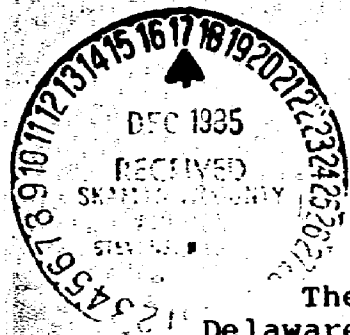


100451

BOOK 85 PAGE 445

When Recorded Return to  
John W. Hanley, Jr.  
Wickwire, Lewis, Goldmark & Schorr  
500 Maynard Building  
119 First Avenue South  
Seattle, Washington 98104



STATE OF WASHINGTON }  
COUNTY OF SNOHOMISH } SS

I HEREBY CERTIFY THAT THE WITHIN  
INSTRUMENT OF WRITING FILED BY

WICKWIRE, LEWIS, GOLDMARK  
& SCHORR  
OF SEATTLE, WA 98104

AT 4:30 P. DEC. 17, 1985

WAS RECORDED IN BOOK 85

PAGE 445

RECORDS OF SNOHOMISH COUNTY WITH

J. M. Olson  
COUNTY AUDITOR

CLERK

### QUITCLAIM DEED

The Grantor, ITT RAYONIER INCORPORATED ("Rayonier"), a Delaware corporation whose address is 1177 Summer Street, Stamford, Connecticut 06904, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration in hand paid at and before the sealing of these presents, the receipt and sufficiency of which are hereby acknowledged, does hereby CONVEY AND QUITCLAIM to RAYONIER TIMBERLANDS OPERATING COMPANY, L.P. ("RTOC"), a Delaware limited partnership registered to do business in the State of Washington under the name "Rayonier Timberlands Operating Company, L.P., Limited Partnership" and whose address is 1177 Summer Street, Stamford, Connecticut 06904, all right, title and interest in and to the property described in Exhibit "A" attached hereto and made a part hereof for all purposes, together with all after acquired title of Rayonier therein, to have and to hold the property so that neither Rayonier nor any person or persons claiming under Rayonier shall at any time, by any means or ways, have any claim or demand any right or title to the property or appurtenances thereto or any rights thereof. The aforesaid property, SAVE and EXCEPT the fee lands, timber leases or subleases, minerals and other rights described in paragraph (1) below, is collectively referred to as the "Timberlands."

This conveyance is SUBJECT TO the exceptions, reservations, exclusions, limitations and conditions set forth in paragraphs (1), (2), (3), (4) and (5) of this Quitclaim Deed.

1. Reservations. Rayonier expressly SAVES, EXCEPTS and RESERVES out of the conveyance made hereby the following:

(i) All of the Rayonier fee lands and portions of the timber leases described in Exhibit "B" attached hereto and made a part hereof for all purposes, together with all improvements located thereon, including, without limitation, wood products plants, pulp and paper mills and other manufacturing or storage

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Recorded  
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-1-

REAL ESTATE EXCISE TAX  
DEC 18 1985

PAID  
Dorothy S. Dwyer  
SNOHOMISH COUNTY TREASURER

County subdivision ordinances.

facilities and related facilities and improvements, and together with rights of ingress and egress across the properties described in Exhibit "A" to the extent reasonably deemed necessary by Rayonier to provide access to and use of such fee lands and lease premises described in Exhibit "B" and the improvements, plants and facilities located thereon; and

(ii) All the minerals and mineral rights in, on or under the Rayonier fee lands conveyed hereby as follows:

