

STATE OF MONTANA

NONMETALLIFEROUS MINERALS LEASE

No. NM-

THIS INDENTURE OF LEASE, entered into by and between the State of Montana, acting through its State Board of Land Commissioners, hereinafter referred to as lessor, and the person, persons, company, or corporation herein named and hereinafter referred to as lessee, pursuant to the provisions of Title 77, Chapter 3, Part 2. M.C.A., and all acts amendatory thereof and supplementary thereto, WITNESSETH:

GRANTING CLAUSE -- The lessor, in consideration of the rentals and royalties to be paid and the covenants and agreements set forth herein to be kept and performed by the lessee, hereby leases to the lessee, for the purpose of prospecting and exploring for, and of mining and extracting the mineral named below, and for the purpose of building such structures, excavations, and other improvements as may be necessary and proper in order to prospect and explore for and to extract, save, care for, dispose of and remove the mineral, and for the purpose of temporarily dumping ore, earth and other matters extracted from the earth, and for the purpose of free ingress and egress from the workings on the premises, all of the lands described below.

Date this lease takes effect:

Name of Lessee:

Address of Lessee:

Land located in: COUNTY

Description of Land: TOWNSHIP NORTH, RANGE WEST
SECTION :

Mineral to be prospected for and mined:

Total number of acres 000.00 more or less belonging to COMMON SCHOOLS grant.

Royalty:

Bond:

This lease, unless terminated at an earlier date, as provided herein, shall remain in force for a period of ten (10) years from the date this lease takes effect. The lessee shall have a preferential right of renewal of a producing lease under such readjustment of terms and conditions as the lessor may determine to be necessary in the interest of the State.

It is mutually understood, agreed and covenanted by and between the parties to this lease as follows:

1. The lessor reserves the right to sell, lease, or otherwise dispose of any interest or estate in the lands hereby leased, except the interest conveyed by this lease, provided that the lessor hereby agrees that sales, leases or other dispositions of any interest or estate in the lands hereby leased shall be subject to the terms of this lease, and shall not interfere with the lessee's possession or rights hereunder.

2. All payments required by this lease shall be made to the Department of Natural Resources and Conservation, P.O. Box 201601, Helena, Montana 59620-1601.

3. The lessee shall pay to the lessor an annual money rental in the amount of \$3.00 per acre for the first year, \$1.00 per acre for the second and third years, \$2.50 per acre for the fourth and fifth years, and thereafter annually \$3.00 per acre. In no case shall the rental be less than \$100.00 per year. This is in addition to any bonus, which may be required as a condition of obtaining the lease. The annual rental is in addition to, and not in lieu of, the royalty payments required by the lease. The rental for each year shall be due and payable before the beginning of each rental year.

4. The lessee shall pay a royalty of eight percent (8%) of the gross value of the mineral mined, extracted, reduced, sold, shipped or saved from the premises. The royalty rate may be reviewed at the end of each five (5) year period of the lease, and the royalty rate may, after negotiation between the lessor and the lessee, be adjusted at such time.

5. An accurate record shall be kept by the lessee of the weight and cubic measurement of all minerals mined, extracted, reduced, sold, shipped or saved from the premises. This record shall be kept and preserved separate from records of minerals mined from other lands.

6. The lessee has filed a bond with the lessor in the penal sum as specified above, conditioned upon compliance with all lease terms and obligations and in order to protect the rights of any prior purchasers or surface lessees. Additional bonds may be required at any time during the period of the lease. If the surface of the land has been sold or leased prior to the issuance of this lease, the mineral lessee shall be responsible for damages to the surface, the leasehold interest and any improvements.

7. The lessee agrees to notify the Department of Natural Resources and Conservation, Minerals Management Bureau, prior to the commencement of any prospecting, exploration, development or production operations, and agrees, that as soon as any prospecting, exploration, development or mining operations are commenced on the leased premises, to make on or before the last day of each calendar month a report to the Department concerning operations during the preceding calendar month, which report shall be in such form as the Department may prescribe and shall show the amount, by weight or cubic measurement, as specified by the Department, of mineral produced or extracted during such preceding calendar month, the price obtained therefor, the total amount of all sales, whether any bonus or other increase in price was actually paid or agreed to be paid to the lessee and other information as may be requested. The report shall be verified by the affidavit of the lessee or by some responsible person representing the lessee and having knowledge of the facts contained therein. The report shall be accompanied by payment of the amount due the State as royalty for the month covered by the report.

