IN REPLY REFER TO
Todhto -8396
3570(OJ)

United States Department of the Interior

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

JUL 23 1985

RECEIVED
JUL 25 1985
REAL PROPERTY MANAGEMENT
EASTERN NAVAJO AGENCY

To : Area Director, Navajo Area Office,

From : Area Manager, Rio Puerco Resource Area, BLM

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

The subject lease was inspected on May 14, 1985 and was found to be properly abandoned.

The quarter-section tract was formerly a Navajo Allotted Uranium Mining Lease 14-20-0603-7240 which ran 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 on the Federal Mine Map. 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 decline to the northwest, south and southwest with the majority of the mining apparently occurring near Haystack Mountain. The mine was never satisfactorily conditioned and abandoned. Todilto Exploration and Development Corporation (TEDCO) conducted only exploration activities on the subject lease. However, TEDCO agreed to reclaim the two decline areas and a subsidence area that pond water.

TEDCO backfilled the decline areas and laid the rock material from the declines so that water would not pond. However, numerous areas which exceed our current recommended maximum slope 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-C4-20-8396

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

Underground Development:	8825 feet
Production:	1829.6 wet tons at 0.10% U_3O_8
Reserves Underground:	
Open Pit:	11,060 wet tons at 0.144% U_3O_8
	36,46 wet tons at 0.18% 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 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 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 1400N, 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

SERIAL NUMBER OF TRACT COLUMN 1	HOLDER OF PRIMARY TRACT INTEREST COLUMN 2	STATUS COLUMN 3	TRACT INSPECTIONS COLUMN 4	NUMBER OF HOURS ONSITE / TOTAL COLUMN 5	COHJ - COLUMN 6	QUANTITY TYPE COLUMN 7
0-C-14-20-5388	TEDCO	Aban.	1	1.5 / 3.0	Uranium	Lease
0-C-14-20-8389	TEDCO	Aban.	1	1.5 / 3.0	Uranium	Lease
0-14-10	TEDCO	Aban.	1	1.0 / 1.0	Uranium	Mining Claim

TYPE OF INSPECTION (CHECK ONE) | HITIE | EXPLORATION | MINE | OTHER

TECH EVALUATION | ACTIVE of leases.

PURPOSE OF INSPECTION Final lease examination for relinquishment

DESCRIPTION OF INSPECTION See attachment.

DESIGNATED OPERATOR

DATE ORIGINAL MINE PLAN SUBMITTED

DATE ORIGINAL MINE PLAN APPROVED

DATE MODIFIED MINE PLAN SUBMITTED

DATE MODIFIED MINE PLAN APPROVED

IF APPROVED PLAN IS PENDING MODIFICATION, GIVE BRIEF DESCRIPTION OF MODIFICATION:

DATE ORIGINAL EXPL. PLAN SUBMITTED

DATE ORIGINAL EXPL. PLAN APPROVED

DATE MODIFIED EXPL. PLAN SUBMITTED

DATE MODIFIED EXPL. PLAN APPROVED

NAME(S) OF INSPECTOR(S) AND TITLE(S) George R. Tetreault, Jr., Mining Engineer

NAME OF FACILITY AND AGENCY OWNER FOR TRACT (S) Bureau of Indian Affairs

NAME, TITLE, AND ADDRESS OF SHA PERSONNEL PARTICIPATING IN INSPECTION

NAME, TITLE, AND OFFICE OF OSM OR REGULATORY AUTHORITY PERSONNEL PARTICIPATING IN INSPECTION

None

NAME, TITLE, AND ADDRESS OF COMPANY REPRESENTATIVE(S) PARTICIPATING IN INSPECTION

NUMBER OF NOTICES OF VIOLATION (PRE-INSPECTION) REPARING FOR INSPECTION 0

NUMBER OF NOTICES OF VIOLATION (POST-INSPECTION) REPORTING ON INSPECTION 1

NUMBER OF TIVE 2 TOTAL OFFICE TIME 1

DID YOU CONDUCT A PRE-INSPECTION CONFERENCE? / YES / XXX / NO

DID YOU CONDUCT A POST-INSPECTION CONFERENCE? / YES / XXX / NO

WAS AN UNDESIRABLE EVENT ENCOUNTERED DURING INSPECTION? / YES / XXX / NO

IF YES, PREPARE UNDESIRABLE EVENT REPORT

NAME OF PERSON RESPONSIBLE FOR CONDUCTING INSPECTION George R. Tetreault, Jr.

NAVAJO AREA ORICK
WINI)OW a Acari. Z C I8G A 15

ARPM/Minerals

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Stnc. ereyOyUl's.

