FINAL FIELD REPORT - OME EXPLORATION PROJECT

By J. William Hasler

July 19, 1977

1. OME 6885 (Silver-Gold)
Charles H. Turner and Anne Z. Turner
d/b/a Hamilton Resources Corporation
San Juan Mine
San Miguel County, Colorado
Contract 2313

Operator: Charles H. Turner and Anne Z. Turner
d/b/a Hamilton Resources Corporation
P.O. Box 3224 Himar Station
Boulder, Colorado 80303

Property: The land, including all rights pertaining thereto, referred to in Article 2 of the contract consists of two (2) patented lode mining claims and a mill site in Sections 4 and 5, T. 41 N., R. 9 W., NMPM, Trout Lake Mining District, San Miguel County, Colorado. These claims are shown in figure 1, titled "S. B. Kenrick and San Juan Claims" which is attached and made a part hereof.

The mining claims are identified as:

Name	U.S. Survey No.
San Juan	1167A
S. B. Kenrick	2683
San Juan Millsite	1167B

Ownership: The Operator is in possession of these claims by virtue of an Indenture dated April 23, 1973, between Charles H. Turner and Anne Z. Turner, and Hamilton Resources Corporation, a Colorado corporation.

2. Purpose of Project: The purpose of the project is to explore the San Juan Mine for gold, silver, copper and lead ore bodies by drifting northeastward on the San Juan vein in the No. 2 drift, A tunnel level, in igneous rocks associated with the Ophir stock.

Date June 17, 1974 for a period of 12 months. Original contract amount $32,940.00. Government participation 75 percent $24,705.00.

nt No. 1

is agreed this 21st day of May, 1975, between the United of America, acting through the Department of the Interior, ological Survey, hereinafter called the "Government", and . H. Turner and Anne Z. Turner d/b/a Hamilton Resources ation, hereinafter called the "Operator", that Exploration t 2313 (OME-6885) dated June 17, 1974, is amended effective , 1975, as follows:

. The time fixed by Article 1(a) of the Contract for ion of the work is extended from twelve (12) to eighteen (18) from the date of the Contract, or until December 17, 1975.

his amendment shall not be construed to increase the estimated f the Contract, the aggregate amount which the Government may uired to contribute, the amount of any item designated as em, nor the fixed-unit cost of any item of work.

ent No. 2

It is agreed this 18th day of December, 1975, between the United s of America, acting through the Department of the Interior, eological Survey, hereinafter called the "Government", and es H. Turner and Anne Z. Turner d/b/a Hamilton Resources ation, hereinafter called the "Operator", that Exploration ct 2313 (OME-6885) dated June 17, 1974, as amended effective er 1, 1975, as follows:

. (a) Work under the Contract may be suspended during the beginning November 1, 1975, and ending no later than , 1976.

(b) The Government shall not contribute to any costs ed during the period of suspension.

(c) The Government shall not contribute to or be liable for ts of rehabilitation or repair or any other costs which ot have occurred if there had been no suspension of work, h may arise out of this suspension.

(d) The Operator, at its own cost and expense, without ition by the Government, during the period of suspension reserve and protect the project work.

Amendment No. 2--Continued

2. The date fixed by Article 1(a) of the Contract as amended by Amendment No. 1 for completion of the work is extended from eighteen (18) months to twenty-seven (27) months from the date of the Contract, or until September 17, 1976.

3. It is the essence of this amendment that the work shall be resumed on or before the termination of the period herein fixed for suspension; and if not so resumed, the following provisions shall thereupon become effective:

(a) The Contract and all obligations of the parties thereunder except as hereinafter otherwise provided, shall be and are hereby terminated effective November 1, 1975, if work on the Contract has not been recommenced on or before June 1, 1976.

(b) The Government will contribute only to allowable costs incurred prior to the date set forth in 3(a) above.

(d) The Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer (for example, if the Operator either transfers or fails to retain its interest in the land), shall pay to the Government the royalty provided for in the Contract in the same manner and amount, for the same period, and subject to the same provisions as provided for in the Contract as amended herein as if a certification of possible production had been made, such certification of possible production, percentage royalty and liens to secure payment thereof, reports (including the preservation of Operator's record), accounts, audits, and the right to recover any overpayments are hereby preserved.