(a) There is hereby reserved to Rayonier, its successors and assigns, and excluded from this conveyance all the oil, gas, associated hydrocarbons, lead, zinc, copper, coal, coal seam gas, lignite, peat, sulphur, phosphate, iron ore, sodium, salt, uranium, thorium and other fissionable materials, molybdenum, vanadium, titanium, gold, silver, bauxite, limestone, kaoline, geothermal energy and all other mineral substances and ore deposits of any kind or character, whether solid, liquid or gaseous, and without limitation by enumeration of the minerals expressly mentioned above but not including sand, clay or gravel, which are hereby agreed to be a part of the surface conveyed hereby, presently owned by Rayonier in, on or under any of the Rayonier fee lands conveyed hereby, and all executive rights and other rights to execute leases presently owned or held by Rayonier with respect to the interests of any other parties in any or all said minerals in, on or under any of the Rayonier fee lands conveyed hereby, together with full rights of ingress and egress and use of the surface to the extent reasonably necessary for the purposes of exploring, drilling, mining (including shaft, in situ, open pit, surface or strip mining), developing, producing, removing, transporting and owning all of said minerals and mineral rights herein reserved to Rayonier. In connection with the use of the surface of said lands for oil, gas and mineral operations by Rayonier, its lessees, agents, successors, and assigns, the provisions set forth and contained in Exhibit "C" attached hereto and made a part hereof for all purposes shall govern and control the rights of Rayonier as mineral owner and RTOC as surface owner.

(b) The Rayonier fee lands conveyed hereby, or portions thereof, are presently subject to several oil and gas leases and other mineral leases or agreements. The foregoing mineral reservation is made without prejudice to any rights, privileges or obligations provided under such leases or agreements in effect on the date of this conveyance, but covers, includes and reserves to Rayonier, its successors and assigns, all of the rentals, royalties and other lease payments attributable to oil, gas and/or other minerals produced and saved therefrom for so long as such leases or agreements remain in force, including any extensions thereof hereafter granted by Rayonier. RTOC shall

succeed hereunder to all of the rights and benefits provided to the surface owner in each of such leases or agreements for the protection of the surface during mineral operations conducted thereunder. Upon the expiration, termination or forfeiture of any of such leases or agreements, the mineral interest previously covered by such lease or agreement shall continue to be owned by Rayonier as an unleased mineral interest, it being the intention of the parties that Rayonier not convey any minerals or mineral interests in, on or under the Rayonier fee lands to RTOC presently or in the future.

2. Encumbrances. The Timberlands are herein conveyed by Rayonier, and accepted by RTOC, subject to the following:

(i) all presently existing easements, rights-of-way, flowage rights, restrictions, servitudes, cemeteries, campsites, hunting or other leases, licenses, permits, and other undertakings or encumbrances of any kind or nature (other than existing mortgages, deeds to secure debt and deeds of trust covered in subsection (ii) below), whether acquired by grant, prescription or adverse possession, either of record or presently existing or affecting any of said lands;

(ii) all presently existing mortgages, deeds to secure debt or deeds of trust; provided however, that RTOC does not assume any obligation for the payment of the indebtedness secured by such mortgages, deeds to secure debt or deeds of trust or to perform any of the obligations of the mortgagor or grantor thereof, and Rayonier shall remain obligated for the payment thereof and shall indemnify and hold harmless RTOC and its successors and assigns from and against any loss, cost or expense in any way arising from, or associated with, such mortgages, deeds to secure debt or deeds of trust, including reasonable attorneys' fees; and provided, further, that upon the request of RTOC and its successors and assigns at any time, or from time to time, Rayonier will use all reasonable efforts to obtain the release of such mortgages, deeds to secure debt or deeds of trust, or any of them, including prepayment of the indebtedness secured thereby, notwithstanding that such prepayment may require the payment of premiums or penalties;

(iii) any presently existing conditions or state of facts which would be ascertained or revealed by an accurate survey and/or inspection of said lands, including, but not limited to, boundary line disputes, encroachments and adverse claims;

(iv) all valid and existing cutting rights set forth in timber deeds and timber contracts affecting said lands heretofore entered into between Rayonier and other parties; and



(v) the lien for current ad valorem taxes, which shall be prorated as of November 19, 1985 and paid by the parties.

