DMEA Form 9

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE

E 998

DMEA NO. 4263

Application (Denied
(Withdrawn
(After disposition, delete items not applicable)

Contract (Terminated - not Certified
(Cancelled
(Terminated - Certified
(Royalty Agreement

This is the official contract file containing all official records of the project. The records contained in the files are checked and are arranged in this order:

Left Side

- ✓ Interim Royalty Audits
- ✓ Reports of Royalty Review
- ✓ Certification of Discovery
- Certificate of Audit (Final)
- Interim Audit(s)
- ✓ Report of Review
- Termination Notice or Agreement
- Recision Notice
- Assignment of Contract
- ✓ Contract Amendments (latest on top)
- ✓ Contract with all exhibits and annexes
- ✓ Owner's Consent to Lien
- Subordination Agreement
- ✓ Leases and assignments of leases
- ✓ Application and attachments
- (3) Envelope for maps

Right Side

- ✓ Project summary
- ✓ Work completed analysis
- All other material is filed in chronological order with correspondence including the following reports as checked:
  - ✓ Final Field Team Report (Tab)
  - Operator's Final Report
  - (2R) ✓ Interim Reports
  - (2R) ✓ Operator's monthly reports and all attachments (latest on top)
  - ✓ On-site Exam Report(s) (Tab)
  - (4) Settlement Sheets

When the volume of records is expected to warrant additional folders, or when convenience of reference warrants separate folders for certain records, they should be set up in this order:

Left Side

✓ Folder No. 2: (In chron. order)
Interim Summary Reports by W. O. Engineers

Right Side

Operator's Semi-Annual Report for Certified Project, Field Team Interim Reports, Operator's Monthly Report with transmittal, narrative, maps, and Field Team review.

Folder No. 3: Maps (Use pocket folder or envelope. Fold maps with title block out and show reference to related document or correspondence.)

Folder No. 4: Settlement Sheets

Folder No. 5: Drill Logs
Reported Inactive 12/28/59

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Washington office pertaining to Contract Idm-E998, Docket DMEA-4263 (mercury), dated August 22, 1956, with

Mercury & Chemicals Corp.
Black Butte, Oregon
and
342 Madison Avenue
New York 17, New York

for the purpose of determining the amount of royalty payable to the U. S. Government on sales of minerals from property referred to as the Black Butte Mine located in Lane County, Oregon, during the period March 13, 1957, through March 1, 1962.

A certification of discovery or development was issued on January 7, 1958, and, in accordance with Article 6 and Amendment No. 2 of the contract, royalty is payable on all minerals produced from the land described in Article 2 of the contract for a period of 11 years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review dated March 17, 1959, indicated accepted costs under the exploration contract amounting to $13,682.00 with the Government's contribution on a 75 percent basis being $10,261.51.

The status of the project, the scope of review, the reasons therefor, and an explanation of the adjustment of royalty payable, as reflected below, are stated on page 2.

This review established the total production subject to the Government's royalty for the period to be $62,475.00. Royalty payable to the Government at the rate specified in the contract is $3,123.75.

A prior Royalty Audit Certificate found the sales subject to the Government's royalty through March 12, 1957, to be $35,290.00, which added to the sales for this subsequent period make a total of $97,765.00. The royalty account as of March 12, 1957, was:

Total Royalty Payable	$1,764.50
Total Royalty Paid	-0-
Balance of Royalty Due	$1,764.50

After adjustment for uncollectible royalty in the amount of $1,415.00, as of March 1, 1962, the royalty account of this project was found to be:

Total Royalty Payable	$3,473.25
Total Royalty Paid	3,473.25
Balance of Royalty Due	$ -0-

March 7, 1962

E. D. Talbert, OME Auditor

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

This exploration project contract provides that the Operator, as principal if the producer or as surety if not the producer, shall pay to the Government a percentage royalty on all minerals produced from the land thereunder. The Operator held possession of the land by virtue of a September 29, 1955, assignment from Bernard J. Chubet of a lease of the same date granted by the Quicksilver Syndicate, Box 514, Black Butte Route, Oregon. In consideration of the contract, the landowner executed a Consent to Lien and Subordination Agreement on August 30, 1956.

An audit on March 11 and 12, 1957, of the Operator's production and sales records disclosed that a furnace was placed in operation on November 16, 1956, and thereafter the Operator produced 147.657 flasks of mercury, of which 144 had been sold for $35,290.00 in aggregate proceeds. The Operator had not reported the sales or paid the $1,764.50 in royalty due thereon. These findings are covered by a Royalty Audit Report and Certificate dated March 25, 1957.

All operations on the property ceased on July 15, 1957, due to cancellation of the lease for default in monthly payments of rent. The Operator's president informed Region I representatives that 255 flasks of mercury valued at $245.00 a flask, or a total of $62,475.00, were produced between the date of audit and the cessation of operations. The royalty due on this production amounted to $3,123.75 at the 5% contract rate and, on addition to the prior indebtedness of $1,764.50, made a total of $4,888.25 in royalty delinquently due the Government. The Government's contribution of $1,673.25 on the Operator's final voucher was applied as an offset to the indebtedness, leaving a balance of $3,215.00 payable by the Operator.

Due to imminent foreclosure by the Operator's creditors, the indebtedness was reported informally to the United States Attorney in Portland, Oregon, on October 28, 1957. On December 23, 1957, a Notice to Creditors in the matter of Mercury and Chemicals Corp., Debtor No. 92871, was received from John E. Joyce, Referee in Bankruptcy, United States Court House, New York, N. Y. On January 2, 1958, the matter was referred formally to the Attorney General of the United States for appropriate action to protect the Government's interest.

During March 1961 the Assistant Attorney General, Civil Division, advised that the assets of the estate would not be sufficient to pay claims of higher priority and, accordingly, the file on the

matter had been closed. In the meantime, however, the United States Attorney in Portland, Oregon, had asserted the lien on the property with the result that during March 1959 a compromise settlement of $1,800.00 was accepted from the owner (Quicksilver Syndicate) with the understanding that the Government's right to royalty on any future production was not affected. Accordingly, $1,415.00 was considered uncollectible.

An examination of the property on June 3, 1958, disclosed no activity. Replies from the landowner (Quicksilver Syndicate) on September 26, 1960, and March 1, 1962, to inquiries on MME Forms 63 asserted that there had been neither production from nor change in ownership or lease of the property since the 1957 shut-down by the Operator.

This review was made in lieu of an on-site audit of the Operator's accounts and records for the following reasons:

(1) The files indicate that all production from the property since the date of the contract has been accounted for;

(2) The property has been inactive since 1957; and

(3) The administrative cost to the Government of an on-site royalty audit at this time would be excessive in relation to the amount of possible additional royalty which might be disclosed.

MME Form 22
Dec. 60

DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

CHECK SHEET OF EXAMINING ENGINEER

Operator's Name and Address

Mr. Daniel J. Mills, President
Quicksilver Syndicate
Blackbutte Route
Box 514
Cottage Grove, Oregon

Contract No.	Docket No.
Idm-E998	DMEA-4263 (Mercury)

Prepared by (Signature)	Date
Donald R. MacLaren	3/ 2/62

Yes	No		
		1. (a)	Does the Operator stockpile ore subject to royalty repayment?
		(b)	If so, is segregation and identification procedure adequate?
		2. (a)	Does the Operator commingle production subject to DMEA or OME royalties with exempt production?
		(b)	If so, is the allocation of the commingled production equitable?
		3. (a)	Does the Operator stockpile mine or mill rejects (low grade ore, tailing, middlings, etc.) that may have potential value within the royalty payment period?
		(b)	If so, are adequate records maintained on such material to protect the Government's interest?
		4.	Are the assay controls in effect adequate?
		5.	Does the manner of disposing of production give the Government its fair royalty returns?
		6.	Do your periodic examinations of operations indicate the Operator is properly reporting his production of ores subject to DMEA or OME royalties?
		7.	Does the Operator buy from or sell to other Operators?

8. Current status of property. (Check one).

	Operating.
X	Inactive.
	Abandoned.
	Date of last production if not operating.

Comment on items 1(b), 2(b), 3(b), and 4 to 6, if answer is No:

8. According to Daniel J. Mills who has returned signed Request for Information forms, September 26, 1960, and March 1, 1962, there has been no production from this property since September 1, 1957.

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

First Royalty Audit Certificate

I have examined the production records and sales documents pertaining to the sale of mercury for the period of August 22, 1956 to March 12, 1957 by

Mercury and Chemicals Corporation
Black Butte, Oregon

produced from the Black Butte Mine, located in Lane County, State of Oregon, on which royalties are due the United States Government under terms of Contract No. Idm-1998 (Mercury) Docket No. DMEA-4263, dated August 22, 1956, including Amendment No. 1.

My examination was made in accordance with generally accepted standards applicable in the circumstances.

