

CHAPTER 6125
DEPARTMENT OF NATURAL RESOURCES
MINERAL RESOURCES

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PERMITS AND LEASES FOR COPPER, NICKEL, AND ASSOCIATED MINERALS

6125.0100 PURPOSE.

The purpose of parts 6125.0100 to 6125.0700 is to promote and regulate prospecting for, mining, and removing copper, nickel, and associated minerals, and the rules hereunder shall be construed to carry out that purpose.

Statutory Authority: *MS s 93.08; 93.25*

6125.0200 DEFINITIONS.

Subpart 1. Scope of terms. For purposes of these parts, the following words shall have the meanings ascribed to them.

Subp. 2. **Commissioner.** "Commissioner" means the commissioner of natural resources of the state of Minnesota, or his designated representative.

Subp. 3. **Mining unit.** "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.

Subp. 4. **Ton.** "Ton" means 2,000 pounds avoirdupois after removal of all free moisture from the material weighed, by drying at 212 degrees Fahrenheit.

Statutory Authority: *MS s 93.08; 93.25*

6125.0300 PERMITS.

The first two years of any lease issued pursuant to these parts 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 part shall restrict such mining operations as may be authorized by the lease.

Statutory Authority: *MS s 93.08; 93.25*

6125.0400 LEASES.

The commissioner, with the approval of the state executive council, shall adopt rules 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 nonpayment 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 50 years.

Statutory Authority: *MS s 93.08; 93.25*

6125.0500 PUBLIC SALE OF LEASES.

Subpart 1. **Time, place, and notice.** Except as otherwise expressly provided by law, or as otherwise provided in part 6125.0600, 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 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 30 days before the date of sale. Like notice may be published in not to exceed two additional newspapers and two 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; and

C. such other information as the commissioner may direct.

Subp. 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 \$25 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.

Subp. 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

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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 ___ percent 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 \$50, 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 part 6125.0700. 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.

Statutory Authority: *MS s 93.08; 93.25*

6125.0600 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 part 6125.0700, 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 part 6125.0700.

No lease shall be issued under this part 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 part until at least one public sale has been held under part 6125.0500.

Statutory Authority: *MS s 93.08; 93.25*

6125.0700 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:

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 Natural Resources 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 (4) four 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 \$25 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 for 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.

a. 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 ___ percent 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 calendar-year period, the base rate shall be two percent 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 percent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds \$17 per ton of dried crude ore.

For ores mined by underground methods during the second ten calendar-year period, the base rate shall be 2-1/4 percent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional 2-1/4 percent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds \$17 per ton of dried crude ore; and for the third ten calendar-year period, the base rate shall be 2-1/2 percent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional 2-1/2 percent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds \$17 per ton of dried crude ore; and for the fourth ten calendar-year period, the base rate shall be 2-3/4 percent of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, plus an additional 2-3/4 percent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds \$17 per ton of dried crude ore; and for the remaining portion of the lease term thereafter, the base rate shall be three percent 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 percent of that portion of the value of the metals and mineral products recovered in the mill concentrate that exceeds \$17 per ton of dried crude ore.

For ores mined by open pit mining methods, after the first ten calendar-year period, the base rate shall be 33-1/3 percent greater than those shown above for underground ore.

b. If the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore exceeds the special royalty base, as hereafter defined, the lessee shall pay a special royalty in addition to the royalties specified in a. The amount of special royalty to be paid to the state shall be determined by multiplying the special royalty rate by that portion of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore that exceeds the special royalty base.

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The special royalty rate shall be four hundredths of one percent (.04%) of that portion of the value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore that exceeds the special royalty base. The special royalty rate shall be subject to increase or decrease each calendar month by multiplying the special royalty rate by a fraction, the numerator of which shall be that month's base value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, and the denominator of which shall be that month's value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore.

The special royalty base shall be \$50 per ton of dried crude ore, subject to increase or decrease each calendar month by multiplying the special royalty base by a fraction, the numerator of which shall be that month's value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, and the denominator of which shall be that month's base value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore.

c. If the special royalty to be paid for any calendar month exceeds 20 percent of that month's value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore, the lessee may apply to the commissioner for a modification of the special royalty rate in regard to the amount exceeding 20 percent. Any modification of the lease agreed upon between the lessee and the commissioner must be approved by the state executive council.

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 50 percent 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 base value of the metals and mineral products recovered in the mill concentrate from each ton of dried crude ore shall be determined monthly in the same manner, except that 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 shall be multiplied by the respective average of the average market price per pound of each fully refined metal and of each mineral product for each of the 12 complete calendar months of 1981.

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 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 subparagraph a. and subparagraph 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 waters, soils, 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

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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 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 60 days. On December 31st following the tenth anniversary date of this lease, and on any succeeding December 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 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 60 days' notice thereof in writing, specifying such nonpayment or other default as the case may be, and this lease shall terminate at the expiration of said 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 nonperformance of an act required hereunder other than payment of royalty or rental, the lessee may perform within said period of 60 days and the lease shall continue in full force and effect, and if the correction of any such default requires more time than 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 60 days. If the default consists of a nonpayment of royalty or rental and the lessee performs within 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 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 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 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 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 subcontractors 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 Natural Resources, State of Minnesota, Centennial Office Building, Saint Paul, Minnesota 55101; for the lessee — _____

Statutory Authority: *MS s 93.08; 93.25*

PERMITS AND LEASES FOR GOLD AND OTHER ORES

6125.1000 AUTHORITY TO ISSUE PERMITS.

The commissioner of natural resources, with the approval of the conservation commission and the executive council, may issue permits to prospect for gold, silver, copper, cobalt, coal, graphite, petroleum, sand, gravel, stone, natural gas, and all other minerals, excepting iron ore, under the waters of any meandered lake or stream in the state of Minnesota, including that portion of boundary lakes and streams within the boundary of the state, and issue leases for the mining and removing of such minerals upon such terms and conditions as shall be approved as above.

Statutory Authority: *MS s 93.08*

6125.1100 PROSPECTING PERMITS.

Subpart 1. Length of permit. No prospecting permit shall be for a longer period than one year and cover a larger area than 160 acres of contiguous land except where operating conditions may demand not to exceed an increase in acreage of 25 percent over 160 acres.

Subp. 2. Mining lease attached. There shall be attached to each permit a copy of the mining lease to be issued as hereinafter provided.

Subp. 3. Names and addresses. The names and addresses of all parties to the permit and lease shall be shown on such permit or lease and shall be signed, witnessed, and acknowledged.

Subp. 4. Fee. For each permit there shall be charged a fee of \$25.

Subp. 5. Right to prospect. The permit holder shall have the exclusive right to prospect in any manner he may see fit for ore within the area designated in the permit for a term not exceeding one year from the date of such permit.

Subp. 6. Right to request and receive a lease. At any time during the life of the permit the holder thereof may ask for and receive a lease in the form attached to such permit, provided he has kept and performed in a substantial manner its terms and covenants. Such lease shall cover the same tract of land as that set out in the permit, but the owner of the permit may choose a smaller acreage within such tract.

Subp. 7. Removal of ore. No ore shall be removed from the land during the term of the permit except such as is reasonably needed for assay, analysis, and record purposes.

Subp. 8. Commencement of work. The work under such permit shall be begun in a substantial manner within 90 days from the date of the permit unless weather, water, or ice conditions make such work hazardous or impracticable, and shall continue until the term of the permit expires, is surrendered, or a lease asked for.

Subp. 9. Quarterly progress reports. The holder of the permit shall report in writing to the commissioner of natural resources, on the first business day of each April, July, October, and January following the issuance of a permit and during the time it remains in force, the progress of the work of prospecting, and shall accompany such reports with blueprints, maps, and other information showing the character and extent of the work done, the nature of the materials encountered, the assays or analyses for gold and other mineral bearing formations encountered therein.

Subp. 10. Samples. The permit holder shall split all samples taken and furnish the commissioner or his representatives, from time to time as directed

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by the commissioner, with a portion of such samples, properly marked for identification.

Subp. 11. **Sample analysis.** The permit holder shall cause, at his own cost and expense, all such samples to be assayed or analyzed by a competent assayer or chemist, and report the same to the commissioner as above set out.

Statutory Authority: *MS s 93.08*

6125.1200 INSPECTION OF WORK.

The commissioner or his representatives shall have the right at all reasonable times to inspect the work done under the permit or lease and carry on such engineering and sampling work as he may wish to do, not unnecessarily or unreasonably interfering with the work.

Statutory Authority: *MS s 93.08*

6125.1300 BREACH OF COVENANTS OR CONDITIONS; CANCELLATION.

In case the permit or leaseholder shall fail to perform any of the terms, covenants, or conditions in the permit or lease contained, it shall be the duty of the commissioner to cancel such permit or lease, first having given the holder at least 30 days' notice in writing, specifying the particulars wherein the permit or lease terms have been breached, which notice shall be sent by registered mail to the holder of the permit or lease at the address given in the permit or lease. The permit or leaseholder shall have 30 days to correct the conditions complained of. Upon failure to correct the matters complained of, the commissioner shall reenter and again possess said premises as fully as if no permit or lease had been given, and all persons claiming under such permit or lease shall be wholly excluded therefrom.

Statutory Authority: *MS s 93.08*

6125.1400 TERMS TO BE INCLUDED IN PERMITS AND LEASES.

Subpart 1. **Use of common terms.** So far as practicable the general terms and conditions usually found in options, permits, and leases for the mining and removal of gold, silver, copper, cobalt, coal, graphite, petroleum, sand, gravel, stone, natural gas, and other minerals, excepting iron ore, embracing good and efficient mining engineering shall be set out in such permits and leases.

Subp. 2. **Royalties.** Royalties to be paid the state upon ore removed under any lease shall be upon a sliding scale dependent upon the mineral content of the ore. All permit fees, lease rentals, and royalties shall go undiminished to the permanent school fund.

Subp. 3. **Cancellation clause.** Such lease shall also contain a provision for its cancellation as set out in part 6125.1300 but with the addition that no reentry so made shall work a forfeiture of the rents, royalties, taxes, or other sums then due.

Subp. 4. **Payment of tax clause.** The lease shall provide that the lessee shall pay all taxes, general and special, ordinary and extraordinary, levied or assessed against the land, and the improvements thereon, made, used or controlled, and the ore product thereof, and any personal property, in all respects as if said land were owned in fee by the lessee.

Subp. 5. **Rental fee.** The lease shall provide for an annual rental of not less than \$25 to be paid annually in advance during the full term the lease remains in force, when the full amount of the royalty on ore removed from the premises during any calendar year does not equal or exceed that sum. Such sum shall be deemed rental and not advance royalty.

Subp. 6. **Right of entry.** The right of the state through its engineers and agents to enter upon said premises at all reasonable times to survey, inspect, or sample the workings, mills, and other equipment, shall be reserved in all leases.