(e) The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of the Contract, except as provided for in this Amendment No. 2.

This amendment shall not be construed to increase the estimated cost of the Contract, the aggregate amount which the Government may be required to contribute, the amount of any item designated as maximum, nor the fixed-unit cost of any item of work.

Except as herein amended, Exploration Contract 2313 (OME-6885), dated June 17, 1974, shall remain in full force and effect.

Amendment No. 3

It is agreed this 21st day of September, 1976, between the United States of America, acting through the Department of the Interior, U.S. Geological Survey, hereinafter called the "Government," and Charles H. Turner and Anne Z. Turner d/b/a Hamilton Resources Corporation, hereinafter called the "Operator," that Exploration Contract 2313 (OME-6885) dated June 17, 1974, is amended effective September 17, 1976, as follows:

Amendment No. 3--Continued

1. The time fixed by Article 1(a) of the Contract as amended by Amendment No. 2 for completion of the work is extended from twenty-seven (27) to thirty-three (33) months from the date of the Contract, or until March 17, 1977.

2. The maximum period for payment of royalty set forth in Article 7(b) of the Contract, and for the lien to secure payment thereof set forth in Article 7(e) of the Contract is extended from ten (10) to twelve (12) years from the date of the Contract, or until June 17, 1986.

This amendment shall not be construed to increase the estimated cost of the Contract, the aggregate amount which the Government may be required to contribute, the amount of any item designated as maximum, nor the fixed-unit cost of any item of work.

Except as herein amended, Exploration Contract 2313 (OME-6885), dated June 17, 1974, shall remain in full force and effect.

4. Project Work: Started July 3, 1974, terminated March 17, 1977 under provisions of the Contract as amended.

Cost Items Fixed Unit Costs	Unit	Authorized Rate Rate	Amount	Completed Units	Amount
Drifting - crosscutting[1/]	250 ft	$ 87.00/ft	$21,837.00	163 ft	$14,181.00
Long hole drilling	800 ft	1.50/ft	1,200.00	--	--
1 Supervisor	3 mo	1,500.00/mo	4,500.00	3 mo	4,500.00
1 Outside Consultant	3 days	125.00/day	375.00	1 day	125.00
Per diem, Outside Consultant	3 days	25.00/day	75.00	--	--
Transportation for Consultant	2,042 miles	.12/mi	245.00	210 mi	25.20
Office and accounting expense	3 mo	50.00/mo	150.00	3 mo	150.00
Payroll Taxes, F.I.C.A. insurance @	15%		1,958.00		1,561.44
Total Fixed Unit Costs			$30,340.00		$20,542.64

1/ Includes all costs whatsoever such as labor, equipment, materials and supplies.

Actual Costs

Category (1) Independent contracts Bulldozing[1/]	30 hrs	$ 27.50/hr	$ 825.00	30 hrs	$ 825.00
Category (7) Miscellaneous Assaying 151 samples (rounded)			1,775.00	26 samples	305.50
Gold, silver, copper	8.50/s				
Lead	3.25/s				
Total Actual Costs			$ 2,600.00		$ 1,130.50
Total Estimated Costs of the Project			$32,940.00	Total Cost	$21,673.14
Government Participation	75%		$24,705.00	Gov't Participation	$16,254.86

1/ Includes all costs whatsoever such as labor, equipment, materials and supplies. The government retains no equity in any of the equipment or materials used.

Efficiency of Operation

The project began July 3, 1974.

July voucher - Bulldozed access road to mine portal - 30 hrs required.

Completed road work; hauled ballast for road drainage and grading completed, but work was impeded by frequent heavy rains.

December 1974

1. Portal supporting timbers stolen requiring rehabilitation and re-timbering portal.

2. Compliance with new Colorado State Bureau of Mines safety regulation concerning storage of explosives required extensive new work.

3. Adequate and experienced manpower was in short supply throughout summer and fall. Despite several winter storms installation of diesel power plant, pipe lines, vent tubing was completed and drifting on the San Juan vein was begun.

January 1975: Thirty-one feet of drifting was completed. The work was hampered by the supply of unreliable labor, caving ground, continued severe winter storms, and sub-zero temperatures.

March 1975: Total drifting 21 feet for January and February. Vein split and 14 feet of drifting was used to follow the apparently stronger footwall split. Task of competent help still hampered project work as did continued heavy winter storms.

