United States Department of the Interior

BUREAU OF LAND MANAGEMENT
3550 Pan American Freeway, N.E.
P.O. Box 6770
Albuquerque, New Mexico 87107

IN REPLY REFER TO
Todilto -8396
3570 (017)

JUL 23 1985

RECEIVED
JUL 25 1985
REAL PROPERTY MANAGEMENT
EASTERN NAVAJO AGENCY

To : Area Director, Navajo Area Office, BIA

From : Area Manager, Rio Puerco Resource Area, BLM

Subject: Navajo Allotted Uranium Lease NOO-C-14-20-8396; SW 1/4, Section 18, T. 13 N., R 10 W., NMPM; McKinley County, New Mexico; Todilto Exploration and Development Corporation

The subject lease was inspected on May 1, 1985 and was found to be properly abandoned.

The quarter-section tract was formerly Navajo Allotted Uranium Mining Lease 14-20-0603-7240 which expired under its own terms October 12, 1972. The last operator of record was Cibola Mining Company which acquired the lease April 16, 1966, via assignment from Mesa Mining Company. About 15 years prior to that, the mine was operated by Federal Uranium Company for approximately 4 years and was known as the Federal Mine. According to mine maps and Bureau of Mines Health and Safety Inspection Reports, the mine consisted of two adjacent, underground workings which were developed through separate declines. The workings extended from the declines to the northwest, south and southwest with the majority of the mining apparently occurring under Haystack Mountain. The mine was never satisfactorily conditioned for abandonment. Todilto Exploration and Development Corporation (TEDCO) conducted only exploration activities on the subject lease. However, TEDCO agreed to reclaim the two declines and a subsidence (?) area that ponds water.

TEDCO backfilled the two declines and graded and recontoured the subsidence area. TEDCO also re-established the drainage away from the declines so that water would not pond by a nearby residence. However, numerous areas which exceed our current recommended maximum gamma levels still exist. These areas are all related to the former mining operations, not TEDCO's exploration activities. We recommend the Bureau of Indian Affairs have a radiation survey done on the subject lease in order to quantify needed corrective actions.

DEVELOPMENT, PRODUCTION AND RESERVE SUMMARY

URANIUM LEASE NO. NOO-C-14-20-8396

All data listed below were previously reported in quarterly reports as prescribed under Clause XVI of the lease agreement. For more detailed descriptions of the work, the reader is referred to these reports for 1980 and 1981.

Underground Development:	882.5 feet
Production:	1829.69 wet tons at 0.110% U_3O_8
Reserves - Underground:	11,060 wet tons at 0.144% U_3O_8
Open Pit:	36,146 wet tons at 0.118% U_3O_8

United States Department of the Interior

GEOLOGICAL SURVEY
P. O. Box 26124
Albuquerque, New Mexico 87125

January 14, 1981

Mr. George Warnock
President
Todilto Exploration and Development Corp.
3810 Academy Parkway South, N.E.
Albuquerque, New Mexico 87109

Dear Mr. Warnock:

Your Addendum 3 to the Interim Mining Plan for Navajo Allotted Mining Lease NOO-C-14-20-8396 is approved pursuant to the following conditions and requirements:

1. This office reserves the right to require any mine plan changes deemed necessary to eliminate or mitigate any unforeseen adverse environmental effects caused by this project.

2. Any changes or modifications of Addendum 3 to the Interim Mining Plan must be approved by the Mining Supervisor prior to implementation.

3. No waste dumps or ore stockpiles will be placed on the lease surface without written approval from the Mining Supervisor.

4. The underground mining operations will not proceed more than 800 feet south and 500 feet east from the point of underground entry into lease -8396. The operations will not be extended beyond these limits without approval of the Mining Supervisor.

5. The underground mining operations may proceed northward to the northern lease boundary line and eastward to the eastern lease boundary line from any point north of 1400 N, provided that the eastern lease boundary pillar is not breached (50 foot boundary pillar per 30 CFR 231.32). The operations will not be extended beyond these limits without approval of the Mining Supervisor

) Albuquerque STATE NM DATE OF INSPECTION May 1, 1985

ERIAL NUMBER OF TRACT	HOLDER OF PRIMAR TRACT INTEREST	TRACT STATUS	NUMBER OF INSPECTIONS	HOURS INSPECTION ONSITE/TOTAL	COMMODITY	TRACT TYPE
COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7
0-C-14-20-5681	TEDCO	Aban.	1	1.5 / 3.0	Uranium	Lease
0-C-14-20-8396	TEDCO	Aban.	1	1.5 / 3.0	Uranium	Lease
				/		
ss 1-10	TEDCO	Aban.	1	1.0 / 1.0	Uranium	Mining Claims
				/		
				/		
				/		
				/		
				/		
				/		

PE OF INSPECTION (CHECK ONE) / / MINE / / EXPLORATION / / MINE ABANDONMENT
/ / TECH EXAM, EA / / INACTIVE / / OTHER

RPOSE OF INSPECTION Final lease examination for relinquishment of leases.

IEF DESCRIPTION OF INSPECTION See attachment.

NE NAME _____ DESIGNATED OPERATOR _____
TE ORIGINAL MINE PLAN SUBMITTED _____ DATE ORIGINAL MINE PLAN APPROVED _____
TE MODIFIED MINE PLAN SUBMITTED _____ DATE MODIFIED MINE PLAN APPROVED _____
APPROVED PLAN IS PENDING MODIFICATION, GIVE BRIEF DESCRIPTION OF MODIFICATION: _____

TE ORIGINAL EXPL. PLAN SUBMITTED _____ DATE ORIGINAL EXPL. PLAN APPROVED _____
TE MODIFIED EXPL. PLAN SUBMITTED _____ DATE MODIFIED EXPL. PLAN APPROVED _____

M INSPECTOR(S) AND TITLES(S) George R. Tetreault, Jr., Mining Engineer

RFACE MANAGEMENT AGENCY FOR TRACT(S) Bureau of Indian Affairs

ME, TITLE, AND OFFICE OF SMA PERSONNEL PARTICIPATING IN INSPECTION _____

ME, TITLE, AND OFFICE OF OSM OR REGULATORY AUTHORITY PERSONNEL PARTICIPATING IN INSPECTION
None

ME, TITLE, AND OFFICE OF COMPANY REPRESENTATIVE(S) PARTICIPATING IN INSPECTION _____

OURS OF OFFICES TIME (PRE-INSPECTION) PREPARING FOR INSPECTION 0
OURS OF OFFICES TIME (POST-INSPECTION) REPORTING ON INSPECTION 1
OTAL TRAVEL TIME 2 TOTAL OFFICE TIME 1

AS A CONDITION OF NONCOMPLIANCE ENCOUNTERED DURING INSPECTION? / / YES / XX / NO
IF YES, PREPARE NONCOMPLIANCE REPORT

AS AN UNDESIRABLE EVENT ENCOUNTERED DURING INSPECTION? / / YES / XXX / NO
IF YES, PREPARE UNDESIRABLE EVENT REPORT

ERSONNEL RESPONSIBLE FOR CONDUCTING INSPECTION George R. Tetreault, Jr.
George R. Tetreault, Jr.

NAVAJO AREA OFFICE
WINDOW ROCK, ARIZONA 86515

ARPM/Minerals

APR 1 5 1980

Todilto Exploration and
Development, Corporation
3810 Academy Parkway, South N.E.
Albuquerque, New Mexico 87109

Gentlemen:

Enclosed is your copy of Uranium Lease Contract No. NOO-C-14-20-8396, Allotment No. 077031, located in the SW¼ of Section 18, Township 13 North, Range 10 West, McKinley County, New Mexico, approved April 9, 1980.

Sincerely yours,

Ted S. Koenig

Assistant Area Director

Enclosure

cc: U. S. Geological Survey, Albuquerque, NM w/one copy of lease
Superintendent, Eastern Navajo Agency w/one copy of lease

Rev. 12/18/79

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

Contract No. NOO-C-14-20- 8396

MINING LEASE INDIAN LANDS
(For Minerals other than Oil and Gas)

Mining Lease, Navajo Indian Allotted Lands

THIS INDENTURE OF LEASE, Made and entered into in quadruplicate on this 24th day of March, 1980, Between Brown Vandever _____" or heirs as the case may be." (Probate No. _____) of McKinley County, State of New Mexico, part of the first part, hereinafter called the Lessor, and Todilto Exploration & Development Corporation of Albuquerque, State of New Mexico, part of the second part, hereinafter called the Lessee, under the provisions of the Allotted Land Mineral Lease Act of March 3, 1909 (35 Stat. 783) and any amendments thereto.

WITNESSETH:

I. Lessor, in consideration of $12,253.50 bonus receipt of which is hereby acknowledged, of the rent and royalty to be paid, and of the agreement of the Lessee, herein contained, grants and leases unto Lessee for the purpose of prospecting for and mining uranium and associated minerals including in situ solution mining, except coal, oil, gas, and any mineral not associated with uranium, upon the land described as follows:

Southwest Quarter

Section 18, Township 13 North, Range 10 West, New Mexico Principal, Meridian, Navajo Indian Allotted Lands, McKinley County, State of New Mexico, and containing 163.38 acres,

Rev. 12/18/79

UNITED STATES
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Southwest Quarter

Section 18, Township 13 North, Range 10 West, New Mexico Principal, Meridian, Navajo Indian Allotted Lands, McKinley County, State of New Mexico, and containing 163.38 acres,

more or less. The Lessee may occupy as much of the surface of the leased land as is necessary to carry on the work of exploring for, developing, mining, producing, processing and in situ recovery (solution mining), milling subject to the provisions of 25 CFR 131 and any other applicable laws and regulations, marketing, and removing said minerals, including storing subject to payments to be made as hereinafter set forth. Subject to the limitations hereinafter provided, Lessee shall have the right and license in connection with the operation of mining on the leased land to construct thereon buildings, pipelines, plants, tanks and other structures used or useful in the production, processing and transportation of said minerals; make excavations, openings, stockpiles, ditches, trains, roads, railroads, transmission lines, and other improvements used or useful in said production, processing and transportation; produce electrical power for its own use, erect and operate power lines, place machinery and other equipment and fixtures upon the leased land; use and transport water developed by Lessee on the leased land and any other water made available to Lessee; prepare for market, remove, process, and sell minerals; do all other things upon said leased land that may be necessary to carry on the mining operations hereunder, including the right of ingress and egress; however, the rights contained herein do not include the right to permanently dump or dispose of waste products of mining and milling on the surface of the leased lands.

(a) Survey of Leased Premises.

Within 180 days of the approval of this lease, Lessee at its own expense shall have the leased land surveyed by a registered surveyor, the boundaries posted with substantial monuments and a tie established with the nearest United States Public Survey marker. A certified plat map of the leased land shall be furnished to the Area Director in quadruplicate and two additional copies furnished to the Supervisor.