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Subp. 7. **Lease conformity.** So far as possible the terms and conditions of any lease issued under the authority of Laws of Minnesota 1935, Special Session, chapter 42, above referred to, shall conform to leases for mining similar ores under authority of Laws of Minnesota 1927, chapter 389, section 12.

Statutory Authority: *MS s 93.08*

6125.1500 AMENDMENTS TO RULES.

The rules as adopted by the commissioner of natural resources with the approval of the conservation commission and the executive council shall not be altered or changed without the approval of each after a hearing on such change.

Statutory Authority: *MS s 93.08*

6125.1600 DAMAGE TO RIPARIAN OWNERS.

The grantee of such permit or lease, his or their assigns, representatives, and successors in interest shall be required to secure riparian owners against damage from the use of such permit or lease.

Statutory Authority: *MS s 93.08*

6125.1700 INSTRUMENTS AFFECTING TITLE TO PERMITS AND LEASES; WRITING REQUIREMENT.

All provisions of Laws of Minnesota 1935, Special Session, chapter 42, relating to the execution and recording of permits, leases, and assignments thereof shall be strictly followed. All instruments by which the title to any permit or lease is affected must be in writing, signed by both parties, witnessed by witnesses and acknowledged, and presented to the commissioner of natural resources for approval.

Statutory Authority: *MS s 93.08*

6125.1800 GOLD ORE PROSPECTING PERMIT FORM.

PERMIT NO. _____

(Issued under authority of Chapter 42, Extra Session Laws of 1935.)

_____, whose post office address is _____, having applied to the undersigned, conformably with the provisions of Chapter 42, Extra Session Laws of 1935, for a gold ore prospecting permit on the following described lands:

containing _____, more or less, according to the government survey thereof, and said _____, having duly paid to the State Treasurer the sum of Twenty-five Dollars (\$25), that being the full amount required by the regulations prescribed by me as Commissioner of Natural Resources of the State of Minnesota, to be paid as aforesaid for the purposes hereof:

NOW, THEREFORE, in consideration of the premises, the undersigned, as Commissioner of Natural Resources of the State of Minnesota, pursuant to the provisions of Chapter 42, Extra Session Laws of 1935, hereby grants unto the said _____ for a period of one year from date hereof, the right to enter upon said land for the purpose of prospecting and exploring hereon for gold or other ore in any manner the said _____ may see fit upon condition that no ore shall be removed from said premises under this permit except such as reasonably necessary as samples for analyses, assays, and record purposes; that the work of prospecting under this permit shall begin in a substantial manner within ninety days from the date hereof and shall be continued until the permit expires, is surrendered, or a lease asked for; that the holder of this permit shall report in writing to the Commissioner of Natural Resources, on the first business day of April, July, October and January, following the issuance hereof and during the term this permit remains in force, the progress of the work of prospecting, and accompany such reports with blueprints, maps

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and other information showing the character and extent of the work done, the nature of materials encountered in such work, the analyses or assays for all gold and other mineral bearing formations encountered therein; that the permit holder shall split all samples taken and furnish the Commissioner of Natural Resources or his representatives, from time to time as the Commissioner of Natural Resources or his representatives shall direct, with a portion of such samples, properly marked for identification; that the permit holder shall cause at his own expense, all such samples to be assayed or analyzed by some competent chemist or assayer; that the Commissioner of Natural Resources or his representatives, shall have the right to inspect the work done under this permit at all reasonable times; that if the permit holder shall fail to perform any of the terms, covenants or conditions in this permit contained to be performed by him for a period of 30 days, then it shall be the duty of the Commissioner of Natural Resources, upon 30 days' notice to the holder of such permit by registered mail to the address of such holder as shown by the records of the State Auditor, to declare such permit forfeited. The work of exploration on said premises shall not unreasonably interfere with the public use of the waters covering such premises. All laws, rules and regulations regarding navigation of such waters, both state and national, shall be observed; that the holder of this permit shall secure all riparian owners against damage from the use of this permit by the parties hereto; that any time prior to the expiration of this permit the said _____ or _____ assigns, shall have the right to receive from the Commissioner of Natural Resources a _____ ore mining lease in the form of that attached hereto and marked "Exhibit A", such lease to run for a term of twenty-five years from the date thereof, and to contain all the terms and provisions set forth in said attached form of lease; that as a condition precedent to the issuing of said _____ ore mining lease, the holder of the permit shall file a full and complete report, properly verified, of all work of exploration done under such permit with accompanying maps, analyses, assays, etc., or in the event that no exploration work has been done, an affidavit so stating; and shall pay to the state treasurer the amount of the first annual payment provided for in said attached form of lease.

This permit will expire at five (5) o'clock P.M. on the _____ day of _____, 19____.

IN WITNESS WHEREOF, to this permit, executed in _____ I have set my hand and affixed my official seal this _____ day of _____, 19____.

STATE OF MINNESOTA

By _____
Commissioner of Natural Resources

I, _____, hereby accept the above permit and agree to fulfill all the terms, covenants and conditions thereof, this ____ day of _____, 19____.

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

On this _____ day of _____, 19____, before me, a Notary Public within and for said county and state, personally appeared _____, to me personally known, who, being duly sworn by me on oath, did say that he is the person who signed the foregoing instrument and acknowledged that he

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signed the same as his free act and deed for the uses and purposes therein set forth.

Notary Public, _____ County, Minn.

My Commission Expires _____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

On this _____ day of _____, 19____, before me, a Notary Public, appeared _____ and _____ to me personally known, who, each being by me first duly sworn, did say that _____ is the _____ President and _____ is the _____ Secretary of the _____ a _____ corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was executed in behalf of said corporation by authority of its board of directors; and said _____ and _____ each acknowledged said instrument to be the free act and deed of said corporation.

Notary Public, _____ County, Minn.

My Commission expires _____

Statutory Authority: *MS s 93.08*

6125.1900 LEASE FORM.

Lease form:

(Issued under authority of Chapter 42, Extra Session Laws of 1935.)

NO. _____

THIS INDENTURE, made this _____ day of _____, 19____, by and between the State of Minnesota, party of the first part, and _____, whose post-office address is _____, party of the second part,

WITNESSETH:

That the party of the first part for and in consideration of the sum of _____ to it in hand paid by the party of the second part, being the amount of the first payment for the year ending December 31st, 19____, hereinafter provided for, the receipt whereof is hereby acknowledged, and in further consideration of the covenants and conditions hereof to be kept and performed by the party of the second part, does hereby lease and demise unto the party of the second part for the term of twenty-five (25) years from and after _____, 19____, the following described land situated in the County of _____ and the State of Minnesota, to-wit:

which premises are leased to the party of the second part for the purpose of exploring for, mining, taking out, and removing the gold ore and/or other precious metals found on, in or under said land, together with the right to construct, make and install such buildings, machinery, excavations, openings, ditches, drains, railroads, wagon-roads and other improvements upon said premises as may be necessary or suitable for such purposes.

The party of the second part agrees at his sole cost and expense to secure riparian owners against damage from the use of such lease by the parties hereto.

And the party of the first part agrees that the party of the second part shall have the right to contract with others for the workings of such mines, or any part

thereof, or for the use of such land, or any part thereof, for the purpose of mining, milling and smelting gold ore and/or ores of other precious metals, with the same rights and privileges as are hereto granted to the party of the second part.

The party of the second part covenants and agrees with the party of the first part that the party of the second part will, except as to the first full annual rent on or before the first day of January of each year, pay to the treasurer of said state, a rental of _____ for each year in advance during the term this lease remains in force. It is understood and agreed that such annual payments shall be deemed and considered as ground rent and not advance royalty.

It is understood and agreed that the schedule of royalty to be paid by the party of the second part to the party of the first part shall be determined by the net returns and such net returns shall be construed to be the actual amount of money received by the party of the second part from the sale of gold or gold ore and/or concentrates mined, milled and sold from the said demised premises by the party of the second part less such charges as are hereinafter specified.

When gold bullion is sold the price paid for said gold bullion by the United States Government less shipping charges from mine to mint shall be considered as the net returns therefrom.

When gold ore is sold the market price paid therefor by the purchaser less shipping charges from mine to purchaser shall be considered as net returns therefrom.

When concentrates are sold the net smelter returns less shipping charges from mine to smelter shall be considered as the net returns therefrom.

It is provided further that after the net returns from the products of the said mine have been determined in the above manner that the sum total of such net returns received during the period covered by any quarterly report shall be divided by the total number of tons of ore milled, and the products of such milling sold during that period, the quotient shall be the value per ton upon which said royalty shall be computed. Whenever the quotient as aforesaid is Eight Dollars (\$8.00) or less per ton (2000 pounds), a royalty of three percent (3%) shall be paid; when the quotient is more than Eight Dollars (\$8.00) to and including Fifteen Dollars (\$15.00) per ton (2000 pounds), a royalty of five percent (5%) shall be paid; when the quotient is more than Fifteen Dollars (\$15.00) to and including Twenty-Five Dollars (\$25.00) per ton (2000 pounds), a royalty of seven percent (7%) shall be paid; when the quotient is more than Twenty-five Dollars (\$25.00) to and including Thirty-five Dollars (\$35.00) per ton (2000 pounds), a royalty of ten percent (10%) shall be paid; when the quotient is more than Thirty-five Dollars (\$35.00) to and including Forty-five Dollars (\$45.00) per ton (2000 pounds), a royalty of twelve percent (12%) shall be paid; when the quotient is more than Forty-five Dollars (\$45.00) to and including Fifty Dollars (\$50.00) per ton (2000 pounds), a royalty of Fifteen percent (15%) shall be paid, and when the quotient is more than Fifty Dollars (\$50.00) per ton (2000 pounds), a royalty of twenty percent (20%) shall be paid.

The party of the second part covenants and agrees that it will keep in books to be kept and preserved by it for such purposes, an account of all minerals mined and milled, the kind, quality and weight thereof, to whom sold, and the unit price received therefor. A correct statement and report of the same for each quarter year shall be furnished the Commissioner of Natural Resources not later than twenty days after the first day of each April, July, October and January for the preceding quarter, together with a certificate from the purchaser or smelter showing the unit price paid for the mineral purchased and the amount of gold or gold ore and concentrates purchased during the quarter from said land.

