

CHAPTER 6125
DEPARTMENT OF NATURAL RESOURCES
MINERAL RESOURCES

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6125.0100 PURPOSE.

The purpose of parts 6125.0100 to 6125.0700 is to promote and regulate prospecting for, mining, and removing ores that are primarily valuable for their metallic minerals content, and the rules hereunder shall be construed to carry out that purpose.

Statutory Authority: *MS s 93.08 to 93.12; 93.25*

History: *12 SR 2512*

6125.0200 DEFINITIONS.

Subpart 1. **Scope of terms.** For purposes of parts 6125.0100 to 6125.0700, the following words have the meanings given them.

Subp. 1a. **Associated mineral products.** "Associated mineral products" means those intermingled or associated materials and substances recovered from each ton of crude ore mined from the mining unit that are excluded from the definition of metallic minerals.

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

Subp. 2a. **Metallic minerals.** "Metallic minerals," whether singular or plural, means any mineral substances of a metalliferous nature, except iron ores and taconite ores.

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.

Subp. 5. **Troy ounce.** "Troy ounce" means a unit of mass equal to 480 grains or 31.1035 grams or 1.0971 avoirdupois ounces.

Statutory Authority: *MS s 93.08 to 93.12; 93.25*

History: *12 SR 2512*

6125.0300 PERMITS.

The first two years of any lease issued under parts 6125.0100 to 6125.0700 is considered the prospecting permit, and no permit to prospect for metallic minerals shall be issued separately or independently from the lease, provided that nothing in this part shall restrict mining operations authorized by the lease.

Statutory Authority: *MS s 93.08 to 93.12; 93.25*

History: *12 SR 2512*

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 metallic minerals on lands where 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, lands where severed mineral interests have forfeited under Minnesota Statutes, section 93.55, lands where severed mineral interests have been otherwise acquired, the beds of public waters, and lands otherwise acquired that have been designated by the commissioner as mining units. Each lease shall cover one mining unit. No lease shall be issued for a term longer than 50 years.

Statutory Authority: *MS s 93.08 to 93.12; 93.25*

History: *12 SR 2512*

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 metallic 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 qualified newspaper that has its known office of issue in the county seats of the counties in which the mining units to be leased are located. If no qualified newspaper has its known

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office of issue in the county seat of a particular county, then notice must be published in the qualified newspaper designated as the publisher of the official proceedings of the county board of that county. 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 mining unit book by making application to the commissioner, accompanied by a check or money order, payable to the state treasurer, in the sum of \$25 as a fee for a mining unit book. Unit books will be available for inspection at the Hibbing and Saint Paul offices of the Division of 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 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 metallic minerals and associated mineral products recovered from the ores mined from the mining unit shall be the sum of the base rate, as described in part 6125.0700, paragraph 8, and an additional bid rate of ___ percent of the value of the metallic minerals and associated 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 \$100, 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 before 4:30 p.m., Saint Paul, Minnesota time, on the last business day before the day 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 the commissioner's office.

At the time specified, the commissioner, together with at least one member of the state executive council as designated by the 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 in part 6125.0700. The right is reserved to the state, through the executive council, to reject any or all bids. Tie bids will be resolved by the commissioner, with the approval of the state executive council, by the random drawing of the name of one tied bidder from a pool comprised of the names of all the tied bidders. 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 to 93.12; 93.25*

History: *12 SR 2512*

6125.0600 NEGOTIATED LEASES.

When the commissioner finds 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 and that the best interests of the state will be served, 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 metallic minerals. Applications shall be in a form and shall contain information as the commissioner may prescribe. The applicant shall submit with the application a certified check, cashier's check, or bank money order, payable to the state treasurer in the sum of \$100. The leases so issued shall be in the form set forth in part 6125.0700, with such additional terms and conditions consistent with the lease 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 metallic minerals from any mining unit for which notice of public sale has been published, until the public sale has been held.

Statutory Authority: *MS s 93.08 to 93.12; 93.25*

History: *12 SR 2512*

6125.0700 FORM OF LEASE.

The form of lease for prospecting for, mining, and removing metallic minerals belonging to the state shall consist of the following provisions, with 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 parts 6125.0100 to 6125.0700:

This lease agreement is entered into on the ____ day of _____, 19___. The parties to this lease are the State of Minnesota, called the state, and _____, called the lessee.

