S 16

08/23/18
PRC 8253.2
V. Perez

**CONSIDER APPLICATION FOR RENEWAL
OF A MINERAL EXTRACTION LEASE FOR MINERALS
OTHER THAN OIL, GAS, OR GEOTHERMAL RESOURCES**

APPLICANT:

Vulcan Lands, Inc.

AREA, LAND TYPE, AND LOCATION:

Approximately 160 acres of State 100 percent reserved mineral interest school land (State Parcel Number 226-514; Assessor's Parcel Number 0419-051-20), located within the S1/2 of NE1/4 and N1/2 of SE1/4 of Section 36, Township 8 North, Range 3 West, SBM, San Bernardino County. This school land parcel is located about 10 miles southwest of Barstow (see Exhibits A and B, attached).

PROPOSED LEASE RENEWAL:

AUTHORIZED USE:

Extraction of rock, sand, and gravel (aggregate), and any other mineral deposits except oil, gas, other hydrocarbons, and geothermal resources.

LEASE TERM:

This is the first lease renewal with a 10-year term, effective December 1, 2018, through November 30, 2028, with a preferential right to renew for one additional term, not to exceed 10 years, upon such reasonable terms and conditions as may be prescribed by the Commission.

CONSIDERATION:

1. The State's royalty is the greater of 7 percent of the gross proceeds of sale or an escalating minimum royalty per short ton (currently \$0.70 per short ton). The royalty escalates at a rate of \$0.02 per short ton on January 1 of each calendar year.
2. The minimum annual royalty clause provides that Vulcan either produce or pay an equivalent royalty on 100,000 short tons. For the present lease year of December 1, 2017 through November 30, 2018, the minimum annual royalty due is \$70,000, and increases to \$72,000 for the following lease year. Therefore, for each lease year, the minimum annual royalty increases by \$2,000.

STAFF REPORT NO. **C101** (CONT'D)

3. Annual rent is \$1 per acre for a total of \$160 for 160 acres.

INSURANCE/BOND:

Liability insurance in an amount not less than \$1,000,000; bond in an amount of \$100,000.

BACKGROUND:

On November 27, 2000 ([Item C55, November 27, 2000](#)), the Commission approved issuance of State mineral extraction lease (Lease) PRC No. 8253.2, to Weber Plyley Inc. (dba: Sigma Stone Company), for mining operations at the Black Angel mine for a primary term of 10 years, with an option to renew for two successive terms, not to exceed 10 years each. The lease was effective on December 1, 2000.

On March 25, 2008 ([Item C86, March 25, 2008](#)), the Commission approved the assignment and amendment of the Lease to Vulcan Lands, Inc. (Lessee), effective April 1, 2008. The primary term of the Lease was amended to a period of 18 years to November 30, 2018. The option to renew the Lease remained after the amendment. If approved by the Commission, this first renewal would be effective December 1, 2018 through November 30, 2028. The 2008 amendment also increased the minimum annual royalty and increased the financial security to \$100,000.

The permitted activities under the lease are limited to those identified in the Conditional Use Permit and Reclamation Plan No. 2007M-03, with conditions and mitigation measures approved in 2007 by the County of San Bernardino (County). The County permits the Lessee to mine 2 million tons per year through the year 2037. The Lessee extracts and sells aggregate to other companies for road construction or other infrastructure needs in the high desert communities of Victorville and Barstow. Currently, aggregate production in Southern California remains steady but still subdued following the 2006 recession. At end of July 2016, the Lessee ceased mining and the processing equipment was moved off-site. A large quantity of aggregate, however, has been stockpiled and is periodically sold. Mining will resume when inventory is not adequate to fulfill sales volumes. This procedure is not uncommon with smaller volume quarries. Although the Lessee's shipments are reduced from earlier years, the Lessee continues to pay its rent and minimum annual royalty and is in conformance with all terms and conditions of the lease.

STAFF ANALYSIS AND RECOMMENDATION:

Authority:

Public Resources Codes sections 6501.1, 6890, and 6899; California Code of Regulations, title 2, section 2200 et seq.

STAFF REPORT NO. **C101** (CONT'D)

State's Best Interests Analysis:

The Lease provides for the mining of high quality construction aggregate that is an essential mineral material that our modern society needs for the construction and maintenance of safe roads, highways, bridges and other engineered structures and for the building and maintenance of homes, offices, and other buildings.