II. TERM. Subject to the other provisions herein contained, this lease is for a term of 10 years from the date of its approval and as long thereafter as the minerals specified are produced in paying quantities.

III. DEFINITION. Area Director refers to the official in charge of the Navajo Area Office, Window Rock, Arizona, or his authorized representative. The Secretary refers to the Secretary of the Interior or his authorized representative. Supervisor refers to the Area Mining Supervisor, U.S. Geological Survey, Albuquerque, New Mexico, or his authorized representative.

IN CONSIDERATION OF THE FOREGOING, THE LESSEE AGREES:

IV. ROYALTY. To pay or cause to be paid to the Area Director, with copies of the statements to the Supervisor, for the use and benefit of the Lessor royalties calculated as specified in Exhibit "A" attached hereto and by reference made a part hereof. Such royalties are payable not later than the 25th day of the succeeding month for which royalties are due.

V. MINIMUM ROYALTY. A minimum annual royalty of $20.00 per acre shall become due and payable beginning with the date of approval of this lease and thereafter $20.00 per acre on each anniversary date of the approved lease. If there is production during the lease year, the minimum royalty shall be credited against actual royalty during such year, but no other year. If the lease is surrendered or cancelled, no advance royalty paid to Lessor will be refunded.

VI. ANNUAL RENTAL. To pay or cause to be paid to the Area Director for the use and benefit of the Lessor, in advance, beginning with the date of approval of the lease, as annual rental, the sum of $5.00 per acre for the first lease year and thereafter $5.00 per acre on each anniversary date of the approved lease. The rent shall not be credited against royalties accruing to the Lessor under this lease. If the lease is surrendered or cancelled, no rent accruing to the Lessor will be refunded.

VII. ADJUSTMENT OF ROYALTY. Royalty rates shall be subject to reasonable adjustment by the Secretary two years after commercial production begins and at the end of each successive five year period thereafter, based on market conditions as supported by evidence from the field.

The Lessee agrees that the Secretary, for the purpose of determining the royalties due hereunder, may establish reasonable minimum values for the minerals produced. Due consideration will be given to the highest price paid to producers for minerals of like quality produced from the same general area, the price received by the Lessee, posted prices, and other relevant matters, including information provided by Lessee. At no time shall the adjusted royalty rate be less than the rate established two years after commercial production begins, notwithstanding any other provision of this lease.

VIII. EXCAVATION, WASTE AND CONSTRUCTION AREA. It is further agreed that in addition to all payments of bonuses, royalties and rentals heretofore set forth, the Lessee shall pay to the Area Director for the use and benefit of the Lessor, TWO HUNDRED DOLLARS ($200) per acre for each acre and a proportionate amount for each part of an acre within the leased land used for permanent construction, open-pit mining or dumping of overburden or waste products from mining and milling subject to the provisions of Article I and Article X(6). This amount shall become due and payable at the end of the lease year in which the use of the acreage commences and shall be payable one time only. Before any such use commences, lessee shall in the plan required in Article X(6) hereof, furnish to the Secretary a written procedure for restoring the land.

The Lessee agrees to pay to the Area Director for the use and benefit of the Lessor, TWO HUNDRED DOLLARS ($200) per acre for all land used for campsite purposes within the leased premises, it being understood that the payment of $200 per acre is in addition to all other payments required under this lease and is a sum which shall be charged only once for campsite acreage. The campsite selected shall be the minimum acreage necessary for the operation and shall not include a complete and permanent housing and community development for Lessee's employees.

IX. OWNERSHIP OF WASTE MATERIAL. Lessee may remove to other lands overburden and waste materials extracted from the leased land or waste materials which are residual waste products of processed ores from the leased land; provided, if minerals or by-products are removed or produced from such materials by, or for, Lessee, Lessee shall pay Lessor royalty as provided under the provisions of this lease.

X. PROTECTION OF ENVIRONMENT AND RESTORATION OF SURFACE. The Lessee agrees to preserve and protect the natural environment conditions of the land encompassed by this lease, or land affected by his exploration or mining operations, and to take such corrective actions as may be necessary within the scope of normal soil, stream and air pollution practices as follows:

(1) Conduct operations so as not to permanently pollute any surface or subsurface fresh water supply.

(2) Control water supplies in conformity with existing Federal and applicable Tribal laws and in all cases hold erosion and flood damage to a minimum.

(3) Abide by State, Federal, and applicable Tribal Laws, Regulations or Codes applicable to water resource utilization.

(4) Terrace and landscape waste disposal areas in a reasonable manner at his own cost and expense. The landscaping shall include, but is not limited to, the planting of grasses, shrubs, and other vegetation which will partially screen the area from view and control water and wind erosion. The surface of any waste dumps shall be left reasonably flat, and tailings will be covered with soil to a depth that will permit the early establishment and propagation of vegetation upon the completion of use of the leased land or said waste or tailings, dumps or deposits.

(5) Conduct operations that will minimize air pollution which may result from stripping, mining, milling, hauling, leaching, or waste disposal, in conformity with applicable existing or future Federal and Tribal laws, and regulations or codes.

(6) As soon as practicable after the issuance of the lease, and before the commencement of any surface-disturbing activities, the Lessee shall submit a plan of implementation which shall indicate how the previously agreed to stipulations of environmental preservation contained in this Article X will be carried out. The plans of implementation shall be in conformance with 25 CFR 177.6 and 177.7 and shall be submitted to the Supervisor, and Area Director for approval.

(7) Radioactive waste material shall be treated and disposed of utilizing the latest available technology as set forth in and subject to the written plan submitted and approved pursuant to Article X(6), which would include such other government agencies responsible for radiation control and disposal.

(8) Within 30 days after each calendar year the Lessee agrees to file with the Supervisor and the Area Director, a report showing the acreage (surface) disturbed, the acreage rehabilitated, the method of rehabilitation and acreage graded and backfilled.

XI. GOVERNMENT RESERVES RIGHT TO BUY MINERALS PRODUCED. In time of war or other public emergency, any of the executive departments of the United States Government shall have the option to purchase at the posted market price on the day of sale, all or any part of the substance or substances produced under this lease.

XII. DILIGENCE, PREVENTION OF WASTE. Lessee agrees to exercise diligence in the conduct of prospecting and mining operations, to carry on development and operations in a workmanlike manner and to the fullest possible extent; to neither commit nor suffer to be committed waste upon the leased land; to comply with the applicable laws of the state in which the leased land is located; to take appropriate steps to preserve the property and provide for the health and safety of workmen; to surrender and return promptly the leased land upon the termination of this lease to whomever is lawfully entitled thereto in as good condition as when received. If the payments agreed upon by this lease have been made and the other lease terms and applicable regulations have been complied with, the office fixtures and records, personal property, tools, pumping, drilling equipment, boilers, engines, and mining machinery may be removed by the Lessee at any time before 120 days after the lease expires by forfeiture or otherwise. All permanent buildings shall remain the property of the Lessor unless the Lessor requires the removal of same; in such event the Lessee shall remove the buildings within the aforementioned 120 day period. The Area Director may grant reasonable extension of time for removal of such equipment and buildings.

XIII. FOREST PROTECTION. The Lessee agrees:

(1) To submit in advance to the Area Director for approval, a site development and layout plan, construction plan and any revisions thereto.

(2) Not to cut, destroy or damage timber without prior authority of the Area Director, such authorization to be made only where required by the pursuance of necessary mining operations.

(3) To pay for all such timber cut, destroyed or damaged at rates prescribed by the Area Director, such rates to be determined on the basis of sales of similar timber in the vicinity.

(4) Not to interfere with the sale or removal of timber from the land covered by this lease by contractors operating under an approved timber sales contract now in effect or which may be entered into during the period of this lease.

(5) To do all in its power to prevent and suppress forest, brush or grass fires on the leased land and in its vicinity, and to require its employees, contractors, subcontractors and employees of

contractors or subcontractors to do likewise. To place its employees, its contractors, subcontractors and the employees of such contractors or subcontractors employed on the leased land at the disposal of any authorized officer of the Bureau of Indian Affairs for the purpose of suppressing forest, brush or grass fires with the understanding that the payment of such services shall be made by the United States at rates to be determined by the Area Director, which rates shall not be less than the rates of pay prevailing in the vicinity for services of similar character; provided that no payment shall be made for services rendered in the suppression of fires for which the Lessee, its employees, contractors, or subcontractors or the employees of such contractors or subcontractors are responsible.

(6) To pay for the loss of all timber ten (10) inches or more in diameter occasioned by fires for which it or any of its employees, its contractors, subcontractors or the employees of such contractors or subcontractors are responsible for the start or spread, the assessment of the value of such damages to be determined by the Area Director on the basis of the value of such timber on sales of similar timber in the vicinity. Also, to pay liquidated damages for all young timber less than ten (10) inches in diameter destroyed by such fires and to pay all costs for the suppression of fires for which it or any of its employees, contractors or subcontractors, or the employees of such contractors or subcontractors are responsible.

(7) Not to burn rubbish, trash or other inflammable materials, except with the consent of the Area Director and not to use explosives in such manner as to scatter inflammable materials on the surface of the land during the fire season, except as authorized to do so by the Area Director.

XIV. DEVELOPMENT. The land described herein shall not be held by the Lessee for speculative purposes, but for mining the minerals specified. The Lessee shall spend annually in development and improvements upon the leased land, or for the benefit of the leased land, not less than $15.00 per acre. The Lessee shall file with the Area Director an itemized statement, in duplicate, within 30 days after each calendar year, of the amount and character of the development expenditures during the calendar year. The statement must be certified under oath by the Lessee or its agent. If the Lessee fails to diligently develop or operate the mine, or produce minerals therefrom, this lease will be subject to cancellation, except when development, operations or production have been prevented by a strike, an Act of God, administrative or judicial restraint not attributable to the Lessee, or other cause beyond the reasonable control of the Lessee.

XV. UNITIZATION. In the event two or more leases comprise a single logical mining unit in accordance with maps and plans showing the proposed mining methods and the plant layout which have been submitted by the Lessee and approved by the Supervisor, then the Lessee may unitize such leases under such terms and conditions as may be agreed upon by the Lessor and the Lessee with the consent of the Area Director.

XVI. MONTHLY STATEMENTS. To keep an accurate record of the mining operations, showing the sales, prices, dates, purchasers, the quality and amount of minerals mined, and removed, the gross receipts, transportation, mining and milling costs and to furnish the Supervisor and the Area Director sworn monthly reports thereon before the twenty-fifth of the succeeding month. All royalty and advance rental due shall be a lien on any improvements, tools, machinery and other chattels used in the operation and upon the unsold minerals obtained under the lease. An audit of the accounts and books of the Lessee shall be made annually. Said audit shall be prepared and completed by a certified public accountant hired at Lessee's expense. The Lessee shall furnish free, through the Area Director, copies of the audit to the Secretary within 30 days after the completion of each audit. The audit shall be completed within 120 days from the lease anniversary date.