It is further understood and agreed that in computing the rate of royalty to be paid, as hereinbefore provided, that the total market price of the gold, gold

ore or concentrate removed during the period, covered by any quarterly report, shall be divided by the total number of tons of ore from the demised premises crushed and/or milled during that period and the quotient shall be the value per ton upon which such royalty shall be computed. In the event the lessee shall, by reason of sales of ore, concentrates or gold, to other persons or corporations representing the same or associated capital interests under such circumstances, that the Commissioner of Natural Resources believes the stated sales price does not fairly represent the market price of the gold, gold ore and/or concentrate, or if from other causes arising out of the methods of conducting the mining, milling, or refining operations of the lessee, it becomes, in the opinion of the Commissioner of Natural Resources, impossible to determine such gross sales price, or the value of such ore, concentrate or gold, said Commissioner of Natural Resources shall have the right and power to have the value of such ore, concentrate or gold determined by a competent and impartial appraiser or appraisers appointed by him, and the value so determined shall be used as the basis for calculating the gross sales price per ton of all gold or gold ore mined and sold from the demised premises within the meaning of the provisions of this lease. An audit of such books, accounts and records may be made at any time as directed by the Commissioner of Natural Resources by accountants of his selection.

The party of the second part hereby covenants and agrees with the party of the first part that the party of the second part will on or before the 20th day of each quarter during the term this lease continues in force, pay to the treasurer of the State of Minnesota for all gold, gold ore and/or concentrates mined, milled and/or sold from said premises during the quarter preceding the first day of the month in which such payment of royalty is to be made a royalty as hereinabove provided.

The party of the first part shall have the right to enter upon and into said premises at any time, and to inspect, sample and survey the same, and to measure the quantity of ore which shall have been mined or removed therefrom, and shall at all times have access to all parts of the stamp mills and/or other types of gold ore handling and treating plants for the purpose of sampling the ore and concentrates passing through the same and of inspecting the efficiency of all scales and machinery used in weighing and treating such ore, not unreasonably hindering or interrupting the operations of the party of the second part.

The party of the second part further covenants and agrees to install and maintain in good working order standard scales of a type approved by the Division of Weights and Measures of the State Railroad and Warehouse Commission, and at the request of the Commissioner of Natural Resources to provide a suitable room in the office building, dry, or other suitable place with rent, water, light and heat free to the agents of the state, for their use in the work of inspection on said premises. Such room to be equal in size and equipment to that furnished for the use of the mining captain or superintendent at such mine.

The party of the second part further covenants and agrees as follows:

That during said term the party of the second part will pay all taxes, general and specific, ordinary and extraordinary, which may be levied or assessed against said land, the improvements thereon, the products thereof, and any personal property on the demised premises, in all respects, as if said land were owned in fee by such party of the second part.

That the party of the second part will open, use and work said mines and operate its mills in such manner only as is usual and customary in skillful and proper mining and milling operations of similar character when conducted by the proprietors on their land and in accordance with the requirements of good and economical mining engineering, and in such manner as not to cause any unnecessary or unusual permanent injury to the same, or inconvenience or hindrance in the subsequent operations of the same and will deposit all lean ore, earth, rock and other materials or rubbish at such places and in such manner as will not

embarrass such subsequent operations, and that upon the termination of this lease, the party of the second part will quietly and peaceably surrender the possession of said land to the party of the first part, after safeguarding all pits and shafts by permanent coverings or fences.

All mineral shall be cleaned and/or prepared for market on said land, and no ore or crush stuff from other lands shall be brought to or cleaned and/or prepared for market on said land without the written consent of the Commissioner of Natural Resources; provided, however, that the party of the second part, with the written consent and approval of the Commissioner of Natural Resources shall have the privilege of removing ore and ore concentrates to other places for the purpose of completing the process of cleaning and refining the metal when such refining may not be done to advantage upon the premises; and provided further, that the second party with such written consent and approval, may hoist, crush, mill and deposit tailings and ore from other lands which in the proper course of mining shall come through the tunnels and shafts which are located upon these demised premises.

Provided, however, that when such written approval has been secured from the Commissioner of Natural Resources, and if he shall deem it advisable in order to protect the state's interest, he may provide that ore from other properties entering the mills or other ore treatment plants, shall be weighed and sampled by one or more competent and experienced mining engineers appointed by him with the consent to such appointment by the lessee hereof. It is further understood and agreed that the salary of such engineer or engineers so appointed, while employed in weighing and sampling ore from other properties milled on the demised premises at the same time that mining and milling operations are being conducted on the demised premises, shall be paid to the state from time to time by the lessee.

The party of the second part shall keep a log or record of each hole drilled or shaft sunk by it on the demised premises showing the location thereof, the character and formation of the rock and other substances passed through and the percent, grade or value of gold, silver and other mineral therein, and will furnish the Commissioner of Natural Resources or his representatives with copies of the same when requested in writing.

The party of the second part further agrees to keep at the mine office, clear, accurate and detailed maps of all the workings of each separate mine, on the said premises. Each map of the workings shall show the location of all openings connecting with the workings of any adjacent mine, the location of all entries, gangways, rooms, shafts, subs, winzes, raises, airways, appliances, and devices constructed or placed in the mine or any of the workings thereof. Copies of all such maps shall be furnished the Commissioner of Natural Resources upon his written request.

It is expressly understood and agreed that all tailings and mine refuse produced from said land during the term of this lease shall be the property of the party of the first part; provided, however, that the party of the second part may, subject to the written consent of the Commissioner of Natural Resources, contract for the sale or disposal of the same for other purposes than retreatment at not less than the market price, in which event he shall pay to the party of the first part ten percent (10%) of the price received, provided that no contract for the sale or removal of said tailings or mine refuse shall extend beyond the term of this lease.

Provided, further, that the party of the second part shall have the right at any time to terminate this lease insofar as it requires the party of the second part to mine ore on said land, or to pay royalty therefor by delivering written notice of such intention to terminate to the Commissioner of Natural Resources, who shall in writing acknowledge receipt of such notice, and this lease shall terminate thirty (30) days thereafter, and all arrearages and sums which shall be due under this

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lease up to the time of such termination shall be paid upon settlement and adjustment thereof by the party of the second part.

Provided, further, and this lease is granted upon the express condition, that if any quarterly payment or any payment for royalties or any part of such payments or any tax or portion thereof, shall remain unpaid after the expiration of thirty (30) days from the time when the same was payable as herein provided, or in case the party of the second part shall fail to perform any of the covenants or conditions herein expressed to be performed by said party of the second part, then it shall be the duty of the Commissioner of Natural Resources to cancel this lease, first having given to the party of the second part at least thirty (30) days' notice in writing thereof, which notice shall set forth in detail the covenants and conditions which the party of the first part claims having been breached, which notice shall be sent to the party of the second part by registered mail at the post office address herein given unless such address shall have been changed and notice of such change received and acknowledged by the Commissioner of Natural Resources and within such period the lessee shall have the right to perform such conditions and thereby continue this lease and a substantial beginning of such performance, and a continuance thereof in good faith, shall have the effect of extending such period while such performance continues. Upon the failure of the lessee to perform, as aforesaid, the party of the first part shall reenter and again possess said premises as fully as if no lease had been given to the party of the second part, and the party of the second part and all persons claiming under such parties shall be wholly excluded therefrom, but such reentry shall not work a forfeiture of the rents, royalties or taxes or other sums to be paid at the time of such reentry, provided, however, that the foregoing provision for the extension of the time for performance shall not apply to breach of condition with respect to the payment of money.

It is further understood and agreed that should valuable minerals other than gold or iron be discovered on the demised lands, the terms and conditions on which such may be mined, shall be agreed upon by the Commissioner of Natural Resources and the lessee.

It is mutually agreed that upon the termination of this lease, whether by act of either party or by limitation, the party of the second part shall have ninety (90) days in which to remove all engines, tools, machinery, railroad tracks, and structures placed or erected by the party of the second part upon said land, but the party of the second part shall not remove or impair any supports placed in said mine, or any timber or framework necessary to the use or maintenance of shafts or other approaches to the mines, or tramways within the mines. The party of the first part reserves and shall at all times have a lien upon all ore mined and upon all improvements made by the party of the second part upon the premises, for any unpaid balance due under this lease.

The covenants, terms and conditions of this lease shall run with the land and be in all respects binding upon all sublessees and grantees under the party of the second part.

IN TESTIMONY WHEREOF, the party of the first part, through and by the Commissioner of Natural Resources of Minnesota, with his official seal attached, has caused this instrument to be executed in _____, and the party of the second part, by and through its officers hereunto duly authorized, has hereunto set its name and seal, on the day and year first above written.

Signed, Sealed and Delivered

In Presence of:

STATE OF MINNESOTA

By _____
Commissioner of Natural
Resources

Statutory Authority: *MS s 93.08*

PERMITS AND LEASES FOR SOURCE MATERIAL

6125.2000 PURPOSE.

The purpose of issuing parts 6125.2000 to 6125.4100 is to encourage prospecting for radioactive ores, and the parts hereunder shall be liberally construed to carry out that purpose.

Statutory Authority: *MS s 93.25*

6125.2100 DEFINITIONS.

Subpart 1. **Source material.** As used herein, the term "source material" shall mean uranium, thorium, or any other material which is determined by the Atomic Energy Commission of the United States to be peculiarly essential to the production of fissionable materials.

Subp. 2. **Ore.** "Ore," as used herein, shall refer only to ore that contains source material unless otherwise expressly stated.

Statutory Authority: *MS s 93.25*

6125.2200 LANDS SUBJECT TO PERMITS AND LEASES.

Subpart 1. **General.** The commissioner of natural resources of the state of Minnesota may issue permits to prospect for ores bearing source material on lands where the minerals are owned by the state, including trust fund lands; lands forfeited for nonpayment of taxes, whether held in trust or otherwise; and lands otherwise acquired; provided, that such lands are not under mineral permit or lease and are not located in areas that have been designated as state monuments, parks, recreation reserves, and waysides.

The commissioner may refuse to issue permits on any lands being used at the time of the application for a permit for tree plantation, nursery, administrative purposes, or similar uses essential for the operation and maintenance of any state forest area or game refuge; or may impose such condition upon the issuance of any permit covering lands used for such purposes as he deems necessary; and provided further, that such lands are not located in areas described in subparts 2 to 9.

Subp. 2. **Cook County.** Cook County land descriptions for the purposes of subpart 1.

T. 62 N., R. 3 W., W1/2 Sec. 3, Secs. 4 to 9 incl.

T. 62 N., R. 4 W., Secs. 1 to 6 incl., Secs. 8 to 15 incl.

T. 62 N., R. 5 W., Secs. 1 to 24 incl.

T. 63 N., R. 1 W., Secs. 4 to 9 incl., Secs. 16 to 21 incl.

T. 63 N., R. 2 W., Secs. 1 to 16 incl., N1/2 Sec. 17, N1/2 Sec. 18, Secs. 21 to 24 incl.

T. 63 N., R. 3 W., Secs. 1 to 12 incl., N1/2 Sec. 13, N1/2 Sec. 14, N1/2 and SW1/4 Sec. 15, Secs. 16 to 21 incl., W1/2 Secs. 22 and 27, Secs. 28 to 33 incl., W1/2 Sec. 34.