8. Representatives of the lessor shall at all reasonable times have the right to enter into and upon the premises and all of the workings and shafts and tunnels or buildings thereon and all parts thereof for the purpose of inspecting and examining the same. Representatives of the lessor shall also at all reasonable hours have free access to all books, accounts, records and papers of the lessee insofar as they shall relate to the production of the mineral for which this lease is issued, or the price received therefor or any agreements relating thereto.

9. The lessee agrees on the anniversary of the effective date of the lease to furnish the Department with one print of a map of the leased land showing the location, depth, and results of all prospect holes or any other types of exploration conducted, pits sunk, roads and bridges constructed, improvements made, and the location and extent of excavations from which mineral has been removed, together with the thickness of the overburden and mineral veins at twenty-foot intervals plotted thereon; and to make such other reports pertaining to the production and operations by the lessee as may be called for by the lessor.

10. The lessee agrees that prospecting and exploration be accomplished with minimum disturbance to the surface. Before commencing prospecting or mining the lessee agrees to submit a comprehensive plan of its proposed operations to the lessor, including plans for reclamation and restoration of the surface. The lessee shall carry out, at the lessee's expense, all reasonable orders and requirements of the lessor necessary to adequately protect the land, water, air or improvements in the area and to protect all livestock, wildlife and human beings threatened or endangered by the operations of the lessee. On the failure of the lessee to do so, representatives of the lessor shall have the right, together with other recourse herein provided, to enter on the property to affect the objectives of the orders and requirements at the lessee's expense.

11. The lessee shall conduct all operations and activities under this lease in such a manner as to cause the least possible inconvenience, damage or loss to any person or persons occupying the leased land or other land in the same section or any part thereof, either as lessees or purchasers from the State of Montana. The lessee under this lease shall make satisfactory adjustment of any damages sustained by the owner and lessee of the surface of the lands in connection with the operations by the lessee in prospecting for and extracting the mineral for which this lease is issued. The lessee shall at all times when work is not in progress keep safely covered or otherwise adequately guarded, all shafts, holes, excavations, openings, ditches, and dangerous cuts so as to eliminate danger to domestic animals and human beings, and shall erect cattle guards or keep all gates or cuts in all fences closed. In the event the possession or occupancy of the leased premises is denied or contested, the lessor does not undertake to place the lessee in possession by process of law or otherwise, or to defend him in such occupancy. The rights of the lessee hereunder are subject further to the prior rights of any other mineral lease or leases now in force, or renewals thereof, to enjoy the free use of so much of the surface of the lands as are necessary and incidental to their operations thereunder; and mining operations hereunder shall be conducted so as not to unduly interfere with the mineral production operations.

12. The lessee agrees to commence actual prospecting operations under the land embraced herein promptly after the execution of this lease and thereafter diligently prospect, develop and mine in or upon the leased land unless consent to suspend operations temporarily is granted by the lessor, and that all mining operations shall be done in good and workmanlike manner in accordance with approved methods and practices using such methods to insure the extraction of the greatest amount of mineral, having due regard for the prevention of waste of the minerals developed on the land, the protection of the environment and all natural resources, the preservation and conservation of the property for future uses, and for the health and safety of workmen and employees. If the lessor has reasonable belief that the operations are not so being conducted, it shall so notify the lessee in writing, and if compliance is not promptly obtained and the delinquency fully satisfied, the lessor may at its option after thirty (30) days notice by registered mail to the lessee, cancel the lease.

13. All operations on the leased premises shall be reclaimed in accordance with (1) the reclamation plan submitted by the lessee under provision 10 of this lease and approved by the Department; and (2) any applicable chapter of Title 75 and 82, Montana Code Annotated. All operations shall be conducted in such a manner as to remove all mineral in the vein or veins worked. Mining shall be continuous across the property according to a definite plan and pattern submitted to and receiving the approval of the Department. This plan shall be submitted with the reclamation plan required by provision 10. Where the vein or mineral is less than one foot in thickness the lessee shall not be required to mine or work that portion of such vein. If the thickness of the overburden is such that the lessee considers it not profitable to excavate the mineral beneath, notice is to be served on the lessor and the matter adjusted fairly and impartially between the two parties.

