

#18452

STATE OF MINNESOTA  
DEPARTMENT OF CONSERVATION

RULES AND REGULATIONS COVERING PERMITS TO PROSPECT  
FOR, AND LEASES TO MINE COPPER, NICKEL, AND ASSOCIATED  
MINERALS, ISSUED UNDER AUTHORITY OF M. S. 1965,  
SECTIONS 93.08 TO 93.12, INCLUSIVE, AND SECTION 93.25.

Pursuant to authority vested in me by law, I, Robert L. Herbst, Deputy Commissioner of Conservation, do hereby prescribe the following rules and regulations covering the issuance of permits to prospect for, and leases to mine or remove copper, nickel, and associated minerals on state-owned lands.

Section 1. PURPOSE. The purpose of these rules and regulations is to promote and regulate prospecting for, mining and removing copper, nickel, and associated minerals, and the rules and regulations hereunder shall be construed to carry out that purpose.

Section 2. DEFINITIONS. Subdivision 1. For purposes of these rules and regulations, the following words shall have the meanings ascribed to them:

Subd. 2. "Commissioner" means the Commissioner of Conservation of the State of Minnesota, or his designated representative.

Subd. 3. "Ton" means 2,000 pounds avoirdupois after removal of all free moisture from the material weighed, by drying at 212 degrees Fahrenheit.

Subd. 4. "Mining unit" means the land and water area designated as such by the commissioner, wherein the state owns an interest in the minerals and mineral rights.

Section 3. PERMITS. The first two years of any lease issued pursuant to these regulations shall be deemed the prospecting permit, and no permit to prospect for copper, nickel, and associated minerals shall be issued separately or independently from such lease, provided that nothing in this section shall restrict such mining operations as may be authorized by the lease.

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Section 4. LEASES. The commissioner, with the approval of the state executive council, shall adopt rules and regulations for the issuance of leases to prospect for, mine and remove copper, nickel, and associated minerals on lands wherein an interest in the minerals is owned by the state, including trust fund lands, land forfeited for non-payment of taxes and held in trust by the state, the beds of public waters, and lands otherwise acquired that have been designated by the commissioner as mining units. Each such lease shall cover one mining unit. No such lease shall be issued for a term longer than fifty (50) years.

Section 5. PUBLIC SALE OF LEASES. Subdivision 1. Time, place, notice. Except as otherwise expressly provided by law, or as otherwise provided in Section 6, leases to prospect for, mine and remove copper, nickel, and associated minerals owned by the state shall be issued only upon public sale authorized by the commissioner.

The public sale of leases shall be held at such times and places as may be designated by the commissioner. The commissioner shall give public notice of each sale by publication for three (3) successive weeks in a legal newspaper printed and published in the county seats of the counties in which the mining units to be leased are located. The first publication shall be at least thirty (30) days before the date of sale. Like notice may be published in not to exceed two (2) additional newspapers and two (2) trade magazines as the commissioner may direct. Each notice shall contain the following information:

- a. Time and place of holding the sale.
- b. The place or places where the list of mining units to be offered for sale will be available for purchase or inspection, and where application and bid forms may be obtained.
- c. Such other information as the commissioner may direct.

Subd. 2. Mining unit books. Those interested in bidding may obtain a COPPER-NICKEL UNIT BOOK by making application to the commissioner, accompanied by a certified check, cashier's check, or bank money order, payable to the state treasurer, in the sum of twenty-five (25) dollars as a fee for such mining unit book. Unit books will be available for inspection at the Hibbing and Saint Paul offices of the Division of Lands and Minerals.

Subd. 3. Lease application and bid. Each application and bid shall be submitted on a form obtained from the commissioner and shall cover only one mining unit, as designated in the mining unit book. The royalty rate offered in the bid shall be designated by inserting a figure in the blank space in the following clause of the bid form: "The royalty rates bid herein to be paid to the state per ton of crude ore for the copper, nickel, and associated metals and mineral products recovered from the ores mined from the mining unit shall be the base rate per ton of dried crude ore, plus an additional \_\_\_\_\_ per cent of the value of the metals and mineral products recovered in the mill concentrate." The application and bid, together with a certified check, cashier's check, or bank money order, payable to the state treasurer in the sum of fifty (50) dollars, shall be submitted in a bid envelope obtained from the commissioner. Each sealed bid envelope shall be enclosed in another envelope and shall be delivered in person or by mail to the commissioner at Saint Paul, Minnesota. Bids may be submitted at any time prior to the time specified for the opening of the bids, and no bids submitted after that time shall be considered. Upon receipt, the commissioner shall endorse upon each sealed bid envelope the exact time of presentation and preserve the same, unopened, in his office.

