

MINUTE ITEM
This Calendar Item No C97 was approved as
Minute Item No. 97 by the California State Lands
Commission by a vote of 3 to 2 at its
8-19-03 meeting.

**CALENDAR ITEM
C97**

A 34

08/19/03
PRC 8322.2
E. Kruger
G. Pelka

S 17

**CONSIDER APPROVAL OF AN APPLICATION FOR MODIFICATION OF
STATE MINERAL EXTRACTION LEASE NO. PRC 8322.2,
STATE FEE-OWNED SCHOOL LAND,
SAN BERNARDINO COUNTY**

APPLICANT:

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

AREA, LAND TYPE, AND LOCATION:

Approximately 10 acres of State fee-owned school lands located in the E2 of the NE4 of Section 36, T20N, R10E, SBM, situated in the Kingston Mountains of northern San Bernardino County, adjacent to the Pahrump Valley Wilderness Area.

BACKGROUND:

At its meeting on April 24, 2001, the California State Lands Commission (Commission) approved State Mineral Extraction Lease No. PRC 8322.2, with an effective date of May 1, 2001, for a primary term of five years, expiring May 1, 2006. The Lessee, Protech Minerals, Inc., (Protech) has made efforts to begin talc production, but has experienced heavy equipment failure due to resistance from the hardness of the talc resource. In addition, the recent downturn in the national economy has made domestic talc marketing challenging, given competition from relatively inexpensive talc product imported from Asia. The lease specifies that an annual minimum royalty will be paid on 1,500 short tons of talc at a royalty of not less than \$4.40 per short ton for an annual minimum royalty of \$6,600. Such minimum is to be paid at the end of the lease year, to the extent that actual production does not amount to 1,500 short tons. In its lease

CALENDAR ITEM NO. C97 (CONT'D)

modification application, Protech has requested a 50 percent (50%) reduction of the annual minimum required production to 750 short tons per lease year, Protech's request covers the last four years of the primary term, retroactive from May 1, 2002 through April 30, 2006, thereby reducing the annual minimum royalty to \$3,300, to assist in expenses related to heavy equipment repair, acquisition and talc marketing. Subject to Commission approval, Protech and Commission staff have agreed to modify the terms of the lease, including the timing of payment of the annual minimum royalty, to the beginning of the lease year for which it applies.

STATUTORY AND OTHER REFERENCES:

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

OTHER PERTINENT INFORMATION:

- 1. The Applicant has submitted the required filing fee and approximate expense deposit.
- 2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, Section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code Section 21065 and Title 14, California Code of Regulations, Sections 15060(c)(3) and 15378.

APPROVALS OBTAINED:

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

EXHIBIT:

- A. Location Map.

PERMIT STREAMLINING ACT DEADLINE:

January 24, 2004

CALENDAR ITEM NO. C97 (CONT'D)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

