

State of Montana

**METALLIFEROUS MINERAL OR GEM MINING LEASE**

No.   M-                  

This indenture of lease made and 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, under and pursuant to the terms and provisions of Part 1, Chapter 3, Title 77, MCA, as amended and rules adopted pursuant thereto.

The lessor, in consideration of the annual rentals provided for herein, the royalties to be paid, and the covenants to be kept and performed by the lessee, leases to the lessee for the purpose of mining metalliferous minerals and or gems as described below, all the lands described as follows:

Date this lease takes effect:

Name of Lessee:

Address:

Land Located in

County

Description of Land:

Total number of acres

, more or less, belonging to

Grant.

Minerals authorized to be mined:

First Year's Bonus:

Royalty:

Bond:

To have and to hold these premises unto said lessee and successors, legal representatives or assigns, for the primary term of ten (10) years, and as long thereafter as the minerals hereinabove designated are being produced in paying quantities from said premises, the royalties and rents provided for herein are being paid, and all other obligations are fully kept and performed.

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

1. The lessor expressly reserves the right to lease, sell, or otherwise dispose of the surface of the lands hereby leased, under existing law or laws hereafter enacted, insofar as the surface is not necessary for the use of the lessee in connection with operations under this lease; and lessee agrees to comply with all statutory requirements, rules, and regulations thereunder made by the lessor if the lands embraced hereby have been or shall hereafter be sold, leased, or disposed of.

2. The lessee shall pay to the lessor an annual money rental in the amount of \$1.00 per acre for the first three year period, \$2.50 per acre for the next two years, and thereafter annually \$3.00 per acre. This is in addition to any bonus which may be required as a condition of obtaining the lease.

3. Lessee shall prospect and explore with minimum disturbance to the surface of the land which is required to adequately explore the property. All mining operations shall be conducted in such a manner as to protect property and resources from disturbance which is not reasonably necessary in order to efficiently and economically remove the mineral deposit.

4. The lessee shall obtain the consent of the Department of Natural Resources and Conservation 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.

5. The lessee shall not assign this lease without the consent of the lessor.

6. The lessee shall cover or enclose all shafts, mines or openings of any kind in such manner as to remove danger to human beings or livestock.

7. This lease is subject to further permitting under the provisions of Title 75 or 82, Montana Code Annotated. The lessee shall fully comply with all applicable state and federal laws, rules and regulations, including but not limited to those concerning safety, environmental protection and reclamation. The lessee shall conduct and reclaim the operation in accordance with the performance and reclamation standards of applicable mine reclamation laws. The exemption of lessee's operations from applicable reclamation laws does not relieve the lessee from the obligation to conduct and reclaim the operations in accordance with the performance and reclamation standards of those laws. All disturbances must be reclaimed prior to release of any bond.

8. If the surface of the land has been sold or leased prior to issuance of this lease, the mineral lessee shall be responsible for damages to the surface, the leasehold interest and any improvements.

9. The lessee shall furnish to the Department of Natural Resources and Conservation, upon request, but not more than once each calendar year, an exploration and development report. The report shall include a description of any work completed to date, a plat showing the location of any work and shall include a complete geologic log and electric log (if done) of any test holes.

10. The lessee shall have the right at the termination of any rental year, by giving at least thirty (30) days previous notice in writing to the Director of the Department of Natural Resources and Conservation, to surrender and relinquish this lease and thereupon be discharged from any obligation not theretofore accrued.

11. At the termination of this lease, for any cause, the lessee shall immediately surrender the premises and shall, within sixty (60) days, remove machinery, tools or equipment that the lessee may have placed thereon.

12. The lessee shall pay a royalty in cash unless the lessor requests that it be delivered in kind. The royalty rate as specified above shall be based upon the applicable percentage of the returns from the metalliferous minerals or gems being mined but in no case shall be less than 5 percent of the fair market value of the metalliferous minerals or gems recovered. The returns are defined as the net amount received by the shipper after deducting reasonable transportation costs to the closest feasible point of sale, smelting charges and deductions and other treatment costs, not including as a deduction any cost of producing or treating at the mine. The fair market value is the value of the minerals or gems in raw crude form as recovered at the mine site.

13. The lessee shall, upon commencement of mining, make a report on or before the last day of each quarter concerning the operations for the latest 3 months for which records are available but in no case more than 3 months preceding the report. The report shall be on the form prescribed by the department and shall provide sufficient information to determine the royalty as well as any other pertinent information requested by the department. The royalty for the quarter reported shall accompany the report.

14. The lessee has filed a bond with the lessor in the penal sum as specified above, conditioned upon compliance with all lease terms 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.

15. The lease is subject to cancellation for failure to comply with the terms of the lease, applicable state statutes concerning metalliferous and gem leases and rules enacted pursuant to those statutes, as amended. The lessee shall be notified of any failure to comply and allowed a reasonable time to comply. If the lessee fails to comply within a reasonable time, the lease shall be canceled.

16. All the terms and conditions hereof which are applicable to the lessee shall likewise be applicable to the heirs, executors, administrators, assigns, and other successors in interest of the lessee to the same extent as though they had been specifically mentioned in connection with each of such terms and conditions and the provisions of this lease shall be binding upon and inure to the benefit of such heirs, executors, administrators, assigns and other successors in interest of the lessee.

17. Special conditions:

SEE ATTACHMENT "A"

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 the Director by the State Board of Land Commissioners of the State of Montana, has hereunto set his/her hand and affixed the seal of the Board of Land Commissioners this \_\_\_\_\_ day of \_\_\_\_\_, Year of \_\_\_\_\_.

Director of the Department of Natural Resources and Conservation

\_\_\_\_\_

\_\_\_\_\_  
Lessee

Address \_\_\_\_\_

\_\_\_\_\_

SAMPLE