Ted S. Koenig

Assistant

AreaDirector

Enclosure

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Rev. 12/18/79

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

Contract No. NOO-C-14-20396

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 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 Todil & 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 hereinafter 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,

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

Contract No. NOO-C-14-20-

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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 156.83 acres,

more or less. Yne Lessee may occupy as much of the surface of the leased lands as is necessary to or at the rate of exploring, developing, mining, producing, processing and insure recovery (solution mining) and milling subject to the provisions of 25 U.S.C. and any other applicable laws and regulations, marketing and sale of said minerals, including but not limited to payments to be made as herein after set forth. Subject to the limitations herein after set forth, Lessee shall have the right and license in connection with the O?.erc;otfimo inn inogn the leased lands to construct thereon buildings, sizepsl, ants tanks and other structures and to use fuiln the production, processing and transport aotfisoan id mineral ms;a kee excavations, Eingsst, ockpiles, ditches, rains, roads, railroads, ransmission lines and other improvements used to use fuiln sapd production, processing and transportation; produce electrical power for its own use, erecat and operate power lines, place machinery and other equipment and structures on the leased lands; use and transport water developed by Lessee on the leased lands and any other water made available to Lessee; repair, remove, process, and sell minerals and all other things upon said lease land that may be necessary to carry on the mining operations herein under including the right of ingress and egress; however, nothing contained herein shall include the right to permanently dump or dispose of 25 tailings produced from 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 lands surveyed by a registered surveyor, the boundaries of which shall be established with substantial monuments and ties established which shall then be the United States Public Land Survey Marker. A certified plat map of the leased lands shall be furnished to the Area Director in quadruplicate and two additional copies furnished to the Supervisor.

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

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

IN CONSIDERATION THEREFOR GOING 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 as 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 $200 per acre shall be deemed due and payable beginning with the date of approval of this lease and thereafter $200 per acre each anniversary date of the approval of the lease. If there is production during the lease year, the minimum royalty shall be credited against actual royalty for such year, but not other year. If the lease is surrendered or cancelled, advance royalty paid to Lessor will be refunded.

VI. ANNUAL RENTAL. Lessor agrees 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, an annual rental at the sum of $5.00 per acre for the first lease year and thereafter $5.00 per acre on each anniversary date of the approval of the lease. The rental shall not be credited against royalty accruing to the Lessor under this lease. If the lease is surrendered or cancelled, rental accruing to the Lessor will be refunded.

VII. ADJUSTMENT OF ROYALTY. Royalty rates shall be subject to reasonable adjustment by the Secretary every ten 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 royalty rates hereunder may establish reasonable minimum values for the minerals produced. Due consideration will be given to the highest price paid for a product of similar quality produced from the same area at the time the royalty is received by the Lessee, posted prices, production costs, and other relevant matters, including information provided by Lessee. At no time shall the adjusted royalty be less than the rate established two years after commercial production begins, notwithstanding any other provision of this lease.

VIII. EXCAVATIONS, TEMPORARY CONSTRUCTION. It is further agreed that in addition to all payments of bonus, royalty, and rentals hereto set forth, the Lessee shall pay to the Area Director for the use and benefit of the Lessor TWO HUNDRED DOLLARS ($200.00) per acre for each acre and a proportionate amount for any fraction of an acre within the leased land used for permanent construction, mining, dumping of overburden and waste products, or for any purpose subject to the provisions of Article and Article XI (6). This amount shall be due and payable at the end of the lease year in which the use of the acreage commences, and shall be payable at the time only. Before any such use commences, the Lessee shall be required under Article XI (6) hereof, to furnish to the Secretary written procedures set forth in the land.

The Lessee agrees to pay to the Area Director for the use and benefit of the Lessor TWO HUNDRED DOLLARS ($200.00) per acre for all land used for camp sites within the lease, 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 camp site acreage. The camp site elected shall be the minimum acreage necessary for the operations and shall not include complete permanent housing and conveniences 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 environmental 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 freshwater 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 reason'abmanner at his own coc: tand e>. . -pens Teh. e landscaping shall include, but is not limited to, the planting- 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 governmental 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. The Lessee may remove buildings and improvements at any time; provided, however, that in the 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 fires in brush or grass fires on the leased land and in its vicinity, and to require its employees, contractors, subcontractors and employees of

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XIV. DEVELOPMENT.Thelandescribdeeinshalnlobeheld bytheLessefor.orspeculapuvpoesbutformingthenerals speciiefd.The Lessee sshpæhadnnualilnydevelo?□aenndimprove- mentusporthelease dn,dorforthebenefoiftthelease dn,d not lesshan150peracre.TheLesseeaalflidvithheArea Directaonitemizsetdaemmet,indubiactew,ith3nudaysafteerahc calendyæra,rofheamourntdchaarcteorfthedevelopmeexnpteintdures duringthecalendyæra.rThestatmeenrmusbecertifuiedeorathby theLesseeritsagentlfthelessfeailtsodilg:ntdeyveloop operattheenine,or prodhuinceeraltsfeomt,his}easwei lbe subjectocancellatexcrewhedevlepEenbperatioonrsproduc- tiolmavbeepreventbyeasstrik,eanActofGod,atmniisatrvieor judicirælstranionttat tibutabtloeheLesseoe,athecrausbeeyond thereaosnabcontrooflitheLessee.

XV. UNITIZATION. Intheeventtwoormoreleasesopnrisae singlegicmailninugnifinaccondewitmhapsandplansshowinhge proopsendinimmgethods apdathlhaeyowhichhavbeesubimtted bytheLesseandapprovbeyd.tSuepeisorthenheLessreaayunitiez suchleasesandesructhermasndconidtion.asmaybeagreedobythe Lessor anLdestshweethheconsenftheAreDireocr.