3. Additional Reservation. In addition to the foregoing exceptions, reservations and exclusions, Rayonier hereby reserves and retains the right and option, to be exercised by Rayonier at its sole discretion upon written notice to RTOC at any time and from time to time prior to December 31, 1990, to designate for reconveyance to Rayonier up to a maximum of 15,000 acres out of any of the Rayonier fee lands conveyed hereby which have not at the time of any such designation by Rayonier been sold or disposed of, or committed for sale or disposition, by RTOC. Promptly following any such notice of designation by Rayonier hereunder, RTOC shall execute appropriate reconveyances to Rayonier of the lands so designated without further or additional consideration from Rayonier, except that Rayonier shall be required to reimburse RTOC for any and all costs and expenses incurred by RTOC after the date of this conveyance for any reconveyed improvements (including timber growing thereon) made to and upon any of the lands so reconveyed to Rayonier. Such conveyance shall include rights of ingress and egress across the properties described in Exhibit "A" to the extent reasonably deemed necessary by Rayonier to provide access to and use of the fee lands so reconveyed to Rayonier hereunder. Rayonier shall be responsible for and shall pay any applicable transfer taxes and recording fees that may be incurred in connection with any such reconveyance to Rayonier. Such reconveyance shall be subject to the lien for current ad valorem taxes, which shall be prorated as of the date of such reconveyance and paid by the parties.

4. Warranty of Title to Timberlands. The conveyance of the Timberlands herein by Rayonier to RTOC is made without any warranty of title of any kind, express or implied, and without any recourse against Rayonier in the event of any failure of title, except that Rayonier warrants title to the Timberlands against acts or conveyances by Rayonier after the date of this conveyance, and the conveyance is made with full substitution and subrogation of RTOC in and to all covenants and warranties of title by others heretofore given or made with respect to the Timberlands or any part thereof.

5. Access. The conveyance of the Timberlands by Rayonier to RTOC made hereby includes, where reasonably necessary, rights of ingress and egress to and from the Timberlands across the lands or lease or sublease premises excepted and reserved to Rayonier in subparagraph (1)(i) above, and is subject to, where reasonably necessary, rights of ingress and egress across the Timberlands, all such rights to be determined by Rayonier as follows. Upon notice and request of either Rayonier or RTOC from time to time after the date hereof, Rayonier shall designate and

describe specific fee rights-of-way and/or easements across the properties described in Exhibits "A" or "B" as reasonably deemed necessary by Rayonier (i) to provide Rayonier with access to and use of any of the fee lands or lease premises excepted and reserved to Rayonier in subparagraph (1)(i) above or any of the fee lands reconveyed to Rayonier pursuant to paragraph (3) above, or (ii) to provide RTOC with ingress and egress to and from any of the Timberlands conveyed hereby to RTOC.

IN WITNESS WHEREOF, this Quitclaim Deed has been executed by a duly authorized officer of each of the parties hereto, all as of the date first above written.

ITT RAYONIER INCORPORATED

By: R. M. Gross  
Ronald M. Gross, President  
and Chief Executive Officer

ATTEST:

John B. Canning  
John B. Canning, Secretary

RAYONIER TIMBERLANDS OPERATING  
COMPANY, L. P.

By: Rayonier Forest Resources  
Company, Managing General  
Partner

By: William S. Berry  
William S. Berry  
Vice President

ATTEST:

John B. Canning  
John B. Canning, Secretary

BOOK 85 PAGE 900

By: ITT Rayonier Incorporated,  
Special General Partner

By: R. M. Gross  
Ronald M. Gross, President  
and Chief Executive Officer

ATTEST:

John B. Canning  
John B. Canning, Secretary

STATE OF CONNECTICUT )

COUNTY OF FAIRFIELD )

ss.:

On this 6th day of December, 1985, before me Janet E. McKay, a Notary Public in and for the State of Connecticut, personally appeared Ronald M. Gross and John B. Canning to me known to be the President and Chief Executive Officer and Secretary, respectively, of ITT Rayonier Incorporated, the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed thereto is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Janet E. McKay  
NOTARY PUBLIC in and for the  
State of Connecticut, residing  
at 30 Riverside Avenue,  
Stamford, Connecticut

STATE OF CONNECTICUT )  
COUNTY OF FAIRFIELD ) ss.:

On this 6th day of December, 1985, before me, Janet E. McKay, a Notary Public in and for the State of Connecticut, personally appeared William S. Berry and John B. Canning to me known to be the Vice President and Secretary, respectively, of Rayonier Forest Resources Company, the corporation to me known to be the Managing General Partner of Rayonier Timberlands Operating Company, L.P., the limited partnership that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation and said limited partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument on behalf of the corporation, that the seal affixed is the corporate seal of the corporation, and that the corporation was authorized to execute said instrument on behalf of the limited partnership.