At the time specified, the commissioner, together with the state executive council, shall then publicly open the bids and announce the amount of each bid separately. Leases shall be awarded by the commissioner, with the approval of the state executive council, to the highest bidder for the respective mining units, but no bids

shall be accepted that do not equal or exceed the base royalty rates set forth in Section 7. of these rules and regulations. The right is reserved to the state, through the executive council, to reject any or all bids. Upon the award of a lease, the certified check submitted with the bid shall be deposited with the state treasurer as a fee for the lease. All bids not accepted shall become void, and the checks accompanying the bids shall be returned to the respective bidders.

Section 6. NEGOTIATED LEASES. Whenever the commissioner shall find that it is impractical to hold a public sale on any mining unit because of its location or size or the extent of the state's interest in the minerals therein, and that the best interests of the state will be served thereby, the commissioner, with the approval of the executive council, may, without holding a public sale, issue a lease to any qualified applicant to prospect for, mine and remove copper, nickel, and associated minerals. Applications shall be in such form and shall contain such information as the commissioner may prescribe. The leases so issued shall be in the form set forth in Section 7. hereof, with such additional terms and conditions not inconsistent therewith as may be agreed upon. The rental and royalty rates agreed upon shall be not less than those prescribed in said Section 7.

No lease shall be issued under this section for the removal of copper, nickel, and associated minerals from any mining unit for which notice of public sale has been published, until such public sale has been held. No lease shall be issued under this section until at least one public sale has been held under Section 5.

Section 7. FORM OF LEASE. The form of lease for prospecting for, mining and removing copper, nickel, and associated minerals belonging to the state shall consist of the following provisions, with such insertions, changes, or additions as may be necessary to incorporate the royalty rates and other particulars applicable to each lease as may be authorized under these rules and regulations:

This indenture, made this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_, by and between the State of Minnesota, hereinafter called the state, and \_\_\_\_\_, hereinafter called the lessee, WITNESSETH:

1. Term; Description of mining unit. That the state, for and in consideration of the sum of \_\_\_\_\_ Dollars, to it in hand paid by the lessee, being the rental hereinafter provided for the unexpired portion of the current calendar year and for the next succeeding calendar year, the receipt whereof is hereby acknowledged, and in further consideration of the covenants and conditions hereof to be kept and performed by the lessee, does hereby lease and demise unto the lessee for a term of \_\_\_\_\_ ( ) years beginning the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_, the following-described mining unit, hereinafter called "said mining unit", situated in the county of \_\_\_\_\_, in the State of Minnesota, to-wit:

2. Definitions. For the purposes of this lease, the following words shall have the meanings ascribed to them:

a. "Commissioner" means the Commissioner of Conservation of the State of Minnesota, or his designated representative.

b. "Ton" means 2,000 pounds avoirdupois after removal of all free moisture from the material weighed, by drying at 212 degrees Fahrenheit.

3. Purpose of lease. The said mining unit is leased to the lessee for the purpose of prospecting for, and the mining and removal of ores containing copper, nickel, and associated minerals found on or in said mining unit, except the iron ore and taconite ore that is a part of the Biwabik iron formation.

The lessee shall have the right to construct or make such buildings, excavations, openings, ditches, drains, railroads, roads, and other improvements thereon as may be necessary or suitable for such purposes. The lessee shall have the right to mill and concentrate the ore so mined, either upon said mining unit or elsewhere in Minnesota, but such right to mill and concentrate shall not include the right to reduce or smelt ore upon said mining unit without an agreement between the lessee and the commissioner, authorizing such use of the surface of the land and providing for the necessary protection of life and property. The lessee may contract with others for doing any work authorized or required hereunder, or for the use of said mining unit or any part thereof for the purposes hereof, but no such contract shall relieve the lessee from any duty, obligation, or liability hereunder. No such contract providing for shipping, handling, or removal of ore-bearing material shall become effective for any purpose until three executed duplicates of such contract have been filed with the commissioner.