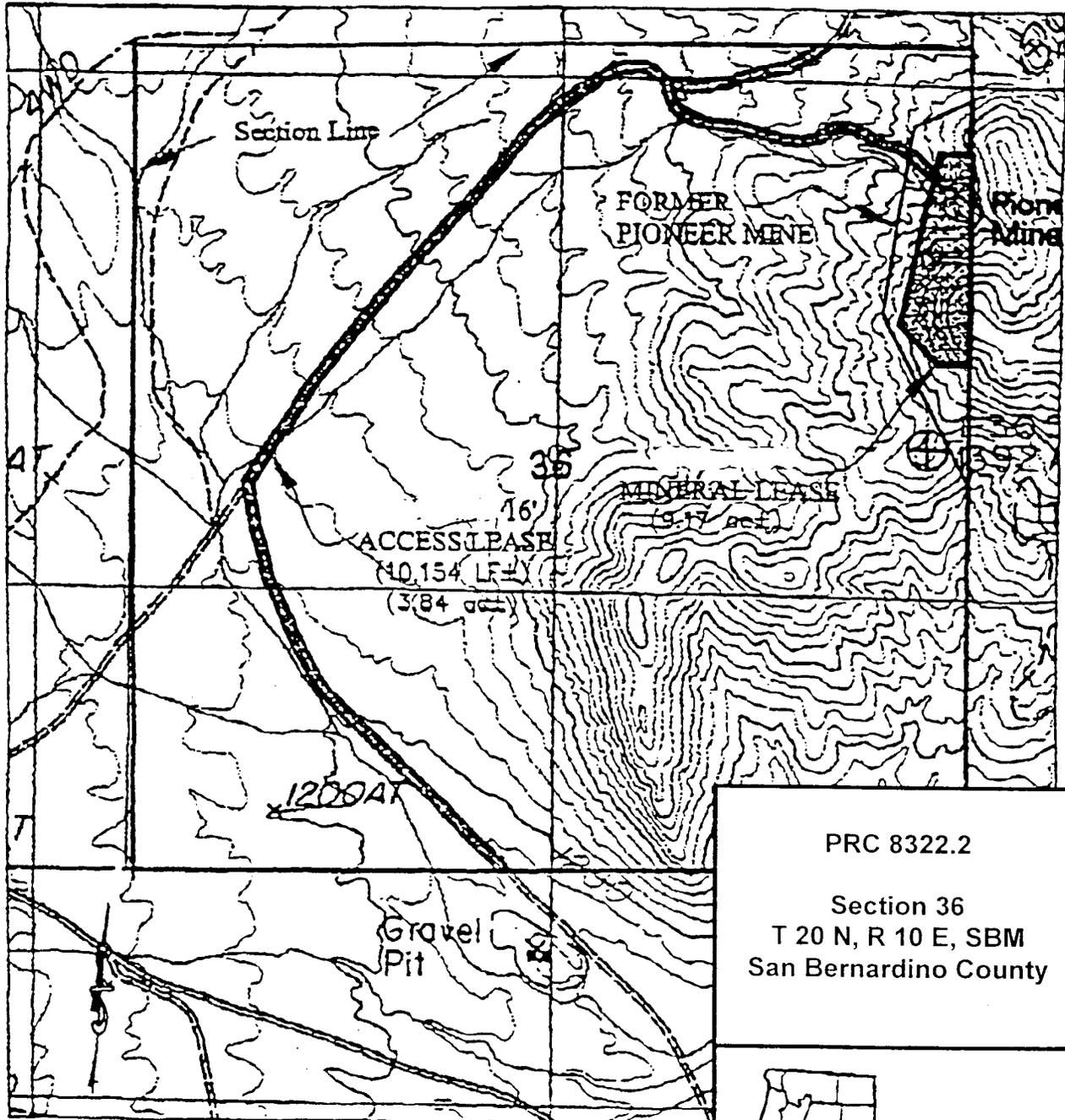
1. FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060 (c) (3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

1. AUTHORIZE THE MODIFICATION OF STATE MINERAL EXTRACTION LEASE NO. PRC 8322.2, ISSUED TO PROTECH MINERALS, INC., TO: (A) REDUCE THE ANNUAL MINIMUM REQUIRED PRODUCTION THEREUNDER FROM 1,500 SHORT TONS OF TALC TO 750 SHORT TONS OF TALC, PER LEASE YEAR, AND (B) TO ADVANCE THE TIMING FOR PAYMENT OF THE ANNUAL MINIMUM ROYALTY, EACH UPON TERMS AND CONDITIONS OUTLINED IN THIS CALENDAR ITEM AND IN FORM ON FILE IN THE OFFICE OF THE COMMISSION.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

NO SCALE

LOCATION MAP



PRC 8322.2
 Section 36
 T 20 N, R 10 E, SBM
 San Bernardino County



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by Lessee or other parties, and is not intended to be, nor shall it be construed as, a waiver or limitation of any state interest in the subject or any other property.

000610

001608

SC