14. The lessee shall not in any manner interfere with any right or rights which have been acquired, held or exercised legally by any person, corporation, co-partnership, association or group whatsoever, prior to the granting of this lease, in any water, on or beneath the leased land, and the lessee shall be solely responsible for the invasion of any such right. The lessee shall not, during the duration of this lease, sell or otherwise dispose of any water rights existing or acquired for use upon the leased premises, except with the written permission of the lessor. The lessee shall not initiate, establish, or acquire any water rights upon the leased premises except in the name of the State of Montana.

15. The lessee shall not interfere with the removal from the leased premises of timber purchased prior to the issuance of this lease. The lessee shall obtain the consent of the Department before cutting any timber upon this land for use in their operations, and shall pay the lessor the customary charges made by the lessor for timber thereafter cut.

16. It is understood and agreed that upon failure of the lessee to fully discharge all the obligations provided herein, the lessor may, at its option, after thirty (30) days notice by registered mail to the lessee, cancel the lease without further notice. It is mutually understood and agreed that the suspension of mining operations by the lessee without the prior consent of the lessor shall be a cause for forfeiture. The lessee, upon application therefor filed not later than thirty (30) days after notice has been sent out by the lessor, may be granted a hearing before the Department on any notice or demand of the Department before the lease shall be declared forfeited or cancelled.

17. The lessee may request the right to surrender and relinquish the lease, in whole or in part, by writing to the Director of the Department of Natural Resources and Conservation at least thirty (30) days prior to the termination of any rental year. The lessor may condition the right to surrender and relinquish upon the payment to the lessor of reasonable damages caused by the surrender.

18. Upon the termination of this lease for any cause the lessee shall surrender possession of the leased premises to the lessor subject to the lessee's right to re-enter, hereby granted, at any time within six (6) months after the date of such termination, for the purpose of removing only personal and movable property, providing the lessee shall not remove any machinery or fixtures placed on the premises, unless and until all payments and obligations due the lessor under the terms of this lease shall have been paid or satisfied. Lessor may, in its sole discretion, require improvements attached to the land such as buildings, timbering or other construction or construction material in place, to remain undisturbed upon the ground and the property surrendered in good and usable condition.

19. The lessee shall not assign this lease without the consent of the lessor. The assignor shall not be relieved of any responsibility under this lease until the assignee has been approved by the lessor, nor until there is deposited with the Department of Natural Resources and Conservation (a) the original assignment or an executed copy thereof; (b) an instrument executed by the sureties upon any bonds then held by the lessor in connection with the lease and then in force consenting to the assignment and containing the agreement of the sureties to be bound by the bonds under the assignment or any bonds which shall be approved by the lessor; with a fee of fifty dollars (\$50.00). To be valid, any overriding royalty must receive the approval of the lessor and be recorded with the lease. Overriding royalties are a lease interest only and may not be attached to or run with the land.

20. This lease is subject to further permitting under the provisions of Title 75 or 82, Montana Code Annotated. The lessee agrees to comply with all applicable laws, rules and regulations in effect at the date of this lease, or which may, from time to time, be adopted and which do not impair the obligations of this contract and which do not deprive the lessee of an existing property right recognized by law.

21. Special Conditions:

- A. If the lessee intends to conduct mining and/or milling activities or exploration activities, including road building, trenching, dumping, or other activities which result in land disturbance on the lease premises, it shall submit to the Department of Natural Resources and Conservation, Minerals Management Bureau, one copy of an Operating Plan or Amendment to an existing Operating Plan, describing its proposed activities. No activities shall occur on the lease premises until an Operating Plan or Amendments have been approved, in writing, by the Minerals Management Bureau. The Plan or Amendment shall include the following:
 1. A complete description of each activity planned, locations of each activity, scheduled starting date, and expected duration on each.
 2. Maps and/or recent air photos (1:24,000 scale or larger) showing use and/or reconstruction of existing access routes, the location of proposed new road construction, pipelines, utilities and other uses and improvements.

3. Drawings showing road construction plans, including width, drainage, cut/fill slopes and other details, as well as detailed topographic drawings showing mine and/or mill site development and layout, and water supply and disposal system.
4. Plans, to include resource protection measures for mining, milling, waste disposal, sanitation, wildfire prevention, soil erosion and air and water pollution; emergency actions covering mining or milling related spills; and land reclamation procedures.
5. Other information necessary for the Department to assess probable impacts upon surface and other resources.