4. State's right to lease iron ore and taconite. The state reserves the right to lease or grant to other persons or corporations the right to explore for, mine, remove, and beneficiate iron ores, including taconite, that are a part of the Biwabik iron formation and located in said mining unit. The state agrees that any permit or lease granted by it to any person or corporation to explore for, develop, mine, or dispose of such iron ores, including taconite, shall contain a provision that the permittee or lessee thereof shall exercise such rights so as not to cause any unnecessary or unreasonable injury or hindrance to the operations of the lessee herein in the exploration for, or the development, mining, or removal of copper, nickel and minerals other than iron ores covered by such permit or lease. Lessee herein agrees that it will exercise the rights granted to it by this lease in such manner as not to cause any unnecessary or unreasonable injury or hindrance to the operations of any permittee or lessee of the state in the exploration for, or the development, mining, or removal of such iron ores, including taconite.

5. State's right to lease surface and sell timber. The state reserves the right to sell and dispose of all the timber upon said mining unit without let or hindrance from the lessee and pursuant to the law now or hereafter governing the sale of timber on state lands, and reserves to the state and to the purchaser of such timber, and their agents, the right at all times to enter thereon, and to cut and remove any such timber therefrom according to the terms of the purchaser's contract with the state, provided that such purchaser shall not unduly interfere with the prospecting or mining operations thereon. The state further reserves the right to grant leases, permits, or licenses to any portion of the surface of said mining unit to any person, partnership, corporation, or other association under the authority of Minnesota Statutes, Section 92.50, or other applicable laws, after consultation with lessee, and provided that such leases, permits or licenses shall not unduly interfere with the prospecting or mining operations conducted thereon.

6. Annual rental. The lessee covenants and agrees to pay to the state rental for said mining unit at the rate of One Dollar (\$1.00) per acre of land and water area included in said mining unit, per calendar year, payable in advance, for the unexpired portion of the current calendar year from the effective date hereof and for the next succeeding calendar year; and payable quarterly for the four (4) succeeding calendar years; and thereafter at the rate of Five Dollars (\$5.00) per acre per calendar year, payable quarterly for the five (5) succeeding calendar years; and thereafter at the rate of Twenty-five Dollars (\$25.00) per acre per calendar year, payable quarterly for the remainder of the term hereof; provided that the rate shall not exceed Five Dollars (\$5.00) per acre per calendar year for any calendar year in which the lessee is actively engaged in mining ores containing copper, nickel, and associated minerals from any copper-nickel mine located within the government township in which said mining unit is situated, or from a mine within a government township that has at least one point in

common along its boundary line with the government township in which said mining unit is located, and produces within such calendar year from such mine not less than 100,000 tons of such ores; provided further that unless the lessee is actively engaged in mining ores containing copper, nickel, and associated minerals from said mining unit leased hereunder, or from any copper-nickel mine located within the government township in which said mining unit is situated, or from a mine within a government township that has at least one point in common along its boundary line with the government township in which said mining unit is located, and has produced, within one calendar year, not less than 100,000 tons of such ores by the end of the twentieth full calendar year of this lease, then the state may, at its option during the twenty-first calendar year, cancel this lease in the manner hereinafter provided.

Said mining unit may include state-owned minerals under water, in trust fund lands, in acquired lands, and in lands forfeited for taxes. Any amount paid for rental, at the time of such payment, shall be allocated to the proper fund as determined by the mineral ownership.

Any amount paid for rental accrued for any calendar year shall be credited on any royalty that may become due for ore removed hereunder during the same calendar year but no further, and only to the extent that such rental was paid or deposited into the particular fund to which the royalty for such ore is due, and any amount paid for royalty in excess of such credit during such year shall be credited on rental, if any, subsequently accruing for such year but no further, and only to the extent that such royalty was paid or deposited into the particular fund to which such rental is due; however, any amount paid for rental in excess of five dollars (\$5.00) per acre for any previous calendar year may be credited on any royalty that may become due for ore removed hereunder during the current calendar year in excess of any credits for current rental, but only to the extent that such rental was paid or deposited into the particular fund to which such royalty is due.



Rental payments shall be made on the 20th day of May, August, November and February for the previous calendar quarters. The first calendar quarter shall be the first three calendar months of the year, and so on.

Upon surrender of any part or parts of said mining unit by lessee pursuant to the provisions of this lease, the annual rental payment may be discontinued as to such part or parts for all subsequent calendar years; however, the rentals paid on the part or parts surrendered shall not be credited on any royalties due for ore removed from that part of the mining unit which remains under lease.

Where the state owns only a fractional undivided interest in the minerals in any portion of said mining unit, only that fractional part of the rentals and royalties established herein shall be paid for such portion.