XVII. REGULATIONS. To abide by and conform to the terms of this lease and all regulations of the Secretary now or hereafter in force and relative to such lease including, but not limited to, 25 CFR 172 and 177, and 30 CFR 231, except as qualified herein. Rate of royalty, the annual rental or the term of the lease may not be changed by a future regulation without the written consent of the parties to this lease except as provided in this lease.

XVIII. ASSIGNMENT OF LEASE. The Lessee shall not assign this lease or any interest therein by an operating agreement including agreements providing for payment of overriding royalty. The Lessee shall not sublet any portion of the leased land before restrictions are removed, except with the approval of the Secretary. If this lease is divided by the assignment of the entire interest in any part of it, each part shall be considered a separate lease under all the terms and conditions of the original lease.

XIX. BOND. To furnish to the Area Director an acceptable surety bond made payable to the Area Director for the benefit of the Lessor guaranteeing lease term compliance, as provided in the applicable Federal Regulations. The right is reserved to the Secretary to stipulate the amount of a bond required for reclamation purposes.

XX. LIQUOR. The Lessee further agrees that it will not use or permit to be used any part of said leased land for any unlawful conduct or purpose whatsoever; that it will not use or permit to be used any part of said leased land for the manufacture, sale, gift, transportation, drinking, or storage of intoxicating liquors or beverages in violation of existing laws relating thereto, and that any violation of this clause by the Lessee or with its knowledge, shall render this lease voidable at the option of the Area Director.

XXI. INSPECTION. The leased land, appurtenances, and all books and accounts of the Lessee may be inspected by the Lessor, his agents, or the Secretary.

XXII. DISPOSITION OF MINERALS AND SURFACE.

(a) The Lessor expressly reserves the right to lease, sell or otherwise dispose of the minerals not subject to this lease and the surface of the lands in this lease under existing law or laws hereafter enacted, such disposition to be subject to the right of the Lessee to use as much of the surface as is necessary in the extraction and removal of the minerals from the leased land.

There is further reserved to Lessor, after consultation with Lessee, the right to construct, use and maintain canals, pipe lines and syphons on and across said lands; provided such use and facilities will not unreasonably interfere with Lessee's mining operations and rights under this lease.

(b) Lessor may hereafter grant to other persons, firms or corporations oil and gas leases, non-mineral leases, licenses, oil and gas prospecting permits, or rights-of-way upon the leased land; oil and gas drilling and producing activities may be carried out concurrently with Lessee's mining operations; provided, however, that no oil rights or installations of any kind shall be situated so as to unduly interfere with Lessee's right to carry on its mining operations and related activities; and provided further, that no well may be drilled for oil or gas at any location which, in the opinion of the Area Mining and Oil and Gas Supervisors, would result in undue waste of mineral deposits or constitute a hazard or interfere with mining operations being conducted by Lessee on the leased land. The provisions of this Article XXII shall be included in any oil and gas lease, license, prospecting permit or right-of-way granted by Lessor on the leased land.

(c) Notwithstanding any other provision of this lease, the Lessor reserves the right without liability of any kind, except as provided in this lease, to grant to qualified applicants rights-of-way for pipelines for the transportation of oil, gas, helium or petroleum products, for power lines, telephone, telegraph and water lines incident to the operations of such pipelines, across the lands embraced in this lease, upon the condition that prior to the granting of any such right-of-way the applicant therefore, as a condition precedent to such grant, shall file with the Area Director the following expressed undertaking in writing for the express benefit of Lessee:

1. That applicant will either bury the pipeline to a sufficient depth or at a place to be designated by Lessee, construct and maintain, at applicant's expense, a ramp, so that loaded vehicles, including Lessee's heavy mining equipment, may pass unhindered over said pipeline. Whenever said pipeline is relocated pursuant to subsection (2) of this section (c) of this Article XXII, applicant will either bury the relocated pipe or promptly construct and maintain, at its own expense, a suitable ramp in a new place designated by Lessee. Lessee shall not be responsible for damage to said pipeline caused by such vehicles and equipment crossing said pipeline.

2. That applicant will make adequate provisions in the construction of said pipeline, power transmission lines, telephone, telegraph or water lines so that, in the event it is determined by Lessee that mining operations should be conducted within the area of the right-of-way or that a power or industrial plant or other building should be built in such area, the line can be expeditiously relocated so as not to interfere with Lessee's operations; and applicant shall make such relocation, including any necessary bridging, at its own expense, within six (6) months from receipt of notice in writing from Lessee requesting such relocations. If applicant fails to make such relocation within such six (6) month period, Lessee may relocate the line without liability and at the expense of applicant.

3. Applicant will, at all times, keep, maintain and repair at its own expense, the portion of the pipeline crossing the leased land in such condition as not to injure, endanger or interfere with Lessee or any person or property on or about the leased land.

4. That applicant will promptly pay any lawful taxes, charges or assessments placed upon or levied against the pipeline or improvements or appurtenances in connection therewith; provided that applicant may contest the validity or amount of any such tax, charge or assessment and shall not be considered in violation of this stipulation until a reasonable time after final determination of such contest by a competent tribunal.

5. That applicant shall be responsible for any damage, loss of property, injury or death of any person directly or indirectly caused by the enjoyment of pipeline rights, and shall hold Lessee harmless and indemnify it against any and all claims therefor; and shall further hold Lessee harmless from and indemnify it against damage to or loss of property belonging to applicant or injury to or death of any person on or about the pipeline crossing on behalf of or at the invitation of applicant.

6. That applicant shall specify in writing to the Lessee the address to which all notices and requests may be mailed.

(d) LESSOR AGREES THAT:

1. No pipeline right-of-way granted across the leased land shall exceed fifty (50) feet in width. Rights-of-way for power lines and other purposes granted across the leased land shall be of such widths as will accommodate themselves to Lessee's permitted use of the leased land.

2. Lessee shall be given timely written notice by the Area Director of any application for rights-of-way over the leased land before the same are granted.

3. An executed duplicate of the undertaking specified in section (c) above and a true copy of the grant of rights described therein shall be furnished Lessee upon the granting of any application for rights over the leased land.

XXIII. SURRENDER AND TERMINATION. The Lessee may surrender this lease or any legal subdivision thereof by filing with the Area Director on or before the anniversary date of the lease a written relinquishment. If the lease has been recorded, the Lessee must file a recorded release with the Area Director on or before the anniversary date of the lease. The relinquishment shall become effective on the date it is filed with the Area Director, subject to continued obligation of the Lessee and his surety to pay all accrued rentals, royalties, and other payments due and to recondition the premises in accordance with the terms of this lease and the regulations. The Lessee shall, within 30 days after the termination of this lease, furnish the Area Director detailed and complete written reports of the exploration done and all information concerning the nature and value of the minerals. (25 CFR 172.23)

XXIV. RELINQUISHMENT OF SUPERVISION BY THE SECRETARY OF THE INTERIOR. Should the Secretary at any time during the life of this instrument, relinquish supervision as to all or part of the acreage covered hereby, the relinquishment does not bind the Lessee until the Secretary has given 30 days' written notice. Until the requirements are fulfilled, Lessee shall continue to make all payments due under Articles IV, V and VI. After notice of relinquishment has been received by Lessee, this lease is subject to the following further conditions:

1. All rentals and royalties accruing shall be paid directly to Lessor or its successor in title.

2. If at the time supervision is relinquished by the Secretary as to all lands under this lease, and Lessee has made all payments due under the lease and has fully performed all obligations on its part to be performed up to the time of such relinquishment, then the name of the obligee on the bond given to secure the performance of the lease and on file with the Area Director shall be changed to the Lessor who holds title of record.

XXV. WATER WELLS. Upon approval of the Lessor and the Area Director, the Lessee may, at its own expense, drill and equip water wells on the leased land. The Lessee agrees that at the termination of this lease, all wells with potable water shall be left intact and properly cased upon written approval of Lessor and Agency Superintendent. Lessee may remove all mechanical pumping equipment installed by Lessee at any well within 120 days after expiration of the lease, otherwise such equipment shall become the property of the Lessor.

XXVI. DAMAGES. The Lessee and all of his contractors and subcontractors shall conduct all operations authorized by this lease, including construction, operation or maintenance of any of the facilities on or connected with this lease, so as to prevent unnecessary damage to natural resources, improvements and the environment. On termination of operations under this lease, the Lessee shall make appropriate provisions for the conservation, repair and protection of the property and leave all the areas on which the Lessee has worked in a safe condition, not hazardous to life and limb, all to the satisfaction of the Lessor and the Area Director.

XXVII. LIABILITY FOR DAMAGE. The Lessee and all of his contractors and subcontractors are liable for any and all damages resulting from its operations under this lease, including injury to the Lessor, the tenants, licensees and surface owners, and for any and all damages to or destruction of all property, caused by the Lessee's operations hereunder. The Lessee agrees to save and hold the Lessor and the United States, their employees, licensees, and the surface owner or their tenants harmless from all suits for injury or claims for damages to persons and property resulting from the Lessee's operations under this lease.

XXVIII. ROADS. The Lessee may use existing roads, if any, on the leased land. On application, duly approved in writing by the Lessor and the Area Director, the Lessee shall be entitled to construct and maintain, at its own expense, any additional roads on the leased land necessary for exploration and mining. No part of any such road shall inure to the benefit of the public, and the public shall obtain no rights thereon. If at any time the Lessee does not require the use of any such road for the operations authorized under this lease or upon termination of this lease for any cause whatsoever, the right to use any such road shall cease, and road surface shall be restored to its original condition unless otherwise agreed, and all the rights shall revest in Lessor in accordance with law. The Lessee shall hold the Lessor and the United States harmless and indemnify them against any loss or damage that might result from the negligent construction or maintenance by Lessee of the road.

XXIX. INDIAN LABOR. To the extent allowed by applicable Federal and State laws, the Lessee shall give a priority right of employment and training to members of the Navajo Tribe for all positions for which they are qualified and available and shall pay the prevailing wage rates for similar services in the area. Upon initial hiring and whenever thereafter a job opening occurs, the Lessee, its contractors, and subcontractors, shall give notice of such opening to the Agency Superintendent stating the time and place where job applications will be accepted. Lessee agrees to give priority to employment and training of Lessor and other Navajo Indians for skilled and unskilled, technical and other higher jobs in connection with Lessee's operations under this lease. Except in cases of emergency, no nonmember of the Tribe shall be hired for any job until 48 hours following the delivery of such notice to the Agency Superintendent.

XXX. INSURANCE, SOCIAL SECURITY, TAXES, ETC. The Lessee agrees to carry insurance covering all persons working in, on or in connection with the leased land for the Lessee as will fully comply with the provisions of the statutes of the State of New Mexico covering workmen's compensation and occupational disease, as are now in force or as may be amended. Further, the Lessee agrees to comply with all the terms and provisions of all applicable laws of the State of New Mexico as now exist or as may be amended, pertaining to Social Security, unemployment compensation, wages, hours and conditions of labor; and to indemnify and hold the Lessor and the United States harmless from payment of any damages occasioned by the Lessee's failure to comply with

these laws. The Lessee shall pay all taxes lawfully levied or assessed on the sale, severance, production, extraction or removal of any of the minerals covered by this lease.