The audit established the total sales of mercury for this period subject to DMEA royalties, to be $35,290.00. Royalty due the Government at rate of 5 percent as specified in the contract is $1,764.50. The royalties paid and the balance due are as follows:

Total Royalties Due	$1,764.50
Total Royalties Paid	None
Balance of Royalties Due	$1,764.50 ✓

C. A. Turner, Auditor

March 25, 1957

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DMEA
RECEIVED MAR 28 1957

DATE	INITIALS	CODE
x-1	SC	800
"	[illegible]	100
"	[illegible]	110
		120
4/2	WSM	400

EXTRA COPY
DMEA
RECEIVED MAR 29 1957

DATE	INITIALS	CODE

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

First Royalty Audit Report

I. Introduction

On March 11 and 12, 1957 an audit was made of the production, sales, and royalty accounts and records of

Mercury and Chemicals Corporation
Black Butte, Oregon

pertaining to the sale of mercury during the period of August 22, 1956 to March 12, 1957 produced from property known as the Black Butte Mine, located in Lane County, State of Oregon, on which royalties are due the United States Government under the terms of Contract No. Idm-E998, Docket No. DMEA-4263, dated August 22, 1956 including Amendment No. 1.

The Operator's exploration, production and sales records are maintained at the mine office under the supervision of Mr. Richard P. Fischer, president of the Mercury and Chemicals Corporation. The exploration records located at the mine were not examined because the production records and sales records in the possession Mr. Fischer were deemed sufficient for the purpose of this audit.

Mr. John D. Bardill, Metallurgist, Bureau of Mines, Spokane, Washington, was present and assisted in the audit.

II. General Information

The exploration contract provides that the Operator shall pay to the Government a royalty on all minerals mined or produced from the land described in Article 2, regardless of any certification of discovery or development from the date of the contract, August 22, 1956, until the lapse of the time which the Government may make such certification (not later than six months after the Operator has rendered a sufficient final report) until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first, or, if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

The Government's royalty shall be computed and paid currently upon each lot sold.

The exploration work provided by the amended contract is still incomplete and in progress. A certification of discovery or development had not been issued at the date of the First Royalty Audit.

At the time of the First Royalty Audit the Operator's last claim, Form MF-104 dated February 1957, claimed on the basis of Fixed Unit Costs of units of work actually completed amounted to $13,682.00 with the Government's contribution on a 75 percent basis being $10,261.50.

III. Scope of Audit and Findings

A. Conference with Examining Engineer

A conference with Mr. John D. Bardill, examining engineer, disclosed the following:

(a) The Operator does not stockpile ore subject to DMEA royalties.

(b) All production from the mine is subject to DMEA royalties.

(c) The Operator does not stockpile mine or mill rejects (low grade ore, tailings, middlings, etc.) that may have potential value within the royalty payment period.

(d) The assay controls are considered adequate.

(e) The manner of disposing of production is considered as giving the Government its fair royalty returns.

(f) Periodic examinations by the examining engineer indicated that the Operator was not properly reporting his production of mercury and sales of mercury subject to DMEA royalties.

(g) The Operator does not buy from or sell to other Operators.

B. Audit of Settlement Statements

Prior to the on-site audit the Operator had not reported any production of mercury, sales of mercury or paid any royalties to the Government.

During the on-site audit, production records and sales records were all examined, sales records were recomputed and tabulated, and verified by remittance slips from the purchaser.

The production records indicated that a 90 ton per day kiln plant went into operation November 16, 1956, with production for the period under review as follows:

Production

November 16, 1956 to March 12, 1957	147.657	Flasks
Inventory March 12, 1957	3.657	Flasks
Mercury Sold	144.000	Flasks

Sales records and remittance slips from the purchaser indicate the sales of mercury to be as follows:

Sales of Mercury - November 29, 1956 to March 11, 1957

Date	Flask Numbers	Purchaser	Flasks	Price per Flask	Amount
1956					
Nov. 29	1-2	Mrs. Marjorie Fischer Eugene, Oregon	2	$250.00	$ 500.00
Dec. 5	3-18	Quicksilver Products, Inc.	16	245.00	3,920.00
17	19-27	407 Sansome Street	9	245.00	2,205.00
20	28-35	San Francisco, Calif.	8	245.00	1,960.00
24	36-39	"	4	245.00	980.00
31	40-41	"	2	245.00	490.00
1957					
Jan. 4	42-59	"	18	245.00	4,410.00
16	60-66	"	7	245.00	1,715.00
22	67-75	"	9	245.00	2,205.00
Feb. 4	76-95	"	20	245.00	4,900.00
14	96-106	"	11	245.00	2,695.00
21	107-111	"	5	245.00	1,225.00
25	112	"	1	245.00	245.00
28	113-114	"	2	245.00	490.00
Mar. 5	115-141	"	27	245.00	6,615.00
11	142-144	"	3	245.00	735.00
Total Sales			144		$35,290.00

The sale of 2 flasks of mercury to Mrs. Marjorie Fischer was verified orally by Mr. Richard P. Fischer.

Correspondence by this auditor with the Quicksilver Products Inc. 407 Sansome Street, San Francisco, California confirmed the sales of the remaining 142 flasks of mercury totalling $34,790.00 for the period of August 22, 1956 to March 12, 1957.

IV. Conclusion and Recommendations

A summary analysis of the Operator's production and sales during the period covered by this audit together with amounts subject to DMEA royalties and royalties paid follows:

Production of Mercury

Produced Nov. 16, 1956 to March 12, 1957	147.657 Flasks
Inventory on Hand March 12, 1957	3.657 "
Sales of Mercury	144.000 "

Sales of Mercury

Mrs. Marjorie Fischer	2 Flasks	$ 500.00
Quicksilver Products, Inc.	142 "	34,790.00
Total Subject to 5% Royalty	144 "	$35,290.00

Royalties Due

Royalties Due	5% of $35,290.00	$ 1,764.50
Royalties Paid		None
Unpaid Royalties Due		$ 1,764.50

The audit has confirmed the accuracy and propriety of the mercury produced, sales of mercury and the amount of royalties due the Government.

It is recommended that the Operator be requested to pay the Unpaid Royalties Due amounting to $1,764.50 promptly and that Royalties Due on future sales of mercury be paid currently upon each lot sold as provided in Article 6 of the contract.

At the conclusion of this audit, Mr. Richard P. Fischer, president of the corporation, was informed of the audit findings. The report and findings were also discussed with Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, Northwest District.

March 25, 1957

C. A. Turner, Auditor

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DATE	INITIALS	CODE

Check Sheet of Examining Engineer

Operator's Name Mercury and Chemicals Corporation

Address 1897 Riverview Street

Eugene, Oregon

Exploration Contract No. Idm-E998 Docket No. 4263 (mercury)

	Check One Yes	No
1. (a) Does the Operator stockpile ore subject to royalty repayment?		x
(b) If so, is segregation and identification procedure adequate?		
2. (a) Does Operator commingle production subject to DMEA royalties with exempt production?		x
(b) If so, do you consider the allocation of the commingled production equitable?		
3. (a) Does the Operator stockpile mine or mill rejects (low grade ore, tailing, middlings, etc.) that may have potential value within the royalty payment period?		x
(b) If so, are adequate records maintained on such material to protect the Government's interest?		
4. Do you consider the assay controls in effect are adequate?	x	
5. Do you consider that the manner of disposing of production gives the Government its fair royalty returns?	x	
6. Do your periodic examinations of operations indicate the Operator is properly reporting his production of ores subject to DMEA royalties?		x
7. Does the Operator buy from or sell to other Operators?		x

8. Comment on any item 2 (b) to 6 if answer is No.

3. (a) Tailings too low grade to stockpile.
6. Operator reportedly has made arrangements with the Executive Officer to pay past due royalties.

John D. Bardill
Mining Engineer

Date March 18, 1957

82448

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
1/6/58	Holt	400
1/6/58	Martin	400
1/7	Thomsen	140
1/6	Talbert	800
1/7	Selbrede	130
1/7	Johnson	110
1/7	Mittendorf	900
		220

Kilsgaard
Lamb

SOLICITOR

JAN 7 1958

INTERIOR DEPT.

CERTIFICATION BY THE UNITED STATES OF AMERICA
OF A DISCOVERY OR DEVELOPMENT UNDER
AN EXPLORATION PROJECT CONTRACT

To: Mercury and Chemicals Corporation
% Mr. E. Haring Chandor, Secretary
342 Madison Avenue
New York 17, New York

Pursuant to the provisions of Exploration Project Contract No. Idm-E998, executed August 22, 1956, (Docket No. DMEA 4263), hereinafter called the "Contract", between Mercury and Chemicals Corporation and the United States of America, hereinafter called the "Government"; to establish and fix the Government's royalty on production and its lien therefor and on the land described in the contract, the Government considers and therefore certifies that a discovery or development from which production may be made has resulted from the exploration.

The nature of said discovery or development is described broadly or indicated as follows:

Rehabilitation and drifting on the 1100 level of the Black Butte mine have exposed low-grade mercury-bearing ore in the form of cinnabar disseminated along a shear zone traversing altered volcanic rocks.