If at any time during the term of this lease it is determined in a proper proceeding that the state does not own the minerals in a part of the area included in said mining unit, the commissioner shall delete from the description of said mining unit the part not owned by the state, and only if such determination is made prior to the fifth anniversary date of this lease shall the lessee be entitled to a refund, or in the case of tax forfeited minerals to receive credit on future payments due the same fund, for payments made to the state on said part prior to such determination. If the commissioner deems it necessary, additional time to make such determination may be granted.

7. Tonnage for royalty purposes. Royalty shall be computed on the dry weight of the crude ore. The dry weight of the crude ore shall be calculated from moisture samples taken at the time the crude ore is weighed.

8. Royalty rates. The royalty rate to be paid to the state by the lessee for the copper, nickel, and associated metals and mineral products recovered from each ton of ore mined from said mining unit shall be the base rate described hereinafter, plus an additional \_\_\_\_\_ per cent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore.

For ores mined by either underground or open pit methods during the unexpired portion of the calendar year in which the lease commences plus the first succeeding ten (10) calendar-year period, the base rate shall be two (2) per cent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional two (2) per cent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds seventeen (17) dollars per ton of dried crude ore.

For ores mined by underground methods during the second ten (10) calendar-year period, the base rate shall be two and one-quarter ( $2\frac{1}{4}$ ) per cent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional two and one-quarter ( $2\frac{1}{4}$ ) per cent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds seventeen (17) dollars per ton of dried crude ore; and for the third ten (10) calendar-year period, the base rate shall be two and one-half ( $2\frac{1}{2}$ ) per cent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional two and one-half ( $2\frac{1}{2}$ ) per cent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds seventeen (17) dollars per ton of dried crude ore; and for the fourth ten (10) calendar-year period, the base rate shall be two and three-quarters ( $2\frac{3}{4}$ ) per cent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional two and three-quarters ( $2\frac{3}{4}$ ) per cent of that portion of the value of the metals and mineral products recovered

in the mill concentrate that exceeds seventeen (17) dollars per ton of dried crude ore; and for the remaining portion of the lease term thereafter, the base rate shall be three (3) per cent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional three (3) per cent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds seventeen (17) dollars per ton of dried crude ore.

For ores mined by open pit mining methods, after the first ten (10) calendar-year period, the base rate shall be thirty-three and one-third ( $33 \frac{1}{3}$ ) per cent greater than those shown above for underground ore.

9. Value of metal and mineral products. The value of metals and mineral products recovered in the mill concentrate from each ton of dried crude ore shall be determined monthly as follows: Multiply the total pounds respectively of copper, nickel, and each associated metal and mineral product recovered during the month in the mill concentrate from the mining unit, by the average market price per pound respectively for that month of each such fully refined metal and of each such mineral product. The total amount of copper and nickel recovered in any form in the mill concentrate shall be valued for royalty purposes as fully refined metal. For the purpose of this lease, associated mineral products shall mean the mineral products other than those that are principally valuable for their copper or nickel content. When less than fifty (50) per cent of any associated metal or mineral product recovered in the mill concentrate is sold or otherwise gainfully disposed of, then only the quantity of such associated metal or mineral product actually sold or otherwise gainfully disposed of shall be multiplied by the market price in determining the value of such metal or mineral product for royalty purposes. Add the values thus obtained for each such metal and each such mineral product for the month, and divide the sum by the total number of tons of dried crude ore from the mining unit concentrated in the mill during the month, to obtain the value of the metals and mineral products recovered from each ton of dried crude ore.

The average market price of copper per pound for each month shall be that quoted for domestic refinery electrolytic copper in carload lots, f.o.b. Atlantic Seaboard Refineries, as reported in the "Metals and Minerals Markets" section of the Engineering and Mining Journal. The average market price of nickel per pound for each month shall be that quoted for nickel cathodes, in carload lots, f.o.b. Port Colborne, Ontario, Canada, United States import duty (if any) included, as reported in said Journal. The average market price of other metals and of mineral products per pound for each month shall be that quoted for their usual and customary shipping quantities, f.o.b. the usual and customary place of shipment, United States import duty (if any) included, as reported in said Journal. If said Journal or its successors ceases to furnish such quotations, or its quotations cease to be recognized in the trade, or a particular metal or mineral product is not listed, then the quotations of such other source as the parties may agree upon shall govern.

10. Commingled ores. The lessee shall have the right to commingle ore from said mining unit with other ore, either in the mine, in stockpile, or in the mill, provided, however, that the ores shall be kept entirely separate and distinct until their quantities and metal and mineral contents have been separately measured and determined.