XVI. MONTHLY STATEMENTS. To keep an accurate record of the mining operations showing the sales, prices, dates, purchasers the quality and amount of mineral mined, and removed the gross receipts, transportation, mining and milling costs and to furnish the Supervisor and the Area Director sworn monthly reports thereof 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 mineral 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.

LIQUOR.

XX. 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, pipelines 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 Supervisor, 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 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 therefor as a condition precedent to such grant, shall file with the Area Director the following addressed 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 applicants' 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 XII, 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 that in construction of any pipeline, wire transmission line, telephone, telegraph or water lines so that, in the event it determined by Lessee that mining operations should be conducted within the area of the right-of-way 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 will make such relocation, including any necessary grading, at its own expense, within six (6) months from receipt of notice in writing from Lessee requesting such relocation. If applicant fails to make such relocation within such six (6) month period, Lessee may relocate the line without liability to any damage to the expense of applicant.

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

4. That applicant will promptly pay any 12 wful taxes, charges or assessments levied against the pipeline improvements or appurtenances connected 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 if such contest is by a competent tribunal.

5. That applicant shall be responsible for any damage or loss of property, injury or death of any person directly or indirectly caused by the enjoyment of the pipeline rights and shall hold Lessee harmless and indemnify against any and all claims. Lessee shall further hold Lessee harmless from and indemnify against any damage or loss of property lying long its right of way or injury or death of any person on or about the pipeline crossing being on land of 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 across the leased land shall exceed fifty (50) feet in width. Rights-of-way for power lines and other purposes across the leased land shall be of such width as will accommodate the Lessee's permittees of the leased land.

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

3. An executed duplicate of the undertakings 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)

RELINQUISHMENT

XXIV. OF SUPERVISION BY 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 rental and royalties accruing to 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. Upon termination of operations under this lease, the Lessee shall take 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.

XXVI. 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 owners 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.

XXVII. 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 roads 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 roads shall cease and road surfaces 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 non-member 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, ETC. The Lessee agrees to carry insurance covering all persons working in, on or in connection with the leased land for the Lessee ~~and fully~~ 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 ~~that 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 caused by the Lessee's failure to comply with

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

XXX. HEIRS, SUCCESSORS AND INTERESTS. It is further covenanted and agreed that all obligations under this lease shall extend to and be binding upon, and every benefit hereunder shall inure to, their heirs, executors, administrators, successors or assigns of the parties to this lease.

XXXI. GOVERNMENT EMPLOYEES. No lease, assignment, or interest therein will be approved to any employee or employee of the United States Government connected with the Bureau of Indian Affairs or other employees of the Interior Department shall be permitted to acquire any interest in such lease by ownership, stock in corporation, or in any other manner.

XXXII. 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 Superintendent 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 that the terms of the lease, the regulations, or such orders are violated, or to both such penalty and cancellation; provided, that the 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 his Supervisor, whose finding 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 I.

XXXIV. CANCELLATION OR FORFEITURE. In the opinion of the Secretary, if there be a violation of any of the terms or conditions of this lease, the Secretary shall give the right holder a written notice to the effect, specifying the terms and conditions violated, and after hearing, if the Lessee shall so request within 30 days of receipt of notice, to declare the lease void and the Lessor may then take immediate possession of the land provided, if the default is cured within 30 days, or, if Lessee requests a hearing and does not cure the default within 30 days after the final decision resulting from such hearing, after restitution, the Lessor may use any available remedy in law or equity for breach of this contract by the Lessee. The remedies specified herein are in addition to remedies specifically provided in ~~127.52 and 177.7~~.

XXXV. ~~OBLIGATIONS~~. If the lease is held 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 PAYMENT~~. Any and all payments specified in this lease, including but not limited to royalty and rental payments, shall be paid as of the due date bearing interest at the rate of 10 percent per annum from the date payment becomes due until paid and such payments shall not be prorated unless expressly provided for in the lease.

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

STATE OF New Mexico
ss:
COUNTY OF Bernalillo

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(s) who executed the within instrument of writing and such person(s) 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 herein above 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

XXXVI I . NOTICES \. 'PIADY · bE. A I I notdes. paymetsandderr.r..:dos shalbesentto theaddressehsereinrecitedr tosuchaddresas the partiesmayhereafedresgnateinwriting;

AreaDirector
BureauofIndianAffair
NavajoAreaOffice
I-lin'dRodcok.,Arizona

Area!-nliingSupervisor
U.S.GeologicaSlurvey
505NarquetteAve.N,W.
AlbuqurqueNewMexico 87102

AgencySuperintendent
BureauofIndianAffairs
EasterNavajoAgency
Cr?wnpint,Ne\Hle.c'od

INHITNESS\.EfRfEiD, thepartieshereto haveexecutedthisagreeoent on thedatesoppositetheirrespectivesignatures.