THE UNITED STATES OF AMERICA

By O. Mittendorf
Administrator, Defense Minerals
Exploration Administration

Dated: JAN 7 1958, 1958

SPHOLT:foc 1-6-58
cc to: Docket
Code 110
800
400
Admr. R. File
Oper. Comm.
FT. REG. I.

cc to: F. D. Lamb, USBM
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
C. A. Fredell, GSA
Finance Officer
Quicksilver Syndicate, BlackButte, Ore

8623

(See wire dated 10/22/57)

NEW ADDRESS:

Mercury & Chemicals Corp.
% Harting Chandor, Secretary
342 Madison Avenue
New York 17, N. Y.

Believe we should spell "Harting" with one "r" only. See Assignment of Lease of Sept. 29, 55, and also Application

WGM
10/28/57

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

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O. M. E.
RECEIVED MAR 20 1959

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REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Mercury and Chemicals Corporation
Black Butte, Oregon

pertaining to Exploration Project Contract No. Idm-E-998, Docket No. DMEA-4263, dated August 22, 1956, including Amendment Nos. 1 and 2, for the Months of November 1956 to February 1957, inclusive, covering a project for the exploration of Mercury, on property known as the Black Butte Mine, located in Lane County, Oregon.

My review included an examination of the Monthly Reports (Forms MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, verification of work performed by reference to Field Team reports and correspondence, and a determination of the reasonableness and propriety of the costs.

This review was made in lieu of a final audit of the Operator's accounts and records for the following reason:

All of the costs incurred were under a contract provision for payment by the Government on the basis of fixed unit costs of work actually performed.

The review disclosed the following facts in regard to the amount paid or to be paid the contractor:

Total cost as billed by Contractor		$13,682.00
Exceptions:		
Prior to this review	$ -0-	
Herewith	-0-	
Total Accepted Cost		$13,682.00

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in amount of Ten Thousand Two Hundred Sixty One and 51/100 Dollars is valid and proper, provided that the Regional Executive Officer, The Director, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

Amount payable to Operator	$10,261.51
Amount paid to date	10,261.51
Balance Due Operator	$ -0-

George Mavor
George Mavor, OME Auditor

March 17, 1959

DOCKET COPY

EXPLORATION PROJECT CONTRACT
MERCURY & CHEMICALS CORPORATION
DOCKET NO. DMEA-4263

Amendment No. 2

It is agreed this 14th day of May, 1957, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Mercury & Chemicals Corporation, that Exploration Project Contract No. Idm-E998, (Docket No. DMEA-4263), dated August 22, 1956, is amended as follows:

1. In Article 1 (a) of the contract, the period for completion is extended from nine (9) months to twenty-one (21) months.

2. In Article 6 of the contract the maximum period for royalty payments and liens to secure them is extended from ten (10) years to eleven (11) years from the date of the contract (August 22, 1956).

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate amount which the Government may be required to contribute, nor the fixed unit cost of any item of work.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
DMEA Field Team, Region I
Northwest District

MERCURY & CHEMICALS CORPORATION

By Richard P. Fendrich, Pres.

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DMEA
RECEIVED JUN 27 1957

DATE	INITIALS	CODE

EXPLORATION PROJECT CONTRACT
MERCURY & CHEMICALS CORPORATION
DOCKET NO. DMEA-4263

Justification of Amendment No. 2

The contract will expire on May 22, 1957, and only about one-third of the contract work has been completed to date. The Operator has been delayed because of financial difficulties.

John D. Bardill

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Docket Copy

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DATE	INITIALS	CODE
2-8	C	220 Pritchin
		225 Sawyer
		Appr. Cont. Off.
		Chapman
		Martin
		Chamberlin
		Selfridge
		Johnson

EXPLORATION PROJECT CONTRACT
MERCURY & CHEMICALS CORP.
DOCKET NO. DMEA-4263

Amendment No. 1

It is agreed this 18th day of January, 1957, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and the Mercury & Chemicals Corp., that Exploration Project Contract Idm-E998, dated August 22, 1956 (Docket No. DMEA-4263), is amended as follows:

In Exhibit A:

(a) Item 1(a) under Description of the Work is revised to read as follows:

"Bulldoze (with TD18A) not to exceed 115.38 hours to improve access road to portal of 1,100 adit level, and to prepare three diamond drill sites."

(b) The first item under Fixed Unit Costs is revised to read as follows:

"Bulldozing 115.38 hours @ $13.00/hr. $1,500.00"

This amendment shall not be construed to increase the estimated total cost of the project, the aggregate total amount which the Government may be required to contribute, or the fixed unit cost of any item of work.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. D. Mitchenson
Administrator, Defense Minerals Exploration Administration

MERCURY & CHEMICALS CORP.

By Richard P. Fischer

Docket copy 3

RECEIVED NOV 13 1956 D.M.E.A.

MF-200A
(Rev. April 1956)

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT
(Short Form)

DMEA No.	*Commodity*	*Contract No. Idm–E*	*County*	*State*
4263	Mercury	998	Lane	Oregon

It is agreed AUG 2 2 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and MERCURY & CHEMICALS CORP., a Delaware corporation,

whose mailing address is Black Butte, Oregon

hereinafter called the "Operator," as follows:

ARTICLE 1. *Authority and project.*—(a) This contract is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF–200A), the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed therein. The project work is a search for indicated or undeveloped deposits of the commodity designated above. The Operator shall begin the work on or before 1 November 1956, and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within none months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the project work is $62,340.00. The Government will contribute 75 percent of the fixed unit cost of the work performed, not exceeding $46,755.00, in accordance with the provisions of Articles 4 and 5.

(c) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. *Operator's property rights.*—(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's rights of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances: None

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached, as follows: Consent to Lien of lessor.

(c) The Operator shall preserve and maintain his right, title, and interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing

in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof. Two copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. *Performance of the work.*—(a) Operator's responsibility.—The work shall be performed diligently, efficiently, expertly, in a workmanlike manner, and in accordance with good mining standards and State regulations governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work, as specified in Article 1 (a).

(b) *Government may inspect.*—The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract, and also after certification of discovery or development, to inspect production operations and underground workings. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. *Contribution by the Government.*—The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5 (b); but all payments by the Government are provisional only, subject to audit, and until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been rendered, the Government may withhold such sums as it sees fit but not in excess of 10 percent of the estimated total cost of the work. To the extent that excesses over fixed unit costs or any excess over the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such excesses for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. *Reports, accounts, audits.*—(a) Operator's records.—The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) *Progress reports and vouchers.*—The Operator shall provide the Government with five copies of monthly progress reports in three sections as follows: (1) Operator's Monthly Report and Voucher showing a detailed statement of units of work performed during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and the fixed unit costs incurred for each type of work; and (3) a Narrative Report of the work performed during the reporting period including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground. (Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) *Final report.*—Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final progress report and voucher). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) *Report of sales.*—The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's percentage royalty relates, such as copies of smelter or concentrator settlement sheets, and certified accounts of production and sale or other disposition of production.

(e) *Compliance with requirements.*—If in the opinion of the Government any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the making or completion of such with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. *Repayment by Operator.*—(a) *Certification.*—If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered a sufficient final report (see Article 5), may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

(b) *Royalty on production.*—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 his interest in the land), shall pay to the Government a royalty on all minerals mined or produced from the land, as follows: (1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first; or (2) if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

(c) *Basis for computation.*—The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f. o. b. point); *except,* that charges of *the buyer* arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by *the buyer,* sampling and assaying to determine the value of the production sold, and freight paid by *the buyer* to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling, assaying, or transportation performed or paid by the Operator or by anyone other than the buyer are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(d) *Unsold production.*—If any production (ore, concentrates, metal, or equivalent) after the lapse of six months from the date the ore was extracted from the ground remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance, if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrates, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) *Percentages of royalty.*—The percentages of the Government's royalty shall be as follows:

One and one-half (1½) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.

(For instance: the royalty on an amount of five dollars ($5.00) per ton would be one and one-half (1½) percent; on an amount of ten dollars ($10.00) per ton, three and one-half (3½) percent.)

(f) *Time for computation and payment.*—The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be, as above provided in this Article.

(g) *Lien for payment.*—To secure the payment of its percentage royalty, there is hereby granted to the Government a lien upon the land or the Operator's interest in the land and upon any production of minerals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(h) *Notice to purchasers.*—The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Administrator, Defense Minerals Exploration Administration, or his successor, and his estimate thereof shall be final and binding upon the Operator.

(i) *No obligation to produce.*—Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(j) *Government not obligated to buy.*—Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

ARTICLE 7. *Termination of the Government's obligations.*—(a) If in the opinion of the Government operations at any time have failed to achieve anticipated results that indicate the probability of making a worthwhile discovery and in the opinion of the Government further operations are not justified, the Government may give the Operator written notice thereof, and thereupon the Government shall be free of all obligation to pay on account of units of work not then performed, and the Operator shall be free of all further obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting.