June 1975: No work during April or May due to heavy winter storms and exceptionally heavy inflow of underground water in mine. Completed 36 feet of drifting on vein, total 127 feet.

May 19 - Field Officer recommended an amendment extending completion date of work from June 17, 1975 to December 17, 1975. Amendment No. 1 executed May 23, 1975.

May 23 - 91 feet of vein averaged 23 inches in width.

October 1975: A disastrous rock slide closed the portal early in July and most of the summer was required to reopen it (middle of Sept.). Work to improve the ventilation was required. Thirty-six feet of drifting on the vein was completed. Labor problems still hampered progress.

Interim inspection made October 2 and 3, 1975. A total footage of 139 feet.

November 28, 1975: Operator requested Amendment to recess contract to June 1, 1976. Contract work to be completed not later than September 17, 1976. Amendment No. 2 executed. August 1976 - financing failed.

September 7, 1976: Amendment No. 3 recommended to set completion date to March 17, 1977. Amendment No. 3 was executed but no further drifting was completed due to a compressor failure and vital parts were irreplaceable for the 20-year-old unit.

The Operator's final report was submitted June 23, 1977, that contained a narrative, geologic map, assay map, and a cross section showing ore reserves discovered as a result of the exploration work.

At my request, the Operator itemized costs of the project that were over and above the estimated cost of the project, as I knew they were excessive.

There have been very few OME exploration contracts that had such excessive costs. Many of these, I believe, could have been averted. As a result, the project was most inefficiently run.

Effectiveness of the Work

The objective of the work was to explore the northeast-trending San Juan vein, in the No. 2 drift for new gold, silver, copper, and lead ore bodies in igneous rocks associated with the Ophir Stock for a distance of at least 251 feet.

The vein was explored for a distance of 163 feet from the OME starting point. The estimated time to complete the 251 feet, based on a rate of five feet per shift, was three months. This should have been ample time in which to complete the work; however, the Operator was consistently hampered the first fall and winter by having to comply with some new Colorado State safety regulations concerning storage of explosives, coupled with labor shortages and replacement of portal timbers, and an unusually heavy winter. His attempt to remain open throughout the winter months of 1974-1975 resulted in an additional expenditure of $19,520.00 for rehabilitation of the mine tunnel, snow removal, and removal of massive caving at the portal. This additional work extended well into the summer months of 1975. The contract was amended three times to enable the Operator to complete the required drifting. He was unable to complete the 251 feet of drift before March 17, 1977, the completion specified in Amendment No. 3 of the subject contract. The Operator expended an additional $15,400.00 for installation of electric power, and an attempt to rebuild an old electric compressor, plus snow removal totalling $34,940.00. The Operator was most ineffective in guiding the work prescribed in the subject contract.

5. Reports:

Operator Final Report - An acceptable final geologic and engineering report was received in this office June 27, 1977.

Cost Review - A report of review is requested by the Field Officer, Region III.

Royalty Review - There has been no production of metals from the mine since the contract was terminated; consequently there will be no request for a Royalty Review by the Field Officer, Region III, OME.

6. Project Results: The project work resulted in the discovery of minable gold, silver, copper, and lead ore. Maps and assay data were attached to the monthly vouchers. Ore reserves estimated by the Operator as of June 23, 1977 and were included in his final geologic and engineering report.

The Operator estimates a reserve of 2,866 tons discovered by the OME drifting having gross value within a range of $49.00 to $62.00 per ton, at current prices. He would have to maintain a grade in excess of $50.00 ore in order to make a profit, and that may not be possible, at least for the present.

The Operator calculates an additional tonnage of ore from work completed prior to the execution of the subject contract totalling 2,820 tons. Any ore shipped now from the San Juan and S. B. Kenrick claims would be subject to Royalty payments, as stipulated in Amendment No. 2, paragraph 3(d). The Operator's total tonnage estimate of 5,686 tons, contains material averaging .04 oz Au, 8.0 oz Ag, 1.00% Cu and 0.30% Pb per ton. At current metal prices this material will gross $56.26 per ton for a total value of $319,894.36.

