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October 6, 2008

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202

ATTENTION: Mr. Paul D. Thayer

SUBJECT: Request for Meeting to Discuss Issues Related to Offshore Geophysical Survey
Permit PRC-8429.

Dear Mr. Thayer:

This law firm represents Sea Surveyor, Inc., located in Benecia, California ("Sea Surveyor"). We have represented Sea Surveyor for approximately 23 years. We respectfully request a meeting at a time and place of your convenience to discuss issues related to Offshore Geophysical Survey Permit PRC-8429 ("Permit").

For over 20-years, the California State Lands Commission has issued Offshore Geophysical Survey Permit No. PRC-8429 to Sea Surveyor, Inc. The Permit authorizes Sea Surveyor, Inc. to conduct marine geophysical surveys between the Mexican and Oregon borders out to three (3) nautical miles offshore under specified terms and conditions. Sea Surveyor's previous Permits had 3-year terms. Sea Surveyor's last 3-year Permit expired on September 30, 2008, and its new Permit has a 1-year term beginning October 1, 2008.

The purpose for the requested meeting is to discuss the following issues related to Offshore Geophysical Survey Permit PRC-8429:

- **The State unfairly changed the term and cost of the Permit after application was accepted and payment was received.**

Description: In March 2008, Sea Surveyor applied for renewal of its 3-year Permit. In June 2008, the California State Lands Commission mailed Invoice #9488 to Sea Surveyor for the estimated staff costs (\$5,025) for preparing the Permit. In July 2008, Sea Surveyor paid Invoice #9488 in full. In August 2008, the California State Lands Commission informed Sea Surveyor that the term of the Permit was changed from

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3 years to 1 year and Sea Surveyor will be responsible for additional (unspecified) costs associated with preparation of a new CEQA document. Changing the term of the Permit after payment was received is unfair, and the proposed distribution of costs for the new CEQA document is unequitable. Additional information regarding this issue can be obtained by contacting:

California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802
ATTENTION: Richard Greenwood, Statewide Geophysical Coordinator
Tel: (562) 590-5201

- **The State routinely conducts offshore geophysical surveys without a permit.**

Description: State agencies and universities routinely conduct geophysical surveys in offshore waters without a permit. Although private companies and Federal agencies (such as the U.S. Geological Survey) are permit holders, State agencies and universities have no permit and act as if exempt from permit requirements. The SEAFLOOR MAPPING LAB, located at the California State University, Monterey Bay, is conducting most State surveys. The Seafloor Mapping Lab conducts surveys without a permit and without compliance with permit requirements. The Seafloor Mapping Lab competes for Federal- and State-funded surveys that are historically awarded to private industry. Conducting surveys without a permit and without permit compliance provides an unfair economic advantage over permittees. Additional information regarding this issue can be obtained by contacting:

Seafloor Mapping Lab
California State University, Monterey Bay
100 Campus Center
Seaside, CA 93955
ATTENTION: Dr. Rikk Kvitek
Tel: (831) 582-3529

- **The State allows selected Permittees to conduct surveys without permit compliance.**

Description: FUGRO and its subsidiaries (Fugro-Pelagos, Fugro-Seafloor Surveys, and Fugro-West) are Permittees, but conduct surveys without complying with the conditions of the permit. Specifically, FUGRO and its subsidiaries are conducting State-funded surveys in Regions I, II, III, and IV of offshore State waters, including the California Coastal and Marine Mapping Initiative, without complying with requirements of Section 6 (Operations), Section 7 (Observers), or Section 8 (Notification Procedure) of the Permit. Conducting surveys without permit compliance provides an unfair economic

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advantage over Permittees that comply with permit requirements. Additional information regarding this infraction can be obtained by contacting:

Fugro-Pelagos, Inc.
3738 Ruffin Road
San Diego, CA 92123
ATTENTION: Mr. Bill Spiedel
Tel: (858) 292-8922

- **Non-Permit Holders routinely conduct surveys in California offshore waters.**

Description: The State does not enforce the requirement to have a permit, nor does the State adequately communicate the need to have a permit. During the term of Sea Surveyor's last permit (2005-2008), private firms conducted geophysical surveys in State offshore waters without a permit. In 2006, a series of multibeam bathymetric surveys were conducted in the offshore waters of the Santa Cruz Bight (Permit Region III) by SEA ENGINEERING, INC. The surveys were conducted without a permit and without compliance with the requirements of Section 6 (Operations), Section 7 (Observers), and Section 8 (Notification Procedure) of the permit. Conducting surveys without a permit and without permit compliance provides an unfair economic advantage over Permittees. Additional information regarding this issue can be obtained by contacting:

Sea Engineering, Inc.
200 Washington Street, Suite 210
Santa Cruz, CA 95060
ATTENTION: Dr. Ken Israel
Tel: (831) 421-0871