(b) If in the opinion of the Government the Operator is in any manner in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting. The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and liens to secure the payment thereof, and such rights shall be fully preserved.

ARTICLE 8. *Notices to be given by the Government* may be delivered to the Operator or may be sent by registered mail addressed to the Operator at the mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. *Officials not to benefit.*—No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 10. *Changes and added provisions.*—

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Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mitchenor
Administrator, Defense Minerals Exploration Administration

"Appd. Sol. Off."
McMahon
Martin
Chamber

MERCURY AND CHEMICALS CORP.
(Operator)

By Richard P. Fischer

Title President

I, Herbert F. Larsen, certify that I am the Assistant secretary of the corporation named as Operator herein; that Richard P. Fischer, who signed this contract on behalf of the Operator, was then President of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

Herbert F. Larsen

[CORPORATE SEAL]

Selfridge
H. H. Gleason

U. S. GOVERNMENT PRINTING OFFICE: 1956—O-383069

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NOV 13 1956
D.M.E.A.

EXPLORATION PROJECT CONTRACT
MERCURY & CHEMICALS CORPORATION
DOCKET NO. DMEA-4263

ANNEX I

The land referred to in Article 2 of this contract consists of all of sec. 16, T. 23 S., R. 3 W., Willamette Meridian, Lane County, Oregon, as shown on the map entitled "Figure 1 - Topographic map of Black Butte Mine and Vicinity," attached hereto.

The Operator holds possession and has the right to possession of the land by virtue of an assignment, dated September 29, 1955, of a "Lease with Option to Purchase," dated September 29, 1955, between Quicksilver Syndicate, an Oregon corporation, and Bernard J. Chubet. The term of the lease is 10 years with right of lessee to renew for additional 5 years.

EXPLORATION PROJECT CONTRACT
MERCURY & CHEMICALS CORPORATION
DOCKET NO. SMRA-4263

EXHIBIT "A"

Attached hereto and made a part hereof is a map entitled "Composite Geologic Map, Black Butte Mine, Lane County, Oregon, Plate 1," which shows the underground workings and proposed extension of the 1,100-level east drift.

Description of the Work

The items of exploration work to be performed are as follows:

1. Surface -

(a) Bulldozer (D-6 or equivalent) not to exceed 100 hours to improve access road to portal of 1,100 adit level, and to prepare three surface diamond drill sites.

(b) Diamond-drill three holes from the surface through the bedded tuff ore zone at the 1,100-level to the footwall of the main fault. The first of these three holes shall be drilled about 300 feet east of the end of the completed east drift on the 1,100-level described below in this Exhibit "A" (Item 2(b)). The other two holes shall be located eastward of the first hole and in line therewith at approximately 300-foot intervals. The total footage for all three holes shall not exceed 2,000 feet. The first 100 feet of each hole shall be BX size, and the balance of each hole AX size. The cores of all mineralized zones shall be sampled and the samples assayed for mercury.

(c) Construct a change-storage building near the portal of the 1,100 adit level having a floor area not less than 1,000 square feet.

2. Underground -

(a) Rehabilitate approximately 640 feet of the 1,100-level, including installation of air, water, and vent pipe, changing not in excess of 350 track ties, and timbering over 9 old chutes so as to close them off.

(b) Extend the 1,100-level east not more than 1,200 feet parallel with the main fault in the bedded tuff ore zone, timbering as necessary. The drift shall have a minimum cross-section of 5 feet

by 7 feet in the clear. In mineralized ground, each face of the drift shall be sampled and the samples assayed for mercury.

(c) Drive three, two-compartment raises from the 1,100-level east drift extension (Item 2(b)) totaling not more than 300 feet. The location, direction, and extent of each raise are subject to prior written approval of the Government. Each compartment shall be a minimum of 6 feet by 4 feet in the clear of timber. All mineralized zones shall be sampled at intervals of ten feet and the samples assayed for mercury.

(d) Diamond drill not more than 1,000 feet of AX size (minimum) holes to explore ore zones from the new 1,100-level east drift extension. The location, direction, and extent of each hole are subject to approval of the Government.

Fixed Unit Costs

The fixed unit costs for drilling include all costs whatsoever of drilling holes AX size or larger, reaming and casing, cementing and redrilling, surveys, delays, and any other miscellaneous items.

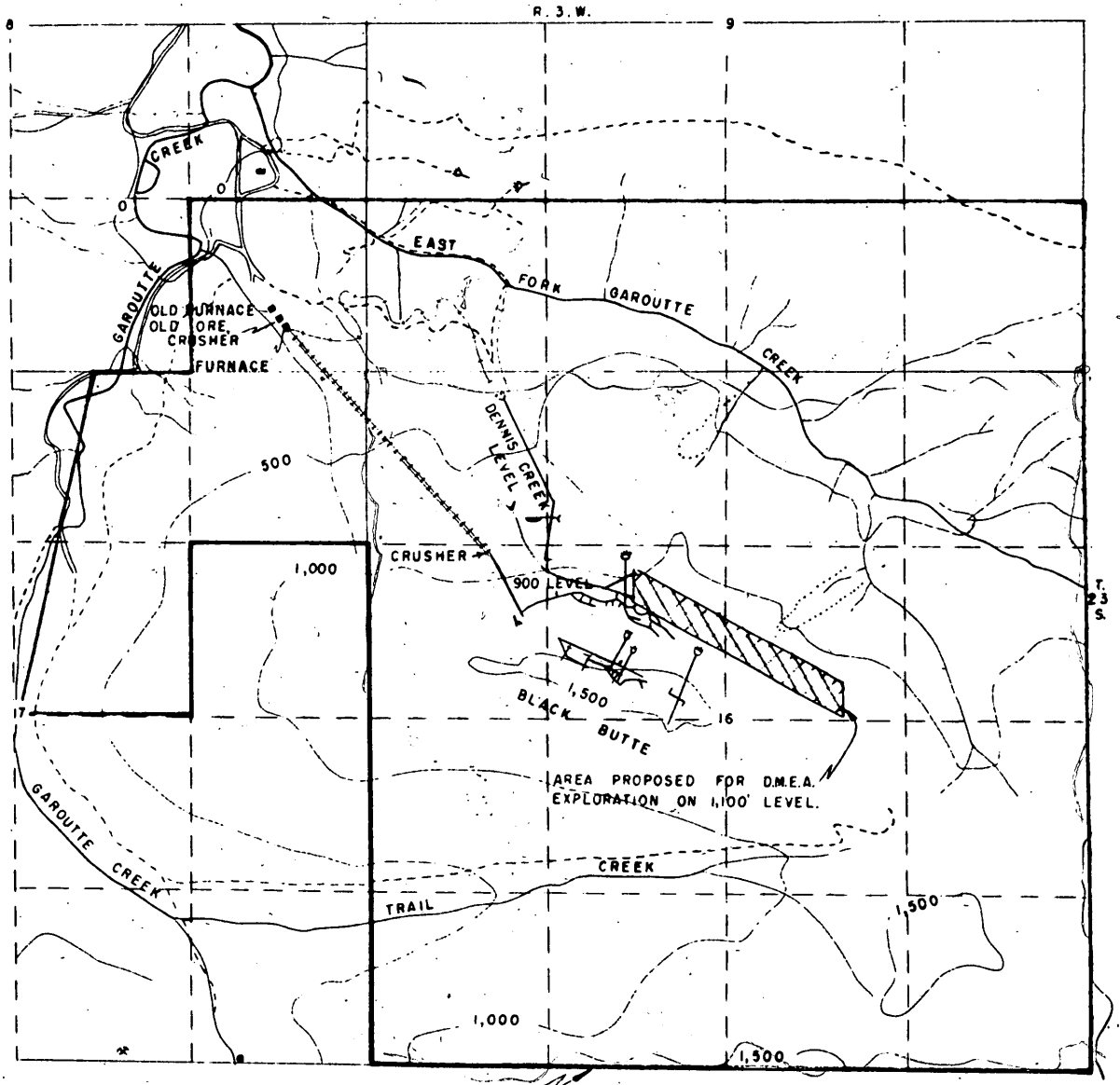
1. Surface Work

Bulldozing, 100 hours @ $15.00/hr.	$1,500.00	
Diamond drilling, 2,000 feet @ $6.00/ft.	12,000.00	
Change-storage building construction 1/	820.00	$14,320.00

2. Underground Work

Rehabilitation, 640 feet @ $3.00/ft.	1,920.00	
Drifting, 1,200 feet @ $26.00/ft.	31,200.00	
Drift timbering, 500 feet @ $5.00/ft.	2,500.00	
Raising, 300 feet @ $25.00/ft.	7,500.00	
Diamond drilling, 1,000 feet @ $4.00/ft.	4,000.00	
Assaying, 300 samples @ $3.00 per sample	900.00	48,020.00
Estimated Total Cost of Project		$62,340.00
Government Participation @ 75%		$46,755.00

1/ The completed building constitutes the unit.