*Janet E. McKay*  
NOTARY PUBLIC in and for the  
State of Connecticut, residing  
at 30 Riverside Avenue,  
Stamford, Connecticut 06907

STATE OF CONNECTICUT )  
COUNTY OF FAIRFIELD ) ss.:

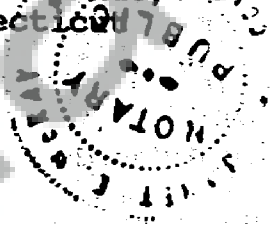
On this 6th day of December, 1985, before me Janet E. McKay, a Notary Public in and for the State of Connecticut, personally appeared Ronald M. Gross to me known to be the President and Chief Executive Officer of ITT Rayonier Incorporated, the corporation to me known to be the Special General Partner of Rayonier Timberlands Operating Company, L.P., the limited partnership that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation and said limited partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument on behalf of the corporation, that the seal affixed is the corporate seal of the corporation, and that the corporation was authorized to execute said instrument on behalf of the limited partnership.



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IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

*James E. McKay*  
NOTARY PUBLIC in and for the  
State of Connecticut, residing  
at 30 Riverside Avenue,  
Stamford, Connecticut





BOOK 85 PAGE 453

EXHIBIT "A"

The following described real estate situated in the County of Skamania,  
State of Washington:

Township 10 North, Range 6 East, W. M.

Section 1:

Northeast Quarter (NE1/4).

Exhibit "B"

To

Quitclaim Deed

Any property described on Exhibit "A" to the Quitclaim Deed which is owned of record by Rayonier on the date hereof as reflected on the date hereof in the Official Records of the County Recorder of the county in which the property is located and which is excepted from the description of Timberlands by such words on Exhibit "A" as "except," "excepting," "less and except," "save and except," "excluding," and "less" or words to similar effect, shall be deemed to be property listed on this Exhibit "B." Property shall be considered owned of record by Rayonier if Rayonier is seized of record with fee title to said property or if Rayonier has beneficial ownership and possession as a purchaser under a recorded real estate contract pursuant to which the seller has retained fee title as security for payment of the purchase price or other obligation.

Exhibit "C"  
To  
Quitclaim Deed

The following provisions shall govern and control the rights of Rayonier as mineral owner, and RTOC as surface owner, of the Rayonier fee lands included in the Timberlands in connection with the use of the surface of said land for oil, gas and mineral operations by Rayonier, its lessees, agents, successors and assigns subsequent to the date of this Quitclaim Deed, unless and until modified or amended by written instrument signed by the parties referring hereto. For all purposes of this Exhibit "C", Rayonier, its lessees, agents, successors and assigns, as mineral owners, shall be referred to as "Grantor"; RTOC, its lessees, successors and assigns, as surface owners, shall be referred to as "Grantee"; and the Rayonier fee lands included in the Timberlands as to which Rayonier has excepted and reserved oil, gas and all other minerals and mineral rights, but not sand, clay and gravel, pursuant to subparagraph 1(ii) of the Quitclaim Deed shall be referred to as the "Mineral Premises".

A. Provisions Applicable to Operations for Oil, Gas, Associated Hydrocarbons and Other Minerals to be Produced by the Drilling of Wells (such Minerals being hereinafter called "oil and gas").