Unless some very selective mining is done to materially decrease the dilution of rock to ore the Operator cannot mine under the present or even a much improved system. He can in no way keep his mining and milling costs under $50.00 per ton--including the possibility of milling locally. Shipping raw ore to a smelter is out of the question. Under present conditions the Operator could mine only 10 to 30 tons per day. He would need at least five working faces to maintain a 50 ton per day operation, and this will take some doing on his part.

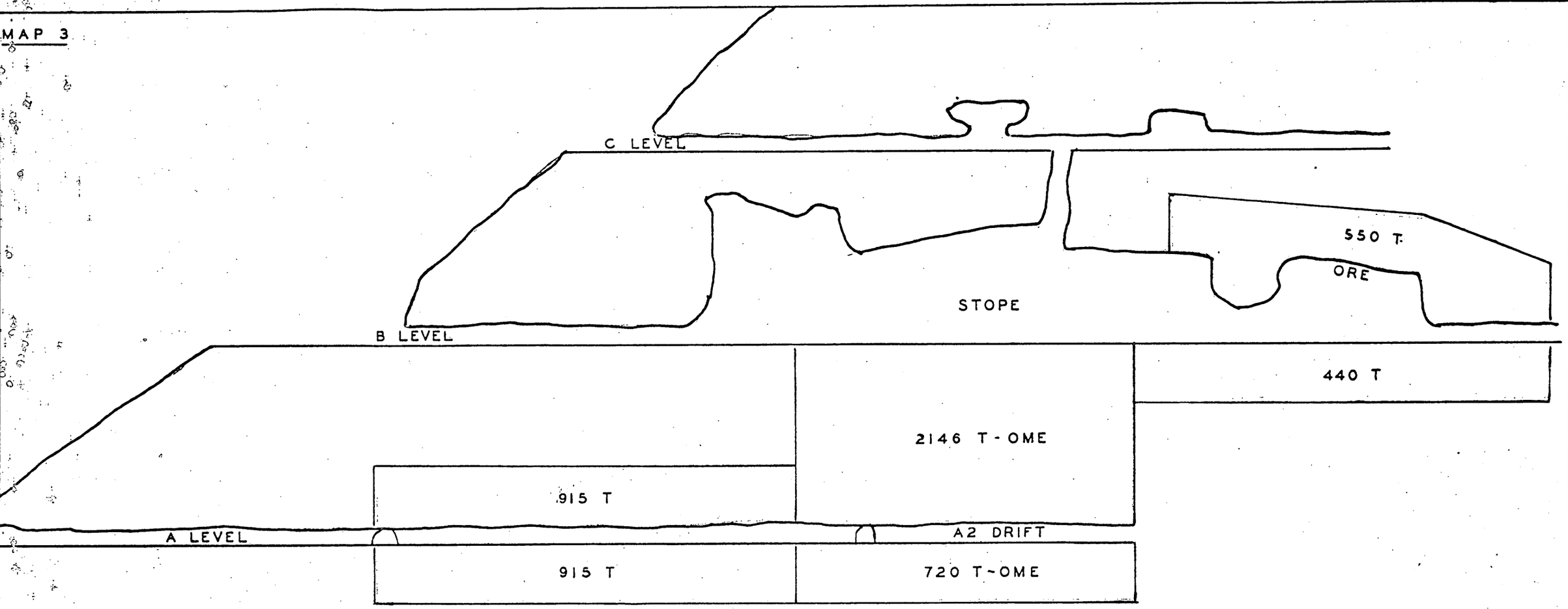
The Operator's reserves are conservative and I would not differ greatly with him on a total reserve of 5,686 tons. Should he mine now, all ore within the San Juan and S. B. Kenrick would be subject to royalty payment by virtue of the lien and subordination agreement, and Amendment No. 2, Item 3(d) of the subject contract as follows:

(d) The Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer

(for example, if the Operator either transfers or fails to retain its interest in the land), shall pay to the Government the royalty provided for in the Contract in the same manner and amount, for the same period, and subject to the same provisions as provided for in the Contract as amended herein as if a certification of possible production, percentage royalty and liens to secure payment thereof, reports (including the preservation of Operator's record), accounts, audits, and the right to recover any overpayments are hereby preserved.

