



State of Michigan Metallic Mineral Leasing Program

October. 11, 2012
Minerals Management Section

History of metallic mineral production

- Over 170 years
- Locations and targeted areas of activity change over time
 - Economics
 - Technology



Current metallic mineral activity

- Cliff's has two producing iron mines in Marquette County
- Kennecott Eagle has started their mine entrance (State leases)
- Orvana is in the permitting stage of their proposed copper mine



What are mineral rights?

- There are several types of property rights, mineral rights (including metallic minerals) are one of them
- Mineral rights may be sold, transferred or leased — similar to other property rights



What is the DNR's role?

Manage all state-owned mineral rights, including lands where surface rights are owned or administered by:

- The state of Michigan
- The federal government
- Others



Metallic Mineral rights by direct lease

- Leasing is considered when requested by a nominator
- Initial lease term is for 10 years
- Option for a 10 year extension



Lessee pays several ways

- “Lease Bonus” is \$3 per acre
- Annual rental
 - 1-5 year - \$3 per acre
 - 6-10 year - \$6 per acre
- Rental changes - Minimum royalty
 - 11th year \$10 per acre and increases \$5 per acre each year thereafter
- Royalties, if production starts



Direct Lease Process

- Nominations
 - Direct lease based on nominations submitted by interested parties
- Severed surface owner notifications



Direct Lease Process

- Parcel Classification

Environmental reviews are conducted by experts and specialists for each parcel

- Michigan Natural Features Inventory
- State Historic Preservation Office
- Foresters from the Forest Resources Division
- Biologists from the Wildlife and Fisheries Divisions
- Staff in Parks and Recreation Division
- Final composite review by the land administering Division



Direct Lease Process

- Classification categories are:
 - Nonleasable
 - Leasable Nondevelopment
 - Leasable Development with Restriction
 - Leasable Development



Direct Lease Process

- Public notice
 - County newspapers
 - County Clerks and Township Supervisors
 - Department field offices
 - Department calendar



Direct Lease Process

- Natural Resources Deputy approves the leases
- State Administrative Board approval



Revenue from metallic leases

(includes bonus bids, rental and minimum royalties)

- \$303,500
through third quarter
of fiscal year 2012



Where does the money go?

- Michigan Natural Resources Trust Fund to May 2011
- Through 2012, has issued grants for projects in all 83 counties totaling \$965.5 million
 - Example: Accessibility improvements at community parks



Where does the money go?

(Through 3rd quarter 2012)

- Michigan State Parks Endowment Fund
 - \$300,500
 - Example: Maintenance and enhancements at state parks
- Game and Fish Protection Trust Funds
 - \$3,000
 - Example: Fish and wildlife habitat improvements



State metallic mineral activity (as of Aug. 13, 2012)

- Leases (gold, silver, copper, platinum, nickel, etc.)
 - 35,646 acres under 163 leases
 - 6 Lessees
- Nominations in Process
 - 7 nominations covering 31,029 acres
 - 4 applicants
- Exploration plans submitted FY 2012
 - 4 Plans on State land
 - 2 Amended/extended plans
- Mining on State lands
 - Eagle mine started (1 state mineral lease)
 - Second DEQ permit expected





Thank You!

Questions?