Grantor will conduct oil and gas operations on the Mineral Premises so as not to interfere unreasonably with Grantee in the operation of its timber business, and will give advance written notice to Grantee from time to time of all oil and gas operations to be conducted on the Mineral Premises as follows: (1) at least fifteen (15) days' notice prior to commencement of seismograph or exploratory operations other than drilling hereunder, and (2) at least thirty (30) days' notice prior to construction of any road or pipeline or the commencement of oil and gas operations in or about any drilling site. Each such notice shall contain a map or plat showing the location on the Mineral Premises of the oil and gas operations to be conducted, a full description of such oil and gas operations, a description of any timber which must be cut and removed from the Mineral Premises in connection therewith, and a timetable showing the anticipated dates on which such oil and gas operations are expected to commence and be concluded.

Grantor will obtain Grantee's approval (which shall not be unreasonably delayed or withheld) of the location of all roads and pipelines to be constructed on the Mineral Premises. Grantor



will build and use only such roads as are reasonably necessary to conduct oil and gas operations on the Mineral Premises. Grantee and its employees, agents, servants, contractors and assigns shall have the right in common with Grantor to use any such roads in such manner as not to interfere unreasonably with Grantor's oil and gas operations. Grantor shall have the right to use all roads and rights-of-way owned by Grantee on the Mineral Premises or on adjacent or nearby lands (but Grantor shall not interfere unreasonably with Grantee's use on such adjacent or nearby lands), in connection with oil and gas operations on the Mineral Premises. All roads constructed by Grantor shall become the property of Grantee; except, however, that Grantee reserves the option and privilege of requiring that all or any lands covered by said roads be reclaimed and restored as nearly as practical to their original condition upon cessation of oil and gas operations. Grantor will provide at Grantor's expense all necessary protective measures to prevent any loss or damage to the property of Grantee on account of any oil and gas operations by Grantor on the Mineral Premises, including protection for pipelines, power lines and telephone lines. Unless first consented to in writing by Grantee, no well shall be drilled nearer than two hundred (200) feet to any structure now or hereafter placed on the Mineral Premises. When requested by Grantee, Grantor will bury pipelines to below ordinary plow depth, or to such greater depth as Grantee deems necessary for its timber operations, but not to exceed three (3) feet. All buried pipelines will be marked at road crossings and enclosed in casings with sufficient strength to permit the passing of heavy equipment over the road without damage to the pipeline.

All oil and gas operations shall be subject to and conducted in full compliance with all applicable laws, rules, regulations and orders of any governmental agency having jurisdiction over the Mineral Premises, including, but not limited to, those laws, rules, regulations and orders for protection of the environment, prevention of water pollution, and prevention and suppression of forest fires. Grantor shall use reasonable care to protect and prevent the Mineral Premises from being contaminated or damaged by dangerous minerals or poisonous elements in such manner as may be required by governmental regulations, but in the absence of such regulations, by disposing of such substances in accordance with good oil and gas practices.

Grantor shall have the free use of both surface and underground water from the Mineral Premises for oil and gas operations on the Mineral Premises, except that Grantor shall not have the right to use water from wells, tanks, creeks or reservoirs now controlled or hereafter drilled or constructed by Grantee on the Mineral Premises, unless Grantee shall consent in writing to allow Grantor use of water from such sources.

However, Grantor shall have the right to drill and complete as many water wells on the Mineral Premises as Grantor may deem necessary for use in its oil and gas operations, and Grantor agrees that after cessation of its use of any water wells drilled by Grantor on the Mineral Premises and prior to plugging or removing the casing therefrom, it will tender such well or wells to Grantee. If Grantee elects to accept same, such water well or wells shall be and become the property of Grantee without payment or consideration therefor, and Grantee shall assume all obligations to regulatory authorities for the proper plugging and abandoning of such wells. If Grantee elects not to accept such well or wells, Grantor shall have the right to remove all the casing, if it so desires, from such well or wells, and shall properly plug and abandon all wells not taken over by Grantee.

Grantor shall pay Grantee for all surface damages caused by or arising out of Grantor's oil and gas operations on the Mineral Premises in accordance with the provisions of Section C hereof. Pits and excavations made during drilling operations will be filled by Grantor and the surface restored, as nearly as reasonably possible, to its original condition upon completion of drilling operations at each drilling site; and if Grantor shall fail to do so, the cost to Grantee for such filling and restoration shall be paid to Grantee by Grantor.