1. Term; description of mining unit. The state, in consideration of the sum of ____ Dollars, paid by the lessee, being the rental provided in this lease for the unexpired portion of the current calendar year and for the next succeeding two (2) calendar years, the receipt whereof is hereby acknowledged, and in further consideration of the covenants and conditions of this lease to be performed by the lessee, agrees to lease to the lessee for a term of _____ (—) years beginning the _____ day of _____, 19___, the following-described mining unit, situated in the county of _____, in the State of Minnesota:

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

a. "Associated mineral products" means those intermingled or associated materials and substances recovered from each ton of crude ore mined from the mining unit that are excluded from the definition of metallic minerals.

b. "Commissioner" means the commissioner of natural resources of the state of Minnesota, or the commissioner's designated representative.

c. "Metallic minerals," whether singular or plural, means any mineral substances of a metalliferous nature, except iron ores and taconite ores.

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

e. "Troy ounce" means a unit of mass equal to 480 grains or 31.1035 grams or 1.0971 avoirdupois ounces.

3. Purpose of lease. The mining unit is leased to the lessee for the purpose of prospecting for, mining and removing ores primarily valuable for their metallic minerals content that are found on or in the mining unit.

The lessee has the right to construct or make buildings, excavations, openings, ditches, drains, railroads, roads, and other improvements on the mining unit as necessary or suitable for those purposes. The lessee has the right to mill and concentrate the ore so mined, either upon the mining unit or elsewhere, but the right to mill and concentrate does not include the right to reduce or smelt ore

upon the mining unit without an agreement between the lessee and the commissioner, authorizing that 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 under this lease, or for the use of the mining unit or any part of it for the purposes of the lease, but no contract of this type relieves the lessee from any duty, obligation, or liability under the lease. No such contract providing for shipping, handling, or removal of ore bearing material becomes effective for any purpose until three executed duplicates of the contract have been filed with the commissioner.

4. State's right to lease iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances. 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, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances, that are located in the 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 the iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances shall contain a provision that the permittee or lessee shall exercise those rights so as not to cause any unnecessary or unreasonable injury or hindrance to the operations of the lessee of this lease in the exploration for, or the development, mining, or removal of metallic minerals other than iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances covered by that permit or lease. The lessee of this lease 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 iron ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances.

5. State's right to lease surface and sell timber. The state reserves the right to sell and dispose of all the timber upon the mining unit without hindrance from the lessee and according to the law now or hereafter governing the sale of timber on state lands, and reserves to the state and to the purchaser of the timber, and their agents, the right at all times to enter the mining unit, and to cut and remove timber from it according to the terms of the purchaser's contract with the state. The timber purchaser shall not unduly interfere with the prospecting or mining operations. The state further reserves the right to grant leases, permits, or licenses to any portion of the surface of the 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. The surface leases, permits, or licenses shall not unduly interfere with the prospecting or mining operations conducted on the mining unit.

6. Annual rental. The lessee agrees to pay to the state rental for the mining unit at the rate of one dollar per acre of land and water area included in the mining unit, per calendar year, payable in advance, for the unexpired portion of the current calendar year from the effective date of this lease and for the next succeeding two calendar years; and after that time at the rate of three dollars per acre per calendar year, payable quarterly for the three succeeding calendar years; and after that time at the rate of eight dollars per acre per calendar year, payable quarterly for the five succeeding calendar years; and after that time at the rate of \$25 per acre per calendar year, payable quarterly for the remainder of the term of this lease.

The mining unit may include state owned minerals under water, in trust fund lands, in acquired lands, in lands forfeited for taxes, and in lands in which severed mineral interests have forfeited for failure to comply with registration laws, or have been otherwise acquired. Any amount paid for rental, at the time of payment, shall be allocated to the proper fund as determined by the mineral ownership.

Any amount paid for rental accrued for any calendar year must be credited on any royalty that may become due for ore removed under this lease during the same calendar year but no further, and only to the extent that the rental was paid or deposited into the particular fund to which the royalty for the ore is due. Any amount paid for royalty in excess of the credit during that year must be credited on rental, if any, subsequently accruing for that year but no further, and only to the extent that the royalty was paid or deposited into the particular fund to which the rental is due. However, any amount paid for rental in excess of eight dollars per acre for any previous calendar year may be credited on any royalty that may become due for ore removed under this lease during the current calendar year in excess of any credits for current rental, but only to the extent that the rental was paid or deposited into the particular fund for which the royalty is due.