Area leased by Mercury and Chemicals Corp.

500 0 2,000 FEET
CONTOUR INTERVAL 500 FEET
(ARBITRARY DATUM)

FIGURE 1 - TOPOGRAPHIC MAP OF BLACKBUTTE MINE AND VICINITY

MF-205
(Combines and supersedes MF-20[illegible] and MF-203)
June 1956

For Government's Use Only
EXPLOR[illegible]ON PROJECT CONTRACT
Operator Mercury and Chemicals Corp.
Docket No. DMEA- 4233
Contract No. Idm-E
Contract Date

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SEP - 7 1956

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of Lane, State of Oregon, described [illegible] 2/

in a lease dated September 29, 1955, between Quicksilver Syndicate and Bernard J. Chubet, and assigned by Bernard J. Chubet to the Operator in an instrument of the same date said description being incorporated herein by reference

which is the subject of a proposed exploration project contract, hereinafter called the "contract," with the United States of America, hereinafter called the "Government;" in consideration of the contract and as an inducement to the Government to enter into it, the undersigned hereby--

1. Undertakes and agrees that property in which the Government may acquire an interest or equity under the contract may be dismantled, severed from the land, and removed, as may be provided in the contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned;

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom, to secure the payment to the Government of a percentage royalty on production as may be provided for by the Contract;

3. Subordinates the undersigned's right, title, claim, or interest in or against the land and in any production therefrom to the rights of the Government under the contract with respect to royalty on production and liens to secure same;

4. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none." Do not leave lines blank.)

None

1/ Mining or production from the land is not required, and in the absence of production there is no obligation to pay royalty to the Government.

2/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease [or contract, deed, or other document] dated _____, and recorded in Book _____, Page _____, official records of said county." If (b) is used, the book and page of recordation cannot be dispensed with. If the space provided is insufficient, use an Annex, and refer to the Annex in the space.

5. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this Agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land, or any production therefrom furnishing the Government with two copies of such notice; and

6. Consents to all amendments (including an agreement of termination) and assignments of the contract without notice thereof, and undertakes and agrees that this Agreement shall extend and apply thereto.

7. Added provision: _____ (State "None" or "See Annex No.____")

Dated this 30 day of August, 1956.

QUICKSILVER SYNDICATE	[Seal]	Blackbutte, Oregon	[Address]
By Daniel J. Mills	[Seal]		[Address]
Title President	[Seal]		[Address]
	[Seal]		[Address]
	[Seal]		[Address]
	[Seal]		[Address]

I, _____ certify that I am the _____ _____ (Secretary, etc.) of the corporation named herein; that _____ _____ who signed this agreement was then _____ (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

_____

[Corporate Seal]

RECEIVED
SEP 4 1956
U. S. G. S.
SPOKANE, WASH.

RECEIVED
APR 23 1956

ASSIGNMENT OF LEASE

KNOW ALL MEN BY THESE PRESENTS, that BERNARD J. CHUBET, a resident of the City, County and State of New York (hereinafter referred to as the "Assignor"). for and in consideration of the sum of One Dollar ($1.00) lawful money of the United States and other good and valuable considerations, receipt whereof is hereby acknowledged does hereby assign, transfer and set over to MERCURY & CHEMICALS CORP., a Delaware corporation (hereinafter referred to as the "Assignee"), all of his right, title and interest in and to and under a certain Lease Agreement between the Assignor and QUICKSILVER SYNDICATE, a corporation organized and existing under the laws of the State of Oregon, a copy of which is hereto annexed and made part hereof, and he hereby covenants that he has made no prior or other assignment or sublease with respect to said Lease Agreement.

This Assignment is subject to the agreement by the Assignee to pay the rent reserved in the aforesaid lease and to assume all the other obligations contained therein which, by its signature to this Agreement, it undertakes to do.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be duly executed this 29th day of September, 1955.

BERNARD J. CHUBET
BERNARD J. CHUBET

MERCURY & CHEMICALS CORP.

By: E. HARING CHANDOR
E. Haring Chandor, Secretary-Treasurer

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this 29th day of September, 1955, before me personally appeared BERNARD J. CHUBET, to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same.

BENJ. PACKER
Notary Public

(SEAL)

BENJ. PACKER
Notary Public, State of New York
No. 41-2994015
Qualified in Queens County
Commission expires March 30, 1957

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

BE IT REMEMBERED, that on this 29th day of September, 1955, before me, the subscriber, personally appeared E. HARING CHANDOR, who being by me duly sworn on his oath, doth depose and make proof to my satisfaction that he is the Secretary-Treasurer of MERCURY & CHEMICALS CORP., the Assignee named in the within Instrument; that the execution, as well as the making of this Instrument, has been duly authorized by a proper resolution of the Board of Directors of the said Corporation; that he well knows the corporate seal of said Corporation; and the seal affixed to said Instrument is such corporate seal and was thereto affixed and said Instrument signed and delivered by him as and for his voluntary act and deed and as and for the voluntary act and deed of said Corporation.

BENJ. PACKER

(SEAL)

BENJ. PACKER
Notary Public, State of New York
No. 41-2994015
Qualified in Queens County
Commission expires March 30, 1957

L E A S E

WITH OPTION TO PURCHASE

RECEIVED
APR 23 1956

THIS AGREEMENT OF LEASE WITH OPTION TO PURCHASE, made and entered into this 29th day of September, 1955, by and between QUICKSILVER SYNDICATE, a corporation organized and existing under the laws of the State of Oregon (hereinafter called "Lessor"), and BERNARD J. CHUBET (hereinafter called "Lessee"), WITNESSETH:

That for and in consideration of the rents, covenants, agreements, payments and royalties hereinafter agreed upon and under the terms, covenants and conditions hereinafter set forth, the Lessor hereby leases and grants unto the Lessee, and the Lessee hereby takes the following described premises situate in the County of Lane, State of Oregon:

> Parcel 1: All that portion of the Southeast Quarter of Section 8, Township 23 South, Range 3 West of the Willamette Meridian lying East of the East line of that certain property conveyed to W. A. Woodard Lumber Company, by deed recorded January 28, 1936, in Book 185, Page 209, by deed recorded February 1, 1936, in Book 185, Page 220, by deed recorded September 10, 1937, in Book 189, Page 608, and by deed recorded February 7, 1940 in Book 202, Page 292, Lane County Oregon Deed Records, in Lane County, Oregon, EXCEPT that portion of said Southeast Quarter conveyed to Frank Taylor and wife by deed recorded in Book 225, Page 347, Lane County Oregon Deed Records, in Lane County, Oregon, described as follows: That portion of the North 1/2 of the Northeast 1/4 of the Southeast 1/4 of Section 8, Township 23 South, Range 3 West of the Willamette Meridian, lying East of the center line of Garoutte Creek; and a tract of land in the South 1/2 of the North 1/2 of the Southeast 1/4 of Section 8, more particularly described as follows: Beginning at a point 40.0 feet East of the center line of the W. A. Woodard Lumber Company right of way and 25.0 feet North of the center of the Black Butte road; thence Easterly 400.0 feet parallel to the center line of the Black Butte road; thence North 15° 00' East 140.0 feet; thence East to the East Section line; thence North to the North line of the South 1/2 of the Northeast 1/4 of the Southeast 1/4 of Section 8; thence West along said line to a point 40.0 feet East of the center line of the Woodard right of way; thence Southwesterly parallel to the said right of way to the point of beginning.

Also excepting that portion conveyed to Daniel John Mills by deed recorded in Book 225, Page 349, Lane County Oregon Deed Records, in Lane County, Oregon, described as follows: That portion of the North 1/2 of the Southeast 1/4 of Section 8, Township 23 South, Range 3 West of the Willamette Meridian, lying East of the County Road and West of Garoutte Creek and North of the road running across the bridge into Black Butte, less the right of way of the W. A. Woodard Lumber Company and less a small tract in the South 1/2 of the North 1/2 of the Southeast 1/4 of Section 8, paralleling the Woodard right of way 40.0 feet from the center line thereof and extending Easterly to the center line of Garoutte Creek.

Parcel 2: The South 1/2 of the South 1/2 of Section 9, Township 23 South, Range 3 West of the Willamette Meridian, Lane County, Oregon.

Parcel 3: All of Section 16, Township 23 South, Range 3 West of the Willamette Meridian, Lane County, Oregon.

Parcel 4: The North 1/2 of the Northeast 1/4 and the Southwest 1/4 of the Northeast 1/4 of Section 17, Township 23 South, Range 3 West of the Willamette Meridian, Lane County, Oregon. Except that part conveyed to W. A. Woodard Lumber Company by instrument recorded February 7, 1940, in Book 202, Page 292, Lane County Oregon Deed Records, in Lane County, Oregon, to-wit: Beginning at the 1/4 corner on the North line of Section 17; thence East 810.0 feet; thence South 2° 0' West 1100.0 feet; thence South 17° 30' West 1600.0 feet; thence South 13° 00' East 183 feet, more or less, to the 1/4 line East and West; thence West 300.0 feet to the center of Section 17; thence North to the place of beginning, in Section 17, Township 23 South, Range 3 West of the Willamette Meridian, in Lane County, Oregon.