**B. Provisions Applicable to Operations for Minerals to be Mined by Underground Mine Shafts or by Open Pit, Strip or Surface Mining Methods (such Minerals being hereinafter called "hardrock minerals").**

Grantee shall give advance written notice to Grantor from time to time of all hardrock mineral operations to be conducted on the Mineral Premises as follows: (1) at least three (3) days' notice prior to commencement of environmental studies, surveys or general reconnaissance work on the Mineral Premises which will not require offroad vehicles and will not result in damage to any timber, (2) at least fifteen (15) days' notice prior to commencement of any core drilling along roads and clearings or seismic or other geophysical activities anywhere on the Mineral Premises, and (3) at least thirty (30) days' notice prior to commencement of all other exploration or development operations for hardrock minerals on the Mineral Premises, including, but not limited to, all core drilling otherwise than along roads and clearings, building of roads and structures and all other exploration and development activities conducted in preparation for actual mining operations for recovery of hardrock minerals on the Mineral Premises. Each such notice shall contain a map or plat showing the location on the Mineral Premises of the hardrock mineral operations to be conducted, a full description of such hardrock mineral operations, a description of any timber which must be cut

and removed from the Mineral Premises in connection therewith, and a timetable showing the anticipated dates on which such hardrock mineral operations are expected to commence and be concluded.

Grantor shall also give Grantee at least six (6) months' notice prior to commencement of actual mining operations for recovery of hardrock minerals on the Mineral Premises, which notice shall designate on a map or plat the portions of the Mineral Premises which will be mined or used in mining operations for the six (6) month period after actual mining operations are commenced. Grantor shall give Grantee like notices at least six (6) months in advance of the actual mining operations for recovery of hardrock minerals to be conducted on any other portion of the Mineral Premises in each succeeding six (6) month period.

All operations for hardrock minerals shall be subject to and conducted in full compliance with all applicable laws, rules, regulations and orders of any governmental agency having jurisdiction over the Mineral Premises, including, but not limited to, those laws, rules, regulations and orders for protection of the environment, prevention of water pollution, reclamation of the mined land, and prevention and suppression of forest fires. Grantor shall use reasonable care to protect and prevent the Mineral Premises from being contaminated or damaged by dangerous minerals or poisonous elements in such manner as may be required by governmental regulations, but in the absence of such regulations, by disposing of such substances in accordance with good mining practices. When requested by Grantee, Grantor will bury any pipelines to below ordinary plow depth, or to such greater depth as Grantee deems necessary for its timber operations, but not to exceed three (3) feet. All buried pipelines will be marked at road crossings and enclosed in casings with sufficient strength to permit the passing of heavy equipment over the road without damage to the pipeline. Grantor shall pay Grantee for all surface damages caused by or arising out of Grantor's hardrock mineral operations on the Mineral Premises in accordance with the provisions of Section C hereof.

Grantor shall have the free use of both surface and underground water from the Mineral Premises for all mining operations and for restoration and reclamation of the Mineral Premises, except that Grantor shall not have the right to use water from wells, tanks, creeks or reservoirs now controlled or hereafter drilled or constructed by Grantee, unless Grantee shall consent in writing to allow Grantor use of water for such purposes or from such sources. However, Grantor shall have the right to drill and complete as many water wells and build as many dams, ponds and lakes on the Mineral Premises as Grantor may deem necessary for use in its mining operations (except for purposes of



processing or transporting unless Grantee's consent thereto has been obtained), and Grantor agrees that after cessation of its use of any water wells drilled by Grantor on the Mineral Premises and prior to plugging or removing the casing therefrom, it will tender such well or wells to Grantee. If Grantee elects to accept same, such water well or wells shall be and become the property of Grantee without payment or consideration therefor, and Grantee shall assume all obligations to regulatory authorities for the proper plugging and abandoning of such wells. If Grantee elects not to accept such well or wells, Grantor shall have the right to remove the casing, if it so desires, from such well or wells, and shall properly plug and abandon all wells not taken over by Grantee.

