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## Royalty Rates

1 message

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Glasson, Michael <[REDACTED]> Tue, Oct 22, 2013 at 12:42 PM  
To: Paul McNutt <[REDACTED]>, Jessica Rubado <[REDACTED]>  
Cc: Timothy Howell <[REDACTED]>, Matthew Silvey <[REDACTED]>, Theresa Bodus <[REDACTED]>  
Dean Gettinger <[REDACTED]>, Tony Herrell <[REDACTED]>

Hi Paul,

Nice to get reacquainted with you on Friday.

The purpose of our small task force is to evaluate economics of the hardrock mining in the eastern States and specifically in NE Minnesota for the moment. The short term goal is to establish fair and equitable royalty rates for the two leases held by Beaver Bay Company (transferring to Franconia Minerals, owned by DMC) which are up for renewal January 1, 2014. The bigger picture and long term goal of course is that once royalty rates are established for these leases, we will be using the same methods and data and evaluation standards for setting royalty rates on hardrock leases of all sorts far into the future. I spoke with you about the enormous development potential in the so-called Duluth Complex in NE MN, and although this is years away from development, the two existing leases in question can sort of set the table for future royalty negotiations. Actually, negotiations may be the wrong word; it would be much easier for everyone involved to come up with standard royalty rates which perhaps have some sort of scale attached to it for changes in economics. But, that is what we are discussing, after all.

As I mentioned on the phone, we have a couple of crack mining engineers in Rolla MO who are very familiar with the NE MN mining development potential, and are also familiar with royalty issues which come up in Missouri, Minnesota, Wisconsin, Michigan and etc.

The study conducted by Vince, et al depicts some rather complicated, if not strange ways to think about royalty. I hope that through our meetings and collection of expert advice we can come up with a system which will simplify our task, while at the same time make economic sense to both our proponents of this development and the public we serve.

I agree that we must focus on the market and also as we discussed while there is

little to base discussions on in NE MN, there are other parts of the country where Cu, Ni, and the PMG minerals are mined heavily and successfully. Arizona comes to mind and of course there are others. I do not know if you have any experience working with the Office of Valuation Services is out there for us to use and I would really like to become acquainted with that office. The whole FMV question is one which everyone is looking at very closely and so we need to leave no stone unturned.

Enjoy your leave for the next few days and meanwhile I will be putting together as much base information as possible, with the help of our colleagues in Rolla, and others.

Talk to you soon,

Michael G.

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