T. 63N., Ranges 4 and 5 W.

T. 64 N., R. 3 E., Sec. 7 — That part lying south of Stump Lake.

T. 64 N., R. 2 E., Secs. 1 to 12 incl.

T. 64 N., R. 1 E., Secs. 1 to 4 incl., Lot 15 Sec. 5, Lots 6 to 11 incl. Sec. 7, Lots 4 to 10 incl. Sec. 8, Lots 1 to 14 incl. and NE1/4 SE1/4 Sec. 9, Secs. 10, 11, 12, 15, 16 and 17, E1/2 Sec. 18.

T. 64 N., R. 1 W., Secs. 17 to 22 incl., Secs. 27 to 34 incl.

T. 64 N., R. 2 W., S1/2 Secs. 3 to 6 incl., Secs. 7 to 11 incl., Secs. 13 to 36 incl.

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- T. 64 N., R. 3 W., S1/2 Secs. 1 to 4 incl., Secs 5 to 36 incl.
- T. 64 N., Ranges 4 and 5 W.
- T. 65 N., R. 2 E.
- T. 65 N., R. 1 E., Secs. 19 to 30 incl., Secs. 33 to 36 incl.
- T. 65 N., R. 1 W., Secs. 19 to 30 incl.
- T. 65 N., R. 3 W., Sec. 18.
- T. 65 N., R. 4 W., Secs. 1, 2 and 3, Secs. 10 to 14 incl., S1/2 Sec. 6, Secs. 7, 18, 19, 30 and 31.
- T. 65 N., R. 5 W.
- T. 66 N., R. 4 W., Secs. 4 to 9 incl., Secs. 16 to 22 incl., Secs. 26 to 28 incl., Secs. 33 to 36 incl.
- T. 66 N., R. 5 W., All except E1/2 Sec. 36.
- T. 67 N., R. 4 W.
- Subp. 3. Lake County.** Lake County land descriptions for the purposes of subpart 1.

- T. 60 N., R. 11 W.
- T. 61 N., R. 6 W., Secs. 4 to 9 incl.
- T. 61 N., R. 7 W., Secs. 1 to 12 incl.
- T. 61 N., R. 8 W., Secs. 3 to 8 incl.
- T. 61 N., R. 9 W., Secs. 1 to 12 incl.
- T. 61 N., Ranges 10 and 11 W.
- T. 62 N., R. 6 W., Secs. 1 to 24 incl., Secs. 29, 30, 31 and 32.
- T. 62 N., Ranges 7 to 11 W. incl.
- T. 63 N., Ranges 6 to 11 W. incl.
- T. 64 N., Ranges 6 to 11 W. incl.
- T. 65 N., Ranges 6 to 11 W. incl.
- T. 66 N., Ranges 6 and 11 W.

- Subp. 4. Saint Louis County.** Saint Louis County land descriptions for the purposes of subpart 1.
- T. 49 N., Range 15 W.
- T. 50 N., Ranges 15 and 16 W.
- T. 51 N., Ranges 15 and 16 W.
- T. 52 N., Ranges 15 and 16 W.
- T. 53 N., Ranges 14 and 15 W.
- T. 54 N., Ranges 14 and 15 W.
- T. 55 N., R. 14 W.
- T. 56 N., R. 14 W.
- T. 57 N., Ranges 14, 17, 18, 19, 20 and 21 W.
- T. 58 N., Ranges 13 to 21 W. incl.
- T. 58 1/2 N., R. 17 W.
- T. 59 N., Ranges 12 to 19 W. incl.
- T. 60 N., Ranges 12, 13 and 14 W.
- T. 61 N., Ranges 12 to 16 W. incl.
- T. 62 N., Ranges 12 to 16 W. incl.
- T. 63 N., Ranges 12 to 16 W. incl.
- T. 64 N., R. 13 W., Secs. 5 to 8 incl., Secs. 14 to 23 incl., N 1/2 NW 1/4 and SW 1/4 NW 1/4, Sec. 26, Secs. 27 to 32 incl.
- T. 64 N., R. 14 W., Secs. 6 to 36 incl. to 36 incl.
- T. 64 N., R. 15 W., Secs. 1, 2 and 3, Secs. 10 to 36 incl.

T. 64 N., R. 16 W., Secs. 22 to 27, incl., Secs. 34, 35 and 36. R. 12 W., Secs. 1 to 30, incl., Secs. 32 to 36, incl.

T. 65 N., R. 13 W., Secs. 1 to 14 incl., Secs. 16, 17 and 24.

T. 65 N., R. 14 W., Secs. 1, 2, 3, 18, 19, 30 and 31.

T. 65 N., R. 15 W., Secs. 13, 14, 23, 24, 25, 26, 35 and 36.

T. 66 N., Ranges 12 and 13 W.

T. 66 N., R. 14 W., Secs. 1 to 30 incl., Secs. 33, 34, 35 and 36.

T. 66 N., R. 15 W., Secs. 1 to 30 incl.

T. 66 N., R. 16 W., Secs. 1 to 5 incl., Secs. 9 to 13 incl., Secs. 24 and 25.

T. 67 N., Ranges 13, 14 and 15 W.

T. 67 N., R. 16 W., Secs. 8, 16, 17, 20, 21, 28, 29, 32, 33 and 34 W.

T. 68 N., Ranges 13, 14 and 15 W.

Subp. 5. Itasca County. Itasca County land descriptions for the purposes of subpart 1.

T. 54 N., Ranges 26 and 27 W.

T. 55 N., Ranges 24, 25, 26 and 27 W.

T. 56 N., Ranges 22, 23, 24 and 25 W.

T. 57 N., Ranges 22 and 23 W.

T. 58 N., R. 27 W.

T. 59 N., R. 26 W.

T. 60 N., Ranges 23 and 25 W.

T. 61 N., Ranges 23, 24, 25 and 26 W.

T. 62 N., Ranges 24 and 27 W.

T. 145 N., Ranges 25 and 26 W.

T. 146 N., R. 25 W.

T. 147 N., R. 25 W.

T. 149 N., R. 29 W.

T. 150 N., Ranges 25, 26, 27 and 28 W.

Subp. 6. Cass County. Cass County land descriptions for the purposes of subpart 1.

T. 142 N., R. 25 W.

T. 143 N., R. 25 W.

Subp. 7. Aitkin County. Aitkin County land descriptions for the purposes of subpart 1.

T. 46 N., Ranges 25, 26 and 27 W.

T. 47 N., Ranges 24, 25, 26 and 27 W.

T. 48 N., Ranges 24, 25, 26 and 27 W.

Subp. 8. Crow Wing County. Crow Wing County land descriptions for the purposes of subpart 1.

T. 43 N., Ranges 30, 31 and 32 W.

T. 44 N., Ranges 28, 29, 30, 31 and 32 W.

T. 45 N., Ranges 28, 29, 30 and 31 W.

T. 46 N., Ranges 28, 29 and 30 W.

T. 47 N., Ranges 28, 29 and 30 W.

T. 133 N., R. 28 W.

T. 134 N., Ranges 27 and 28 W.

T. 135 N., R. 27 W.

T. 136 N., Ranges 25, 26 and 27 W.

T. 137 N., Ranges 25, 26 and 27 W.

T. 138 N., Ranges 25, 26 and 27 W.

Subp. 9. **Morrison County.** Morrison County land descriptions for the purposes of subpart 1.

T. 130 N., Ranges 29, 30 and 31 W.

T. 131 N., Ranges 29, 30 and 31 W.

T. 132 N., Ranges 29 and 30 W.

Subp. 10. **Abbreviations.** Explanation of abbreviations as used in subparts 2 to 9.

T. — Township;

Sec. — Section;

N. — North;

E. — East;

R. — Range;

Secs. — Sections;

W. — West; and

incl. — inclusive.

Statutory Authority: *MS s 93.25*

6125.2300 AREAS NOT OPEN TO APPLICATION.

The areas that are not open to application at the present time include the Caribou Roadless Area, Superior Roadless Area, Little Indian Sioux Roadless Area, and certain townships which are located in the vicinity of iron ore formations or prospective copper-nickel areas. Prospecting for source materials in these restricted areas may be permitted at a later date if it is determined that it is in the best interests of the public and the nation. Such determination shall be made in writing by the commissioner of natural resources. Notice thereof shall be furnished to the county auditor of the county wherein such prospecting is so permitted. At any time the county board of any county in which restricted areas are located may request the commissioner of natural resources to open restricted areas therein to source material prospecting.

Such permits shall be issued for a period of one year under the regulations prescribed herein.

Statutory Authority: *MS s 93.25*

6125.2400 PERMIT APPLICATION.

Subpart 1. **Submission to commissioner.** A separate application for each prospecting permit shall be delivered in person or by registered mail to: Commissioner of Natural Resources, Centennial Office Building, Saint Paul, Minnesota.

Subp. 2. **Fees.** Each application shall be accompanied by a certified check or a cashier's check on a national or state bank in Minnesota, payable to the state treasurer, in the sum of \$25 as the fee for the permit, together with a like check in the sum of \$50 as a guarantee that the applicant will carry out and perform in good faith all the covenants set out in the permit.

Subp. 3. **Priority of application.** The commissioner shall endorse the exact time of receipt upon each application during regular office hours and this shall establish the priority of the application. In the event two or more applications are received at the same time, covering the same land and conforming with the regulations prescribed herein, the permit shall be awarded in undivided equal fractional interests to the parties thereto as tenants in common.

Subp. 4. **Description of land.** The area of land described in the application shall consist of one quarter quarter section or one government lot according to the government survey thereof.

Subp. 5. **Limitation on number of permits held.** No more than ten such

prospecting permits shall be held at any one time by the same permit holder or by any partnership, corporation, or other legal entity in which the permit holder has any interest, financial or otherwise.

Subp. 6. Nonrefundable fees. No certified or cashier's check in payment of the fee for the permits shall be returned to the applicant after any valid application is filed in the event that the applicant determines to surrender his rights thereunder.

Subp. 7. Application requirements. At the time that an application is submitted, or before a permit is issued, the applicant must furnish the following requirements:

A. if an individual, proof of citizenship or proof of declaration of his intention to become a citizen;

B. if a corporation, certified copies of incorporation papers showing authorization to do business in the state of Minnesota; and

C. if a copartnership, a certified copy of the registration thereof, or a sworn statement signed by a member thereof, giving the names and addresses of all partners, together with proof of citizenship of each, or proof of his declaration of intention to become a citizen.

Failure of an applicant to produce this evidence shall be sufficient cause for refusal to issue a prospecting permit. An applicant who has submitted this evidence and has obtained a prospecting permit will not be required to again submit such evidence in the event the applicant later makes application for one or more additional permits.

Statutory Authority: *MS s 93.25*

6125.2500 RIGHTS AND DUTIES OF PERMIT HOLDERS.

Subpart 1. Prospecting. The holder of any prospecting permit shall have the right to prospect for source material in a reasonable manner on the land described in such permit for one year from the date thereof and no longer, but no ore except exploration samples shall be removed therefrom until a lease has been executed.