Submittal of plans of operation to other departments and divisions of State Government including but not limited to the Environmental Management Bureau of the Department of Environmental Quality does not satisfy this provision. Original copies of all plans, maps and amendments must be delivered by the lessee hereunder to the Minerals Management Bureau.

- B. Lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on state-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the leased premises. The lessee's methods of control must be reviewed by the Department's Area Field Office that has jurisdiction for that locale.
- C. Soil disturbance or equipment operations within 100 feet of wetlands, springs, or the ordinary high water mark of streams, (perennial, intermittent, ephemeral) is not permitted without prior approval of TLMD.
- D. Vehicular traffic is restricted to existing roads unless otherwise authorized by the Department.
- E. All vehicles and equipment must be washed, particularly the underside, prior to entry onto the property to minimize the spread of noxious weeds.
- F. The lessee shall contact the Minerals Management Bureau if any metalliferous minerals, particularly gold, and/or gems are encountered on the leased premises. The lessee shall not remove any metalliferous minerals and/or gems from the leased premises except as may be permitted by the Department.
- G. The lessee agrees to commence actual prospecting operations under the land embraced herein promptly after the execution of this lease and thereafter diligently prospect, develop and mine in or upon the leased land unless consent to suspend operations temporarily is granted by the Department annually. The lessee shall perform at least _____ worth of exploration or mining work on the leased premises during each year thereafter that this lease is in effect or in lieu of such work shall pay as a penalty, _____ in lawful money, in addition to the rentals and royalties herein provided, each rental year. Proof of exploration work must be retained for each year's activities for the entire duration of the lease term and must be produced upon request by the lessor. Acceptable items that may be charged against annual work are assays, equipment rental, consultant's fee, wages, etc. Items not allowable are travel to and from lease area, phone calls, license rentals, fees and permits, etc.
- H. All geological, geophysical and geochemical data, including reports, maps, logs, and other pertinent data regarding Trust resources shall be given to the Minerals Management Bureau upon surrender or expiration of the lease. All drill core and/or splits of drill cuttings shall be saved. Upon surrender or expiration of the lease, the lessee will contact the Minerals Management Bureau about the drill core and/or cuttings. The Minerals Management Bureau will consult with Montana Bureau of Mines and Geology and instruct the lessee as to the requirements the state has regarding disposition of these geological samples. Bond will not be released until delivery of such data to the Department.
- I. In order to provide the Department with information regarding exploration activities important to Trust resources and to protect the confidentiality of the lessee's exploration activities, the lessee hereby agrees that the Minerals Management Bureau Staff and the Bureau Chief of the Agriculture and Grazing Bureau are hereby authorized to review any records pertaining to Small Miners Exclusion Statement and/or Exploration License obtained by the Environmental Management Bureau of the Department of Environmental Quality.
- J. The Department will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the initial review or inventory, the Department may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- K. Vehicular traffic is restricted to existing roads, and to conditions that are dry or frozen, unless otherwise authorized by the Department in writing.

- L. Soil disturbance or equipment operations within 100 feet of wetlands, springs, or the ordinary high water mark of streams (perennial, intermittent, ephemeral) is not permitted without prior written approval by the Department.
- M. The Department reserves the right to reasonably restrict any activity on the lease during certain time periods, in order to prevent accelerated erosion, extreme wildfire risk, disruption of wildlife use, or other adverse resource impacts.
- N. Prior to commencement of any activities on the lease premises, the lessee shall contact the Department's Field Supervisor and Minerals Management Bureau:

<Unit Manager and contact information>

Mineral Leasing Section Supervisor or Geologist, Minerals Management Bureau, P.O. Box 201601, Helena, MT 59620-1601 (1625 11th Ave), (406) 444-2074

The lessee shall also contact the surface lessee:

<Surface Lessee contact information>

22. All covenants and agreements herein set forth between the parties hereto shall extend to and bind their successors, assigns and legal representatives.

23. Regardless of any of the above provisions of the said lease, actual or implied, the State of Montana does not warrant title to its lands.

24. The lessor reserves the right to deny all activity that would result in material disturbance to the lease premises.

IN WITNESS WHEREOF, the State of Montana and the lessee have caused this lease to be executed in duplicate and the Director of the Department of Natural Resources and Conservation, pursuant to the authority granted him by the Board of Land Commissioners of the State of Montana, has hereunto set his hand and affixed the seal of the Board of Land Commissioners this _____ day of _____, 20____.

 Director of the Department of Natural Resources and Conservation

 Lessee

 Address