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

Upon surrender of any part or parts of the mining unit by lessee under this lease, the annual rental payment may be discontinued as to those parts for all subsequent calendar years; however, the rentals paid on the parts surrendered must 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 the mining unit, only that fractional part of the rentals and royalties established in this lease shall be paid for that 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 the mining unit, the commissioner shall delete from the description of the mining unit the part not owned by the state, and only if that determination is made prior to the fifth anniversary date of this lease is the lessee 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 that part prior to the determination. If the commissioner deems it necessary, additional time to make the determination may be granted.

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

8. Royalty.

a. The royalty to be paid to the state by the lessee for the metallic minerals and associated mineral products recovered from each ton of ore mined from the mining unit is the sum of the base rate described in this paragraph and an additional bid rate of ___ percent multiplied by the value of the metallic minerals and associated mineral products recovered in the mill concentrate from each ton of dried crude ore.

b. The base rate must not be less than 3-1/2 percent nor more than 20 percent and varies with the value of the metallic minerals and associated mineral products recovered from each ton of ore mined from the mining unit. The base rate must be calculated as provided in clauses (1) to (4):

(1) If the value of the metallic minerals and associated mineral products recovered in the mill concentrate is equal to or less than \$75, the base rate is 3-1/2 percent.

(2) If the value of the metallic minerals and associated mineral products recovered in the mill concentrate is greater than \$75 but less than or equal to \$150, the base rate is 3-1/2 percent plus an additional 0.015 percent for each dollar increase in value above \$75.

(3) If the value of the metallic minerals and associated mineral products

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recovered in the mill concentrate is greater than \$150 but less than or equal to \$225, the base rate is 3-1/2 percent, plus an additional 0.015 percent for each dollar increase in value above \$75, plus a further additional 0.02 percent for each dollar increase in value above \$150.

(4) If the value of the metallic minerals and associated mineral products recovered in the mill concentrate is greater than \$225, the base rate is 3-1/2 percent, plus an additional 0.015 percent for each dollar increase in value above \$75, plus a further additional 0.02 percent for each dollar increase in value above \$150, plus a further additional 0.025 percent for each dollar increase in value above \$225.

In computing the base rate, there must be no rounding before calculating the total royalty due. The values of \$75, \$150, and \$225, as used above, must be escalated each calendar quarter in accordance with the formula set forth in paragraph c.

For example, assume the value (v) of metallic minerals and associated mineral products recovered in the mill concentrate from a ton of dried crude ore was \$100. The base rate would be calculated as follows:

$$\begin{aligned} \text{Base rate} &= .035 + (.00015 \times [v - 75]) \\ &= .035 + (.00015 \times [100 - 75]) \\ &= .035 + (.00015 \times 25) \\ &= .035 + .00375 \\ &= .03875 \\ &= 3.875 \text{ percent} \end{aligned}$$

If the value (v) of the metallic minerals and associated mineral products recovered in the mill concentrate from a ton of dried crude ore was \$250, then the base rate would be calculated as follows:

$$\begin{aligned} \text{Base rate} &= .035 + (.00015 \times [v - 75]) + (.0002 \times [v - 150]) + \\ &\quad (.00025 \times [v - 225]) \\ &= .035 + (.00015 \times [250 - 75]) + (.0002 \times [250 - 150]) \\ &\quad + (.00025 \times [250 - 225]) \\ &= .035 + (.00015 \times 175) + (.0002 \times 100) + \\ &\quad (.00025 \times 25) \\ &= .035 + .02625 + .02 + .00625 \\ &= .0875 \\ &= 8.75 \text{ percent} \end{aligned}$$

c. The values of \$75, \$150, and \$225 as used in the base rate must be increased each calendar quarter as follows:

If the unadjusted Producer Price Index for All Commodities (1967 equals 100), as originally published (unrevised) by the Bureau of Labor Statistics of the United States Department of Labor, or any succeeding federal government agency publishing the Index, in the monthly publication titled Producer Price Indexes, for the first month in the calendar quarter for which royalty payment is to be made, exceeds 310.5, which was the level of the index for August 1987 (hereinafter called the "Base Index"), an additional amount, computed in the manner hereinafter provided, must be added to the values of \$75, \$150, and \$225 to be used in the base rate for the calculation of the royalty to be paid by the lessee on the ore removed from the mining unit during any quarter.