WITNESSES:

(Name)
H. B. Warnock

3809CamnioSacramtoNE
Alb., NM (Address)

(Name)
Timothy J. Pearson

1605 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:

jrown 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 roll

(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
AOTIA Area Director

Y! ..r 1 1 / 1 8 / 7 9

original on file

RECEIVED
80 APR 15 AM 10: 47
SUPERINTENDENT GALLUP INDIAN AGENCY
OR INDIAN AFFAIRS
ALBUQUERQUE, N.MEX.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

Contract NNOO-C-14-2803-96

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, 198 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

1. 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 1638 acres,

4

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, developing, mining, producing, ipnrocgcesnsgand ins□□ure cove(rsyolution mingin), milliisnbgject thoep ovviison sof 25□ l Jlandanyother applicalbalseandregulaent,smaketingand□g saindinelts includsibgingsubejcttop□ymenttos b□eleas heerianftesret forthSubejcttothelimtiationhesrneaitfepro□deGL,lessseeall havetherihgtandlicenisnecomectnivoibtthe C?e□tionf minoinng thelease□landoconstrutucetrebounidlinsg,pp□lxies, plant,stanks andothesrtructuresedruseIfintheprdbuctfpromoeęssianngd rtanpsotrabinofsaindinelrsamakeexcavatiomospeEgisn,sbcpkiels, ditchęstranis, roadsairloadstranissmsoinlineasnmatnrdanosrmatnipnove-mentusedcrtursiefaivhefaoindrtsodtuUsopner,roecatsfoinrgatpeovelrinęs plaomeachinenangotheerquipcamdfixturreuspcn dlheasedln;d useandtranosrptvatedrevelopyeLdessenthe□easeldandlndany :otheatemadeavailabLteoLessse;eprepafroer□rkEtremovperosse, andsellminrealsdo adlterthingspossaideae□landhamaybe necessarcyartroynthenininogperiaotnlsereundienrc□ludtimeg tighotfi_ngsseandegrses however, therihgtscontaihedredonot inclutdhee righpermanonendtumhpordispossoefw□stpeoducbsf minngandmillionngthesufraceof theesaedlands

(a) Survey of Leased Premises.

Within 30 days of the approval of this lease, Lessee at its own expense shall have the leased land surveyed by a registered surveyor, the boundaries possed with substantial monuments and the 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 of surveys shall be furnished to the Superisvro.

II. TERM. Subejcttothepropsiosnbeeinmnaid, ~~Total emroll oyearsfromdatehtsapproved~~ and ~~as long thereafter as there is a specified reproduce~~ chpaying quatntie.s

III. DEFINITION. DArcetoareefrs to□ offiacliin charogefthNaavpAreOffi,cWeindRwocKA,rzionao,rhisauthorized represeavtei. TheSercetyareefrstotheSectraeryofthelnteior orhisauthozed rempteaveSupervirseefrsto theAreMining Supeisor U. SG.eologiSouarelvy Albuque;rNqeuwMexcio, orhis authorirzeepdreseavtei

IV. INCONISDREATIONOF THEFORGEOINGCHELESSEAGREES:

A. ROYALTY. Topayorcausteobepaidto theAreaDierctor withtopiesfthesttaementtosthSuprevis,ofrortheusandbeenfit oftheLessorroaylitescalculatsspecifiedinExhibit "A" attached hereanobyrefreenomeadeparherereo.f Suchoyatlieasrepayable notlatetrhanthe25thdayofthesucdeienrgontfhorhicrhoaylties □redue

V. ~~MINIMUM~~ ROYALTY A minimum annual royalty of $200 per acre shall become due and payable beginning with the date of approval of this lease and thereafter $20.00 per acre each anniversary date of the approved lease. If the lessee produces during the lease year, the minimum royalty shall be credited against royalty during such year, but not otherwise. If the lease is surrendered or cancelled, no advance royalty paid shall 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, an annual rental 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 rental shall not be credited against royalty accruing to the Lessor under this lease. If the lease is surrendered or cancelled, no rental shall be refunded.

VII. ADJUSTMENT OF ROYALTY. Royalty rates shall be subject to reasonable adjustment by the Secretary every ten years after commencement of production beginning on the date 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 royalty due hereunder may establish a minimum value for royalty purposes. Due consideration will be given to the highest price paid for products of similar quality from the same general area, the price received by the Lessee, posted prices, and other relevant matters, including information provided by Lessee. Royalty shall be adjusted to not less than the rate established every ten years after commencement of production, notwithstanding any other provisions of this lease.

VIII. EXCAVATION, WASTE, CONSTRUCTION AREA. It is further agreed that in addition to all payments of bonus, royalties and rentals hereinbefore 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 or temporary mining or dumping of overburden, beginning two years after commencement of mining, subject to the provisions of Article I and Article IX (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 once each year. Before any such use commences, lessee shall in the plan required in Article IX (6) hereof, furnish to the Secretary a written proposal for restoration of 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 camp sites, upon which the lease expires, since, subject to the understanding 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 each camp site. The camp site selected shall be the minimum acreage necessary for the operation and shall include

IX. OWNERSHIP OF WASTE MATERIALS. Lessee may remove other landowner's wastes and materials from the leased land, provided, if mineral or by-product is removed, Lessee shall pay Lessor royalty as provided in the provisions of this lease.

X. PROTECTION OF ENVIRONMENT; RESTORATION OF SURFACE. The Lessee agrees to preserve and protect the natural environment in connection with the land and to comply with all laws and regulations applicable to exploration, mining, operations, and to take such corrective actions as may be necessary with respect to soil, air and water pollution arising from such operations:

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

(2) Comply with all requirements of existing Federal and State laws and applicable Tribal laws and land owner's rules and regulations, at a minimum.