Lease operations are consistent with the County approved Conditional Use Permit/Mining and Reclamation Plan to ensure mining is conducted in a manner that not only protects the environment but also public health and safety. Under the Surface Mining and Reclamation Act (SMARA), the County is the lead agency for the Mining and Reclamation Plan. The Mining and Reclamation Plan provides for how mining is to occur and how and when the land will be reclaimed to a usable form. Under the SMARA, annual inspections are required to be performed by the lead agency to determine the progress of mining and reclamation and to ensure that all the terms and conditions of the Conditional Use Permit are met. The County ensures annual mining reports are filed, annual inspections are conducted, and adequate financial assurance is maintained.

The Lease also provides that the Lessee shall deliver to staff quarterly royalty statements, which include the amount, quantity and value of all mineral resources produced, extracted, shipped, or sold. Since 2008, the Lease has generated approximately \$915,000 in royalties for the California State Teachers' Retirement System.

Climate Change:

As stated in Safeguarding California Plan: 2018 Update (California Natural Resources Agency 2018), climate change is projected to increase the frequency and severity of natural disasters related to flooding, fire, drought, extreme heat, and storms. The State parcel and surrounding land is vulnerable to these weather events. It is unknown whether mineral resources or the authorized use of mineral resource extraction could be subject to effects of climate change within the State parcel.

Conclusion:

For all the reasons above, the approval of the Lease renewal is in the State's best interests and staff recommends approval of this Lease renewal.

OTHER PERTINENT INFORMATION:

1. Staff recommends that the Commission find that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA)

STAFF REPORT NO. **C101** (CONT'D)

as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15300.

2. The Lessee has submitted the required filing fee and the approximate expense deposit.
3. This action is consistent with the Commission's Strategic Plan, Strategy 1.1, 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 school lands and resources, both onshore and offshore.

EXHIBITS:

- A. Land Description
- B. Site and Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDINGS:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

STATE'S BEST INTERESTS:

Find that this Lease renewal is in the best interests of the State.

AUTHORIZATION:

Authorize the renewal of the existing Mineral Extraction Lease No. PRC 8253.2 to Vulcan Lands, Inc., for a 10-year term beginning December 1, 2018, for all minerals other than oil, gas, other hydrocarbons, or geothermal resources on State school lands described in Exhibit A and shown on Exhibit B (for reference purposes only).

EXHIBIT A

PRC 8253.2

LAND DESCRIPTION

A parcel of State patented School Land situate in Section 36, Township 8 North, Range 3 West, San Bernardino Base and Meridian, as shown on Official Government Township Plat approved September 3, 1855, County of San Bernardino, State of California, and more particularly described as follows:

All those lands lying within the South $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ and the North $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of said Section 36, Township 8 North, Range 3 West, SBBM.