Subp. 2. Issuance limitation. No permit for the same land shall be issued to the same permit holder nor to any partnership, corporation, or other legal entity in which the permit holder has any interest, financial or otherwise, for two successive one-year periods.

Subp. 3. Commencement of prospecting. The work of prospecting under a permit shall begin in a substantial manner within six months from the date thereof, and shall be continued until the permit expires, or an application is made for a lease, or the permittee elects to surrender his permit.

Subp. 4. Radioactive survey. If the permittee decides to make a radioactive survey, such survey must be completed and reported to the commissioner within eight months from the date of the permit. Upon the completion of the radioactive survey, if the permittee does not request a lease or surrender his permit within two months thereafter, he shall within such two-month period begin exploration by test pitting or drilling.

Subp. 5. Quarterly reports. The holder of any permit shall make an exact and truthful report in writing to the commissioner on the first day of each April, July, October, and January, reporting the progress of the work of prospecting and shall accompany these reports with maps showing the character and extent of the work done, the nature of the materials encountered in the work, and the results of any chemical analysis made in conjunction therewith in such form and in such manner as the commissioner may require.

Subp. 6. Samples. The permit holder shall split all samples taken and furnish the commissioner or his representative from time to time, as the commissioner or his representative shall direct, with a portion of the samples properly marked for identification.

Subp. 7. **Cancellation of permit.** Any permit to prospect for ore shall be granted upon the condition that if the holder shall fail to perform any of the terms, covenants, or conditions specified in such permit or in any lease issued pursuant thereto, to be performed by him, or fail to comply with any rules or statutes governing the same, then the commissioner may cancel the permit or lease, first having mailed to the permit holder or lessee at least 20 days' notice in writing thereof.

Upon notice of cancellation of any permit or lease issued pursuant hereto for any cause or without cause, the permittee or lessee shall be allowed a hearing upon application therefor before the commissioner of natural resources, which application shall be made within 20 days after the giving of such mailed notice to the permit or lease holder at his last known address, otherwise such cancellation shall be final. Such hearing shall be public and shall be conducted by the commissioner or a referee appointed by him. All affected persons shall have an opportunity to be heard. All testimony shall be taken under oath and the right of cross-examination shall be accorded. The commissioner shall provide a stenographer to take testimony and a record of the testimony in all proceedings at the hearing shall be taken and preserved.

Statutory Authority: *MS s 93.25*

6125.2600 CONDITIONS REQUISITE PRIOR TO LEASE.

At any time prior to the expiration of any prospecting permit, if the commissioner of natural resources shall determine that all the terms and conditions of such permit and applicable provisions of law have been complied with by the permittee, the holder thereof shall have the right to lease the lands covered by such permit for the purpose of mining and removing therefrom any ore-bearing source material which may be found therein, which lease as prescribed herein shall bind the state and the lessee to the mutual observance of the obligations and conditions hereof. The term of such lease issued pursuant to any permit shall be for a period not to exceed 25 years for which the leaseholder shall pay rental and royalties in accordance with the rental and royalty schedules hereinafter stated; and the lease shall be subject to all the terms, conditions, and covenants set out in the permit and shall be subject to any rules and regulations now or hereafter promulgated by the commissioner of natural resources in accordance with the statutes applicable thereto.

As a condition precedent to the issuance of such mining lease, the holder of the permit shall file with the commissioner of natural resources a full verified report of all work of exploration done under the permit in accordance with the terms and conditions thereof. If the application for a lease is made prior to the expiration of the six-month period referred to in part 6125.2500, no exploration work is required. In this case if no exploration work was done, the permittee shall furnish an affidavit so stating. The permit holder shall pay as rental to the end of the first quarter under the lease, an amount commensurate with the unexpired portion of that quarter at the rate specified herein, provided that if an application for a lease is received by the commissioner within 30 days of the end of a quarter, such advance rental shall also include payment for the next succeeding quarter. All remittances shall be made payable to the state treasurer and shall be transmitted to the commissioner of natural resources.

Statutory Authority: *MS s 93.25*

6125.2700 FORFEITURE OR RETURN OF SECURITY.

Upon the request for a mining lease pursuant hereto, or upon the surrender or expiration of a prospecting permit, if the commissioner shall determine that the terms and conditions of the permit have been fully complied with, the certified or cashier's check deposited as security for the performance of the covenants of the permit as provided herein, shall be returned to the holder or his

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assigns. Otherwise, such check shall be deemed forfeited to the state of Minnesota for the failure of performance of the covenants and conditions of the permit. Any request for a lease by any permit holder shall be denied if the permit is in default.

Statutory Authority: *MS s 93.25*

6125.2800 ANNUAL RENTALS.

The annual minimum rental payable to the state under a lease issued pursuant hereto shall be at the rate of 50 cents per acre per calendar year payable quarterly in advance for that part of the first calendar year remaining after the effective date of the lease and for the four succeeding calendar years, and the rate for the next succeeding ten years of the term hereof shall be \$10 per acre for each calendar year payable quarterly in advance, and the rate for the remainder of the term hereof shall be \$20 per acre for each calendar year payable quarterly in advance.

Any amount paid for rental accrued during any calendar year shall be credited on any royalty that may become due as herein provided for ore removed during the same calendar year and shall be limited to the same calendar and current year, and any amount paid for such royalty in excess of such credit during such year shall be credited as rental, if any, subsequently accruing during such year but no further.

Statutory Authority: *MS s 93.25*

6125.2900 ROYALTY SCHEDULE.

Subpart 1. Rates. The royalty rate payable to the state under a lease issued hereunder for any source material removed from the premises or for any such ore concentrated or smelted on the premises, shall be based on the value at the mine, as hereinafter defined, of the crude mined ore. Such royalty rates shall be as follows: On a ton of underground ore, having a value of \$10 or less, the royalty rate shall be five percent of the value of such ore. The royalty rate shall be 5.4 percent of the value of such ore having a value greater than \$10 per ton and not greater than \$11 per ton; and so forth, increasing the royalty rate by 4/10 percent for each \$1 increase in the value of such ore, up to a maximum of 15 percent of the value of such ore having a value of \$35 or more per ton.

In computing any royalty rates hereunder any fraction of a cent less than one-half cent shall be disregarded and any fraction amounting to one-half cent or more shall be counted as one cent.

Subp. 2. Underground ore. Underground ore shall be understood to mean all ore mined by underground methods and not classified as open pit ore.

Subp. 3. Open pit ore. Open pit ore shall be understood to mean all ore lying beneath the final stripped area of the particular mine in which it is situated and lying within reasonably safe mining slopes therein.

Subp. 4. Rates on open pit ore. The royalty rates payable to the state on open pit ore shall be computed by increasing as follows the rates specified in subpart 1 for underground ore: Add 50 cents per ton to the rates specified for underground ore having a value of \$10 or less. Add \$1 per ton to the rates specified for underground ore having a value greater than \$10 per ton and not greater than \$20 per ton. Add \$1.50 per ton to the rates specified for underground ore having a value greater than \$20 per ton and not greater than \$30 per ton. Add \$2 per ton to the rates specified for underground ore having a value in excess of \$30 per ton.

Subp. 5. Definition of ton. The word "ton" as used herein shall mean a short ton of 2,000 pounds, avoirdupois.

Subp. 6. Samples of ore shipped by mail. If source material that is removed from the premises hereunder is shipped by rail, each shipment shall be sampled in accordance with standard practice so as to show the true grade of the ore

contained therein, taking specimens from each carload to make up a sample for analysis, provided that with the approval of the commissioner of natural resources, a sample may consist of specimens from more than one carload. The ore in each sample shall be crushed to such size at which it can be properly split, thoroughly mingled, and then properly and fairly split into two portions, both of which shall be properly marked for identification. One portion shall be delivered to the commissioner, or his authorized agent, and the other retained by the lessee. Each sample shall be analyzed as may be required by the commissioner, or his agent, at the expense of the lessee, by a competent chemist approved in writing by the commissioner. The ore so taken and shipped shall be weighed by the railroad carrier, and weight bills or certificates, signed by the weigher, shall be transmitted to the commissioner at the close of each day when ore is weighed. Railroad weights of such mined ore shall be obtained where reasonably practicable. Where not practicable, a different method of obtaining the weights and analyses of the crude ore that is removed from the premises, or the crude ore that is concentrated or smelted on the premises, will be permissible, provided the lessee makes written application therefor to the commissioner of natural resources, and receives written approval from the commissioner.

Subp. 7. **Value of ore.** The value of the source material contained in such mined ore shall be based on the existing published price, or the price supported by the United States Atomic Energy Commission, or the bona fide sale price, whichever is the greatest, but such value shall not include any part of the bonus payments provided by the United States Government for initial shipments of limited tonnages of certain grades of ore. All fees and expenses in connection with the evaluation of the mined ore shall be borne by lessee.

Subp. 8. **Stockpiles.** Any materials mined and not shipped shall be placed in stockpiles on sites approved by the commissioner of natural resources in writing.

Statutory Authority: *MS s 93.25*

6125.3000 UNITED STATES BONUS.

The state of Minnesota shall make no claim to any part of any reward or bonus offered by any governmental agency to encourage the search for ores bearing source material and collected by the lessee operating under a lease issued for the exploration for and mining of ores bearing such source material, except for the basic tonnage royalty specified in part 6125.2900.

Statutory Authority: *MS s 93.25*

6125.3100 ASSIGNMENTS OF INTEREST.

All assignments, agreements, or contracts, underlying, overriding, or operating agreements affecting any permit, or lease issued pursuant hereto, shall be made in writing and signed by both parties thereto, witnessed by two witnesses, properly acknowledged and contain the post office addresses of all parties having an interest therein, and when so executed, shall be presented in quadruplicate to the commissioner of natural resources for record. Any such instrument will be valid only after having received the written approval of the commissioner of natural resources and approval of the attorney general as to form and execution.

Statutory Authority: *MS s 93.25*

6125.3200 LIABILITY, DAMAGES, AND CLAIMS.

The permittee or lessee of state mineral rights, his assigns, representatives, or successors in interest, are obligated to pay all damages or losses caused directly or indirectly by operations under any permit or lease issued pursuant hereto whether to timber, minerals, growing crops, buildings, or to any person or property or for damages suffered by the owner of the surface rights through the loss of the surface of his lands and the state shall not incur or be subject to any liability therefor.