XXXI. HEIRS AND SUCCESSORS IN INTEREST. It is further covenanted and agreed that each obligation under this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors of or assigns of the parties to this lease.

XXXII. GOVERNMENT EMPLOYEES CANNOT ACQUIRE LEASE. No lease, assignment thereof or interest therein, will be approved to any employee or employees of the United States Government whether connected with the Bureau of Indian Affairs or otherwise, and no employees of the Interior Department shall be permitted to acquire any interest in such leases by ownership of stock in corporations having leases or in any other manner.

XXXIII. PENALTIES. Failure of the Lessee to comply with any provisions of the lease, or the regulations contained in 25 CFR 172 and 177, and 30 CFR 231, orders of the Area Director, or the orders of the Supervisor, shall subject the lease to cancellation by the Secretary or the Lessee to a penalty of not more than FIVE HUNDRED DOLLARS ($500) a day for each and every day the terms of the lease, the regulations, or such orders are violated; or to both such penalty and cancellation; provided, that Lessee shall be entitled to notice and hearing within 30 days after such notice, with respect to the terms of the lease, regulations, or orders violated, which hearing shall be held by the Area Director or the Supervisor, whose findings shall be conclusive unless an appeal be taken to the Secretary pursuant to 25 CFR Part 2, 30 CFR Part 290, 43 CFR Part 23 and subtitle B, Chapter II.

XXXIV. CANCELLATION AND FORFEITURE. When, in the opinion of the Secretary, there has been a violation of any of the terms or conditions of this lease before restrictions are removed, the Secretary has the right at any time after 30 days notice to the Lessee, specifying the terms and conditions violated, and after a hearing, if the Lessee shall so request within 30 days of receipt of notice, to declare this lease void and the Lessor may then take immediate possession of the land provided Lessee does not cure its default within 30 days or, if Lessee requests a hearing and does not cure its defaults within 20 days after the final decision resulting from said hearing. After restrictions are removed, the Lessor may use any available remedy in law or equity for breach of this contract by the Lessee. The remedies specified hereunder are in addition to remedies specifically provided in 25 CFR 172 and 177.

XXXV. OBLIGATIONS. While the leased land is in trust or restricted status, all of the Lessee's obligations under this lease and the obligations of his sureties, are to the United States as well as the owners of the land.

XXXVI. PAST DUE PAYMENTS. Any and all payments specified in this lease, including but not limited to royalty and rent unpaid as of the due date shall bear interest at the rate of 10% per annum from the date payments become due until paid and such payments shall not provide exclusion from any default provision of the lease.

Acknowledgments must be in accordance with the forms prescribed by the State n which the land is situated.

TATE OF New Mexico

ss:

OUNTY OF Bernalillo

BE IT REMEMBERED, That on this 24th day of March, A. D. 19 80

efore the undersigned, a Notary Public in and for the County and State foresaid, personally appeared G. Warnock

o me personally known to be the identical person(X) who executed the within nstrument of writing, and such person(X) duly acknowledged the execution of the ame.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my seal n the day and year last hereinabove written.

OFFICAL SEAL

Signature Diane C. Tye

DIANE C. TYE

NOTARY PUBLIC - NEW MEXICO

Notary Bond Filed with Secretary of State

My Commission Expires 6-21-80

XXXVII. NOTICES AND PAYMENTS. All notices, payments and demands shall be sent to the addresses herein recited or to such address as the parties may hereafter designate in writing.

Area Director
Bureau of Indian Affairs
Navajo Area Office
Window Rock, Arizona

Area Mining Supervisor
U.S. Geological Survey
505 Marquette Ave. N.W.
Albuquerque, New Mexico 87102

Agency Superintendent
Bureau of Indian Affairs
Eastern Navajo Agency
Crownpoint, New Mexico

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

WITNESSES:

(Name)
H. B. Warnock

3809 Camino Sacramento, NE
Alb., NM (Address)

(Name)
Timothy J. Pearson

10605 Ralph Avenue, NE
Alb., NM (Address)

LESSEE:

TODILTO EXPLORATION & DEVELOPMENT CORPORATION

By G. Warnock Date 3-24-80

3810 Academy Parkway South, NE
(Address)

WITNESSES:

(Name)

Box 262 Prewitt N.M. 87045
(Address)

(Name)

(Address)

LESSOR:

X Brown Vandever Date 3-24-80

Brown Vandever #6841
(Printed or typed name & census number)

P. O. Box 262, Prewitt, New Mexico
(Address)

(Name)

(Signature) Date

(Address)

(Printed or typed name & census #)

(Name)

(Address)

(Address)

Approved under authority of memorandum dated November 2, 1979 from the Acting Deputy Commissioner, Bureau of Indian Affairs, to the Navajo Area Director.

APR - 9 1980

Date

Ted S. Koenig

ACTING Area Director

Rev. 12/18/79

original on file.

791-84-80

RECEIVED
1980 APR 15 A10:47
SOUTHWEST REGIONAL OFFICE PLANT
BUR INDIAN AFFRS
ALBUQ N MEX

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

Contract No. N00-C-14-20-8396

MINING LEASE INDIAN LANDS
(For Minerals other than Oil and Gas)

Mining Lease, Navajo Indian Allotted Lands

THIS INDENTURE OF LEASE, Made and entered into in quadruplicate on this 24th day of March, 1980, Between Brown Vandever _____" or heirs as the case may be." (Probate No. _____) of McKinley County, State of New Mexico, part of the first part, hereinafter called the Lessor, and Todilto Exploration & Development Corporation of Albuquerque, State of New Mexico, part of the second part, hereinafter called the Lessee, under the provisions of the Allotted Land Mineral Lease Act of March 3, 1909 (35 Stat. 783) and any amendments thereto.

WITNESSETH:

I. Lessor, in consideration of $12,253.50 bonus receipt of which is hereby acknowledged, of the rent and royalty to be paid, and of the agreement of the Lessee, herein contained, grants and leases unto Lessee for the purpose of prospecting for and mining uranium and associated minerals including in situ solution mining, except coal, oil, gas, and any mineral not associated with uranium, upon the land described as follows:

Southwest Quarter

Section 18, Township 13 North, Range 10 West, New Mexico Principal, Meridian, Navajo Indian Allotted Lands, McKinley County, State of New Mexico, and containing 163.38 acres,

more or less. The Lessee may occupy as much of the surface of the leased land as is necessary to carry on the work of exploring for, developing, mining, producing, processing and in situ recovery (solution mining), milling subject to the provisions of 25 CFR 131 and any other applicable laws and regulations, marketing, and removing said minerals, including storing subject to payments to be made as hereinafter set forth. Subject to the limitations hereinafter provided, Lessee shall have the right and license in connection with the operation of mining on the leased land to construct thereon buildings, pipelines, plants, tanks and other structures used or useful in the production, processing and transportation of said minerals; make excavations, openings, stockpiles, ditches, trains, roads, railroads, transmission lines, and other improvements used or useful in said production, processing and transportation; produce electrical power for its own use, erect and operate power lines, place machinery and other equipment and fixtures upon the leased land; use and transport water developed by Lessee on the leased land and any other water made available to Lessee; prepare for market, remove, process, and sell minerals; do all other things upon said leased land that may be necessary to carry on the mining operations hereunder, including the right of ingress and egress; however, the rights contained herein do not include the right to permanently dump or dispose of waste products of mining and milling on the surface of the leased lands.

(a) Survey of Leased Premises.

Within 180 days of the approval of this lease, Lessee at its own expense shall have the leased land surveyed by a registered surveyor, the boundaries posted with substantial monuments and a tie established with the nearest United States Public Survey marker. A certified plat map of the leased land shall be furnished to the Area Director in quadruplicate and two additional copies furnished to the Supervisor.

II. TERM. Subject to the other provisions herein contained, this lease is for a term of 10 years from the date of its approval and as long thereafter as the minerals specified are produced in paying quantities.

III. DEFINITION. Area Director refers to the official in charge of the Navajo Area Office, Window Rock, Arizona, or his authorized representative. The Secretary refers to the Secretary of the Interior or his authorized representative. Supervisor refers to the Area Mining Supervisor, U.S. Geological Survey, Albuquerque, New Mexico, or his authorized representative.

IN CONSIDERATION OF THE FOREGOING, THE LESSEE AGREES:

IV. ROYALTY. To pay or cause to be paid to the Area Director, with copies of the statements to the Supervisor, for the use and benefit of the Lessor royalties calculated as specified in Exhibit "A" attached hereto and by reference made a part hereof. Such royalties are payable not later than the 25th day of the succeeding month for which royalties are due.

V. MINIMUM ROYALTY. A minimum annual royalty of $20.00 per acre shall become due and payable beginning with the date of approval of this lease and thereafter $20.00 per acre on each anniversary date of the approved lease. If there is production during the lease year, the minimum royalty shall be credited against actual royalty during such year, but no other year. If the lease is surrendered or cancelled, no advance royalty paid to Lessor will be refunded.

VI. ANNUAL RENTAL. To pay or cause to be paid to the Area Director for the use and benefit of the Lessor, in advance, beginning with the date of approval of the lease, as annual rental, the sum of $5.00 per acre for the first lease year and thereafter $5.00 per acre on each anniversary date of the approved lease. The rent shall not be credited against royalties accruing to the Lessor under this lease. If the lease is surrendered or cancelled, no rent accruing to the Lessor will be refunded.

VII. ADJUSTMENT OF ROYALTY. Royalty rates shall be subject to reasonable adjustment by the Secretary two years after commercial production begins and at the end of each successive five year period thereafter, based on market conditions as supported by evidence from the field.

The Lessee agrees that the Secretary, for the purpose of determining the royalties due hereunder, may establish reasonable minimum values for the minerals produced. Due consideration will be given to the highest price paid to producers for minerals of like quality produced from the same general area, the price received by the Lessee, posted prices, and other relevant matters, including information provided by Lessee. At no time shall the adjusted royalty rate be less than the rate established two years after commercial production begins, notwithstanding any other provision of this lease.

VIII. EXCAVATION, WASTE AND CONSTRUCTION AREA. It is further agreed that in addition to all payments of bonuses, royalties and rentals heretofore set forth, the Lessee shall pay to the Area Director for the use and benefit of the Lessor, TWO HUNDRED DOLLARS ($200) per acre for each acre and a proportionate amount for each part of an acre within the leased land used for permanent construction, open-pit mining or dumping of overburden or waste products from mining and milling subject to the provisions of Article I and Article X(6). This amount shall become due and payable at the end of the lease year in which the use of the acreage commences and shall be payable one time only. Before any such use commences, lessee shall in the plan required in Article X(6) hereof, furnish to the Secretary a written procedure for restoring the land.

