



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING



KEITH CREAGH
DIRECTOR

January 13, 2015

TO: Keith Creagh, Director

INFORMATION: Natural Resources Commission

Transaction: State Forest Mineral Exchange
Sault Ste. Marie Management Unit – Chippewa and Mackinac County
Graymont Exchange
Land Transaction Case #20140173

Applicant: Graymont (MI) LLC, Grand Rapids, Michigan

Private Minerals Offered in Exchange: 1,717.66 acres, more or less
Location: Mackinac County, Hendricks Township, T44N, R07W, portions of
Sections 9, 15, 17, 18, 19, 20, 22, as found online at
www.michigan.gov/graymontproposal.

Mineral Value: Equal mineral potential.

State Minerals Desired in Exchange: 1,712.68 acres
Location: Chippewa County, Trout Lake Township, T44N, R06W, portions of
Section 7, 8, 16, 17, 18, 19, 20, 21, as found online at
www.michigan.gov/graymontproposal.

Mineral Value: Equal mineral potential.

Description: Applicant proposes to exchange severed mineral rights under State-owned land for State-owned mineral rights under the United States of America land, surface managed by United States Forest Service (USFS). Applicant is aware that the State does not own all mineral rights in the desired area. Royalty obligations exist in the offered minerals. Applicant proposes to provide a similar royalty obligation to the State for its mineral estate in the desired area.

Authority: Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

Notice: This item will appear on the Department of Natural Resources (Department) February 3, 2015, calendar, and is eligible for approval on February 10, 2015.

Acquired: The desired mineral lands were acquired by tax reversion from 1928, 1930, and 1939. Surface rights were exchanged to the USFS in 1933 and 1971. The surface rights to the offered mineral lands were acquired by Federal Government Exchange in 1938 for tax reverted property.

Minerals: The desired and offered parcels have equal mineral potential and are of commensurate value. The offered mineral rights are encumbered with an obligation to pay Cleveland Cliffs a royalty for limestone calculated at \$0.20 per short ton, adjusted annually through use of a Producers Price Index (PPI) for a 25-year period through the end of 2037. Graymont has proposed a similar royalty obligation to the State for the desired minerals calculated at \$0.20 per short ton, adjusted annually through use of the PPI for a 22-year period that would run through the end of 2037.

Comments: The State has an interest in unifying the surface and mineral estates in the offered minerals area. Limited information exists about the mineral estate desired by the applicant. Because of the nearness of the two areas, similar attributes of stone quality are expected. A reciprocal royalty is one method of ensuring the public receives value if there are differences in the quantity of mineral in the two areas. Another issue to consider is the marketability of the minerals in the two areas, although no publicly held information is available for either parcel. Given the uncertainty of the scope and timing of economic benefits to local communities and to the State Park Endowment Fund, we are concerned about the feasibility of mining activities occurring before 2037.

The U.S. Forest Service has also expressed interest in the mineral estate, although there are significant challenges to accomplishing an exchange of mineral estates between the federal government and the state government.

Royalties from minerals exchanged would be deposited into the Park Endowment Fund or its successor.

Engagement: Sovereign tribal governments and Chippewa Ottawa Resource Authority have not been consulted on this LTA. The US Forest Service has met with Graymont and the State to discuss an earlier version of this application but has not seen this revised version. Local units of government, organizations, and citizens have generally incorporated this LTA into their comments about the larger Graymont LTA.

Consultation with sovereign governments of federally recognized tribes concerning this LTA is being arranged. A public meeting in the Rexton area is being arranged.

Recommendation(s): The Department recommends approval of the mineral exchange. There is significant merit in continuing the development of limestone mining in the Rexton area. The recommendation is conditional on assessment of public input regarding this newly revised LTA and consultation with sovereign tribal governments.