11. Quarterly payment on ore removed. The lessee covenants and agrees to pay to the state, on or before the 20th day of May, August, November, and February in each year during the period this lease continues in force, royalty at the rates hereinbefore specified for all of the ore removed from said mining unit and milled during the previous calendar quarter.

The lessee shall be liable for payment of royalty when due on all ore removed from said mining unit for concentration elsewhere or for any other purpose, from the actual time of such removal; and if any of such ore is not concentrated, or if the royalty due thereon is not determined and accounted for as herein provided by the

next royalty payment date, the commissioner may determine such royalty by such method as he deems appropriate and consistent with the royalty rates set forth in this lease. Any amount paid for royalty shall be allocated to the proper fund as determined by the mineral ownership.

12. Lessee to transmit statement of ore removed and royalty due. The lessee shall transmit to the commissioner with each royalty payment an exact and truthful statement of the tonnage and royalty value of the ore mined and removed from said mining unit and milled during each of the three months for which such payment is made, and the amount of royalty due thereon, separated as to the various state fund ownerships. The lessee shall provide for all the operations required for such determinations except as otherwise specified.

13. Weighing. The method or methods of obtaining the weights used to determine tonnage for the calculation of royalty, or to determine other weights required by the state, shall be subject to the approval of the commissioner.

14. Sampling. Samples for royalty purposes shall be taken of the ores and mill products at places and intervals subject to the approval of the commissioner. A portion of each such sample or composite sample shall be delivered to the commissioner unless, by mutual agreement, it has been decided that certain of such portions are not needed by the state. Except as otherwise permitted by the commissioner, all ore mined from this mining unit shall be sampled and its weight determined before being commingled with any other ores.

Each royalty sample shall be analyzed at the expense of the lessee by competent chemists or assayers approved in writing by the commissioner. The elements in the royalty sample for which analytical determinations will be made, shall be subject to agreement between the commissioner and the lessee.

15. Monthly reports. Except as otherwise permitted by the commissioner, the lessee shall transmit within thirty (30) days after the end of each calendar month, statements for said calendar month in such form as the commissioner may require, covering the tonnages and analyses of the following: All material mined from said mining unit, all material milled from said mining unit, all material stockpiled from said mining unit, all concentrates produced from said mining unit, all material mined from any source and commingled with material from said mining unit, all commingled material concentrated, all commingled material stockpiled, all commingled concentrates produced during the said calendar month, and such other information as may reasonably be required by the commissioner for the purpose of verifying the amount of royalty due.

The weight of ore as set forth in said monthly statements shall prima facie be binding as between the parties, but the state shall have the right to sample the ore, check the analyses, and inspect, review and test the correctness of the methods, books, records and accounts of the lessee in sampling, analyzing, recording, and reporting such weights, and to inspect, review, and test the correctness of the weights and scales and other equipment used in measuring the amount of ore, it being understood that any errors in these reports, when ascertained, shall be corrected.

16. Additional monthly and annual reports to be furnished by lessee; exploration; mine samples required. Except as otherwise permitted by the commissioner, in addition to other reports or statements required herein, the lessee shall furnish the following:

a. Copies of all exploration data, laboratory test data, geophysical survey data, and periodic mine maps, analyses maps, cross-sections, and development plans customarily prepared for permanent record of the operations on said mining unit. Material furnished to the commissioner under this sub-paragraph "a." and sub-paragraph "b." below shall be considered confidential during the life of this lease or any extension thereof.

b. At least a quarter-portion of all exploration samples, and when requested by the commissioner in writing, a quarter-portion of mine or mill samples. In the event that the lessee requires certain exploration samples in their entirety, the commissioner or his representative may waive the requirement for a quarter-portion of such exploration samples, provided that the lessee grants the state an opportunity to examine and classify such samples before they are crushed or processed.

c. A monthly report showing the estimated weights and analyses of all materials stockpiled, including lean ore, waste and tailings, and divided as to property of origin and deposition.

d. Copies of smelter statements or receipts from sales involving materials produced from this mining unit.

e. Not later than March 1st of each year during said term, a summary statement of the tonnage of all ore mined and all ore milled from the premises and all ore materials placed in or removed from stockpile during the previous calendar year, divided as to the property of origin and the disposition of such ore materials and showing such analyses of the same as the commissioner may require.

17. How remittances and reports are to be transmitted.

All remittances by the lessee hereunder shall be made payable to the state treasurer, and all such remittances and all reports, notices and documents required hereunder shall be transmitted to the commissioner through the director of the division of lands and minerals at Saint Paul, Minnesota.