The Lessee agrees to pay to the Area Director for the use and benefit of the Lessor, TWO HUNDRED DOLLARS ($200) per acre for all land used for campsite purposes within the leased premises, it being understood that the payment of $200 per acre is in addition to all other payments required under this lease and is a sum which shall be charged only once for campsite acreage. The campsite selected shall be the minimum acreage necessary for the operation and shall not include a complete and permanent housing and community development for Lessee's employees.

IX. OWNERSHIP OF WASTE MATERIAL. Lessee may remove to other lands overburden and waste materials extracted from the leased land or waste materials which are residual waste products of processed ores from the leased land; provided, if minerals or by-products are removed or produced from such materials by, or for, Lessee, Lessee shall pay Lessor royalty as provided under the provisions of this lease.

X. PROTECTION OF ENVIRONMENT AND RESTORATION OF SURFACE. The Lessee agrees to preserve and protect the natural environment conditions of the land encompassed by this lease, or land affected by his exploration or mining operations, and to take such corrective actions as may be necessary within the scope of normal soil, stream and air pollution practices as follows:

(1) Conduct operations so as not to permanently pollute any surface or subsurface fresh water supply.

(2) Control water supplies in conformity with existing Federal and applicable Tribal laws and in all cases hold erosion and flood damage to a minimum.

(3) Abide by State, Federal, and applicable Tribal Laws, Regulations or Codes applicable to water resource utilization.

(4) Terrace and landscape waste disposal areas in a reasonable manner at his own cost and expense. The landscaping shall include, but is not limited to, the planting of grasses, shrubs, and other vegetation which will partially screen the area from view and control water and wind erosion. The surface of any waste dumps shall be left reasonably flat, and tailings will be covered with soil to a depth that will permit the early establishment and propagation of vegetation upon the completion of use of the leased land or said waste or tailings, dumps or deposits.

(5) Conduct operations that will minimize air pollution which may result from stripping, mining, milling, hauling, leaching, or waste disposal, in conformity with applicable existing or future Federal and Tribal laws, and regulations or codes.

(6) As soon as practicable after the issuance of the lease, and before the commencement of any surface-disturbing activities, the Lessee shall submit a plan of implementation which shall indicate how the previously agreed to stipulations of environmental preservation contained in this Article X will be carried out. The plans of implementation shall be in conformance with 25 CFR 177.6 and 177.7 and shall be submitted to the Supervisor, and Area Director for approval,

(7) Radioactive waste material shall be treated and disposed of utilizing the latest available technology as set forth in and subject to the written plan submitted and approved pursuant to Article X(6), which would include such other government agencies responsible for radiation control and disposal.

(8) Within 30 days after each calendar year the Lessee agrees to file with the Supervisor and the Area Director, a report showing the acreage (surface) disturbed, the acreage rehabilitated, the method of rehabilitation and acreage graded and backfilled.

XI. GOVERNMENT RESERVES RIGHT TO BUY MINERALS PRODUCED. In time of war or other public emergency, any of the executive departments of the United States Government shall have the option to purchase at the posted market price on the day of sale, all or any part of the substance or substances produced under this lease.

XII. DILIGENCE, PREVENTION OF WASTE. Lessee agrees to exercise diligence in the conduct of prospecting and mining operations, to carry on development and operations in a workmanlike manner and to the fullest possible extent; to neither commit nor suffer to be committed waste upon the leased land; to comply with the applicable laws of the state in which the leased land is located; to take appropriate steps to preserve the property and provide for the health and safety of workmen; to surrender and return promptly the leased land upon the termination of this lease to whomever is lawfully entitled thereto in as good condition as when received. If the payments agreed upon by this lease have been made and the other lease terms and applicable regulations have been complied with, the office fixtures and records, personal property, tools, pumping, drilling equipment, boilers, engines, and mining machinery may be removed by the Lessee at any time before 120 days after the lease expires by forfeiture or otherwise. All permanent buildings shall remain the property of the Lessor unless the Lessor requires the removal of same; in such event the Lessee shall remove the buildings within the aforementioned 120 day period. The Area Director may grant reasonable extension of time for removal of such equipment and buildings.

XIII. FOREST PROTECTION. The Lessee agrees:

(1) To submit in advance to the Area Director for approval, a site development and layout plan, construction plan and any revisions thereto.

(2) Not to cut, destroy or damage timber without prior authority of the Area Director, such authorization to be made only where required by the pursuance of necessary mining operations.

(3) To pay for all such timber cut, destroyed or damaged at rates prescribed by the Area Director, such rates to be determined on the basis of sales of similar timber in the vicinity.

(4) Not to interfere with the sale or removal of timber from the land covered by this lease by contractors operating under an approved timber sales contract now in effect or which may be entered into during the period of this lease.

(5) To do all in its power to prevent and suppress forest, brush or grass fires on the leased land and in its vicinity, and to require its employees, contractors, subcontractors and employees of

contractors or subcontractors to do likewise. To place its employees, its contractors, subcontractors and the employees of such contractors or subcontractors employed on the leased land at the disposal of any authorized officer of the Bureau of Indian Affairs for the purpose of suppressing forest, brush or grass fires with the understanding that the payment of such services shall be made by the United States at rates to be determined by the Area Director, which rates shall not be less than the rates of pay prevailing in the vicinity for services of similar character; provided that no payment shall be made for services rendered in the suppression of fires for which the Lessee, its employees, contractors, or subcontractors or the employees of such contractors or subcontractors are responsible.

(6) To pay for the loss of all timber ten (10) inches or more in diameter occasioned by fires for which it or any of its employees, its contractors, subcontractors or the employees of such contractors or subcontractors are responsible for the start or spread, the assessment of the value of such damages to be determined by the Area Director on the basis of the value of such timber on sales of similar timber in the vicinity. Also, to pay liquidated damages for all young timber less than ten (10) inches in diameter destroyed by such fires and to pay all costs for the suppression of fires for which it or any of its employees, contractors or subcontractors, or the employees of such contractors or subcontractors are responsible.

(7) Not to burn rubbish, trash or other inflammable materials, except with the consent of the Area Director and not to use explosives in such manner as to scatter inflammable materials on the surface of the land during the fire season, except as authorized to do so by the Area Director.

XIV. DEVELOPMENT. The land described herein shall not be held by the Lessee for speculative purposes, but for mining the minerals specified. The Lessee shall spend annually in development and improvements upon the leased land, or for the benefit of the leased land, not less than $15.00 per acre. The Lessee shall file with the Area Director an itemized statement, in duplicate, within 30 days after each calendar year, of the amount and character of the development expenditures during the calendar year. The statement must be certified under oath by the Lessee or its agent. If the Lessee fails to diligently develop or operate the mine, or produce minerals therefrom, this lease will be subject to cancellation, except when development, operations or production have been prevented by a strike, an Act of God, administrative or judicial restraint not attributable to the Lessee, or other cause beyond the reasonable control of the Lessee.

XV. UNITIZATION. In the event two or more leases comprise a single logical mining unit in accordance with maps and plans showing the proposed mining methods and the plant layout which have been submitted by the Lessee and approved by the Supervisor, then the Lessee may unitize such leases under such terms and conditions as may be agreed upon by the Lessor and the Lessee with the consent of the Area Director.

XVI. MONTHLY STATEMENTS. To keep an accurate record of the mining operations, showing the sales, prices, dates, purchasers, the quality and amount of minerals mined, and removed, the gross receipts, transportation, mining and milling costs and to furnish the Supervisor and the Area Director sworn monthly reports thereon before the twenty-fifth of the succeeding month. All royalty and advance rental due shall be a lien on any improvements, tools, machinery and other chattels used in the operation and upon the unsold minerals obtained under the lease. An audit of the accounts and books of the Lessee shall be made annually. Said audit shall be prepared and completed by a certified public accountant hired at Lessee's expense. The Lessee shall furnish free, through the Area Director, copies of the audit to the Secretary within 30 days after the completion of each audit. The audit shall be completed within 120 days from the lease anniversary date.

XVII. REGULATIONS. To abide by and conform to the terms of this lease and all regulations of the Secretary now or hereafter in force and relative to such lease including, but not limited to, 25 CFR 172 and 177, and 30 CFR 231, except as qualified herein. Rate of royalty, the annual rental or the term of the lease may not be changed by a future regulation without the written consent of the parties to this lease except as provided in this lease.

XVIII. ASSIGNMENT OF LEASE. The Lessee shall not assign this lease or any interest therein by an operating agreement including agreements providing for payment of overriding royalty. The Lessee shall not sublet any portion of the leased land before restrictions are removed, except with the approval of the Secretary. If this lease is divided by the assignment of the entire interest in any part of it, each part shall be considered a separate lease under all the terms and conditions of the original lease.

XIX. BOND. To furnish to the Area Director an acceptable surety bond made payable to the Area Director for the benefit of the Lessor guaranteeing lease term compliance, as provided in the applicable Federal Regulations. The right is reserved to the Secretary to stipulate the amount of a bond required for reclamation purposes.

XX. LIQUOR. The Lessee further agrees that it will not use or permit to be used any part of said leased land for any unlawful conduct or purpose whatsoever; that it will not use or permit to be used any part of said leased land for the manufacture, sale, gift, transportation, drinking, or storage of intoxicating liquors or beverages in violation of existing laws relating thereto, and that any violation of this clause by the Lessee or with its knowledge, shall render this lease voidable at the option of the Area Director.

XXI. INSPECTION. The leased land, appurtenances, and all books and accounts of the Lessee may be inspected by the Lessor, his agents, or the Secretary.

XXII. DISPOSITION OF MINERALS AND SURFACE.

(a) The Lessor expressly reserves the right to lease, sell or otherwise dispose of the minerals not subject to this lease and the surface of the lands in this lease under existing law or laws hereafter enacted, such disposition to be subject to the right of the Lessee to use as much of the surface as is necessary in the extraction and removal of the minerals from the leased land.

There is further reserved to Lessor, after consultation with Lessee, the right to construct, use and maintain canals, pipe lines and syphons on and across said lands; provided such use and facilities will not unreasonably interfere with Lessee's mining operations and rights under this lease.

(b) Lessor may hereafter grant to other persons, firms or corporations oil and gas leases, non-mineral leases, licenses, oil and gas prospecting permits, or rights-of-way upon the leased land; oil and gas drilling and producing activities may be carried out concurrently with Lessee's mining operations; provided, however, that no oil rights or installations of any kind shall be situated so as to unduly interfere with Lessee's right to carry on its mining operations and related activities; and provided further, that no well may be drilled for oil or gas at any location which, in the opinion of the Area Mining and Oil and Gas Supervisors, would result in undue waste of mineral deposits or constitute a hazard or interfere with mining operations being conducted by Lessee on the leased land. The provisions of this Article XXII shall be included in any oil and gas lease, license, prospecting permit or right-of-way granted by Lessor on the leased land.