Russ Mason, Ph.D., Chief
Wildlife Division



William O'Neill, Chief
Forest Resources Division



James L. Dexter, Chief
Fisheries Division



Ronald A. Olson, Chief
Parks and Recreation Division



William E. Moritz, Ph.D.
Natural Resources Deputy



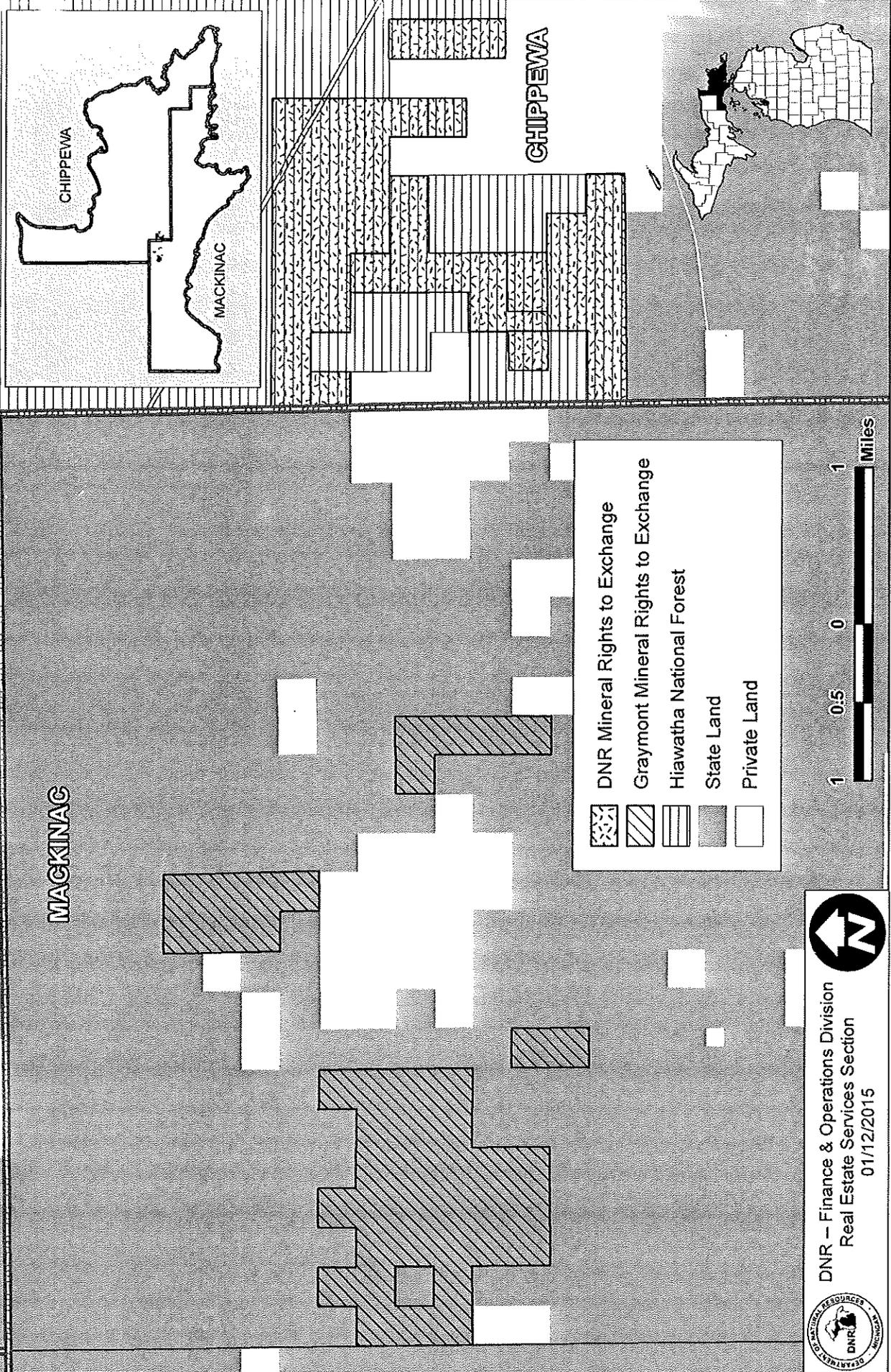
Mark H. Hoffman
Chief Administrative Officer

I approve the staff recommendations

Keith Creagh
Director

Date Approved

MINERAL EXCHANGE
Sault Ste. Marie Forest Management Unit -- Mackinac and Chippewa Counties
The Graymont Mineral Exchange -- Land Transaction Case #20140173



DNR – Finance & Operations Division
 Real Estate Services Section
 01/12/2015