The provisions of the Contract as amended requires royalty payments by the Operator should he fail to retain his interest in the land. I recommend that the stipulation in Amendment No. 2, Item 3(d) serve as a certification of discovery of possible production, as the Operator indicates that there may be some joint operation of several properties to assure enough production to supply a neighboring mill with enough feed to make the operation possible.

MAP 3



ORE RESERVES

OME	2866 T
CO.	2820
TOT.	5686

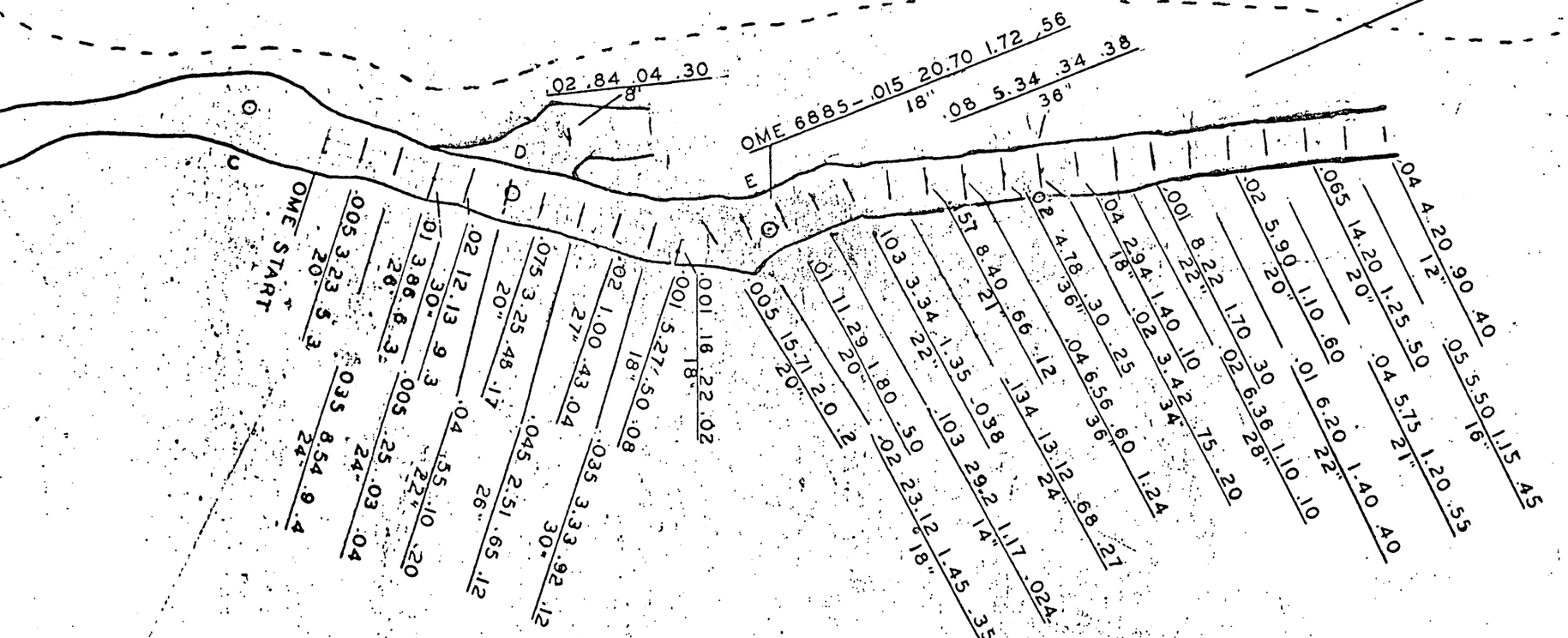
SAN JUAN MINE
MATTERHORN COLO.
1 IN. = 50 FT.
C.H.T. 6-15-77