EXCEPT FOR AND SUBJECT TO THE FOLLOWING:

1. Reservations contained in United States Patents as follows:

(a) Patent to Peter McMartin, dated March 1, 1892, recorded October 19, 1892 in Book 27, Page 89, Lane County Oregon Deed Records, in Lane County, Oregon, to-wit:

"Subject to any vested and accrued water rights for mining, agricultural, manufacturing and other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by the local customs, laws and decisions of courts, and also subject to the right of the proprietor of a vein or lode, to extract and remove his ore therefrom, should the same be found to penetrate or intersect the premises hereby granted, as provided by law."

(b) Patent to William Harris, dated February 20, 1900, recorded April 16, 1901 in Book 28, Page 355, Lane County Oregon Deed Records, in Lane County, Oregon, to-wit:

"Subject to any vested and accrued water rights for mining, agricultural, manufacturing or other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by local customs, laws and decision of Courts, and also subject to the right of the proprietor of a vein or lode, to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises hereby granted, as provided by law. And there is reserved from the lands hereby granted a right of way thereon for ditches or canals constructed by the authority of the United States."

2. Reservation of a 100.0 foot strip for railroad purposes and water rights as contained in the deed from Oregon and California Railroad, recorded January 29, 1898 in Book 43, Page 335, Lane County Oregon Deed Records, Lane County, Oregon. This reservation affects Sections 9 and 17.

3. That portion lying within the limits of County Roads over and across said property as conveyed to Lane County by deed recorded June 13, 1929, in Book 161, Page 435, and by deed recorded February 4, 1943, in Book 242, Page 67, Lane County, Oregon Deed Records, in Lane County, Oregon.

4. A portion of the premises under search is under reforestation and is subject to yield taxes and to all other rules and regulations of the State of Oregon regarding reforested areas.

5. An easement for roadway as granted to the United States of America by instrument recorded August 5, 1955, Clerk's Filing No. 62918, Lane County Oregon Deed Records, in Lane County, Oregon. This easement affects Sections 8 and 9.

6. An easement for roadway as granted to Springfield Lumber Mills by instrument recorded July 7, 1955, Clerk's Filing No. 60619, Lane County Oregon Deed Records, in Lane County, Oregon. This easement affects Sections 8 and 9 and the Northeast 1/4 of Section 16 from a point near the Northwest corner of the Northeast Quarter of Section 16 to a point near the Southeast corner of the said Northeast Quarter of 16.

7. Free use of domestic water from system maintained by Quicksilver Syndicate or its successors, as granted in the deed to Frank Taylor and wife, recorded in Book 225, Page 347, Lane County Oregon Deed Records, in Lane County, Oregon.

8. The rights hereinafter more specifically described to the possession and use of certain houses and surrounding premises and certain domestic water.

1. Term and Purpose of Lease. This lease is taken by the Lessee with such reservation hereinafter described, for the purpose of searching for, mining, extracting, milling, reducing and treating and preparing ores, metals and minerals of every nature and description, and with the exclusive right to possess and work the same, subject to the restrictions hereinafter set forth, for the term and period of ten (10) years from the date hereof, with the right of renewal at the end of such term for an additional term of five (5) years at the election of the Lessee and with the right of termination as provided herein.

2. Description of Houses, Property and Water Rights Set Forth in Exception No. 8 Above.

(a) The house occupied at the time of the execution of this lease by Fred L. Mills and his wife, which house is located in the "U" formed by the road leading to the office and furnace and extending West to the old pasture line, thence about 300 feet to the main road leading into Section 16 of the leased premises; ALSO, the old unoccupied house located in this area; and ALSO, the right to take water from and use the domestic water line now established for the area;

(b) The house presently occupied by Daniel J. Mills which lies South of the above described house and premises, higher up the hill, and which is surrounded by presently existing roads; together with the right to take water from and use the domestic water line now serving this area;

Fred L. Mills and wife and Daniel J. Mills shall be entitled to retain ownership of all personal property located in or upon the two areas above described.

(c) The right to use of water from an existing domestic water line which heretofore was granted by deed to Frank Taylor for use of premises located to the North of the main road leading into the leased premises.

The Lessor represents that the water rights and uses above reserved will not interfere with the operation of the mine located in Section 16.

The Lessor agrees, upon written request from the Lessee, to supply a more definite description of the foregoing areas and rights to the use of water and a sketch showing more definitely the location thereof, which description and sketch will thereupon be attached to this lease marked Exhibit "B" and made a part hereof by this reference.

3. Rental Rate and Payment. Lessee agrees to pay to Lessor royalty and rent as follows: One Thousand Dollars ($1,000) upon the execution of this lease; One Thousand Five Hundred Dollars ($1,500) on December 15, 1955; and thereafter, commencing on the tenth day of the calendar month next following the month in which production of mercury commences on the said premises, but in no event later than April 10, 1956, monthly payments as follows: an amount equal to a percentage of the actual amount received per flask by Lessee during the preceding calendar month for each flask of mercury sold by Lessee, such percentage to be determined in accordance with the following schedule:

Actual Amount Received Per Flask	Percentage
$300 and over	10%
$275 to $299.99	9%
$250 to $274.99	8%
Less than $250	7½%

provided, however, that in no event shall the monthly payments hereunder be less than One Thousand Three Hundred Thirty-three and 33/100 Dollars ($1,333.33), or the total of yearly payments less than Sixteen Thousand Dollars ($16,000) for and after 1956, provided, however, that Lessee shall have the right to apply to and credit upon the minimum monthly and yearly payments in any calendar year the amount by which the Lessee's total payments of rent and royalty made during and for the preceding calendar year exceeded the sum of Sixteen Thousand Dollars ($16,000.00). All such payments shall be made to the United States National Bank of Portland (Oregon), Eugene Branch hereinafter referred to as the Bank. The parties hereby appoint the Bank as their escrow agent hereunder and the Lessor hereby irrevocably designates the Bank as its authorized representative to collect all payments hereunder.

3.-A For the purpose of computing the percentage payments above set forth in the preceding paragraph, the phrase "actual amount received per flask" shall be deemed to be the Lessee's sales price without any deduction for brokerage fees and commissions and transportation costs from the leased premises.

4. Production and Sales Records. The Lessee shall make his production and sales records covering the production and operation under this lease available for inspection by the Lessor at all reasonable hours at an office designated by the Lessee and located in some city in California, Oregon or Washington. Copies of all sales invoices certified to by an authorized agent of the Lessee shall be supplied to the Lessor by the Lessee at the time of and covered by each payment hereunder. On or before April 1 of each year, beginning in 1957, the Lessee shall supply a statement certified by a certified public accountant to the Lessor covering all

production and sales hereunder during the preceding calendar year.

5. Lessor's Title. The parties recognize that prior to the execution of this lease a title insurance policy covering the above described premises was issued to and in favor of the Lessee and Mercury and Chemicals Corporation, 342 Madison Avenue, New York, New York, a Delaware corporation. The Lessee acknowledges the receipt of said policy plus the preliminary report thereof and a copy of the following: (a) the instruments noted in exceptions numbered 2, 3, 5 and 6 in said amended preliminary report and in said policy; and (b) the deed creating the water right in Frank Taylor, as set forth in subparagraph (c) of paragraph 2 above. The Lessor represents and warrants that it has merchantable title to the above described premises and the right to execute this lease for the purposes hereof except as set forth above following the description of the leased premises.

6. Termination of Reserved Rights and Save Harmless Agreement. The rights heretofore reserved in the Lessor to use the houses and surrounding premises described in the preceding paragraph 2, subparagraphs (a) and (b) shall terminate upon the happening of either of the following events and said property shall thereupon become part of the premises covered by this lease and subject to the option to purchase hereinafter set forth: (a) the exercise of the Lessee's option to purchase as hereinafter set forth; or (b) on the vacation of the houses by the named occupants, it being understood that on any such vacation the named occupants shall be entitled to remove all of the personal property in the house and upon the surrounding area reserved in connection with the said house.

During the use of said houses and surrounding premises by the Lessor, its agents or tenants, the Lessor shall save the Lessee

harmless from any liability resulting from or arising out of the use of the said reserved premises by the Lessor, its agents, tenants or business invitees.

7. Operations by Lessee. Lessee agrees to work said properties in a minerlike fashion and in a manner necessary and proper to good and economical mining and so as to take out the greatest amount of ore possible, with due regard to the safety, development and preservation of the same as a workable mine or mines, and to mill the ores so extracted in a manner necessary and proper to the economical and expeditious reduction or treatment thereof.