The increase in the values of \$75, \$150, and \$225 must be computed by multiplying each value by a fraction, the denominator of which is the Base Index and the numerator of which is equal to the amount by which the Producer Price Index for All Commodities for the first month of the calendar quarter in question exceeds the Base Index. The resulting products must be carried to two decimal places and then rounded to the nearest whole dollar.

For example, the Base Index under this lease is 310.5 and if the Producer Price Index for All Commodities for January 1990 was 325.5, the increase in the values of \$75, \$150, and \$225 would be computed as follows:

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$$\begin{array}{r} \$ 75 \times (325.5 - 310.5) \\ \hline \end{array} = \$3.62, \text{ rounded to } \$4.00$$

$$\begin{array}{r} 310.5 \\ \$ 150 \times (325.5 - 310.5) \\ \hline \end{array} = \$7.24, \text{ rounded to } \$7.00$$

$$\begin{array}{r} 310.5 \\ \$ 225 \times (325.5 - 310.5) \\ \hline \end{array} = \$10.86, \text{ rounded to } \$11.00$$

The indexed values to be used in the calculation of the base rate that would be used in the calculation of royalty payable on the metallic minerals and associated mineral products recovered during the first calendar quarter of 1990 would be:

$$\$ 75 + \$ 4 = \$ 79$$

$$\$ 150 + \$ 7 = \$ 157$$

$$\$ 225 + \$ 11 = \$ 236$$

If some period other than 1967 is used as a base of 100 in determining the Producer Price Index for All Commodities, for the purposes of this lease provision the index must be adjusted so as to be in correct relationship to the 1967 base. In the event the index is not published by any federal agency, the index to be used as previously provided must be the index independently published, which, after necessary adjustments, if any, provides the most reasonable substitute for the Producer Price Index for All Commodities during any period after August 1987, it being intended to substitute an index that most accurately reflects fluctuations in the prices of commodities in the all commodities index in the manner presently reported by the Producer Price Index for All Commodities (1967 equals 100), published by the Bureau of Labor Statistics of the United States Department of Labor.

The values of \$75, \$150, and \$225 as used in the base rate must never be less than the minimum values prescribed in paragraph 8b of this lease.

d. The lessee may apply to the commissioner and the commissioner may grant the lessee a partial deferral of the lessee's obligation to pay royalties under this lease. Up to 50 percent of royalties due and payable less any credits against royalties as provided in paragraph 6, may be deferred by the commissioner. Any deferral granted applies only to the royalties due and payable during the first consecutive years, up to a maximum of the first five consecutive years, beginning with the first year that any royalties are due and payable under this lease, or to royalties due and payable during the first one-half of the expected operational life of the first mine established under this lease in the mining unit, whichever is less.

The amount of royalties deferred for each calendar quarter as provided above, plus interest at the rate of eight percent per year, becomes finally due and payable on the future date that is determined by adding the total number of years of deferral granted under this section to the date on which royalties would have been due and payable had there been no deferral.

The commissioner in considering the lessee's application for deferral of royalties may consider factors including, but not limited to, the expected operational life of the mine producing the royalties, the express purposes for which the money deferred is proposed to be used by the lessee, the cash flow analysis of the mine, the amount of either the capital invested or to be invested, or both, by the lessee in exploration and mining operations under this lease, and the technical and financial capabilities of the lessee.