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

(4) Terrace and landscape vast areas of disposal where as a reason of balance rather than ownership of land, these areas, including but not limited to, the planting grass, shrubs, and other vegetation which will prevent erosion. The surface of waste dumps shall be left-rough and fallow, and planting grass will be done over weight soil at dump that will permit the early establishment of vegetation upon the completion of use of the leased land and soil of certain dumps does not exist.

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

(6) As soon as practicable after the issuance of the lease and before the commencement of surface-disturbing activities, the Lessee shall submit a plan of implementation which shall indicate how the previous stipulations of environmental preservation contained in Article XI will be carried out. The plans of implementations shall be in accordance with 25 CFR 177.76 and 177.77 and shall be submitted to the Superintendent of Area Director for approval.

(7) Radioactive waste materials shall be treated and disposed of utilizing the latest available technology and subject to the rules and regulations of the Navajo Nation Environmental Protection Agency which would include the government agencies responsible for administration of the provisions of Article XI (6) which would include the government agencies

(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 surfaced by the acreage abandoned, the method of rehabilitation and the acreage added back to field.

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

XII. DILIGENCE PREVENTING WASTE. Lessee agrees to exercise diligence in the conduct of prospecting and mining operations, to carry on development work in a workmanlike manner to the fullest possible extent, to the satisfaction of the Supervisor, and 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 to avoid injury to the land; and upon surrender or termination of this lease to remove all equipment, tools, supplies, drilling equipment, boilers, engines, and machinery, and to remove all improvements from the leased premises within 120 days after the lease expires by forfeiture or otherwise. All permanent buildings shall remain the property of the Lessor unless the Lessor requires their removal. In such event the Lessee shall remove the buildings within the above-mentioned 120 day period. The Area Director may grant reasonable extensions of time for removal of such equipment and buildings.

XIII. FORESTRY PROTECTION. The Lessee agrees:

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

(2) Not to cut, destroy or damage any timber without prior authorization 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 specified by the Area Director such rates to be the same as 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 any contractor operating under an approved timber sale contract or permit entered into during the period of this lease.

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

contractors or subcontractors so doing 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 fifteen (15) inches or more in diameter on occasion 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 starting or spread, the assessment of the value of such damages to be determined by the Area Director on the basis of the value of stumpage 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 pay all costs for the suppression of fires for which it or any of its employees, contractors, subcontractors, or the employees of such contractors or subcontractors are responsible.

(7) Not to burn rubbish, trash or other inflammable material, except with the consent of the Area Director and not to use explosives in such manner as to scatter inflammable material on the surface of the land during 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 improvement upon the leased land, for the benefit of the leased land, not less than $150 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 delay in operation or production have been prevented by a strike, an Act of God, administrative or judicial restraint not attributable to the Lessee, or other causes 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 Superintendent, 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. The Lessee shall furnish to the Area Director within thirty days after the end of each month a statement showing the quantity and kind of minerals produced, and the gross sales, prices, and transportation, mining, and milling costs, and furnish the Supervisor and the Area Director such other information as may be required by the Supervisor or the Area Director. Royalty payments shall be made on the basis of such statements, subject to such adjustments as may be required by the Supervisor or the Area Director. All royalty payments shall be made in the manner and form prescribed by the Supervisor. The Lessee shall keep accurate and complete records of all transactions under this lease, and shall make such records available for inspection by the Supervisor or the Area Director at all reasonable times. The Lessee shall furnish, 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 release or termination of the lease.

XVII. REGULATIONS. Lessee agrees to be bound by all regulations of the Secretary now or hereafter in force and effect as if they were incorporated herein and made a part hereof, including but not limited to 25 CFR 172 and 177, and 30 CFR 231, except as qualified herein. Rate of royalty and the annual rental shall be those in effect at the time of the issuance of this lease, but shall be subject to future regulations of the Secretary of the Interior, unless otherwise provided in this lease.

XVIII. ASSIGNMENT OF LEASE. The Lessee shall not assign this lease or any interest therein or any part thereof without the approval of the Secretary. The Lessee shall not sublet any portion of the leased land or permit the same to be used by any person for purposes not in connection with the business of the Lessee, except with the approval of the Secretary. If the lease is divided by assignment of the entire interest in any part of it, each part shall be considered as a separate lease subject to all the terms and conditions of the original lease.

XIX. BOND. To furnish to the Area Director an acceptable surety bond in the amount required by the Area Director for the benefit of the Lessor to guarantee the Lessee's compliance with the applicable Federal laws and regulations. The right is reserved to the Secretary to stipulate the amount of a bond required in any case.

XX. LIQUOR. The Lessee agrees that it will not use, or permit to be used on any part of said leased land or on any unlawful conduct or purpose whatsoever, and that it will not use or permit to be used on any part of said leased land or on the adjacent waters, alcohol, liquor, or any other intoxicating liquor or beverages in violation of the laws of the State in which the same are situated, and that any violation of this clause by the Lessee or with its knowledge shall render this lease void 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 agent so, or the Secretary.

XXI. DISL. TIIN OF HINERLS A! 'DSURFACE.

(a) The Lessorc> resly reserves the right to lease sell or other. sc 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 uscas much of the surface as i necessary in the extracito nand removal of the minerals from the leased land.