The state reserves the exclusive right to sell and dispose of, under the provisions of law now or hereafter governing the sale of timber on state lands, all the timber on the land under any source material permit or lease, and reserves to the purchaser of such timber, his agents and servants, the right at all times to enter thereon, and to cut and remove any and all such timber therefrom, according to the terms of the purchaser's contract with the state, and without hindrance from any permittee or lessee; but such purchaser shall not unnecessarily or materially interfere with the operations carried on by the permit or lease holder. The state of Minnesota further reserves the exclusive right to grant leases, permits, or licenses, to any portion of the surface of the demised premises to any person, partnership, corporation, or association under authority of Minnesota Statutes, section 92.50 or other applicable laws without let or hindrance from the permit or lease holder; but such leases, permits, or licenses shall not unnecessarily or materially interfere with the prospecting or mining operations carried on thereon.

Statutory Authority: *MS s 93.25*

6125.3300 UNITED STATES ATOMIC ENERGY LAW.

Parts 6125.2000 to 6125.4100 and any amendments or supplements thereto, together with any permit or lease issued pursuant thereto, shall be subject to the provisions of Public Law Number 585 of the 79th Congress of the United States, commonly known as the Atomic Energy Act of 1946, and any amendments or supplements thereto.

Where there is any inconsistency or conflict between these rules or any amendments thereto, or such permit or lease and said federal law, the provisions of the Atomic Energy Act of 1946 and amendments thereto shall govern, insofar as the laws of the state of Minnesota, these parts, and such permit and lease referred to heretofore are subordinate to the powers of the United States Government to legislate in this field. These parts and amendments thereto, together with any permit or lease issued in accordance therewith shall be subject to any requirements that the United States may impose as to loyalty investigations for the purpose of maintaining national security.

Statutory Authority: *MS s 93.25*

6125.3400 GROUNDS FOR CANCELLATION OF PERMIT OR LEASE.

Failure of any permit holder or lessee to comply with any rules imposed by the United States government or failure to contract with the United States for the securing of a proper license for the disposal of the output of the mining of source material within six months of the date of the discovery of a minable body of ore or within such other time prescribed by the United States government shall constitute grounds for the cancellation of the permit or lease.

Statutory Authority: *MS s 93.25*

6125.3500 TAXES.

Every lease shall provide that the leaseholder pay when due all taxes, general and specific, personal and real which may be assessed against land leased thereunder and the improvements made thereon, or used or controlled by said leaseholder and the source material thereof and any personal property thereat owned, used, or controlled by the leaseholder.

Statutory Authority: *MS s 93.25*

6125.3600 TERMINATION BY LESSEE.

The leaseholder shall have the right at any time to terminate the lease by delivering written notice of such intention to terminate to the commissioner of natural resources, who shall acknowledge receipt of such notice, and the lease shall terminate 60 days after such delivery, unless such notice is revoked by the

leaseholder by further written notice delivered to the commissioner before expiration of said 60 days, and all arrearages and sums which shall be due the state under the lease up to the date of such termination shall be paid upon settlement and adjustment thereof, by the leaseholder.

Statutory Authority: *MS s 93.25*

6125.3700 REENTRY AND INSPECTION.

The commissioner or his representatives shall have the right at all reasonable times to enter the permit or lease area and appurtenant premises used by the permittee or lessee and to inspect the work done under the permit or lease and the operations thereunder, and to carry on such engineering and sampling work and other investigations pertaining to the project as the commissioner may desire, not unnecessarily or unreasonably interfering with the work of the permittee or lessee.

Statutory Authority: *MS s 93.25*

6125.3800 REMITTANCE OF MONEY DUE.

All permit fees, lease rentals, royalties, and other moneys paid to the state hereunder shall be by remittance, payable to the state treasurer and shall be transmitted to the commissioner of natural resources, and shall be credited to the proper state fund.

Statutory Authority: *MS s 93.25*

6125.3900 LIEN RESERVED TO STATE.

The state shall reserve and shall at all times have a lien upon all source material mined and upon all improvements made upon the premises leased for any unpaid sums due under any lease.

Statutory Authority: *MS s 93.25*

6125.4000 REMOVAL OF PROPERTY UPON TERMINATION OF LEASE.

Upon termination of any lease, whether by expiration of the term thereof or by act of any party, the lessee shall have 90 days thereafter in which to remove all equipment, materials, railroad tracks, structures, and other property, placed or erected upon any land covered by any lease, and any such property not removed within said time shall become the property of the lessors. During said 90-day period, the lessee shall at its own expense properly and adequately fence all pits, level all 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 of natural resources or his representatives deem necessary to leave the premises in a safe and orderly condition to protect against injury or damage to persons or property. The lessee, upon termination of any lease in any lawful manner, shall quietly and peaceably surrender possession of any land covered thereby to the lessor.

Statutory Authority: *MS s 93.25*

6125.4100 COVENANTS RUNNING WITH THE LAND.

The covenants, terms, and conditions of any permit or lease issued hereunder shall run with the land and shall extend to and bind all assignees and other successors in interest thereto.

Statutory Authority: *MS s 93.25*

PERMITS AND LEASES FOR MARL

6125.4500 AUTHORITY FOR RULES.

Pursuant to authority vested in me by law, I, George A. Selke, commissioner of conservation, do hereby prescribe the following rules covering the issuance hereafter of all permits and leases to prospect for, mine, or remove marl under the waters of public lakes or streams, or on state-owned lands.

Statutory Authority: *MS s 93.08; 93.25*

6125.4600 PURPOSE.

The purpose of issuing parts 6125.4500 to 6125.5700 is to encourage prospecting for marl and the development of a cement industry and construction of processing plants in the state of Minnesota. These parts shall be liberally construed to carry out that purpose.

Statutory Authority: *MS s 93.08; 93.25*

6125.4700 DURATION OF PERMIT AND AREA COVERED.

Each prospecting permit shall be issued for a period not to exceed one year and may cover four contiguous government quarter quarter sections or government lots comprising normally 160 acres, which 160 acres shall constitute one unit, except that in the case of lakes or river beds, or state lands adjacent thereto, the size of the unit shall be designated by the commissioner of natural resources. The land area covered by any permit or lease issued pursuant thereto shall be in accordance with the government survey thereof.

Statutory Authority: *MS s 93.08; 93.25*

6125.4800 ISSUANCE OF PERMIT.

Subpart 1. Application. A separate application for each prospecting permit shall be made to the commissioner of natural resources in writing and delivered in person or by registered mail to the commissioner at Room 301 Centennial Building, Saint Paul, Minnesota 55101, and shall be signed by all parties in interest. Such application shall be accompanied by a plat showing the boundaries of the area applied for, together with an adequate legal description thereof. The commissioner shall endorse upon each application the exact time of receipt during regular office hours and this shall establish the priority of the application. The first applicant for a permit whose application, with accompanying fees, is filed with the commissioner in accordance herewith shall be entitled to receive a permit hereunder. In the event two or more applications are received at the same time, covering the same land and conforming with the regulations prescribed herein, the permit shall be awarded in undivided equal fractional interests to the parties thereto as tenants in common.

Subp. 2. Land for prospecting. The commissioner may issue permits to prospect for marl on lands where the minerals are owned by the state, including trust fund lands, lands forfeited for nonpayment of taxes whether held in trust or otherwise, and lands otherwise acquired, provided such lands are not under mineral permit or lease and provided further that such lands are not located in areas that have been designated as state monuments, parks, recreation reserves, and waysides.

Subp. 3. Restrictions. The commissioner may refuse to issue permits on any lands being used at the time of the application for a permit for a tree plantation, nursery, administrative purposes, a game refuge, or a state forest, or may impose such conditions upon the issuance of any permit covering lands used for such purposes as he deems necessary. No permit for the same land shall be issued to the same permit holder nor to any partnership, corporation, or other legal entity in which the permit holder has any interest, financial or otherwise, for two successive one-year periods.

Statutory Authority: *MS s 93.08; 93.25*

6125.4900 FEES.

The fee for each permit hereunder shall be \$50 per unit. Each application shall be accompanied by a certified or cashier's check on a national or state bank in Minnesota, payable to the state treasurer in the sum of \$50 as the fee for the permit, together with a like check in the sum of \$200 as a guarantee that the applicant will carry out and perform in good faith all the covenants set out in the permit.

No certified or cashier's check in payment of the fee for the permit shall be returned to the applicant after any valid application is filed in the event that the applicant determines to surrender his rights thereunder.

Statutory Authority: *MS s 93.08; 93.25*

6125.5000 PUBLIC WATERS AFFECTED BY PERMITS.

No prospecting permit or mining lease shall be issued hereunder unless and until a permit to change or diminish the course, current, or cross-section of any public water has been issued for all operations incident to the project which affect public waters. Such permit shall be issued pursuant to Minnesota Statutes, chapter 105, and shall be deemed to be a part of the prospecting permit or lease issued hereunder. No operations shall be conducted in violation thereof.

Statutory Authority: *MS s 93.08; 93.25*

6125.5100 RIGHTS AND DUTIES OF PERMIT HOLDERS.

Subpart 1. Right to prospect in general. The permit holder shall have the right to prospect in a reasonable manner for marl in the area designated in the permit, subject to the conditions thereof and subject to these parts and all statutes applicable thereto.

Subp. 2. Commencement of work. The work of prospecting under any permit issued hereunder shall begin in a substantial manner within six months from the date of the permit. This work shall be continued in such manner until the permit expires, is surrendered, or a lease is requested, unless and except an extension of time for commencement or a suspension of the work is permitted upon written authority of the commissioner of natural resources or his duly authorized representative. It is a condition of the issuance of any permit or lease issued hereunder that the permit or lease holder shall begin construction in this state of a cement processing plant in a substantial manner within one year after the issuance of the mining lease, which plant shall be completed to produce and shall produce at least 500,000 barrels of cement per year within three years after the issuance of the lease and shall continue to so produce for and during the length of any lease issued, unless otherwise agreed upon by the commissioner of natural resources, with the approval of the executive council.

Subp. 3. Removal of marl. No marl shall be removed from the permit area during the term of the permit except such as is reasonably needed for exploratory or assaying purposes.

Subp. 4. Samples. Upon request of the commissioner, the permit holder shall separate samples of material taken and furnish the commissioner or his representative with a portion of each sample properly marked for identification.

Subp. 5. Quarterly reports. The permit holder shall make an exact and truthful report in writing to the commissioner of natural resources on the first business day of April, July, October, and January, respectively, following the issuance of the permit, and during the time it remains in force, reporting the progress of the work of prospecting, and shall accompany such reports with prints, maps, and other information showing the character and extent of the work done, the nature of the materials encountered, and all assays or analyses made of marl and other mineral bearing materials encountered.

Subp. 6. Right to enter. The commissioner or his representatives shall have the right at all reasonable times to enter the permit or lease area and appurtenant premises used by the permit or lease holder and the plant where the marl removed is processed, and to inspect the work done under the permit or lease and the operation of such plant, and to carry on such engineering and sampling work and other investigations pertaining to the project as he may desire, not unnecessarily or unreasonably interfering with the work of the permit or lease holder or with such plant operation.