9. Value of metallic minerals and associated mineral products.

a. The value of metallic minerals and associated mineral products recovered in the mill concentrate from each ton of dried crude ore must be determined monthly as follows: Multiply the total pounds respectively of each metal and

associated 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 fully refined metal and of each associated mineral product. Subtract from that total, the smelter charges, as later defined in this lease, to obtain the value of each metallic mineral and each associated mineral product. Add the values thus obtained for each metallic mineral and each associated 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 metallic minerals and associated mineral products recovered from each ton of dried crude ore. The value must be carried to four decimal places and rounded to the nearest one-hundredth of a dollar.

b. When metallic minerals and associated mineral products recovered during the month in the mill concentrate are sold during the same month, only those metallic minerals and associated mineral products recovered from that concentrate that are actually paid for by the smelter, refiner, or other purchaser must be valued as part of the metallic minerals and associated mineral products recovered during the month. When metallic minerals and associated mineral products recovered during the month are not sold during the same month, the value of the metallic minerals and associated mineral products recovered during the month must be adjusted, if necessary, at the time they are sold to reflect the market price at the time of sale, and to reflect any metallic minerals and associated mineral products recovered in a concentrate that are not actually paid for by a smelter, refiner, or other purchaser. Any prior payment of royalty that becomes an overpayment of royalty as a result of the adjustment of value under this paragraph is a credit against future royalty payments due under this lease.

c. Metallic minerals and associated mineral products sold by the lessee to a nonaffiliate shall be deemed sold at the time the metallic minerals and associated mineral products are delivered to the nonaffiliate. Metallic minerals and associated mineral products sold or transferred by lessee to an affiliate shall be deemed sold by lessee at the time of delivery to the affiliate and value must be calculated on the basis of the market prices at the time of the deemed sale of the metallic minerals and of the associated mineral products sold or transferred to the affiliate. Metallic minerals and associated mineral products retained by the lessee for its own internal use and consumption shall be deemed sold when they are removed from the mining unit and value must be calculated on the basis of the market prices at the time of the removal of the metallic minerals and of the associated mineral products retained for internal use and consumption. For the purpose of this lease "affiliate" means the lessee, or any business entity that is effectively owned or controlled directly or indirectly by the lessee or that directly or indirectly effectively owns or controls the lessee, or any business entity operated by or that operates the lessee.

d. If material is recovered and sold on a basis other than for the purpose of recovering the fully refined metals and the associated mineral products contained in the material, such as the recovery and sale of titanium dioxide for paint pigment uses, then the value of the material recovered and sold, for royalty calculation purposes, is subject to agreement between the commissioner and the lessee.

e. "Smelter charges" means the base smelter treatment charge assessed by the smelter for treating each ton of the mill concentrate plus the smelter losses that are deducted from the assay or market values to arrive at the gross payment to the lessee for each of the metallic minerals and associated mineral products paid for by the smelter. Smelter charges do not include the following: mining or milling, or similar beneficiation costs or charges; refinery losses; refinery charges; penalties for impurities; freight and transportation charges either to or from the mill, concentrator, smelter, or refinery; weighing and sampling charges; handling charges; selling charges; taxes of any kind; processing charges; or any other

charges, other than the base smelter treatment charge and smelter losses, assessed by the smelter or purchaser of the metallic minerals or associated mineral products. If the mill concentrate is treated at a smelter owned by, or directly or indirectly effectively controlled by, the lessee or its affiliate, or that the lessee or its affiliate operates or manages, then the smelter charges allowed are equal to the smelter charges that the smelter would assess or charge an unaffiliated third party desiring to have a substantially similar mill concentrate treated at the smelter. If the smelter owned by, operated by, or effectively controlled by the lessee or its affiliate does not provide smelter treatment services to unaffiliated third parties, then the smelter charges allowed are equal to the mean of the smelter charges assessed and charged for substantially similar mill concentrates in smelter contracts between unaffiliated parties. If any metallic minerals or associated mineral products produced under this lease from the mining unit are sold, or otherwise disposed of, without smelter treatment, as, for example, in the production of gold dore,, then no deduction for smelter charges, nor any other charges, is allowed in the computation of the value of the metallic minerals and associated mineral products recovered in the mill concentrate. If the state disagrees as to the smelter charges, the lessee has the burden of proof of substantiating the smelter charges.