7.-A Lessee agrees to work and mine said premises as aforesaid and to mill the ores extracted steadily and continuously in a minerlike fashion during the continuance of this lease, except during such periods of time as are hereinafter described, to-wit: periods of inactivity occasioned by strikes, riots, acts of government or acts of God. ~~Without limiting the right of the Lessor as to other types of default, the parties agree that a discontinuance by said Lessee of the work on said premises for a total number of working days in excess of ninety (90) days in any one calendar year except for causes hereinbefore specified, may be considered by the Lessor a violation of this lease and cause for forfeiture and termination thereof, as hereinafter provided.~~ /s/ RPF FLM

8. Covenants Against Liens. Lessee agrees to keep said premises and every part thereof at all times free and clear of all mechanics', miners' and other liens and encumbrances of every nature and description, and to pay all indebtedness and liabilities incurred by the Lessee which may or might become a lien on said premises before any of said indebtedness or liabilities shall become such lien, and to post and at all times keep posted in some conspicuous place upon the demised premises a notice that the interest of Lessor therein shall not be subject to any lien for service, labor

or material furnished upon or used in connection with this lease or said leased premises by the Lessee, said notice to be on behalf of and in the name of Lessor. Lessor agrees that it will not, through any act or omission of Lessor or its agents, permit any lien or encumbrance to attach to the said premises during the term of this agreement, and will pay all indebtedness and liabilities incurred by Lessor or its agents which may or might become a lien on said premises before any of said indebtedness or liabilities shall become such lien.

9. Inspection by Lessor. Lessor shall have the right at all reasonable times and upon reasonable notice to Lessee to enter and inspect the mining operation of Lessee except in such areas and at such times as entry thereon might be dangerous to life. Lessor shall hold Lessee harmless from any liability arising out of the exercise of the aforesaid right of entry and inspection; provided, however, that Lessor shall have the same status and right as any business invitee.

10. Trespass. Lessee agrees to protect the property hereby demised during the term of this lease against trespassers or other wrongful intruders thereon.

11. Lessee's Save Harmless Agreement. Lessee agrees to hold Lessor harmless from any liability arising out of or in connection with the operations of Lessee hereunder, including but not limited to damage by fire commencing on the demised premises.

12. Quiet Enjoyment. Lessor agrees that it will protect Lessee and hold Lessee harmless from and against any claims, demands or actions for trespass or other cause brought or asserted by anyone claiming interference with a right, title or interest in or to the premises by reason of Lessee's presence or activities on said premises. All easements, rights of way and similar interests which Lessor may have in properties adjacent or adjoining said premises or in any property appurtenant thereto which shall be necessary or

convenient to the operations of Lessee hereunder shall be leased and let to Lessee as a part of this lease and are included herein except that such rights shall not interfere with the rights reserved to Lessor and the rights of others to which this lease is made subject as heretofore set forth.

Lessor's /s/ PJC FLM

13. ~~Lessees~~ Personal Property. The Lessor states that the Lessor has a number of items of personal property on the leased premises as of the date hereof. This property is roughly classified as "Surface Equipment and Tools" which include a boat and tools belonging to Daniel J. Mills, a Fordson tractor with bucket loader, plows and scrapers, tools in the blacksmith shop and in the office building and "Mining Equipment and Machinery" which includes such items as a rotary furnace, crusher and compressors and dust collectors. The Lessor reserves the use and possession of all "Surface Tools and Equipment" and upon request from the Lessee they will be removed from the leased premises by the Lessor immediately after receiving the payment scheduled to be made on December 15, 1955. The Lessee is hereby given the right to use all of the "Mining Equipment and Machinery" and to remove the same to other portions of the leased premises or to premises reserved to the Lessor to the extent necessary or convenient to the operations of the Lessee. The Lessee shall be under no obligation to keep the "Mining Equipment and Machinery" in repair and any such machinery being used by the Lessee at the time of the exercise of the option to purchase shall become the sole property of the Lessee.

14. Maintenance of Domestic Water Lines. The Lessor and its agents and assigns, including the owner of the Frank Taylor property mentioned in the preceding paragraph 2, shall at all times have the right to inspect, maintain, repair and replace any domestic water line now located upon the above-described premises.

15. Timber Rights. It is understood and agreed that Lessee shall have the sole and exclusive right, without making further

payment hereunder, to cut and remove standing timber on the demised premises. It is understood by the parties hereto that Lessee will only cut so much timber as may be required in connection with the mining or milling of ores, metals or minerals on said premises. The Lessor reserves the right to use down timber for the use of the premises reserved to the Lessor as set forth in paragraph 2 hereof with the understanding that the exercise of such rights shall be only upon notice to the Lessee and shall not interfere with the operations of the Lessee under this lease.

16. Lessee's Personal Property. All personal property placed upon said premises by Lessee, including but not limited to furnaces, crushers and condensors, shall remain the property of Lessee and may be removed by him within sixty (60) days after the termination of this lease; provided, however, that upon such removal all utility lines on the leased premises shall be preserved to the extent possible and consistent with the Lessee's requirements in removing the personal property upon termination of the lease. The utility lines so preserved and on the property not removed by the Lessee in accordance with this paragraph shall become the property of the Lessor after the expiration of said sixty (60) day period for removal after the termination of the lease.

17. Grazing. It is understood and agreed that neither party to this agreement shall, without the written consent of the other party, permit the grazing of livestock upon any portion of the demised premises during the period covered by this agreement.

18. Default. Time is of the essence of this lease except as herein provided. The Lessee shall have a twenty-day (20) grace period for all payments required to be made by the Lessee hereunder and failure to make payments as specified, including said grace period, shall give the Lessor the right to immediately terminate this lease.

In the event of failure by Lessee to perform any of the

covenants or to comply with any of the conditions in this lease to be performed or kept by the Lessee, other than the payments herein required to be made by the Lessee, Lessor shall be entitled to give written notice of such default to Lessee and in the event Lessee shall not proceed with reasonable diligence to remedy such default within sixty (60) days after receipt of such notice, Lessor at its option shall be entitled to terminate this lease and declare the same forfeited. Forfeiture of this lease shall be Lessor's sole and exclusive remedy in the event of default by Lessee, except that Lessee shall pay the accrued rents and royalties, if any, due and payable at the time of the expiration of said period of sixty (60) days. The requirements set forth in the Escrow Instructions hereinafter incorporated shall be considered part of this paragraph.

19. Renewal. Lessee shall have the right at any time prior to ninety (90) days before the expiration of this lease, to notify Lessor and the Bank in writing of his intention to renew this lease for another term of five (5) years. Upon such notification, the lease shall be renewed for such additional term of five (5) years upon the same terms and conditions herein contained for the original term except for the initial payments of one thousand dollars ($1,000) and one thousand five hundred dollars ($1,500) referred to in paragraph 3 hereof. In the event that Lessee shall fail to notify Lessor of his intention to renew this lease, as herein provided, then in such event this lease will terminate at the end of the ten (10) years from the date hereof and there shall be no further liability hereunder on the part of either the Lessor or Lessee.

20. Abandonment. Lessee shall have the right at any time at Lessee's option on sixty (60) days' written notice to Lessor and to the Bank to abandon this lease and in such event this lease shall terminate for all purposes. In the event of the termination of

this lease, for any cause whatsoever, then and in that event Lessee shall and will peaceably surrender and yield up the said premises and every part and portion thereof to Lessor free and clear of any and all liens and/or encumbrances created or suffered by Lessee. In the event that Lessee shall elect to abandon this lease as herein provided, Lessor shall be entitled to retain all rents and royalties theretofore paid Lessor by Lessee and Lessee shall have no further liability hereunder except that Lessee shall pay the accrued rents and royalties, if any, due and payable at the time of the termination of the lease.

21. Taxes, Licenses and Charges. Lessee will pay all real and personal property taxes assessed against the demised premises, including taxes upon existing improvements and subsequent improvements made thereon by Lessee. It is understood that all taxes and assessments levied against the demised premises and constituting a lien thereon as of the date of the execution of this agreement are to be prorated between Lessor and Lessee, the Lessor to pay any such taxes applicable to the period between July 1, 1955, and the date of the execution of this agreement, and the Lessee to pay any such taxes thereafter. Lessee will also pay any taxes, licenses, or charges as may exist or as may be levied or imposed upon or by reason of the production from the demised premises or the operations of the Lessee on the said premises.

22. Escrow Instructions. As hereinbefore stated, the Bank shall be the escrow agent of the parties. Attached hereto, marked Exhibit "A" and made a part hereof by this reference, are escrow instructions agreed to by the parties. Such instructions shall be presented to the Bank and shall govern the parties hereto and the bank except to the extent that the Bank requires them to be modified for its purposes. Any such modification required by the Bank as to matters other than form shall not be binding upon the parties until agreed. Contemporaneously with the execution of this lease

Lessor shall execute and deliver in escrow to the Bank a Warranty Deed to the leased premises, including the premises reserved to the Lessor. Such deed shall contain warranties against all encumbrances as of the date of the deed with the exceptions and reservations shown in this lease on pages 2 and 3 hereof and the right to use water heretofore granted by deed to Frank Taylor as set forth on page 5 hereof. The parties recognize and agree that the covenants under said deed become effective as of the date of the delivery of the deed and that the Lessee, upon receipt of the deed would take the property free and clear of all encumbrances except those stated in the deed and such encumbrances as are suffered or created by the Lessee during the period of this lease in violation of the Lessee's operations hereunder.