Statutory Authority: *MS s 93.08; 93.25*

6125.5200 LEASES.

Subpart 1. Right to a lease. At any time prior to the expiration of any prospecting permit, the permit holder shall have the exclusive right to receive from the commissioner of natural resources a mining lease, provided he has kept and performed in a substantial manner the terms and covenants of the permit. Such lease shall be subject to all the terms, conditions, and covenants set out in the permit and shall be subject to any rules now existing or hereafter promulgated by the commissioner of natural resources in accordance with the statutes applicable thereto. Such lease shall cover the same area as that set out in the permit, unless the holder of the permit, with the approval of the commissioner, chooses to omit one or more of the quarter quarter sections or government lots set out in the permit; and in the case of an underwater area, the holder with the approval of the commissioner may select a smaller acreage within the area set out in the permit, furnishing a metes and bounds description thereof or other adequate legal description. Upon any such selection a plat shall be furnished covering the same.

Subp. 2. Report of explorations. As a condition precedent to the issuance of such mining lease, the holder of the permit shall file with the commissioner of natural resources a full verified report of all work of exploration done under the permit in accordance with the terms and conditions thereof. If the application for a lease is made prior to the expiration of the six-month period referred to in part 6125.5100, subpart 2, no exploration work is required. In such case if no exploration work was done, the permit holder shall furnish an affidavit so stating. The permit holder shall pay as rental to the end of the first quarter under the lease, an amount commensurate with the unexpired portion of that quarter at the rate specified herein. All remittances shall be made payable to the state treasurer and shall be transmitted to the commissioner of natural resources.

Subp. 3. Term of lease. Any lease issued pursuant hereto shall be for a term not to exceed 50 years and may be issued for any lesser period in the discretion of the commissioner of natural resources.

Statutory Authority: *MS s 93.08; 93.25*

6125.5300 RENTALS, ROYALTIES, AND OTHER PAYMENTS UNDER A LEASE.

Subpart 1. Payment of royalties. Subject to the further provisions hereof, the royalty to be paid to the state on any marl mined under any lease issued hereunder and processed into cement shall be one percent of the bona fide gross sales value per barrel f.o.b. at the mill which processes the marl removed under such lease, which royalty shall in no event be less than four cents per barrel. Such royalty shall be payable on or before the 20th day of April, July, October, or January of each year for the cement so produced during the preceding quarter.

Subp. 2. Rates. In case any marl suitable for cement production is removed under such lease from the demised premises, but not processed within one year after removal, the leaseholder shall pay royalty thereon at the rate aforesaid on the basis of written estimates made by the commissioner or his authorized representative as to the quantity of cement which could have been made from such marl; payment in such case to be made within 30 days after mailing or delivery of such estimates to the leaseholder. All marl that is placed in stockpiles shall be stockpiled on the demised premises in such place or places as shall not unnecessarily hinder or embarrass the future operations thereon, or on other state-owned lands conveniently located for that purpose, or may be otherwise stockpiled in such manner as the commissioner of natural resources may approve.

Subp. 3. Rental fee. The leaseholder shall pay rental to the state under a lease issued pursuant hereto at the rate of \$1 per acre per calendar year, payable in advance for that part of the quarter remaining after the effective date of the lease, and thereafter the payment for any following quarter shall be payable quarterly on the 20th day of April, July, October, and January, respectively, each year

during the term thereof. Each quarterly payment shall cover the rental at the rates hereinbefore specified for the respective calendar quarter or fraction thereof. The rental for any fraction of a quarter shall be computed at the applicable rate. Any amount payable for rental accrued during any calendar year shall be credited on any royalty that may become due for marl removed hereunder during the same calendar year but no further and any amount paid for such royalty in excess of such credit during such year shall be credited on rental, if any, subsequently accruing during such year but no further.

Subp. 4. Use of marl. All marl taken under any lease shall be used only for the purpose of making cement in a plant to be constructed and operated within the state of Minnesota, unless otherwise specifically authorized in writing by the commissioner of natural resources under such terms and conditions as he may prescribe.

Subp. 5. Statement of number of barrels removed. Every lease shall provide that the leaseholder be required to transmit to the commissioner of natural resources on or before the 15th day of each month a sworn statement of the number of barrels of cement produced and processed during the preceding month from state-owned property, together with a certified statement of the bona fide gross sales value per barrel f.o.b. at the mill.

Subp. 6. Payments to state treasurer. All permit fees, lease rentals, royalties, and other moneys paid to the state hereunder shall be by remittance, payable to the state treasurer and shall be transmitted to the commissioner of natural resources, and shall be credited to the proper state fund.

Subp. 7. Taxes. Every lease shall provide that the leaseholder pay when due all taxes, general and specific, personal and real, which may be assessed against land leased thereunder and the improvements made thereon, or used or controlled by said leaseholder and the marl products thereof and any personal property thereat owned, used, or controlled by the leaseholder.

Subp. 8. Liability. The permittee or lessee of state mineral rights, his or their assigns, representatives, or successors in interest, are obligated to pay all damages or losses caused directly or indirectly by operations under any permit or lease issued pursuant hereto whether to timber, minerals, growing crops, buildings, or to any person or property or for damages suffered by the owner of the surface rights through the loss of the surface of his lands and the state shall not incur or be subject to any liability therefor. With respect to any operation in public waters, each permittee or lessee, his or their assigns, representatives, or successors in interest shall secure from the riparian owners all rights necessary for such operation, and shall hold the state harmless against any cost or liability on account thereof.

Statutory Authority: *MS s 93.08; 93.25*

6125.5400 RIGHTS RESERVED TO THE STATE.

The state reserves the exclusive right to sell and dispose of, under the provisions of law now or hereafter governing the sale of timber on state lands, all the timber on land under any marl permit or lease, and reserves to the purchaser of such timber, his agents and servants, the right at all times to enter thereon, and to cut and remove any and all such timber therefrom, according to the terms of the purchaser's contract with the state, and without hindrance from any permit or lease holder; but such purchaser shall not unnecessarily or materially interfere with the operations carried on by the marl permit or lease holder. The state of Minnesota further reserves the exclusive right to grant leases, permits, or licenses to any portion of the surface of the demised premises to any person, partnership, association, or corporation under authority of Minnesota Statutes, section 92.50 or other applicable laws without let or hindrance from the permit or lease holder, but such leases, permits, or licenses shall not unnecessarily or materially interfere with the prospecting or mining operations carried on thereon.

Statutory Authority: *MS s 93.08; 93.25*

6125.5500 ASSIGNMENTS OR OTHER AGREEMENTS AFFECTING PERMITS AND LEASES.

All assignments, agreements, or contracts, underlying, overriding, or operating agreements affecting any permit or lease issued pursuant hereto shall be made in writing and signed by both parties thereto, witnessed by two witnesses, properly acknowledged and contain the post office addresses of all parties having an interest therein, and when so executed, shall be presented in quadruplicate to the commissioner of natural resources for record. Any such instrument shall be valid only after having received the written approval of the commissioner of natural resources and approval of the attorney general as to form and execution, and when so approved shall be duly recorded.

Statutory Authority: MS s 93.08; 93.25

6125.5600 TERMINATION, CANCELLATION, OR SURRENDER OF LEASES AND PERMITS.

Subpart 1. Cancellation. Any permit to prospect for marl or lease to mine the same shall be granted upon the condition that if the holder shall fail to perform any of the terms, covenants, or conditions specified in such permit, or in any lease issued pursuant thereto, to be performed by him, or should he fail to comply with any laws applicable thereto, together with all rules, and should any such default continue for a period of 30 days, then the commissioner may cancel the permit or lease, first having mailed or delivered to the permit or lease holder at least 30 days notice in writing thereof, by registered mail to the address of such holder. Thereupon the permit or lease shall terminate at the expiration of the said 30 days and the state shall reenter and again possess the premises as fully as if no permit or lease had been given, and the permit or lease holder and all persons claiming under him shall be wholly excluded therefrom except as hereinafter provided, but such expiration and reentries shall not relieve the permit or lease holder from any payment or other liability thereupon or theretofore incurred thereunder; provided nevertheless, that upon such notice of cancellation to any permit or lease holder given pursuant hereto for any cause or without cause the permit or lease holder shall be allowed a hearing upon application therefor before the commissioner of natural resources. Such application shall be made in writing, containing the reasons therefor, within 30 days after the giving of mailed notice of cancellation, otherwise such cancellation shall be final.

Subp. 2. Hearing. Such hearing shall be public and shall be conducted by the commissioner or a referee appointed by him. All affected parties shall have an opportunity to be heard. All testimony shall be taken under oath and the right of cross-examination shall be accorded. The commissioner shall provide a stenographer to take testimony and a record of the testimony and all proceedings at the hearing shall be taken and preserved. Thereafter, the commissioner shall either order the lease or permit reinstated or the same shall be terminated in accordance with the notice of cancellation originally given.

Subp. 3. Right to terminate. The leaseholder shall have the right at any time to terminate the lease by delivering written notice of such intention to terminate to the commissioner of natural resources, who shall acknowledge receipt of such notice, and the lease shall terminate 60 days after such delivery, unless such notice is revoked by the leaseholder by further written notice delivered to the commissioner before expiration of said 60 days, and all arrearages and sums which shall be due the state under the lease up to the date of such termination shall be paid upon settlement and adjustment thereof, by the leaseholder.

Subp. 4. Lien. The state shall reserve and shall at all times have a lien upon all marl mined and upon all improvements made upon the premises leased for any unpaid sums due under any lease.

Subp. 5. Security and forfeiture of money. Upon the request for a mining lease pursuant hereto, or upon the surrender or expiration of a prospecting permit, if

the commissioner shall determine that the terms and conditions of the permit have been fully complied with, the certified or cashier's check deposited as security for the performance of the covenants of the permit as provided herein, shall be returned to the holder or his assigns. Otherwise, such check shall be deemed forfeited to the state of Minnesota for the failure of performance of the covenants and conditions of the permit. Any request for a lease by any permittee shall be denied if the permit is in default.

Subp. 6. Removal of property after termination. Upon termination of any lease, whether by expiration of the term thereof or by act of any party, the leaseholder shall have 90 days thereafter in which to remove all equipment, materials, railroad tracks, structures, and other property, placed or erected upon any land covered by any lease, and any such property not removed within said time shall become the property of the lessor. During the 90-day period, the leaseholder shall at its own expense properly and adequately fence all pits, level all 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 leaseholder shall do all other work which the commissioner of natural resources or his representatives deem necessary to leave the premises in a safe and orderly condition to protect against injury or damage to persons or property. The leaseholder, upon termination of any lease in any lawful manner, shall quietly and peaceably surrender possession of any land covered thereby to the lessor.