f. The average market price of copper per pound for each month is that quoted for MW US Producer Cathode (MW US PROD CATH), as reported in Metals Week. The average market price of nickel per pound for each month is that quoted for New York Dealer Cathode (NY DEALER CATH), as reported in Metals Week. The average market price of gold per troy ounce for each month is that quoted for the London Final, as reported in Metals Week. The average market price of silver per troy ounce for each month is that quoted for Handy & Harman, as reported in Metals Week. The average market price of zinc per pound for each month is that quoted for MW US High Grade (MW US HG), as reported in Metals Week. The average market price of lead per pound for each month is that quoted for North American Producer Low (NA PRODUCER L), as reported in Metals Week. The average market price of other metallic minerals and of associated 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 Metals Week. If Metals Week does not or ceases to report an average monthly market price for any metallic mineral or associated mineral product, then the average monthly market price of that metallic mineral or associated mineral product is the arithmetic average of the daily market prices for the metallic mineral or associated mineral product for that month as reported in Metals Week. If Metals Week or its successors cease to furnish such quotations, or its quotations cease to be recognized in the trade, or a particular metallic mineral or associated 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 has the right to commingle ore from the mining unit with other ore, either in the mine, in stockpile, in the mill, or in the smelter, but the ores must be kept entirely separate and distinct until their quantities and metal and mineral contents have been separately measured and determined. Ratios of concentration, percent mill recoveries, and any other factors necessary for determining the beneficiating amenability of the commingled ores, the allocation of values and the royalties, must be separately measured and determined by methods approved by the commissioner and shall be reported on a monthly basis. "Ratio of concentration" means the dry weight of the crude ore divided by the dry weight of the concentrate derived from the crude ore. "Percent mill recovery" means the dry weight of the metal in the concentrate divided by the dry weight of the metal in the crude ore, expressed as a percent.

11. Quarterly payment on ore removed. The lessee agrees to pay to the state, on or before May 20, August 20, November 20, and February 20 in each year

during the period this lease continues in force, royalty at the rates specified in paragraph 8 for all of the ore removed from the mining unit during the previous calendar quarter. The lessee also agrees to pay to the state on or before May 20 of each year all royalty due and payable as a result of the adjustment to value of the metallic minerals and associated mineral products sold during the previous calendar year as provided for in paragraph 9b.

The lessee is liable for payment of royalty when due on all ore removed from the mining unit for concentration elsewhere or for any other purpose, from the actual time of removal; and if the royalty due on the ore is not determined and accounted for as provided by the next royalty payment date, the commissioner may determine the royalty by any method as the commissioner deems appropriate and consistent with the royalty rates set forth in this lease. Any amount paid for royalty must 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 the mining unit during each of the three months for which the payment is made, and the amount of royalty due on the ore, separated as to the various state fund ownerships. The lessee shall provide for all the operations required for these determinations except as otherwise specified.

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

14. Sampling. Samples for royalty purposes must be taken of the ores and their products at places and intervals subject to the approval of the commissioner. A portion of each sample or composite sample must 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 must be sampled and its weight determined before being commingled with any other ores.

Each royalty sample must 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 are 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 that calendar month in the form the commissioner may require, covering the tonnages and analyses of the following: all material mined from the mining unit, all material milled from the mining unit, all material stockpiled from the mining unit, all concentrates produced from the mining unit, all material mined from any source and commingled with material from the mining unit, all commingled material concentrated, all commingled material stockpiled, all commingled concentrates produced during that 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 the monthly statements shall prima facie be binding as between the parties, but the state has 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 the 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 commis-

sioner, in addition to other reports or statements required in this lease, the lessee shall furnish the following:

a. Copies of all exploration data, including, but not limited to, all logs and drill hole records; all maps and coordinates showing drill holes, geophysical grids, geochemical and geologic sampling, trenching, and survey data; all chemical and analytical data and information; all laboratory test data; all geophysical, geochemical, and geologic records; all results of mine and metallurgical testings; and all periodic mine maps, analyses maps, cross-sections, and development plans. All material required under this subparagraph must be available to the commissioner, or the commissioner's representative, at all reasonable times. Copies must be submitted annually to the commissioner when the data is in the form customarily prepared for permanent record of the operations on the mining unit. Material available to and furnished to the commissioner under this subparagraph and subparagraph b. shall be considered confidential during the life of this lease or any extension of it.

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 the commissioner's 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. Certified copies of smelter statements, schedules, agreements, and settlement sheets or receipts from sales involving materials produced from this mining unit showing the product sold and factors relevant to the calculation of royalties.

e. Not later than March 1 of each year during the term of this lease, 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 the ore materials and showing such analyses of them as the commissioner may require.