There is further resevred to Lesor, after consultaton with Lessee, the right to consturct, use and cantain canals, pipelines and syphons on and across said lands; provides uchuse and fadlities will not unreasonablyinterfere with Lessee' s mining operations and r_igths under this lease.

(b) Lessor may hereaftegrrant to other persons, firms or corporaitons oil and gas lease's non-rtemal l□ass' liceness' oil and gas prospecting perwits, or rights-of-fay upon the leased land; oil and gas drilling and producnig activities nay be carried out concurrently with Lessee's mining operations; provided, ho□ever, that no oil rights or installabins of any kind shall be situated so as to undulyinterfere -□ith Lessee's right to carry on its mining operait□ns and related ctvities; and provided further, that no well oaybe drilled for oil or gas at any location which, in the opinino of the Area} fininagnd Oil and Gas Super-visors, would result in unduewaste omfinerable posts or constitutea bazardor interfere with minin&operations being conducted by Lessee on the leased land. The provisionosf this Article XXI shal],ble included in any oil and g?s laee, license, prospecitnrpemit or right-owfa-y granted by Lessor on the leased land.

(c) Notwithstanding any other provis1on of this lease, the Lessor reserves the right without liability of any kind, exceptas provided n this lease to grant to qualified applicants rights ef-way for pipelines for the transportation of oil, gas, heliumor petroleum products, for power lines, telephone, telegraph and water lines incident to the operaitons of such pipeline, sacross the lands€□ bracedin this lease, upon the condtion that prior to the granting of any such right-of-way the applicant therefore, as a condtion precedent to such grant shall□ if e with the Ar□ sabe n fe ict of the se Fowinge h□ r essedundertaking vriting

1. That applicanwtill e inherbury the pipeline to a sufficiendepth or at a place to be designated by Lessee, construcatnd maintain at applicznt's expenes, a rawp, so that loaded vehicles, includinlgesee's heavy tiningcqupc.eh, t::p.a:s.syunhinderedver said pipeline.e □□ene ever said pipeline is relocatepdursuant to subseciton (2) of this sectoin (c) of this Article XXI, applicant will □ e inherbury the relocapeipde o promptlyconsturct and □intain, at its so□□ ehnense, a suitable ampin a new place designated by Lessee. Lessee shal lnot be responisblefor d,anage staiodpipelnie caused by such vehicles and equipmendcrosisngsaidpipelnie.

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 the land 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 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 applicants 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 against any and all claims therefor; and shall further hold Lessee harmless from and indemnify 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 applicants shall specify in writing to the Lessee the address to which shall notice 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 width 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 the Area Director or his authorized representative a written notice of the lessee's intention to terminate the lease. If the lease has been recorded, the Lessee must file a recorded release with the Area Director or his authorized representative. The termination 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 comply with the provisions of this lease and the regulations. The Lessee shall, within 30 days after the termination of this lease, furnish the Area Director a full and complete written report of the exploration and development and all information concerning the natural value of the mine. (26 FR 17 22-3)

XXV. RELINQUISHMENT OF SUPERVISORY SECRETARY OF THE INTERIOR. Should the Secretary at any time during the effective term of this instrument relinquish supervision of all or part of the acreage covered hereby, the relinquishment shall be made to the Lessee at its last address. The Secretary has given 30 days' written notice to the Lessee, and Lessee shall continue payment of royalties, and VVand VI. After notice of relinquishment has been received by Lessee, this lease is subject to the following conditions:

1. All rental and royalties accruing before the date of relinquishment shall be paid directly to Lessor or its successors in title. relinquished supervision made by the Secretary as to all land in this lease and Lessee's all payment due under the lease shall be fully performed and all obligations Lessee shall perform during the time of such relinquishment, 1 within a reasonable time after the obligation has been given notice of such relinquishment, or on the date on which the lease 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 drill for water wells on the leased land. The Lessee agrees that the termination of this lease all wells within proper water cases upon written approval of Lessor and Agent. Lessee may remove all mechanical equipment installed by Lessee any well within 120 days after expiration of the lease or otherwise such equipment shall become the property of the Lessor.

XXVI. DAMAGES. The Lessee and all of his contractors and subcontractors shall be liable for damages authorized by this lease, including construction, operation, maintenance, or use of the facilities on or connected with the lease, as to overpriced damages to natural resources, improvements, and other interests, the Lessee shall take appropriate precautions for protection of the property and leave all tracts in a condition satisfactory to the Area Director. The Lessee shall work in a safe condition, in compliance with all laws, and to the satisfaction of the Lessor.

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. Upon 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 roads 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 roads for the operations authorized under this lease or upon termination of this lease for any cause whatsoever, the right to use any such roads shall cease, and roads surface shall be restored to its original condition unless otherwise agreed, and all 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 prior 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 and for the Lessee's ~~employees~~ fully comply with the provisions of the statutes of the State of New Mexico covering workmen's compensation and occupational diseases, 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

the slea□.s The L e s s e e a l p l a y a l l t a x e l s a □ f l y l l e v i e d a s s e s s e d o n t h e s a e l , s e v e r c a , n p r o d u c o h e , x t c a o i n o r r e m o v a a l a n y o f t h e m i n e r a c l o s v e r b e y d t h l i e s a s e .