Statutory Authority: *MS s 93.08; 93.25*

6125.5700 COVENANTS RUNNING WITH THE LAND.

The covenants, terms, and conditions of any permit or lease issued hereunder shall run with the land and shall extend to and bind all assignees and other successors in interest thereto.

Statutory Authority: *MS s 93.08; 93.25*

PERMITS AND LEASES FOR SAND AND GRAVEL

6125.6000 AUTHORITY FOR RULES.

Pursuant to authority vested in me by law, I, Chester S. Wilson, commissioner of natural resources, do hereby prescribe the following rules for the issuance of permits to prospect for sand and gravel under the waters of public lakes or streams, and for the issuance of leases for the mining and removal thereof.

Statutory Authority: *MS s 93.08*

6125.6100 APPLICATION PROCESS.

Subpart 1. Fee and area covered by permits. The fee for each prospecting permit shall be \$25. No permit shall be issued for a period to exceed one year, nor cover an area larger than 40 acres of contiguous underwater area, except where operating conditions shall be found by the director of the Division of Waters, Soils, and Minerals to require an increase in acreage, in which event 25 percent in additional acreage may be granted. Each permit shall authorize prospecting only within the area designated therein.

Subp. 2. Plats. All applications for prospecting permits shall be accompanied by plats in quadruplicate, showing the definite location of the area applied for, together with a metes and bounds description thereof, and shall be signed and acknowledged by all the parties interested therein.

Subp. 3. Statements. All applications shall be accompanied by quadruplicate signed statements reciting that the mining and removal of the materials for which it is proposed to prospect will not in their opinion violate the rules of or the statutes relating to the administration of the functions and duties of the following state agencies: Department of Natural Resources, Department of Health, Board of Animal Health. Such statements shall be signed by the head or the acting head of these agencies.

Subp. 4. Method of mineral recovery. Applications for permits and leases shall describe the means and methods of operation proposed to be used for the removal or recovery of the material covered by such permits and leases, and such proposed means and methods of operation shall be incorporated in and become a part of the terms and conditions of the permits and leases.

Subp. 5. Hearing on the application. No permit or lease shall be granted hereunder until after a public hearing on the application therefor. Notice of such hearing shall be given and such hearing shall be conducted as provided by Minnesota Statutes 1949, section 105.44. Notice of such hearing shall also be mailed by the applicant at least two weeks before the hearing to all persons listed on the last tax assessment records in the office of the county treasurer as owners of land riparian to the waters affected, or any interest therein, within such area as the commissioner may designate by order, which area shall be described in the notice. Except as otherwise hereinafter provided, prior to the issuance of any permit, the applicant shall obtain and file with the commissioner of natural resources an appropriate instrument, approved by the attorney general, from each owner of land, or any interest therein, within the area designated by the commissioner as hereinbefore provided, other than land owned or controlled by the applicant for the purposes of such operations, by which instrument the owner shall waive any and all claims for damages which may result from such operations, and shall release the applicant and the state of Minnesota and all officers, agents, and employees of the state from any and all such claims.

Subp. 6. Bonds. In lieu of obtaining and filing such waiver and release of claims for damages, the commissioner may, in his discretion, permit the applicant to furnish a bond to the state of Minnesota in such amount as he may determine, to secure the state, its officers, agents, and employees, and all property owners affected within the area designated by the commissioner as hereinbefore provided, against any damages or loss which may result from such operations, and with such other terms and conditions as the commissioner may prescribe; provided that the furnishing of such bond in lieu of a waiver or release shall not be permitted in any case where the commissioner finds upon the evidence produced at the hearing that there is reason to believe that the property affected will be substantially damaged by the proposed operations, unless the owner of such property shall agree in writing to the furnishing of a bond as hereinbefore provided.

Such bond shall be subject to approval by the commissioner and as to form and execution by the attorney general, and shall be filed with the commissioner. The commissioner may require an additional bond at any time under the foregoing provisions if he deems it necessary for protection of the interests of the state or any property owner affected, upon 30 days' written notice to the permittee or lessee. Any person entitled to the protection of any bond furnished hereunder may bring action thereon in like manner and under like conditions and with like effect as provided by law in the case of a bond furnished by a contractor with the state; provided, that neither the state nor the commissioner of natural resources nor any other officer, agent, or employee of the state shall incur or be subject to any liability by reason of failure to require a bond in any case as herein provided.

Statutory Authority: *MS s 93.08*

6125.6200 LIABILITY FOR DAMAGES.

The permittee or lessee shall be liable for any loss, damage, or injury to person or property of others resulting from any operations under such permit or lease, and shall hold the state and its officers, agents, and employees harmless against any and all claims on account thereof. Nothing in any permit or lease issued or bond furnished hereunder shall impair or abridge any right of action of any owner of property affected by the operations under the permit or lease.

Statutory Authority: *MS s 93.08*

6125.6300 RIGHT OF PERMIT HOLDER TO A LEASE.

At any time prior to the expiration of any such prospecting permit, the holder thereof shall have the right to a lease giving him the exclusive right to mine and remove sand and gravel within the area specified therein provided the permittee has kept and performed in a substantial manner all the terms and covenants of the permit, a copy of which lease shall be attached to each permit. Such lease shall cover the same area of lake and stream bed as that described in the permit, unless the holder of the permit selects a smaller acreage within such area, in which case a lease for such smaller area may be issued in the discretion of the commissioner. No lease shall be made for a longer term than 25 years and may be made for any period less than that, in the discretion of the commissioner.

Statutory Authority: *MS s 93.08*

6125.6400 REMOVAL OF MATERIALS UNDER PERMIT.

None of the materials for which the permit to prospect is issued may be removed from the land until the formal execution of a lease therefor, except such as may be reasonably needed for assay, analysis, and record purposes.

Statutory Authority: *MS s 93.08*

6125.6500 PROSPECTING.

The work of prospecting shall be commenced in a substantial manner within 90 days from the date upon which the permit is executed, unless, in the opinion of the commissioner, either water, ice, or other conditions beyond control of permittee make such work hazardous or impracticable, and shall continue until the term of the permit expires, is surrendered, or a lease demanded. No prospecting work as herein required shall be postponed or suspended, except upon written authority of the commissioner or his duly authorized representative.

The commissioner or his representative shall have the right at all reasonable times to inspect the work done under the permit or the lease issued pursuant thereto, and carry on such engineering and sampling work as he may wish to do, not unnecessarily or unreasonably interfering with the work of the permittee or lessee.

Statutory Authority: *MS s 93.08*

6125.6600 TERMINATION OR CANCELLATION OF PERMITS OR LEASES.

Subpart 1. Holder's default. In the event the holder of such permit or lease shall fail to comply with all the provisions contained therein, or the laws and regulations governing the same to be by him performed and observed, and such default shall continue for 30 days, the commissioner, upon 30 days' notice to the holder of such permit or lease by registered mail to the address of such holder as shown by the records of the commissioner, may declare such permit or lease and all the rights acquired thereunder forfeited. The commissioner may when he deems it necessary to the best interest of the public, cancel such lease or permit at any time by 90 days' notice in writing mailed as hereinabove provided. Upon the filing of the order of forfeiture with the commissioner of natural resources, all rights under such lease or permit shall cease.

Subp. 2. Cancellation of lease by lessee. The lessee may cancel a lease issued hereunder by 30 days' notice in writing mailed to the commissioner by registered mail, provided that no such cancellation shall become effective until all sums due to the state are paid in full.

Subp. 3. Yielding possession. Upon cancellation of such lease for any cause, the lessee shall quietly and peaceably yield possession of the leased premises, and no such cancellation shall work a forfeiture on any rents, royalties, taxes, or other moneys due thereunder.

Statutory Authority: *MS s 93.08*

6125.6700 RECORDS OF MATERIALS REMOVED AND SOLD.

The lessee shall keep records of all sand and gravel removed and the sales thereof, which records shall be open for inspection by the agents of the commissioner of natural resources at all reasonable times. The lessee shall, on or before the 15th day of each month, make a report in writing to the commissioner, verified under oath, on forms provided by the commissioner, covering all usable or salable material removed or recovered during the preceding month, showing the quantity thereof in cubic yards, the royalty computed to be due thereon, and such other information pertaining thereto as the commissioner may require.

Statutory Authority: *MS s 93.08*

6125.6800 RENTALS, ROYALTIES, AND TAXES.

Subpart 1. Amount of royalty. Royalties to be paid to the state on all sand and gravel leases issued hereunder shall be based on cubic yards of usable materials removed and shall be ten cents per cubic yard, and shall be paid on or before the 15th day of each month for the sand and gravel removed during the preceding month.

Subp. 2. Annual rental fee. Every lease shall provide for a minimum annual rental of \$150 per calendar year, or fraction thereof, payable in advance. Such rental shall be payable annually on or before the 20th day of January each year during the term thereof. Any amount paid for rental accrued during any calendar year shall be credited on any royalty that may become due for sand and gravel removed under said lease during the same calendar year but no further.

Subp. 3. Records of materials removed from demised premises. All usable or salable sand and gravel taken from the demised premises shall be measured by the lessee as it is removed or stockpiled which measurements shall be recorded daily. Such sand and gravel when stockpiled shall be kept separate and not mixed with materials from other sources until measured as hereinabove provided. All operations shall be conducted in accordance with acceptable mining practices and so as not to cause any unnecessary or unusual permanent injury to the lands or to inconvenience or hinder subsequent operations in the same area. All waste materials shall be disposed of and all water returned to the stream or body of water. They shall be treated as directed by the commissioner or his agents in charge of such operations.

Subp. 4. Payments to state treasurer. All permit fees and all rents and royalties paid under leases shall be paid to the state treasurer, and shall be credited to the permanent school funds of the state.

Subp. 5. Taxes. All leases shall provide that the lessee shall pay, when due, all taxes levied against the premises, the personal property, and improvements thereon during the continuance of the lease.

Statutory Authority: *MS s 93.08*

6125.6900 OBSERVANCE OF NAVIGATION LAWS.

Lessee shall observe all federal, state, and municipal laws, rules, regulations, and ordinances regarding navigation on the waters from which sand or gravel is removed.

Statutory Authority: *MS s 93.08*

6125.7000 ASSIGNMENTS AND OTHER AGREEMENTS AFFECTING PERMITS AND LEASES.

No assignment, sublease, or any other instrument affecting any permit or lease issued hereunder shall be valid unless made in writing with the written approval of the commissioner endorsed thereon.

Statutory Authority: *MS s 93.08*

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6125.7100 ADDITIONAL PERMITS REQUIRED.

Before any prospecting permit or lease shall be issued by the commissioner for the removal of sand or gravel hereunder, the applicant shall first secure a permit from the commissioner pursuant to Minnesota Statutes 1949, chapter 105, and acts amendatory thereof, which permit shall be deemed to be a part of the prospecting permit or lease issued hereunder, and no operations shall be conducted in violation thereof.

Statutory Authority: *MS s 93.08*