17. How remittances and reports are to be transmitted. All remittances by the lessee under this lease must be made payable to the state treasurer. All such remittances and all reports, notices and documents required under this lease must be transmitted to the commissioner through the director of the division of minerals at Saint Paul, Minnesota.

18. State inspection; inspectors at plants and mines. The commissioner may at all reasonable times enter the mining unit and any other premises used or operated by the lessee in connection with the operation of the mining unit, inspect the operations conducted under this lease, 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 the mining unit or elsewhere when necessary, with water, light, and heat, all without cost to the state, for the use of state inspectors. The room must be at least equal in size and equipment to that customarily furnished for the use of the mine engineer.

Whenever royalties or rentals due the state are required to be distributed to more than one fund, or when ore from the mining unit is commingled with other ore, or when ore from the mining unit is concentrated at the same plant as other ore, the commissioner may appoint special inspectors as the commissioner considers necessary to insure proper accounting and protect the interests of the

state. The lessee shall reimburse the state monthly for the cost of this inspection service upon notification by the commissioner.

19. Removal of ore for experimental purposes. Notwithstanding paragraph 11, upon written application of the lessee, the commissioner may authorize the removal of ore from the 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, is not subject to the payment of royalty.

20. Stockpiled materials. All materials mined and not shipped from the mining unit remains 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. When, however, the commissioner agrees that substantially all minerals of value have been extracted from the mill tailings, the material may be used for stope filling on the mining unit or elsewhere, and the tailings material used shall be considered abandoned, and title to the 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, the lessee may convey land to the state upon the condition that it 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 terminates and title reverts to the lessee when the land is no longer needed or used for that purpose. No consideration shall be paid for the conveyance unless authorized by law.

22. Cross mining rights. The lessee is hereby granted the right to mine and remove any ores from the 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 the mining unit and any shafts, openings, pits, made on it for the mining or removal of any ores from adjoining or nearby premises, not, however, preventing or interfering with the mining or removal of ore from said mining unit. The ores taken from the mining unit must at all times be kept entirely separate and distinct from any other ores until measured and sampled as provided in this lease so that the rights of the lessor are at all times preserved and protected. The lessor recognizes the rights and liens of the owners of any nearby or adjoining premises in any ores mined from them and transported through the 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 with them. No interference, diversion, use or appropriation of any waters over which the commissioner or any other state agency has jurisdiction, may be undertaken unless authorized in writing by the commissioner or the 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 the mining unit is about to begin. The lessee shall open, use, and work the mine or mines on the mining unit and conduct metallurgical operations in such manner only as is usual and customary in skillful and proper 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 the mining unit. Surface lands owned by the state in the mining unit are not to be cleared or used for construction or stockpiling purposes until the plan for such use has been approved by the commissioner. The surface use of the mining unit must 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 that other owner of the surface or mineral rights, and the state shall not be liable for them.

26. Lessee to pay all taxes. The lessee agrees to pay when due all taxes, general and specific, personal and real that may be assessed against the mining unit and the improvements made on it, and the ore materials in it or mined from it, and any personal property on the mining unit owned, used, or controlled by the lessee. This covenant does not apply to taxes assessed against any part of the mining unit as a result of any other lease granted by the state to other parties. The cancellation, termination, or expiration of this lease does 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 the 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 the mining unit, all ore concentrated from it, smelter returns due the lessee for the ore, and all improvements made under this lease 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 the delivery unless the notice is revoked by the lessee by further written notice delivered to the commissioner before the expiration of 60 days. On December 31 following the tenth anniversary date of this lease, and on any succeeding December 31, the lessee may surrender its rights and privileges granted in this lease on any governmental descriptions or on beds of public waters included in the 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 termination must be paid by the lessee.

29. Lessor's right to cancel lease upon lessee's failure to meet production requirements. The state may cancel this lease as provided in paragraph 30 if the lessee has not met both of the following conditions by the end of the 20th full calendar year of this lease:

(a) The lessee must be actively engaged in mining ore under this lease from:

- i. the mining unit;
- ii. a metallic mineral mine within the government township in which the mining unit is located; or
- iii. a metallic mineral mine within a government township that has at least one point in common along its boundary line with the government township in which the mining unit is located.

(b) The lessee must have paid to the state at least \$100,000 in earned royalty under a metallic minerals lease. This amount must be paid during a single calendar year.