18. State inspection; inspectors at plants and mines.

The commissioner may at all reasonable times enter said mining unit and any other premises used or operated by the lessee in connection with the operation of said mining unit, inspect the operations conducted hereunder, and conduct such engineering and sampling procedures and other investigations as the commissioner may require, not unreasonably hindering or interrupting the operations of the lessee.

The lessee shall provide, upon written request of the commissioner, a suitable room in the dry or wash house or in some other suitable place on said mining unit or elsewhere when necessary, with water, light and heat, all without cost to the state, for the use of state inspectors. Such room shall be at least equal in size and equipment to that customarily furnished for the use of the mine engineer or captain at comparable operations.

Whenever royalties or rentals due the state are required to be distributed to more than one fund, or when ore from said mining unit is commingled with other ore, or when ore from said mining unit is concentrated at the same plant as other ore, the commissioner may appoint such special inspectors as he deems necessary to insure proper accounting and protect the interests of the state, and the lessee shall reimburse the state monthly for the cost of all such inspection service upon notification by the commissioner.

19. Removal of ore for experimental purposes. Notwithstanding the provisions of paragraph 11. herein, upon written application of the lessee, the commissioner may authorize the removal of ore from said mining unit for experimental purposes without payment of royalty; and it is further understood that the removal of samples obtained by drilling, trenching, or testpitting, for the purposes of exploration, shall not be subject to the payment of royalty.

20. Stockpiled materials. All materials mined from said mining unit and not shipped to the concentrating mill, and all mill rejects derived from crude ore from said mining unit, shall remain the property of the state and shall be stockpiled only in such manner and on such sites as may be authorized by the commissioner in writing; provided, however, that when the commissioner agrees that substantially all minerals of value have been extracted from the mill tailings, such material may be used for stope filling on said mining unit or elsewhere, and the tailings



material so used shall be deemed to be abandoned, and title to such material shall revert to the mineral owners of the property in which it is deposited.

21. Reversion of title on land conveyed to the state for stockpiling purposes. When the commissioner determines that it is necessary and that the interests of the state will be fully protected thereby, the lessee may convey land to the state upon the condition that it shall be used for the storage of ore or other materials having present or potential value belonging to the state, and that the state's interest in the land shall terminate and title shall revert to the lessee when the land is no longer needed or used for that purpose. No consideration shall be paid for such conveyance unless authorized by law.

22. Cross-mining rights. The lessee is hereby granted the right to mine and remove any ores from said mining unit through any shafts, openings, or pits that may be made upon adjoining and nearby premises controlled by the lessee; and the lessee may, if it so desires, use said mining unit and any shafts, openings, pits, made thereon for the mining or removal of any ores from any such adjoining or nearby premises, not, however, preventing or interfering with the mining or removal of ore from said mining unit; provided, however, that the ores taken from said mining unit shall at all times be kept entirely separate and distinct from any other ores until measured and sampled as herein provided so that the rights of the lessor shall be at all times preserved and protected; and the lessor agrees hereby to and does hereby recognize the rights and liens of the owners of any nearby or adjoining premises in any ores mined therefrom and transported through said mining unit.

23. Lessee's obligations under state and federal laws and regulations. The provisions of this lease are subject to all applicable state and federal statutes, orders, rules and regulations, and all operations under this lease shall be conducted in conformity therewith. No interference, diversion, use or appropriation of any waters over which the commissioner or any other state agency has jurisdiction, shall be undertaken unless authorized in writing by the commissioner or the said state agency.

24. Operations to be conducted in accordance with good mining and metallurgical engineering. The lessee shall advise the commissioner when exploration drilling, trenching, or testpitting on said mining unit is about to begin. The lessee shall open, use, and work the mine or mines on said mining unit and conduct metallurgical operations in such manner only as is usual and customary in skillful and proper copper-nickel mining and milling operations in accordance with the requirements, methods, and practices of good mining and metallurgical engineering, and in such manner as not to cause any unnecessary loss of minerals, or unusual permanent injury to said mining unit. Surface lands owned by the state in said mining unit are not to be cleared or used for construction or stockpiling purposes unless and until the plan for such use has been approved by the commissioner. The surface use of said mining unit shall be conducted in such manner as to prevent or reduce scarring and erosion of the land and pollution of air and water.