(c) Notwithstanding any other provision of this lease, the Lessor reserves the right without liability of any kind, except as provided in this lease, to grant to qualified applicants rights-of-way for pipelines for the transportation of oil, gas, helium or petroleum products, for power lines, telephone, telegraph and water lines incident to the operations of such pipelines, across the lands embraced in this lease, upon the condition that prior to the granting of any such right-of-way the applicant therefore, as a condition precedent to such grant, shall file with the Area Director the following expressed undertaking in writing for the express benefit of Lessee:

1. That applicant will either bury the pipeline to a sufficient depth or at a place to be designated by Lessee, construct and maintain, at applicant's expense, a ramp, so that loaded vehicles, including Lessee's heavy mining equipment, may pass unhindered over said pipeline. Whenever said pipeline is relocated pursuant to subsection (2) of this section (c) of this Article XXII, applicant will either bury the relocated pipe or promptly construct and maintain, at its own expense, a suitable ramp in a new place designated by Lessee. Lessee shall not be responsible for damage to said pipeline caused by such vehicles and equipment crossing said pipeline.

2. That applicant will make adequate provisions in the construction of said pipeline, power transmission lines, telephone, telegraph or water lines so that, in the event it is determined by Lessee that mining operations should be conducted within the area of the right-of-way or that a power or industrial plant or other building should be built in such area, the line can be expeditiously relocated so as not to interfere with Lessee's operations; and applicant shall make such relocation, including any necessary bridging, at its own expense, within six (6) months from receipt of notice in writing from Lessee requesting such relocations. If applicant fails to make such relocation within such six (6) month period, Lessee may relocate the line without liability and at the expense of applicant.

3. Applicant will, at all times, keep, maintain and repair at its own expense, the portion of the pipeline crossing the leased land in such condition as not to injure, endanger or interfere with Lessee or any person or property on or about the leased land.

4. That applicant will promptly pay any lawful taxes, charges or assessments placed upon or levied against the pipeline or improvements or appurtenances in connection therewith; provided that applicant may contest the validity or amount of any such tax, charge or assessment and shall not be considered in violation of this stipulation until a reasonable time after final determination of such contest by a competent tribunal.

5. That applicant shall be responsible for any damage, loss of property, injury or death of any person directly or indirectly caused by the enjoyment of pipeline rights, and shall hold Lessee harmless and indemnify it against any and all claims therefor; and shall further hold Lessee harmless from and indemnify it against damage to or loss of property belonging to applicant or injury to or death of any person on or about the pipeline crossing on behalf of or at the invitation of applicant.

6. That applicant shall specify in writing to the Lessee the address to which all notices and requests may be mailed.

(d) LESSOR AGREES THAT:

1. No pipeline right-of-way granted across the leased land shall exceed fifty (50) feet in width. Rights-of-way for power lines and other purposes granted across the leased land shall be of such widths as will accommodate themselves to Lessee's permitted use of the leased land.

2. Lessee shall be given timely written notice by the Area Director of any application for rights-of-way over the leased land before the same are granted.

3. An executed duplicate of the undertaking specified in section (c) above and a true copy of the grant of rights described therein shall be furnished Lessee upon the granting of any application for rights over the leased land.

XXIII. SURRENDER AND TERMINATION. The Lessee may surrender this lease or any legal subdivision thereof by filing with the Area Director on or before the anniversary date of the lease a written relinquishment. If the lease has been recorded, the Lessee must file a recorded release with the Area Director on or before the anniversary date of the lease. The relinquishment shall become effective on the date it is filed with the Area Director, subject to continued obligation of the Lessee and his surety to pay all accrued rentals, royalties, and other payments due and to recondition the premises in accordance with the terms of this lease and the regulations. The Lessee shall, within 30 days after the termination of this lease, furnish the Area Director detailed and complete written reports of the exploration done and all information concerning the nature and value of the minerals. (25 CFR 172.23)

XXIV. RELINQUISHMENT OF SUPERVISION BY THE SECRETARY OF THE INTERIOR. Should the Secretary at any time during the life of this instrument, relinquish supervision as to all or part of the acreage covered hereby, the relinquishment does not bind the Lessee until the Secretary has given 30 days' written notice. Until the requirements are fulfilled, Lessee shall continue to make all payments due under Articles IV, V and VI. After notice of relinquishment has been received by Lessee, this lease is subject to the following further conditions:

1. All rentals and royalties accruing shall be paid directly to Lessor or its successor in title.

2. If at the time supervision is relinquished by the Secretary as to all lands under this lease, and Lessee has made all payments due under the lease and has fully performed all obligations on its part to be performed up to the time of such relinquishment, then the name of the obligee on the bond given to secure the performance of the lease and on file with the Area Director shall be changed to the Lessor who holds title of record.

XXV. WATER WELLS. Upon approval of the Lessor and the Area Director, the Lessee may, at its own expense, drill and equip water wells on the leased land. The Lessee agrees that at the termination of this lease, all wells with potable water shall be left intact and properly cased upon written approval of Lessor and Agency Superintendent. Lessee may remove all mechanical pumping equipment installed by Lessee at any well within 120 days after expiration of the lease, otherwise such equipment shall become the property of the Lessor.

XXVI. DAMAGES. The Lessee and all of his contractors and subcontractors shall conduct all operations authorized by this lease, including construction, operation or maintenance of any of the facilities on or connected with this lease, so as to prevent unnecessary damage to natural resources, improvements and the environment. On termination of operations under this lease, the Lessee shall make appropriate provisions for the conservation, repair and protection of the property and leave all the areas on which the Lessee has worked in a safe condition, not hazardous to life and limb, all to the satisfaction of the Lessor and the Area Director.

XXVII. LIABILITY FOR DAMAGE. The Lessee and all of his contractors and subcontractors are liable for any and all damages resulting from its operations under this lease, including injury to the Lessor, the tenants, licensees and surface owners, and for any and all damages to or destruction of all property, caused by the Lessee's operations hereunder. The Lessee agrees to save and hold the Lessor and the United States, their employees, licensees, and the surface owner or their tenants harmless from all suits for injury or claims for damages to persons and property resulting from the Lessee's operations under this lease.

XXVIII. ROADS. The Lessee may use existing roads, if any, on the leased land. On application, duly approved in writing by the Lessor and the Area Director, the Lessee shall be entitled to construct and maintain, at its own expense, any additional roads on the leased land necessary for exploration and mining. No part of any such road shall inure to the benefit of the public, and the public shall obtain no rights thereon. If at any time the Lessee does not require the use of any such road for the operations authorized under this lease or upon termination of this lease for any cause whatsoever, the right to use any such road shall cease, and road surface shall be restored to its original condition unless otherwise agreed, and all the rights shall revest in Lessor in accordance with law. The Lessee shall hold the Lessor and the United States harmless and indemnify them against any loss or damage that might result from the negligent construction or maintenance by Lessee of the road.

XXIX. INDIAN LABOR. To the extent allowed by applicable Federal and State laws, the Lessee shall give a priority right of employment and training to members of the Navajo Tribe for all positions for which they are qualified and available and shall pay the prevailing wage rates for similar services in the area. Upon initial hiring and whenever thereafter a job opening occurs, the Lessee, its contractors, and subcontractors, shall give notice of such opening to the Agency Superintendent stating the time and place where job applications will be accepted. Lessee agrees to give priority to employment and training of Lessor and other Navajo Indians for skilled and unskilled, technical and other higher jobs in connection with Lessee's operations under this lease. Except in cases of emergency, no nonmember of the Tribe shall be hired for any job until 48 hours following the delivery of such notice to the Agency Superintendent.

XXX. INSURANCE, SOCIAL SECURITY, TAXES, ETC. The Lessee agrees to carry insurance covering all persons working in, on or in connection with the leased land for the Lessee as will fully comply with the provisions of the statutes of the State of New Mexico covering workmen's compensation and occupational disease, as are now in force or as may be amended. Further, the Lessee agrees to comply with all the terms and provisions of all applicable laws of the State of New Mexico as now exist or as may be amended, pertaining to Social Security, unemployment compensation, wages, hours and conditions of labor; and to indemnify and hold the Lessor and the United States harmless from payment of any damages occasioned by the Lessee's failure to comply with

these laws. The Lessee shall pay all taxes lawfully levied or assessed on the sale, severance, production, extraction or removal of any of the minerals covered by this lease.

XXXI. HEIRS AND SUCCESSORS IN INTEREST. It is further covenanted and agreed that each obligation under this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors of or assigns of the parties to this lease.

XXXII. GOVERNMENT EMPLOYEES CANNOT ACQUIRE LEASE. No lease, assignment thereof or interest therein, will be approved to any employee or employees of the United States Government whether connected with the Bureau of Indian Affairs or otherwise, and no employees of the Interior Department shall be permitted to acquire any interest in such leases by ownership of stock in corporations having leases or in any other manner.

XXXIII. PENALTIES. Failure of the Lessee to comply with any provisions of the lease, or the regulations contained in 25 CFR 172 and 177, and 30 CFR 231, orders of the Area Director, or the orders of the Supervisor, shall subject the lease to cancellation by the Secretary or the Lessee to a penalty of not more than FIVE HUNDRED DOLLARS ($500) a day for each and every day the terms of the lease, the regulations, or such orders are violated; or to both such penalty and cancellation; provided, that Lessee shall be entitled to notice and hearing within 30 days after such notice, with respect to the terms of the lease, regulations, or orders violated, which hearing shall be held by the Area Director or the Supervisor, whose findings shall be conclusive unless an appeal be taken to the Secretary pursuant to 25 CFR Part 2, 30 CFR Part 290, 43 CFR Part 23 and subtitle B, Chapter II.

XXXIV. CANCELLATION AND FORFEITURE. When, in the opinion of the Secretary, there has been a violation of any of the terms or conditions of this lease before restrictions are removed, the Secretary has the right at any time after 30 days notice to the Lessee, specifying the terms and conditions violated, and after a hearing, if the Lessee shall so request within 30 days of receipt of notice, to declare this lease void and the Lessor may then take immediate possession of the land provided Lessee does not cure its default within 30 days or, if Lessee requests a hearing and does not cure its defaults within 20 days after the final decision resulting from said hearing. After restrictions are removed, the Lessor may use any available remedy in law or equity for breach of this contract by the Lessee. The remedies specified hereunder are in addition to remedies specifically provided in 25 CFR 172 and 177.

XXXV. OBLIGATIONS. While the leased land is in trust or restricted status, all of the Lessee's obligations under this lease and the obligations of his sureties, are to the United States as well as the owners of the land.

XXXVI. PAST DUE PAYMENTS. Any and all payments specified in this lease, including but not limited to royalty and rent unpaid as of the due date shall bear interest at the rate of 10% per annum from the date payments become due until paid and such payments shall not provide exclusion from any default provision of the lease.