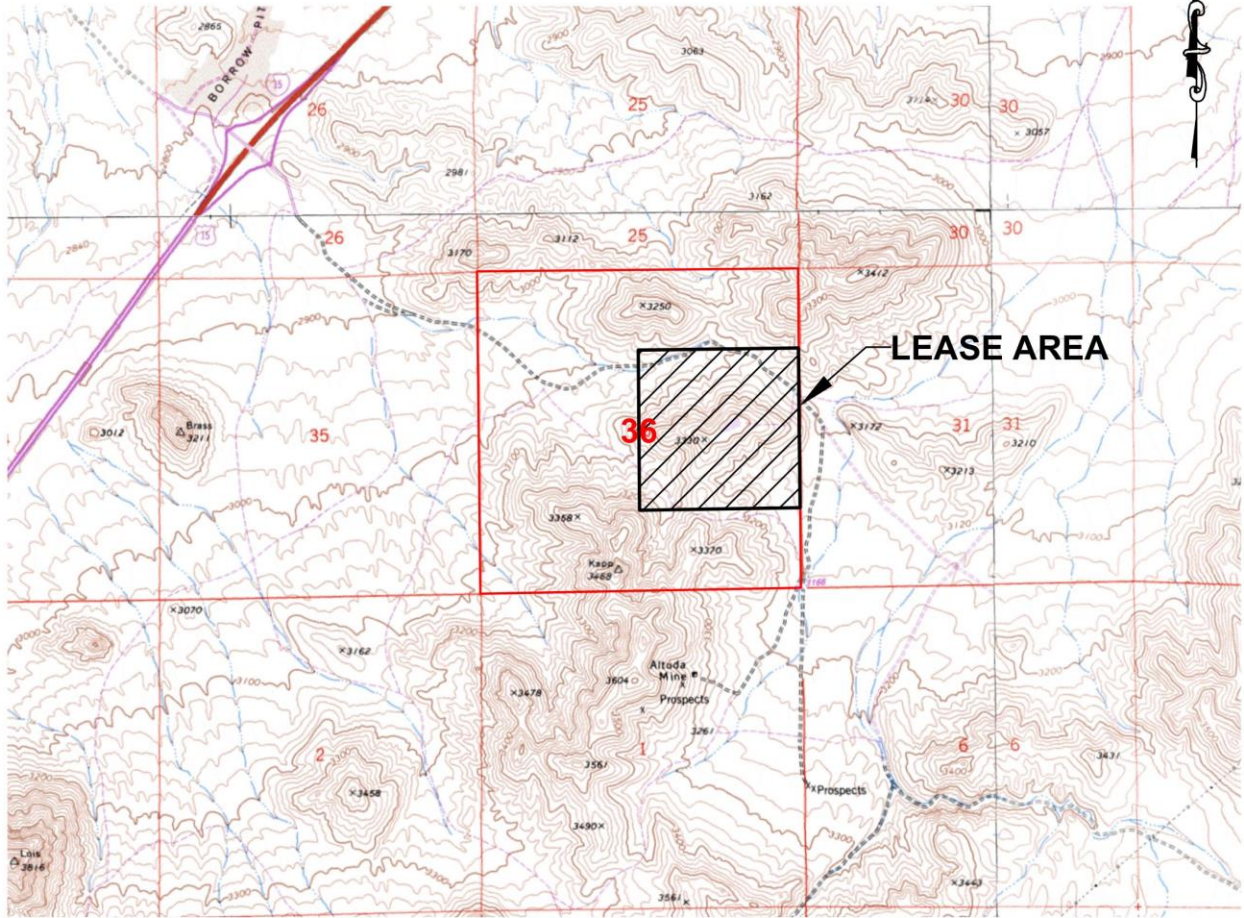
END OF DESCRIPTION

Prepared July 9, 2018 by the California State Lands Commission Boundary Unit.



NO SCALE

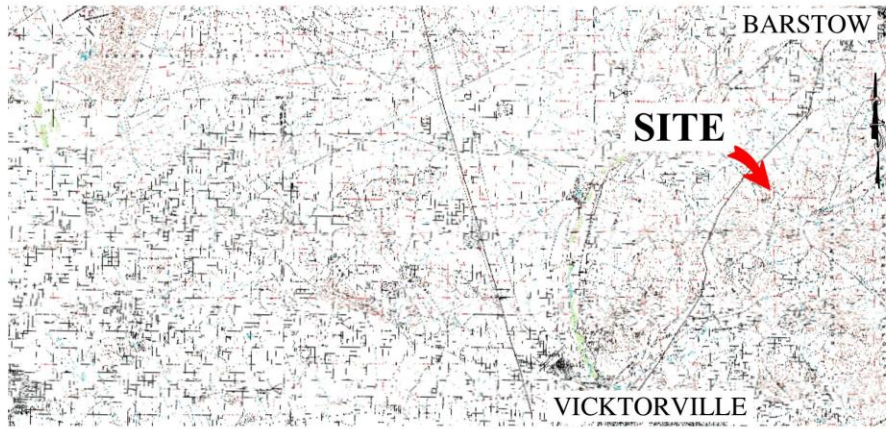
SITE



S 1/2 OF THE NE 1/4 AND N 1/2 OF THE SE 1/4 OF SECTION 36, T8N, R3W, SBM.

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit B

PRC 8253.2
 VULCAN LANDS, INC.
 APN 0419-051-20
 SOLID MINERAL
 EXTRACTION LEASE
 SAN BERNARDINO COUNTY



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.

JAK 6/18