25. Lessee's obligation for damages. It is understood and agreed that in case any interest in the land or minerals covered by this lease is owned by anyone other than the state, this lease shall not be construed as authorizing any invasion of or trespass upon such other interest. The lessee is obligated to save the state harmless from all damages or losses caused directly or indirectly by operations under this lease, whether to land, timber, minerals, growing crops, or buildings, or to any person or other property, including damages suffered by such other owner of the surface or mineral rights, and the state shall not be liable therefor.

26. Lessee to pay all taxes. The lessee covenants and agrees to pay when due all taxes, general and specific, personal and real that may be assessed against said mining unit and the improvements made thereon, and the ore materials therein or mined therefrom, and any personal property thereon owned, used or controlled by the lessee. This covenant shall not apply to taxes assessed against any part of said mining unit as a result of any

other lease granted by the state to other parties. The cancellation, termination, or expiration of this lease shall not relieve the lessee of the obligation to pay taxes assessed during the continuance of the lease, even though such taxes may be due or payable after such cancellation, termination, or expiration date.

27. State lien for unpaid sums due. The state reserves and shall at all times have a lien upon all ore mined from said mining unit, all ore concentrated therefrom, smelter returns due the lessee therefor, and all improvements made hereunder for any sums not paid when due.

28. Lessee's right to terminate lease. The lessee may at any time deliver to the commissioner written notice of intention to terminate this lease, and this lease shall terminate sixty (60) days after such delivery unless such notice is revoked by the lessee by further written notice delivered to the commissioner before the expiration of said sixty (60) days. On December thirty-first (31st) following the tenth anniversary date of this lease, and on any succeeding December thirty-first (31st), the lessee may surrender its rights and privileges herein granted on any governmental descriptions or on beds of public waters included in said mining unit, by giving the lessor written notice of its intention so to do at least sixty (60) days before the date of such surrender. All sums due to the state under this lease up to the effective date of such termination shall be paid by the lessee.

29. Lessor's right to cancel lease upon default. This lease is granted upon the express condition that, if any sum owing hereunder by the lessee for rental, royalty, or otherwise shall remain unpaid after the time when the same became due as herein provided, or if the lessee or any agent or servant thereof shall knowingly or willfully make any false statement in any report, account, or tabulation submitted to the state or to the commissioner, or any of his agents pertaining to any matter hereunder, or if the lessee shall fail to perform any of the covenants or conditions herein expressed to be performed by said lessee, the

commissioner may cancel this lease by mailing or delivering to the lessee sixty (60) days' notice thereof in writing, specifying such non-payment or other default as the case may be, and this lease shall terminate at the expiration of said sixty (60) days, and the lessee and all persons claiming under the lessee shall be wholly excluded from said mining unit except as hereinafter provided. Such termination shall not relieve the lessee from any liability for payment or other liability incurred hereunder. If the default consists of a non-performance of an act required hereunder other than payment of royalty or rental, the lessee may perform within said period of sixty (60) days and the lease shall continue in full force and effect, and if the correction of any such default requires more time than sixty (60) days after the notice has been received by the lessee, the commissioner, upon written request of the lessee and for good cause shown, may, at his discretion, grant an extension of such period of sixty (60) days. If the default consists of a non-payment of royalty or rental and the lessee performs within fifteen (15) days from the mailing or delivery of notice of cancellation, the lease shall continue in full force and effect; and if the lessee performs at any time thereafter within said period of sixty (60) days, the commissioner, at his discretion, may continue the lease in full force and effect.

30. Rights of lessor and lessee during 180-day period following termination. Upon termination of this lease, whether by expiration of the term hereof or by act of either party, the lessee shall have one hundred eighty (180) days thereafter in which to remove all equipment, materials, railroad tracks, structures and other property placed or erected by the lessee upon said mining unit, and any such property not removed within said time shall become the property of the state. The lessee shall not remove or impair any supports placed in any mine or mines on said mining unit, or any timber or framework necessary to the use or maintenance of shafts or other approaches to such mine or mines or tramways within said mining unit, all of which shall become the

property of the state. During said period of one hundred eighty (180) days, the lessee shall, at its own expense, properly and adequately fence all pits, level banks, and refill all test pits and cave-ins that may be deemed dangerous or are likely to cause damage to persons or property, and the lessee shall do all other work which the commissioner deems necessary to leave the premises in a safe and orderly condition to protect against injury or damage to persons or property, and shall restore the premises as nearly as the commissioner deems practicable to the natural conditions of the surrounding area. Subject to the foregoing, upon the termination of this lease, whether by expiration of the term hereof or otherwise, the lessee shall quietly and peaceably surrender possession of said mining unit to the state. During said period of one hundred eighty (180) days, the lessee shall not be relieved of any obligation or liability resulting from the occupancy of said mining unit unless the lessee has wholly vacated said mining unit prior to the expiration of said period and has notified the commissioner thereof in writing.