The state may exercise its option to cancel the lease during the 21st calendar year of the lease. If it does not do so, and if the conditions have not been met by the end of the 35th full calendar year of this lease, it may exercise its option to cancel during the 36th calendar year of the lease. The commissioner shall take the lessee's financing needs and the state's proportional ownership interest into consideration in determining whether the requirements of this paragraph have been met.

30. Lessor's right to cancel lease upon default. This lease is granted upon the

express condition that, if any sum owed under it by the lessee for rental, royalty, or otherwise remains unpaid after the time when it became due, or if the lessee or its agent or servant knowingly or willfully makes any false statement in any report, account, or tabulation submitted to the state or to the commissioner, or any of the commissioner's agents pertaining to any matter under this lease, or if the lessee fails to perform any of the conditions required by this lease, the commissioner may cancel this lease by mailing or delivering to the lessee 60 days' notice of the cancellation in writing, specifying such nonpayment or other default as the case may be. This lease shall terminate at the expiration of the 60 days, and the lessee and all persons claiming under the lessee shall be wholly excluded from the mining unit except as hereinafter provided in paragraph 31. Termination does not relieve the lessee from any liability for payment or other liability incurred under this lease. If the default consists of a nonperformance of an act required under this lease other than payment of royalty or rental, the lessee may perform within the period of 60 days and the lease continues in effect. 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 or her discretion, grant an extension of the 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 continues in effect; and if the lessee performs at any time thereafter within the period of 60 days, the commissioner, at his or her discretion, may continue the lease in effect.

31. Rights of lessor and lessee during 180 day period following termination. Upon termination of this lease, whether by expiration of its term or by act of either party, except as necessary to comply with applicable mineland reclamation statutes and rules, the lessee has 180 days after termination in which to remove all equipment, materials, railroad tracks, structures and other property placed or erected by the lessee upon said mining unit. Property not removed within that time shall, at the discretion of the commissioner, either be removed by the state at the lessee's expense or become the property of the state. The lessee shall not remove or impair any supports placed in any mine or mines on the 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 the mining unit, all of which become the property of the state. During the 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 and shall reclaim the premises in accordance with the applicable mineland reclamation statutes and rules. 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 the mining unit to the state. During the period of 180 days, the lessee shall not be relieved of any obligation or liability resulting from the occupancy of the mining unit unless the lessee has wholly vacated the mining unit prior to the expiration of that period and has notified the commissioner thereof in writing.

32. Recovery of expenses. If it is necessary for the state to incur expenses by court action or otherwise for the ejectment of the lessee, or removal from the leased premises of the lessee's property, or recovery of rent or royalties, or for any other remedy of the state under this lease, and the state prevails in the court action or otherwise, then the lessee shall pay to the state all expenses, including attorney's fees, thus incurred by the state.

33. Mining of minerals other than metallic minerals. If any ore found on or

in the mining unit is primarily valuable for other than its metallic minerals content, the terms and conditions upon which the ore may be mined or products recovered from it 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 ores, taconite ores, coal, oil, gas, and other liquid or gaseous hydrocarbon substances.

34. **Agreements, assignments, or contracts.** All assignments, agreements, or contracts affecting this lease must be made in writing and signed by all parties thereto, witnessed by two witnesses, properly acknowledged and must contain the post office addresses of all parties thereto, and when so executed must be presented in quadruplicate to the commissioner for record. No such instrument is valid until approved in writing by the commissioner and approved as to form and execution by the attorney general. No assignment or other agreement relieves the lessee of any obligation or liability imposed by this lease, and all assignees, sublessees, and subcontractors are also liable for all obligations or liabilities imposed by this lease.

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

36. **Notices.** For the purposes of this lease, the addresses of the parties are as follows, unless changed by written notice to all parties: For the state — Commissioner of Natural Resources, State of Minnesota, 500 Lafayette Road, Saint Paul, Minnesota 55155-4037; for the lessee — _____

Statutory Authority: *MS s 93.08 to 93.12; 93.25*

History: *12 SR 2512*

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 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,

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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.

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

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_____, 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 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.

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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

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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,

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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 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.

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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.

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. 25W.
 - 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 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; provid-

ed 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

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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*

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*