XXX. HEIRS AND SUCCESSORS INTEREST. It is furtherstipulated and agreed that each and all of the covenants and conditions herein shall be binding upon, and inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties to this lease.

XXXI. GOVERNMENT EMPLOYEES NOT ACQUIRE LEASES. No lease, assignment, or other interest herein shall be approved to any employee of the United States Government, or any employee of the Bureau of Indian Affairs or the Lessee, and no employee of the Interior Department shall be permitted to acquire an interest in such lease by ownership or otherwise.

XXXII. PENALTIES. Failure of the Lessee to comply with any provisions of this lease or the regulations contained in 25 CFR 172 and 177, and 30 CFR 231 or orders of the Area Director or the Superior Secretary, shall be subject to the cancellation by the Secretary of the Lessee's approval, or a penalty not to exceed TWO HUNDRED DOLLARS ($200) a day for each and every violation, at the discretion of the lessee, the regulations, or such other lease violation; provided, that the Lessee shall be entitled to notice and hearing within 30 days after such notice, with respect to the terms of the lease, regulations, or order violated, which hearing shall be held by the Area Director or the Superior, whose finding shall be conclusive unless an appeal is taken to the Secretary pursuant to 25 CFR Part 2, 30 CFR Part 299, 43 CFR Part 23 and subtitle B, Chapter I.

XXXIV. CANCELLATION OR FORFEITURE. In the opinion of the Secretary, if there has been a violation of any of the terms or conditions of this lease, free from contest or litigation, the Secretary shall have the right, after 30 days notice to the Lessee, specifying the terms and conditions violated, and the Lessee shall so report within 30 days from the date of notice, declare this lease void and the Lessee may then be dispossessed of the land provided, however, that if the default is not cured within 30 days, or if Lessee requests a hearing, within 30 days after the final decision is rendered, the default is not cured within 120 days after the final decision, or if Lessee requests a hearing and does not cure the default within 120 days after the hearing, the lease may be terminated. After restitution has been removed, the Lessee may avail himself of any remedy in law or equity for breach of this contract by the Lessee. The remedies specified under area in addition to or exclusive of any other remedies provided in 25 CFR 172 and 177.

XXXV. OBLIGATIONS. While the lease is in force, the Lessee's obligations under this lease shall be binding upon the heirs, successors and assigns of the parties hereto.

XXXVI. PAST DUE PAYMENTS. Any and all payments specified in this lease, including minimum royalty payments, of the date shall be interest at the rate of 10% per annum from the date payments become due until paid and such payments shall be in lieu of any penalty provisions contained herein.

XXXVI. NOTICES AND PAYMENTS. All notices, statements and demands shall be sent to the addresses herein recited or to such addresses 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:

H. B. Warnock (Name)

3890 Camino Sacamento NE
Alb., NM (Address)

Timothy J. Pearson (Name)

1060 Salpa Avenue NE
Alb., NM (Address)

LESSEE

TODILTO EXPLORATION & DEVELOPMENT CORPORATION

By G. Warnock Date 3-24-80

381 Academy Parkway South NE
(Address)

WITNESSES

Delbert Vandever (Name)

Box 267 Prewitt N.M. 87045
(Address)

(Name)

(Address)

LESSOR:

BROWN VANDEVER Date 3-24-80

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

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

CANCELED
AREA DIRECTOR

Acknowledgment must be in accordance with the forms prescribed by the State in which the lands 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(s) who executed the within instrument of writing and such person(s) duly acknowledged the execution of the same.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my official seal 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

330

United States Department of the Interior

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

Mine Examination Report
Todilto Exploration and Development Corporation
Haystack Mine
Navajo Allotted Uranium Lease
NOO-C-14-20-3896
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. Tore Onlsen, 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-4-20-8396 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 leased land. The exploration plan provided for the surface drilling and probing of as many as 1,65 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 porjected 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 7,83 feet at the top of Haystack Mountain to about 7,00 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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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 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 0.5 - 0.9 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 thicknesses rarely exceed 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 0.4 - 0.5 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 0.1 percent U_3O_8, but ore as low as 0.6 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 0.9 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 raised 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 three 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 jack leg 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 Entry Room is separated by the upper portion of the three zones as marked on the 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 gabbed into abandoned workings or placed on the

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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 interim 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 9449-4955 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

