

P-5-82

1 Department of Natural Resources

2 Minerals Division

3

4 Adopted Amendment of Rule Governing Permits to Prospect for and

5 Leases to Mine Copper, Nickel and Associated Minerals

6

7 Rule as Adopted

8 6 MCAR S 1.0094 Permits and leases, copper, nickel and  
9 associated minerals.

10 (a) Reletter as A.

11 (b)(1)-(4) Reletter and renumber as B. 1.-4.

12 (c) Reletter as C.

13 (d) Reletter as D.

14 (e) Reletter as E.

15 (1) (aa)-(cc) Renumber and reletter as 1. a.-c.

16 (2) Renumber as 2.

17 (3) Renumber as 3.

18 (f) Reletter as F.

19 G. Form of lease. The form of lease for prospecting for,

20 mining and removing copper, nickel, and associated minerals

21 belonging to the state shall consist of the following

22 provisions, with such insertions, changes, or additions as may

23 be necessary to incorporate the royalty rates and other

24 particulars applicable to each lease as may be authorized under

25 these rules:

26 This indenture, made this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_,

27 by and between the State of Minnesota, hereinafter called the

28 state, and \_\_\_\_\_,

29 hereinafter called the lessee, WITNESSETH:

30 (1) Renumber as 1.

31 (2) (aa)-(bb) Renumber and reletter as 2. a.-b.

32 (3)-(7) Renumber as 3.-7.

33 8. Royalty rates.

34 a. The royalty rate to be paid to the state by the  
35 lessee for the copper, nickel, and associated metals and mineral  
36 products recovered from each ton of ore mined from said mining

1 unit shall be the base rate described hereinafter, plus an  
2 additional \_\_\_\_\_ percent of the value of the metals and mineral  
3 products recovered in the mill concentrate from each ton of  
4 dried crude ore.

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

14 For ores mined by underground methods during the second ten  
15 calendar-year period, the base rate shall be 2-1/4 percent of  
16 the value of the metals and mineral products recovered in the  
17 mill concentrate from each ton of dried crude ore, plus an  
18 additional 2-1/4 percent of that portion of the value of the  
19 metals and mineral products recovered in the mill concentrate  
20 that exceeds seventeen (17) dollars per ton of dried crude ore;  
21 and for the third ten calendar-year period, the base rate shall  
22 be 2-1/2 percent of the value of the metals and mineral products  
23 recovered in the mill concentrate from each ton of dried crude  
24 ore, plus an additional 2-1/2 percent of that portion of the  
25 value of the metals and mineral products recovered in the mill  
26 concentrate that exceeds seventeen (17) dollars per ton of dried  
27 crude ore; and for the fourth ten calendar-year period, the base  
28 rate shall be 2-3/4 percent of the value of the metals and  
29 mineral products recovered in the mill concentrate from each ton  
30 of dried crude ore, plus an additional 2-3/4 percent of that  
31 portion of the value of the metals and mineral products  
32 recovered in the mill concentrate that exceeds seventeen (17)  
33 dollars per ton of dried crude ore; and for the remaining  
34 portion of the lease term thereafter, the base rate shall be  
35 three percent of the value of the metals and mineral products  
36 recovered in the mill concentrate from each ton of dried crude

1 ore, plus an additional three percent of that portion of the  
2 value of the metals and mineral products recovered in the mill  
3 concentrate that exceeds seventeen (17) dollars per ton of dried  
4 crude ore.

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

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

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

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

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

9           9. Value of metal and mineral products. The value of metals  
10 and mineral products recovered in the mill concentrate from each  
11 ton of dried crude ore shall be determined monthly as follows:  
12 Multiply the total pounds respectively of copper, nickel, and  
13 each associated metal and mineral product recovered during the  
14 month in the mill concentrate from the mining unit, by the  
15 average market price per pound respectively for that month of  
16 each such fully refined metal and of each such mineral product.  
17 The total amount of copper and nickel recovered in any form in  
18 the mill concentrate shall be valued for royalty purposes as  
19 fully refined metal. For the purpose of this lease, associated  
20 mineral products shall mean the mineral products other than  
21 those that are principally valuable for their copper or nickel  
22 content. When less than 50 percent of any associated metal or  
23 mineral product recovered in the mill concentrate is sold or  
24 otherwise gainfully disposed of, then only the quantity of such  
25 associated metal or mineral product actually sold or otherwise  
26 gainfully disposed of shall be multiplied by the market price in  
27 determining the value of such metal or mineral product for  
28 royalty purposes. Add the values thus obtained for each such  
29 metal and each such mineral product for the month, and divide  
30 the sum by the total number of tons of dried crude ore from the  
31 mining unit concentrated in the mill during the month, to obtain  
32 the value of the metals and mineral products recovered from each  
33 ton of dried crude ore.

34           The base value of the metals and mineral products recovered  
35 in the mill concentrate from each ton of dried crude ore shall  
36 be determined monthly in the same manner, except that the total

1 pounds respectively of copper, nickel, and each associated metal  
2 and mineral product recovered during the month in the mill  
3 concentrate from the mining unit shall be multiplied by the  
4 respective average of the average market price per pound of each  
5 fully refined metal and of each mineral product for each of the  
6 12 complete calendar months of 1981.

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

25       (10)-(15) Renumber as 10.-15.

26       (16) (aa)-(ee) Renumber and reletter as 16. a.-e.

27       (17)-(34) Renumber as 17.-34.