Prior to commencement of actual mining operations for recovery of hardrock minerals on the Mineral Premises, Grantor shall consult with Grantee regarding the mining and reclamation of that part of the Mineral Premises on which mining operations are to be conducted and shall submit its proposed mining and reclamation plan to Grantee in the form required by applicable laws, rules, regulations or orders of any governmental authority having jurisdiction over reclamation of mined lands. Grantee shall have the right for sixty (60) days after submission to propose changes or additions to Grantor's plan. Grantee agrees to bear any additional reclamation costs resulting from changes or additions to the reclamation plan requested by Grantee and accepted by Grantor in excess of reclamation costs necessary to restore and reclaim that part of the Mineral Premises in accordance with applicable law or regulatory approval process. In the event Grantee fails to notify Grantor within the sixty (60) day period of any comments, changes or additions to the proposed plan, Grantor shall nevertheless be entitled to proceed with the submission of its plan to the appropriate governmental authorities at the end of such period.

Except for overburden storage as specified in the approved mine plan, upon completion of mining operations on any part of the Mineral Premises, Grantor shall begin restoration of the surface of such part of the Mineral Premises as soon as reasonably practical and shall complete such surface restoration within the time required by Grantor's approved reclamation plan, unless Grantee consents to a longer period consistent with the needs of Grantor's reclamation plan, which consent shall not be unreasonably withheld. Consistent with all laws, rules, regulations and orders of governmental authorities having jurisdiction over reclamation of mined lands, Grantor will repair all damage to the surface of the Mineral Premises caused by facilities placed upon them or within them and all damage caused by mining operations thereon, and Grantor will further restore that part of the Mineral Premises as near as reasonably practical to its original state and condition of productivity for timber growing that

existed prior to the conduct of mining operations. Grantor agrees that Grantee shall have the prior right by election within sixty (60) days after notice from Grantor to conduct replanting operations at Grantor's expense on that part of the Mineral Premises with commercial timber seedlings as required by Grantor's reclamation plan approved by appropriate governmental authorities, upon the same terms and conditions and at the best competitive bid price received by Grantor from a qualified third party contractor. From and after the time Grantor either accepts that part of the Mineral Premises as reclaimed and replanted by Grantor or commences its own replanting operations as provided above, Grantee shall regain control of the Mineral Premises so reclaimed and replanted without further interference from Grantor's mining operations on such Mineral Premises, except such as may be required by law.

In the event Grantor engages in surface mining operations, Grantor shall stabilize and protect all overburden removed from and/or replaced in the Mineral Premises and any hardrock minerals stored thereon so as to prevent erosion and protect the environment. Grantor will build and use only such roads as are reasonably necessary to conduct hardrock mineral operations on the Mineral Premises. Grantee and its employees, agents, servants, contractors and assigns shall have the right in common with Grantor to use any such roads in such manner as not to interfere unreasonably with Grantor's hardrock mineral operations. Grantor shall have the right to use all roads and rights-of-way owned by Grantee on the Mineral Premises or on adjacent or nearby lands (but Grantor shall not interfere unreasonably with Grantee's use on such adjacent or nearby lands), in connection with mining operations on the Mineral Premises, provided that Grantor, at its sole cost, shall maintain in good condition and repair any damage caused to roads or rights-of-way so used by Grantor. All roads constructed by Grantor (except those lost in reclamation) shall become the property of Grantee; except, however, that Grantee reserves the option and privilege of requiring that all or any lands covered by said roads be reclaimed and restored as nearly as practical to their original condition upon cessation of hardrock mineral operations. If Grantor finds it necessary to remove a monument of any sort marking a boundary line of lands owned by Grantee in order to carry out mining operations on any part of the Mineral Premises, Grantor shall replace any such monument upon reclamation of the Mineral Premises on which such a monument was located.