XXXVII. NOTICES AND PAYMENTS. All notices, payments and demands shall be sent to the addresses herein recited or to such address as the parties may hereafter designate in writing.

Area Director
Bureau of Indian Affairs
Navajo Area Office
Window Rock, Arizona

Area Mining Supervisor
U.S. Geological Survey
505 Marquette Ave. N.W.
Albuquerque, New Mexico 87102

Agency Superintendent
Bureau of Indian Affairs
Eastern Navajo Agency
Crownpoint, New Mexico

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

WITNESSES:

(Name)
H. B. Warnock

3809 Camino Sacramento, NE
Alb., NM (Address)

(Name)
Timothy J. Pearson

10605 Ralph Avenue, NE
Alb., NM (Address)

LESSEE:

TODILTO EXPLORATION & DEVELOPMENT CORPORATION

By G. Warnock Date 3-24-80

3810 Academy Parkway South, NE
(Address)

WITNESSES:

(Name)

Box 262 Prewitt N.M. 87045
(Address)

(Name)

(Address)

LESSOR:

BROWN VANDEVER Date 3-24-80

Brown Vandever #6841
(Printed or typed name & census number)

P. O. Box 262, Prewitt, New Mexico
(Address)

CANCELED

AREA DIRECTOR

Acknowledgments must be in accordance with the forms prescribed by the State in which the land is situated.

STATE OF New Mexico

COUNTY OF Bernalillo ss:

BE IT REMEMBERED, That on this 24th day of March, A. D. 1980 before the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared G. Warnock to me personally known to be the identical person(X) who executed the within instrument of writing, and such person(X) duly acknowledged the execution of the same.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my seal on the day and year last hereinabove written.

OFFICAL SEAL
Signature Diane C. Tye
DIANE C. TYE
NOTARY PUBLIC - NEW MEXICO
Notary Bond Filed with Secretary of State
My Commission Expires 6-21-80

United States Department of the Interior

GEOLOGICAL SURVEY
P. O. Box 69
Albuquerque, New Mexico 87103

330

Mine Examination Report
Todilto Exploration and Development Corporation
Haystack Mine
Navajo Allotted Uranium Lease
NOO-C-14-20-8396
Section 18, Township 13 North, Range 10 West, N.M.P.M.
McKinley County, New Mexico
April 20, 1981

David Sitzler, Mining Engineer, and I inspected the captioned mining operation April 16, 1981. We discussed the mining activities with Mr. Tom Roman, Mine Foreman, and examined the underground workings with Mr. Toren Olsen, Mine Geologist. The purpose of the inspection was the examination of the mining performed, and this was the first inspection since the operations were approved in September 1980.

For several years, Todilto Exploration and Development Corp., has operated the Haystack Mine in Section 13, T. 13 N., R. 11 W., and Section 19, T. 13 N., R. 10 W. Both open-pit and underground mining methods have been used, but present activities are confined to underground workings in Section 13. This mining has been performed under mineral leasing agreements between TEDCO, the Department of Energy, and the Santa Fe Railroad Company. The surface rights for these tracts are reserved for the Navajo Indian Tribe by PLO 2178.

TEDCO obtained Navajo Allotted Uranium Lease NOO-C-14-20-8396 for the SW/4, Section 18, T. 13 N., R. 10 W., through direct negotiation with the allottee. The lease was issued March 24, 1980, and shortly thereafter, TEDCO requested approval of both an exploration plan and an interim mining plan for the leasehold. The exploration plan provided for the surface drilling and probing of as many as 1,165 boreholes, and it was approved June 23, 1980. TEDCO has now completed about 330 boreholes within the lease. The interim mining plan provided for limited extension of the underground mining in adjacent Section 13 into lease -8396, to explore and develop the projected ore trend. All required equipment, personnel, and surface facilities were to be provided by the Section 13 operations. The plan was conditionally approved September 23, 1980.

Lease -8396 lies at the base of Haystack Mountain, a mesa elongated in an east-west direction. Elevations range from 7,833 feet at the top of Haystack Mountain to about 7,000 feet toward the southeast corner of the lease. Surface drainages are small intermittent arroyos that flow southwest and southeast only during periods of excessive precipitation.

The climate of the area is semi-arid. The average annual precipitation of about 12 inches occurs mostly as rain in July and August. The annual

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AREA BRANCH OF
REAL PROPERTY MGMT.

snowfall approximates 17 inches. Sunshine is abundant, and the relative humidity is characteristically low. The prevailing wind direction normally parallels the valleys and the average annual wind velocity is about 10 mph.

The Lease lies in a transition zone containing pinyon-juniper woodland and grassland. The woodland species are restricted primarily to the escarpments and higher elevations while the sparse grasses occur on the lower slopes and hills. Wildlife species in the area are restricted to birds, reptiles, and small mammals characteristic of pinyon-juniper and grassland habitats.

Vehicular access in the area is provided by improved and unimproved dirt roads that lead primarily to paved State Highway 53 to the east, and U. S. Highway 66 to the west. The land in and around the Lease is used primarily for residences and the grazing of livestock, mostly sheep and goats. Numerous open-pit and underground uranium mines operated in and around the Lease between 1950 and 1972; underground mining within the Lease itself produced approximately 25,000 tons of ore averaging 0.15 - 0.19 percent U_3O_8 during this time period. The prolific Ambrosia Lake uranium mining area is about 10 - 20 miles to the east.

The uranium host in the Haystack Mine is the Todilto Limestone Member of the Upper Jurassic San Rafael Group. The Todilto ranges in thickness from 0 to 85 feet, bounded by the lower Entrada Sandstone Member and intertonguing with the Upper Summerville Sandstone Member. Generally, uranium mineralization in the Todilto Limestone occurs as flat, tabular deposits with irregular outlines in the top portion of the Member. Ore thickness rarely exceeds one to three feet, and grade varies widely, tending to be higher in the center of the deposits. Some of the ore deposits are quite uniform while others are erratic, small pods. Average depth to the ore within Lease -8396 is 100 to 120 feet. Mr. Roman noted that the high-grade ore (four and ten-foot thicknesses of about 0.14 - 0.15 percent U_3O_8) indicated by two exploration boreholes, was encountered in the mine workings. The ore occurred in two small anticlinal folds, and both zones were only about four to five feet wide.

The Haystack Mine operates two 8-hour shifts per day, five days per week, with a total workforce of 17 people. Ore production averages about 2,000 tons per month. The mining cutoff grade is 0.10 percent U_3O_8, but ore as low as 0.05 percent U_3O_8 will be recovered if broken. At the time of this inspection, the mining operations in Lease -8396 had been stopped. The ore encountered in the Lease was very spotty, and the 1,900 tons mined averaged only about 0.09 percent U_3O_8. This low grade, coupled with the declining price of uranium, made the operations in the Lease uneconomical. When the operations were active, four miners worked in the Lease two shifts per day, five days per week. Mr. Roman noted that all but 50 - 60 of the 1,900 tons mined had been shipped to the mill. He does not anticipate re-entering the Lease until the price of uranium is back up to at least $30 per pound.

Access to the Haystack Mine is provided by the West Portal in Section 13. From this Portal, the 9-foot high by 11-foot wide 1200 Haulage Drift heads easterly to provide the main passageway to the underground workings for mining equipment and personnel, compressed air and water pipes, electrical lines, and exhaust ventilation. The Haystack Section 13 workings branch off the 1200 Haulage Drift to the north and south about 600 feet east of the West Portal. Fresh intake ventilation air for the Mine is provided by a 4-foot square vent raise driven on a 45° angle to the surface about 1000 feet east of the West Portal, and two 18-inch vent holes drilled vertically from the surface about 1400 feet east of the Portal. Both of these downcast ventilation entries are equipped with electric fans at their intersections with the 1200 Haulage Drift. Access into Lease 8396 was provided by extending the 1200 Haulage Drift east into the Lease about 85 feet, and fresh air was routed into the workings by flexible ventilation tubing in the Drift. When active, approximately 30,000 cfm of fresh air were routed into the workings in Lease -8396.

Due to the thin nature of the ore in the Todilto Limestone, TEDCO uses modified room-and-pillar mining on retreat with split shooting in both development and pillar extraction. Generally, 8-foot square development drifts and crosscuts are driven east-west and north-south respectively, to develop rectangular development blocks approximately 50 by 90 feet. Development blocks containing ore are then split by east-west crosscuts seven feet high by ten feet wide into rectangular ore pillars about 20 by 50 feet. After development is complete, the ore pillars are extracted by slabbing the pillars into the development drifts and crosscuts on retreat from the ore zones toward the 1200 Haulage Drift. Both development and pillar extraction are conducted using conventional drilling and blasting with pneumatic jackleg drills and diesel-powered, rubber-tired LHD's and haulage trucks. Ground support is minimal with the natural pillar supports being supplemented by split-set rock bolts with wire mesh, headboards, or steel mats, and timber stulls and/or cribbing as necessary.

Since the uranium ore in the upper portion of the Todilto Limestone is very thin, split shooting is used to carefully control ore dilution during both pillar development and extraction. In pillar development, all drifts and crosscuts are driven so that the ore zone is located in the upper portions of the entry cross-sections. Each round is probed by a geologist, and the ore zone is marked on each face with paint. The lower portion of each round, or the waste, is shot out from under the ore first and mucked out. The ore, or upper portion of each round, is then popped down and trammed to the surface. The same procedure is used in pillar extraction and actually constitutes hand sorting of the ore for close grade control.

Ore trammed to the surface is placed on one of three stockpiles according to grade (0.04 - 0.07 percent U_3O_8, 0.071 -0.10 percent U_3O_8, and 0.101 percent U_3O_8 and above). Muck probing less than 0.04 percent U_3O_8 is considered waste and is gobbed into abandoned workings or placed on the

dump near the West Portal. The ore in the surface stockpiles is blended to produce the most economic grade for shipping, and then transported to the United Nuclear-Homestake Partners' Mill at Ambrosia Lake. This is the only facility in New Mexico capable of milling limestone ore, and TEDCO sells only the crude ore to either United Nuclear Corporation or Homestake Mining Company. The buyer tolls the ore through the partnership mill and sells the concentrate produced.