31. Mining of minerals other than copper, nickel, and associated minerals. If any minerals not covered by this lease are found on or in said mining unit, the terms and conditions upon which such minerals may be mined or products recovered therefrom shall be as may be agreed upon by the lessee and the commissioner and approved by the state executive council. This provision does not apply to iron ore and taconite ore that are a part of the Biwabik iron formation.

32. Agreements, assignments, or contracts. All assignments, agreements, or contracts affecting this lease shall be made in writing and signed by all parties thereto, witnessed by two witnesses, properly acknowledged and shall contain the post office addresses of all parties thereto, and when so executed shall be presented in quadruplicate to the commissioner for record. No such instrument shall be valid until approved in writing by the

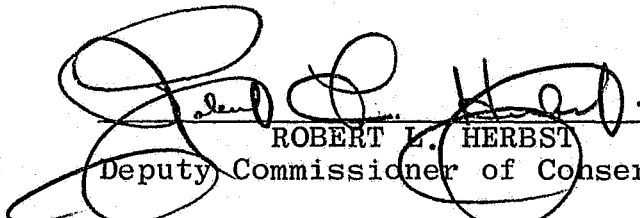
commissioner and approved as to form and execution by the attorney general. No assignment or other agreement shall relieve the lessee of any obligation or liability imposed by this lease, and all assignees, sublessees, and sub-contractors shall also be liable for all obligations or liabilities imposed by this lease.


33. Lease binding on assignees and successors. The covenants, terms, and conditions of this lease shall run with the land and shall extend to and bind all assignees and other successors in interest of the lessee.

34. Notices. For the purposes of this lease, the addresses of the parties shall be as follows, unless changed by written notice to all parties: For the state -- Commissioner of Conservation, State of Minnesota, Centennial Office Building, Saint Paul, Minnesota - 55101; for the lessee -- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

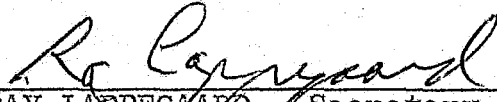
Section 8. EFFECTIVE DATE. These rules and regulations shall become effective upon filing of same in the offices of the secretary of state and commissioner of administration in accordance with Minnesota Statutes 1965, Section 15.0413, and shall remain in full force and effect until modified, amended, or revoked.

Dated at Saint Paul, Minnesota this 8th day of \_\_\_\_\_  
November, 1966.

  
\_\_\_\_\_  
ROBERT L. HERBST  
Deputy Commissioner of Conservation  
and

  
\_\_\_\_\_  
RAY D. NOLAN, Director  
Division of Lands and Minerals

The foregoing Rules and Regulations were approved by the State Executive Council on the 8th day of November, 1966.

  
RAY LAPPEGAARD, Secretary

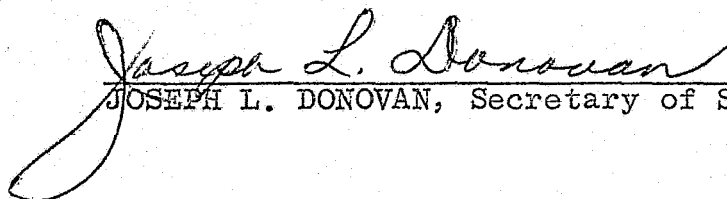
The foregoing Rules and Regulations are approved as to form and legality this 18th day of Nov., 1966.

  
ROBERT W. MATTSON, Attorney General

By \_\_\_\_\_

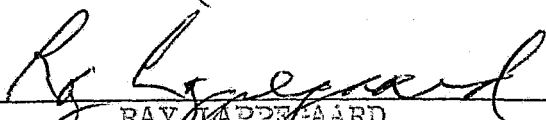
The foregoing Rules and Regulations were filed in the office of the Secretary of State this 18<sup>th</sup> day of November, 1966 at 11:15 A.M.

#18452  
O.D.

  
JOSEPH L. DONOVAN, Secretary of State

By \_\_\_\_\_

The foregoing Rules and Regulations were filed in the office of the Commissioner of Administration this 18 day of November, 1966.

  
RAY LAPPEGAARD  
Commissioner of Administration