C. Surface Damage Payments to Grantee.

During the applicable notice period provided for in Section A or Section B above, but not later than the designated date for commencement of operations specified in the notice, Grantee shall have the right at its own expense to remove any or

all buildings, structures (including drainage structures), crops, timber (merchantable or pre-merchantable), pulpwood, sawlogs, trees, forest growth (standing, cut or fallen), roads or other surface improvements (herein collectively referred to as "Improvements"), if any, located on the portion of the Mineral Premises to be affected by the proposed operations. If Grantee fails, within the required period, to remove any of the Improvements from the portion of the Mineral Premises designated in such notice, Grantor shall pay Grantee the fair market value (as of the time of commencement of Grantor's operations designated in such notice) of such Improvements, and upon making such payment to Grantee, the said Improvements shall then be solely owned by and deemed to be the property of Grantor to be disposed of or used in any method or manner deemed necessary or desirable by Grantor. If Grantee and Grantor fail to agree upon the fair market value of any such Improvements, such market value shall be determined by appraisal of such value by one mutually acceptable appraiser, or, upon the failure of Grantee and Grantor to agree upon a single appraiser, by the agreement of any two (2) of three (3) competent, disinterested appraisers, one to be selected by Grantor, one by Grantee, and the third by the two thus selected. Such appraisal shall be completed if at all possible on or before the designated date for commencement of operations specified in the notice furnished to Grantee. All costs incurred in making any appraisal hereunder shall be shared equally by Grantee and Grantor. All damages provided in this paragraph to be paid for by Grantor shall be paid to Grantee prior to the designated date for commencement of operations specified in the notice or within thirty (30) days after completion of the appraisal, whichever date is later.

In addition to any compensation to Grantee for damages to Improvements not removed by Grantee as provided for above, Grantor shall pay to Grantee for the loss by Grantee for timber growing purposes a single surface damage payment in advance equal to the then current market value of bare land for each acre of the Mineral Premises designated in the applicable notice to be used by Grantor in exploration or development operations requiring substantial use of the surface for any period in excess of one (1) year or to be used or mined by Grantor in actual drilling and production operations for oil and gas or actual mining operations for recovery of hardrock minerals. Upon making such single surface damage payment, Grantor shall have the free use of such Mineral Premises until they have been reclaimed and returned to Grantee for use as timber lands without further interference from Grantor's operations. If Grantor and Grantee fail to agree upon the amount of the single surface damage payment, which is to equal the then current market value of bare land, such amount shall be determined by appraisal of such value in the same manner as provided above for the determination of the market value of Improvements.



In the event Grantor performs, or causes to be performed, any seismic, core drilling or other exploratory operations on the Mineral Premises, Grantor shall pay Grantee for all shot holes, core holes and drill holes placed thereon at the rate of \$50 per hole for both seismic survey shot holes and conventional drilling, or \$500 per mile for "mini-hole" seismic programs. When Vibroseis equipment is used, Grantor will pay \$300 per mile. Grantor agrees to make such payment promptly upon completion of such exploratory operations. Such payment shall be for minimum damages to the surface of the Mineral Premises and shall be in addition to any other damages due Grantee as provided above.

The payments provided for in this Section C shall be liquidated damages in full compensation to Grantee for all damages arising from using, occupying, or mining the surface of that portion of the Mineral Premises designated in the applicable notice to Grantee, and all Improvements located thereon. Any obligation of Grantor under this Section C shall be limited to and measured by Grantee's interest in the ownership of the surface of the Mineral Premises and the Improvements thereon, and if Grantee owns a lesser interest in the surface and/or Improvements thereon than the entire and undivided whole thereof, then any payments under this Section C shall be paid to Grantee only in the proportion which Grantee's interest bears to the entire and undivided surface estate or to Grantee's interest in said Improvements.

D. Taxes.

Grantor shall be responsible for and shall pay any and all taxes that may be levied or assessed against Grantor's reserved minerals or mineral operations on the Mineral Premises, or any increase in property taxes payable by Grantee as a direct result of Grantor's operations on the Mineral Premises.

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