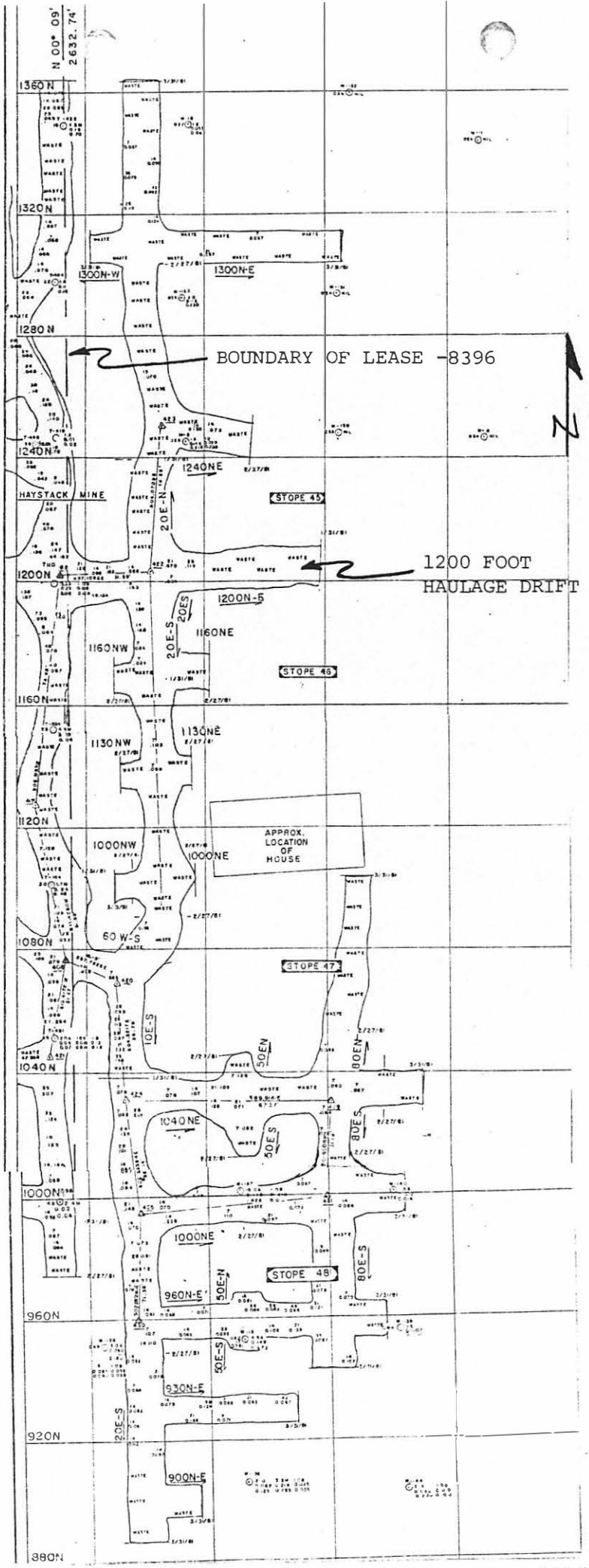
No violations of the lease terms, interim mining plan, or Federal regulations were observed during this inspection. The 1200 Haulage Drift was extended east into Lease -8396 about 85 feet (see enclosed map). Pillar development, as described above, was then extended about 160 feet to the north, and 320 feet to the south. In the north, development extended about 90 feet east, and development in the south was driven about 120 feet east. A second east-west connection with the Haystack Section 13 workings was made 120 feet south of the 1200 Haulage Drift. This development is within the limits set in the approvals of the intermin mining plan and subsequent modifications. Also, as specified in those approvals, no pillar extraction was conducted, and the boundaries of Lease -8396 were adequately marked in the two drifts connecting the mine workings. Ore from the Lease has been segregated from the other Haystack ore; however, due to the low grade of the ore, only two stockpiles are being used (0.05 - 0.099 percent U_3O_8 and 0.10 percent U_3O_8 and above). Monthly ore production has been reported to this office, and correct royalties have been paid on the first lot of ore shipped to the mill (Lot 9449-495.56 dry tons). No waste dumps, ore stockpiles, or other surface facilities have been placed on the surface of the Lease, and no complaints about the mining operations have been submitted to this office. As previously noted, the mining operations within the Lease have been stopped due to poor economic conditions.

After the mine inspection, we briefly examined the abandonment of the exploration boreholes in Lease -8396. It appears that TEDCO has plugged all of the boreholes, but considerable reclamation (contouring, grading, and seeding) must be performed before abandonment is complete. TEDCO has done a very good job of plugging and marking the boreholes. No drilling operations were in progress at the time.

Dale C. Jones
District Mining Supervisor

Enclosure

APR 14 1981
MOUNTAIN AREA DIRECTOR (Res.)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1360N
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BOUNDARY OF LEASE -8396
N
1240N
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STOPE 45
20E-N
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1200 FOOT
HAULAGE DRIFT
1200N-E
20ES
20E-S
1160NE
1160NW
STOPE 46
1160N
1130NW
1130NE
1120N
APPROX.
LOCATION
OF
HOUSE
1000NW
1000NE
60 W-S
1080N
STOPE 47
10E-S
50EN
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1040NE
50ES
80ES
1000N
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STOPE 48
80E-S
960N-E
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930N-E
20E-S
920N
900N-E
880N

SOLID LEASABLE MINERAL SYSTEM (SLMS) AND MINERAL INSPECTION RECORD

Mine Name: Haystack Mountain Inspection Date: June 27, 1995
Lessee: Todilto Exploration

Inspector(s): John Gilmore
Dave Sitzler

Company Representative(s):

Inspection Type: Mining Related X
Exploration Related
Inactive Tract

Serial No.	Holder of Primary Tract Interest	Tract Type	Commodity	Inspection Time
NOO-C-14-20-5681, 8396	Todilto	Indian Allotted Uranium Lease	Uranium	2.5 hrs (1.25 hrs per lease)

Inspection Time:

SW/4 Sec 18, T. 13 N., R. 10 W. McKinley Cnty, N.M.

Preparation Time:	0.5
Travel Time (both ways):	1.0
Onsite Time:	0.5
Reporting Time:	0.5
TOTAL:	2.5

Was a condition of noncompliance encountered? YES ____ NO X
Was an undesirable event encountered? YES ____ NO X

NOTE: If "YES" to either of the above, prepare the appropriate report.

Inspection Narrative: At inspection time there was no evidence of any activity, nor was there any evidence of activity since the last inspection. On lease 8396, a mine adit has breached and subsided leaving a hole approximately 15 feet deep. The hole has been loosely fenced, but local resident Brown Vandevere is concerned as his grandchildren play in the area and he is afraid one of them will fall into the hole. I will inform BIA that they need to get the hole backfilled.

JUN 30 1995
NAVAJO AREA OFFICE

RELEASE OF URANIUM LEASE

KNOW ALL MEN BY THESE PRESENTS: That Todilto Exploration & Dev. Corp. for a good and valid consideration does hereby release, relinquish, quitclaim and surrender to the lessor Brown Vandever, heirs, assigns and legal representatives, all right, title and interest in and to a certain uranium mining lease, made and entered into by and between Brown Vandever, lessor, and Todilto Exploration & Development Corp., as lessee, dated the 24th day of March, 19 80, insofar as same covers the following described land, to-wit:

Contract No. NOO-C-14-20-8396

Section 18, Township 13N, Range 10W, and containing 163.38 acres, situated in the County of McKinley and State of New Mexico, said lease being recorded in the office of the Recorder of Deeds in and for said county, in Book _____, Page _____.

Executed this 19th day of April, 19 85.

X

George F. Warnock, President of
Todilto Exploration & Development Corporation

Acknowledgement for individual

STATE OF New Mexico)
ss
COUNTY OF Bernalillo)

I, Ruth E. Mitchell, a Notary Public, in and for said County, in the Dev.Co State aforesaid, do hereby certify that G.F. Warnock, Pres. of Todilto Expl. & personally know to me to be the same person whose name subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed, sealed and delivered that said instrument as his free and voluntary act for the uses and purposes therein set forth.

Given under my hand and seal, this 19th day of April, 1985

My commission expires 8-24-88

Ruth E. Mitchell
Notary Public

Mld 9/21/95

THE NAVAJO NATION

ALBERT A. HALE
PRESIDENT

THOMAS E. ATCITTY
VICE PRESIDENT

September 18, 1995

Mary Lou Drywater, Realty Specialist
Bureau of Indian Affairs
Navajo Area Office
Window Rock, AZ 86515

RE: Haystack Mountain Mine

Dear Ms. Drywater:

Navajo AML has reviewed the Inspection Record dated June 27, 1995 and performed a follow-up site visit to determine whether Navajo AML can assist in necessary reclamation activities. Our research and inspection has found that the U.S. EPA and the Navajo Superfund Program facilitated the reclamation of the Haystack Mountain Mine, therefore, Navajo AML cannot provide any reclamation assistance.

Pursuant to §411(b)(2) of the Surface Mining Control and Reclamation Act of 1977 ("SMCRA") and the Navajo Reclamation Code, Navajo AML cannot provide any work at these sites (although the sites now pose great danger to the residents) because there exists "continuing responsibility" by the U.S. EPA and the Navajo Superfund Program.

I referred this matter to the Navajo EPA for dipsosition and they have been furnished a copy of Navajo AML's report.

Sincerely,

BMart

Bernadine Martin
Director
AML Reclamation/UMTRA Department
(520) 871-6982

xc: Melvin Bautista, Executive Director, DNR
Mel Apachee, Deputy Director, DNR
Bill Johnson, Attorney, NDOJ/NRU
Perry Charley, Program Manager, AML
Lorenda B. Joe, Acting Director, NNEPA
AML Chrono

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NAVAJO AREA OFFICE
REC-Minerals Section

S: Haystack. mld

Sec. 13, T13N R11W
Allotment Uranium mining Lease,
Allot No. 077441 160 acres
105 holes drilled for a
total of 20,044 feet.

N00-C-14-20-5681
George Warnock
3810 Parkway South N.E,
Albuquerque, NM 87109
President of Todilito Exploration & Devi Corp

Attn: Ashley

OCT 10 1995

ACTING Area Director, Navajo

All trash and debris will be disposed of in the covered land fill dump at the Haystack Mine

Reclaimed Uranium Mine at Haystack Mountain Area

Keith Takata, Director, U.S. EPA--Region 6, Superfund Program,
Mail Code H-1-S

Ore would be stockpiled and handled at the site of the existing Haystack mine

We were advised by the Bureau of Land Management (BLM), Albuquerque District Office by an inspection report dated June 27, 1995 (copy attached), that there was a problem of a sink hole at the subject site.

Members of my staff with the Minerals and Mining Section accompanied John Gilmore, BLM representative, and representatives of the Navajo Nation EPA, Superfund Program on a site visit to assess the problem on July 13, 1995. The Navajo Nation Superfund Program advised the BIA that they do not have any funds to resolve the problem. We understand that U.S. EPA and the Navajo Nation Superfund Program facilitated the reclamation on this site. The integrity of the work performed at this site has been failing and it poses a great danger to the residents in this area.

Your attention to this problem and immediate remedy would be greatly appreciated.

If you should have any further questions, please contact Ms. Mary Lou Drywater at (520) 871-5938.

(O&D) MELVIN J. ROUSSEAU

Attachment

cc: Navajo Nation, EPA--Superfund Program
BLM, Albuquerque District Office, Attn: John Gilmore
543/B. Spencer & C. Ashley

543:MLDrywater:cc:10-04-95:s:haystack.epa
bcc: 4618a-P5
46102-T1

~~N00-C-14-20-5681~~

N00-C-14-20-8396