- **The State denied contracting opportunities to Permittee.**

Description: The State is presently funding the California Coastal and Marine Mapping Initiative, a \$4-7 million dollar geophysical survey of offshore State waters. The survey is being conducted by the joint-venture of Fugro/Seafloor Mapping Lab without compliance to permit requirements. The State awarded the contract based on a Request for Proposal (RFP) and recommendations from the 57 invited attendees of the "Strategic Planning Workshop for California Marine Habitat Mapping" organized by and held at the Seafloor Mapping Lab in December 2005. Two (2) private companies were invited to participate in the Strategic Planning Workshop and resulting RFP; Fugro-Pelagos, Inc. and Sea Engineering, Inc. Sea Surveyor was not invited to participate in the Strategic Planning Workshop, nor the resulting RFP. As a Permittee, Sea Surveyor is entitled to participate in any State-funded contracting opportunities related to offshore geophysical surveys. The State denied Sea Surveyor the right to fair and equal participation in State-funded geophysical surveys. Additional information regarding this issue can be obtained by contacting:

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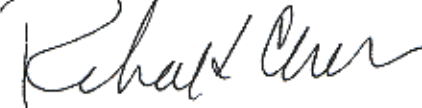
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California State Coastal Conservancy
1330 Broadway, 11th Floor
Oakland, CA 94612
ATTENTION: Marina Cazorla
Tel: (510) 286-4092

Please advise me a time and place that Mr. Stephen Mack Sullivan, Vice President of Sea Surveyor, and I can meet with you to discuss the aforementioned issues.

Yours very truly,

CIRCUIT MCKELLOGG KINNEY & ROSS LLP



Richard K. Circuit

RKC:gc

cc: Paul Mount II, Chief Mineral Resources Management Division
Richard Greenwood, Statewide Geophysical Permit Coordinator
Dr. Rikk Kvitek, Seafloor Mapping Lab at CSUMB
Marina Cazorla, California State Coastal Conservancy
Mr. Stephen Mack Sullivan, Vice President, Sea Surveyor, Inc.

CIRCUIT, MCKELLOGG, KINNEY, & ROSS LLP MEMORANDUM

TO: File
FROM: Richard K. Circuit
DATE: November 14, 2008
RE: Sea Surveyor, Inc.
SUBJECT: Offshore Geophysical Survey Permit PRC-8429

The following summarizes a telephone call with Mr. Paul D. Thayer ("PDT"), Executive Officer, California State Lands Commission ON November 14, 2008, at approximately 3:05 p.m.:

1. PDT indicated that he was sorry that he had not responded sooner to RKC's letter dated October 6, 2008, and his telephone call of ~~October~~^{Nov.} 13, 2008. However, he stated that he had been out of his office for an extended period of time. RKC stated that he had been advised of that by the telephone receptionist, and he understood fully.

2. PDT stated that he had been carefully reviewing RKC's letter with a number of individuals in the California State Lands Commission ("CSLC"). He stated that he believes the issues that have been raised are legitimate issues and need to be addressed. He spoke specifically regarding the following issues:

(i) Costs associated with environmental review. PDT stated that the CSLC is seeking "seed money" from other agencies to pay for the EIR report. He stated that he is in the early stages of seeking those funds, and at this point wants more time to determine the extent of funds that might be available for this purpose. PDT believes the EIR report will benefit other agencies, and therefore feels that additional monies may be forthcoming that would reduce the amount allocated to those seeking the geophysical survey permits.

(ii) Unlicensed surveys. PDT stated that he is very concerned about the report in RKC's letter that there are other entities performing offshore geophysical surveys without CSLC permits and also others who are performing surveys with CSLC permits that are not complying with the requirement of the permit. He stated that he has heard from some sources that there are those who believe the Offshore Geophysical Survey Permit is no longer required. He stated that is absolutely not the case.

(iii) Seafloor Mapping Lab. RKC stated that it appeared to him that Rikk Kvitek is the leader of those individuals asserting that universities and State agencies are not

required to obtain the Offshore Geophysical Survey Permit. PDT seemed very curious about Dr. Kvitek. RKC stated to him that Dr. Kvitek had led a statewide planning workshop conducted on December 12, 2005 at California State University Monterey Bay that had been supported by the California Coastal Conservancy. RKC stated that Dr. Kvitek is the person who is most responsible for spreading the information that no one is any longer required to obtain the Offshore Geophysical Survey Permit in order to do the surveying. PDT asked for more information about Dr. Kvitek. RKC referred him to Page 2 of his letter for details of his address and telephone number. RKC stated that his client is not out to specifically get Dr. Kvitek or any other person; rather, he is seeking simply that all parties who are performing the offshore geophysical surveys comply with the State licensing requirements. RKC stated that it is causing great harm to his client to compete with those who are unlicensed to perform the surveys. Moreover, RKC stated that his client had been excluded from the workshop conducted by Dr. Kvitek, resulting in his client not being able to even bid on the subsequent surveying sponsored by the California Coastal Conservancy.

3. PDT stated that he would like to have some time to further investigate the issues contained in RKC's letter; specifically now as it related to the telephone conversation. PDT agreed to get back to RKC for a meeting. RKC stated that he still feels very strongly that a meeting would be beneficial. RKC thanked PDT for his openness and willingness to meet. PDT stated that he would set up the meeting through RKC. RKC stated that given his schedule for December, he believes it would be best to look for that to occur sometime in early January 2009. PDT stated that he would need that time anyway to continue his investigation of the matter. He emphasized again that he agrees with RKC that the State laws require the Offshore Geophysical Survey Permits; and those persons who are doing surveying without permits should be stopped; and those persons with permits and are not complying with permit requirements should also be stopped.

4. The telephone conversation ended on an exchange of pleasantries.


Richard K. Circuit

RKC:gc

cc: Ms. Stephen Mack Sullivan