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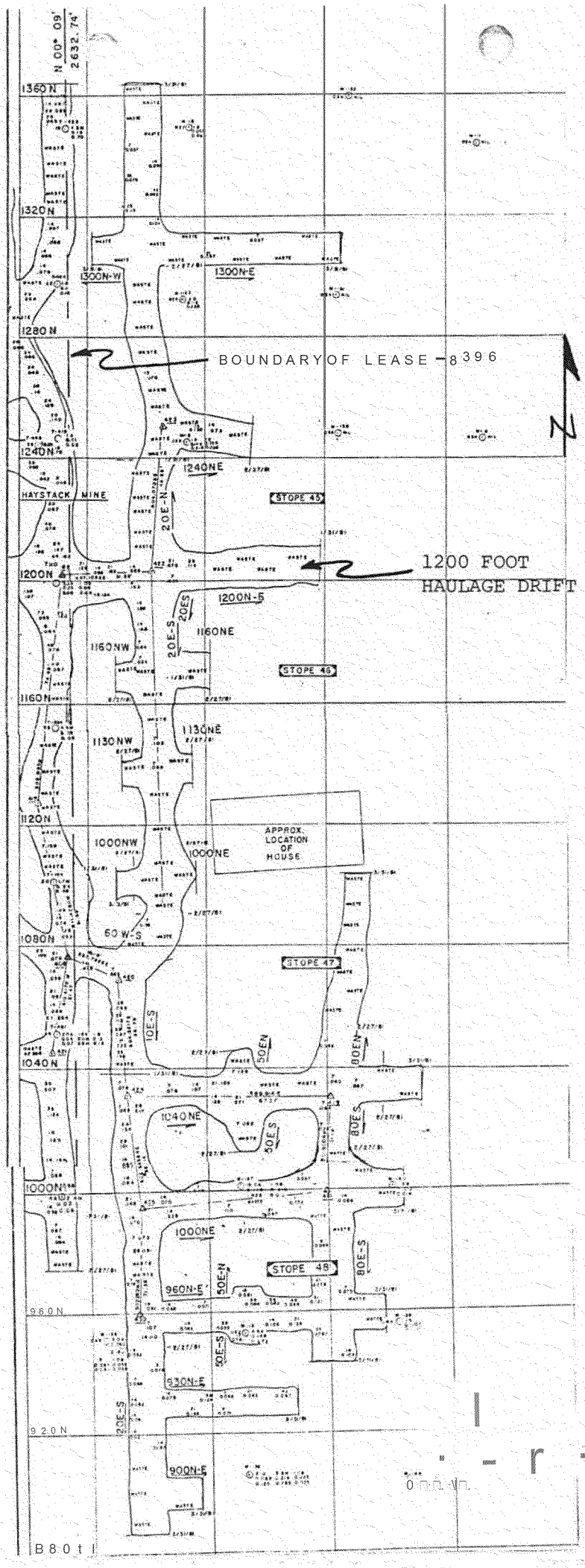
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BOUNDARY OF LEASE - 8396
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1240N
1240NE
HAYSTACK MINE
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1200N-5
20E-S
1160NE
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STOPE 46
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APPROX. LOCATION OF HOUSE
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60 W-S
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STOPE 47
10E-S
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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 Company Representaitve(s)
Dave Sitzer

Inspection Type: Mining Related X
Exploratino Related
Inactive Tract

Serial No.	Holder of Primary Tract Interest	Tract Type	Commodity	Inspecition Time
NOO-C-4-20-5681, 8396	Todilto	Indian Alloted Uranium lease	Uranium	2.5hrs (1.25hrs per lease)

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

Inspection Time:

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. Will inform BIA that they need to get the hole backfilled.

RELEASE OF URANIUM LEASE

KNOW ALL MEN BY THESE PRESENTS: That Todilto Exploration & Dev Corp for good and valid consideration does hereby release, relinquish, quitclaim and surrender to the lessor Brown Wandever, 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 Wandever, lessor and Todilto Exploration & Development Corp., as lessee dated the 24th day of March, 19 50 insofar as same covers the following described land, to-wit:

Contract No. NOO-1C4 028396

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 .

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 State aforesaid, do hereby certify that G F. Warnock, Pres. of Todilto Exp. & Dev. Co personally known 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 19 day of April, 19

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 L. Drywater, Real 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 the Navajo AML can assist in the clean-up reclamation activities. Our search and inspection of the Haystack Mountain mine, the U.S. EPA and the Navajo Superfund Program have taken over 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, the Navajo AML cannot provide any work at these sites (although it may pose a danger to the residents) because exclusive "continuing responsibility" is held by the EPA and the Navajo Superfund Program.

I refer this matter to the Navajo EPA for disposition and have enclosed a copy of Navajo AML's report.

Sincerely,

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

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NAVAJO AREA OFFICE
REC-Minerals Section

xc: Melvin Chautis, Executive Director DNR
Mel Apache, Deputy Director DNR
Bill Johnson, Attorney NDOJ/NRU
Perry Charlie, Program Manager AML
Lorenda Begay, Acting Director NNEPA
AML Chrono

S: Haystack. mld

Sec. 13, T13N, R11W
Allotment Uranium mining Lease
Pilot No. 07741 160 acres
105 holes drilled for a total of 20,044 feet.

N00-C-14-20-5681
George Warnock
3810 Juan Tabo N.E.,
Albuquerque, NM 87109
President of Todilto Exploration & Development

Acting Acting

OCT 1995

ACT; Area Director, Navajo

All trash and debris will be disposed of in the covered land fill dump at the Haystack mine. Spills would be stockpiled and handled at the existing Haystack mining

Reclaimed Uranium Mine at Haystack Mountain Area

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

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 Mineral 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 BLM that they do not have any funds to solve 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) 871-5893.

MELVIN J. ROUSSEAU

Attachment

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

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

543:MLDrywater:cd:10-04-95:haystack.epa
bcc: 4618a-P5
4610-T1

1\ d-o CJ-L 62 .3 G,