MAP 2

ASSAY MAP

VALUES SHOWN - AU AG CU PB / INCHES

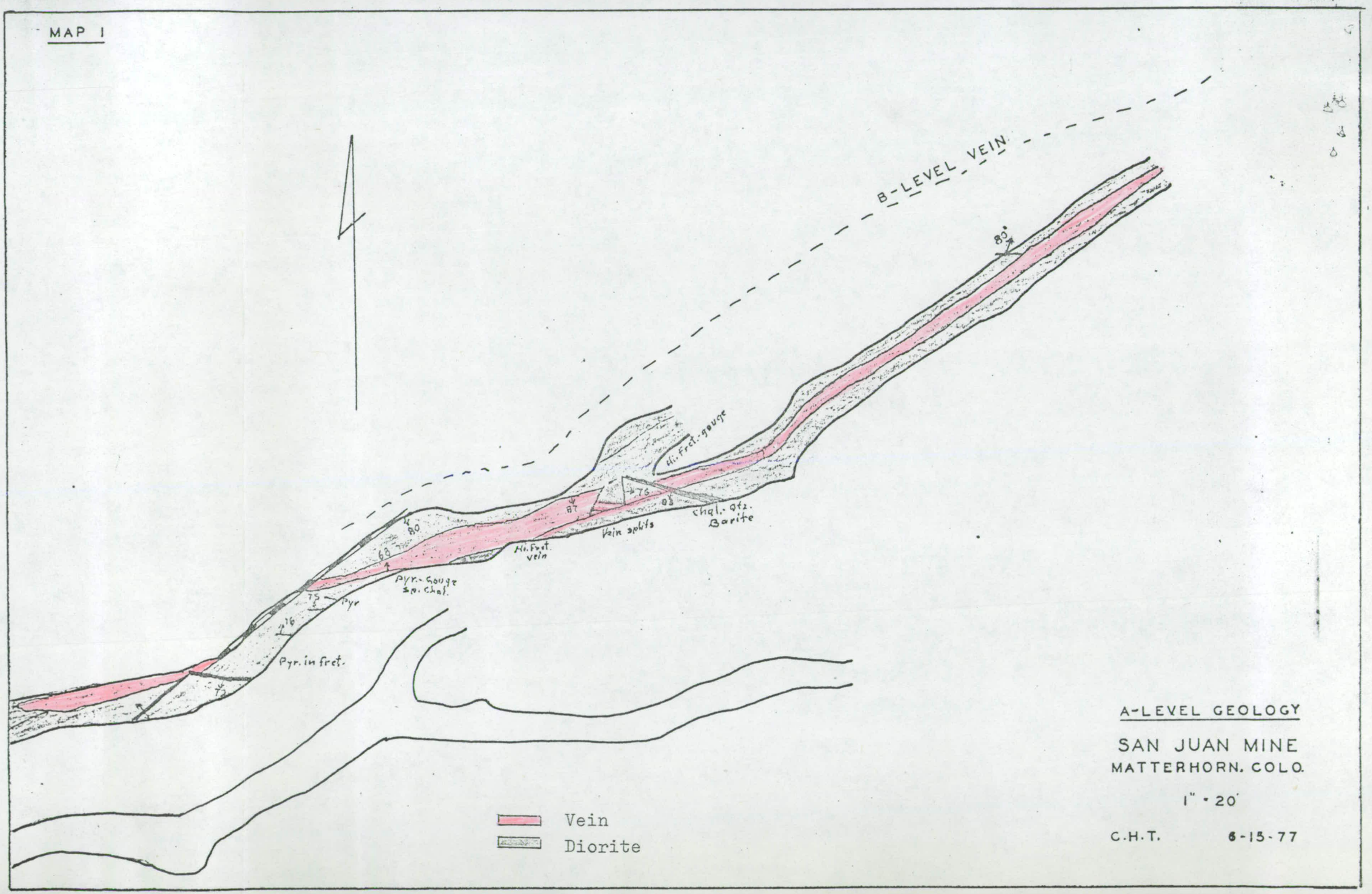
OME GRABS -		AU	AG	CU	PB
	E PLUS 20	.50	8.77	1.10	.24
"	40	.022	2.68	.28	.088
"	58A	.01	.57	.29	.07
"	58B	.011	2.26	.80	.26



SAN JUAN MINE
MATTERHORN, COLO.
1" = 20'

C.H.T. 6-15-77

MAP 1


B-LEVEL VEIN
80°
Hi. Frct. gouge
76
85
Chal. Qtz.
Barite
Vein splits
Hi. Frct.
vein
87
80
68
Pyr. Gouge
sp. Chal.
75
Pyr
76
Pyr. in frct.
Vein
Diorite
A-LEVEL GEOLOGY
SAN JUAN MINE
MATTERHORN, COLO.
1" = 20'
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