23. Option to Purchase. In the event that Lessee shall have paid to Lessor the sum of four hundred thousand dollars ($400,000) by way of rent and royalties pursuant to this lease or by way of acceleration, Lessee shall be considered, at the Lessee's option, to have exercised an option, hereby granted, to purchase the leased premises and shall be entitled to receive the Lessor's deed deposited in escrow as above set forth conveying to the Lessee merchantable title to the leased premises in the manner above set forth. Upon the delivery of said deed this lease and the escrow arrangement with the Bank shall terminate.

24. Bulk Sales Law. In the event that Lessee shall elect to exercise the option provided for in paragraph 23 hereof, Lessor will, upon written request by Lessee, comply with all the applicable provisions of the Bulk Sales Act of the State of Oregon to the extent applicable.

25. Addresses: The respective addresses for service of notices hereunder, until changed by written notice, shall be as follows:

Lessor: Quicksilver Syndicate, an Oregon Corporation
Blackbutte, Oregon

Lessee: Mercury and Chemicals Corporation,
342 Madison Avenue
New York, N. Y.

26. Assignment. This lease may be assigned by either party and shall be binding upon and run in favor of the successors, heirs, and assigns of each of the parties hereto. Lessee agrees that within a reasonable time after the date hereof ~~this lease~~ he will ~~be~~ BJC FLM assign~~ed~~ to Mercury and Chemicals Corporation, a Delaware corporation, all his right, title and interest herein and will thereupon send a signed copy of the instrument effecting such assignment to Lessor and one signed copy to the Bank.

BJC FLM

27. Mining Operations Other Than Cinnabar. The parties recognize that this lease is for the primary purpose of mining Cinnabar and the production of quicksilver and all references to the Lessee's operation shall be primarily construed to relate to Cinnabar mining and quicksilver production. The parties recognize, however, that under the terms of this lease the Lessee may mine, extract, process and sell other ores, metals and minerals from the leased premises. For ores and their products, other than Cinnabar and quicksilver, the lessee agrees to pay to the Lessor a ten percent (10%) royalty based on the gross sales price by the Lessee as payment is received by the Lessee. Such payments shall be made each month in the same manner as hereinabove provided for the payment for quicksilver production.

28. Lessee's Right to Purchase Own Production. The parties recognize that at some time during the term of the lease the Lessee may desire to purchase some of the ores or production from the leased premises. The price to be paid by the Lessee under such circumstances shall be a price equal to sales to third persons but in no event shall the sales price to the Lessee itself be less than the price quoted in the Wall Street Journal as of the day before the sale, adjusted by any differences in selling price determined by or based upon the point of delivery.

29. Lessee's Assignment on Termination. Upon termination of

this lease for reason other than the purchase of the leased premises by the Lessee, this instrument shall be considered to be an assignment of all rights, interests and claims, including mineral rights and claims, of the Lessee in and to all premises covered hereby to the Lessor. The Lessee will execute any other documents requested by the Lessor to perfect such assignment.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures on the day and year first above written.

QUICKSILVER SYNDICATE, a corporation.

(Corporate seal)

By /s/ Daniel J. Mills
President

By /s/ Fred L. Mills
Secretary

LESSOR

/s/ Bernard J. Chubet
Bernard J.Chubet

LESSEE

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

On this 29th day of September, 1955, personally appeared BERNARD J. CHUBET and acknowledged the foregoing instrument to be his voluntary act and deed.

Before me:

/s/ Clarence Cohen
Notary Public for New York

My Commission expires: 3-30-58

STATE OF OREGON,)
) ss.
COUNTY OF LANE.)

On this 10th day of October, 1955, personally appeared DANIEL J. MILLS and FRED L. MILLS who, being duly sworn, did say that they are the President and Secretary respectively of QUICKSILVER SYNDICATE, an Oregon Corporation and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; and they acknowledged said instrument to be its voluntary act and deed.

Before:

(Notarial seal)

/s/ Stanley R. Darling
Notary Public for Oregon

My Commission Expires: 11-2-56

68249

ESCROW INSTRUCTIONS

RECEIVED
APR 23 1956

To The United States National Bank of Portland

Eugene Branch

Eugene, Oregon

Dear Sirs:

Please find enclosed the following documents:

(A) Copy of an agreement of lease with option to purchase dated September 29, 1955, between Quicksilver Syndicate, a corporation, as lessor (hereinafter called "Lessor"), and Bernard J. Chubet, as lessee (hereinafter called "Lessee" or "Chubet");

(B) Warranty deed dated October 10, 1955, from Lessor to Chubet, to the premises described as follows:

(See description in lease to which this Exhibit is attached.)

(C) Chubet's check for one thousand dollars ($1,000.00), dated September 29, 1955, payable to Lessor.

You are hereby irrevocably designated and instructed to act as the agent for Lessor pursuant to paragraph 3 of the lease to which this document is attached for collection on behalf of Lessor of all payments made in accordance with the terms of the aforesaid lease, and to receive on behalf of Lessor all said payments made by way of deposits to the account of Lessor.

You are hereby further requested and instructed to maintain a current record of all moneys deposited with you by Chubet, or by his assignee, or assignees, pursuant to said lease, and with each payment to deliver a receipt to Chubet or his assignee, or assignees, and account to the payee.

You are hereby further requested and instructed to hold in escrow the warranty deed described above until the happening of

one of the following events, whichever first occurs:

(1) Upon receipt by you from Chubet or from his assignee, or assignees, of payments pursuant to said lease totalling the sum of four hundred thousand dollars ($400,000), you are hereby instructed and directed to deliver to Chubet or to his assignee, or assignees, the warranty deed described above.

(2) Upon receipt by you from Chubet, or from his assignee or assignees, of written notice of his intention to abandon the attached lease, said notice to prescribe the date of abandonment, you are hereby instructed and directed to redeliver the warranty deed described above to the Lessor at the date of the abandonment.

Except as otherwise provided in this paragraph, /s/ RPF FLM

(3) upon receipt by you from the Lessor of a written notice declaring the Lessee of the attached lease to be in default, you should deliver the deed described above to the Lessor and close the escrow at a date ninety (90) days after the date on which the notice of default is delivered to you. Said notice of default shall be certified to by the Lessor as being a true copy of a notice of default delivered by the Lessor to the Lessee. In the event you should receive, within the ninety-day period above mentioned, a written notice from the Lessee stating that the default claimed by the Lessor has been removed or remedied, you should continue to hold the deed and keep the escrow open unless otherwise directed by an order of Court. Said written notice from the Lessee shall be certified to by the Lessee as being a true copy of a notice delivered to the Lessor.

(4) Upon the expiration of ten (10) years following the date of the commencement of the escrow you shall close the escrow and deliver the documents therein to the Lessor

unless you have theretofore received from the Lessee a certified copy of a notice given by the Lessee to the Lessor of the Lessee's intention to renew the lease for an additional period of five (5) years.

As soon as the escrow has been opened and the documents above listed as (A), (B), and (C) have been received by you, you shall thereupon deliver the check mentioned in (C) above to the Lessor.

The costs of opening the escrow shall be paid by the Lessee and the collections costs shall be paid by the Lessor and may be deducted by you from the payments to be transmitted to the Lessor. In the event you deliver the deed to the Lessee upon having received the total purchase price above mentioned, you are authorized to deduct from the final payment or payments an amount sufficient to pay the cost of revenue stamps which you shall thereupon place upon the deed prior to its delivery to the Lessee.

The respective addresses until changed by written notice to you for any communications which you may wish to make concerning any of the foregoing matters shall be as follows:

Lessor: Quicksilver Syndicate,
an Oregon Corporation
Blackbutte, Oregon

Lessee: Mercury and Chemicals Corporation,
342 Madison Avenue
New York, N. Y.

Very truly yours,

QUICKSILVER SYNDICATE, a corporation,

(Corporate Seal)

By /s/ Daniel J. Mills
President

By /s/ Fred L. Mills
Secretary

/s/ Bernard J. Chubet
Bernard J. Chubet

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
APR 23 1956

April 20, 1956

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: New application (Mercury)
Mercury & Chemicals Corp.
Black Butte Mercury Mine
Lane County, Oregon

Dear Mr. Selfridge:

Reference is made to our letter of April 19 transmitting an application received from the Mercury and Chemicals Corporation of Eugene, Oregon.

Under separate cover we are mailing three copies of the applicant's map referred to in the last paragraph of our letter.

Yours very truly,

Verne C. Fryklund, Jr.

Verne C. Fryklund, Jr.
for: A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW Dist.

cc: USBM (2)
Alvord
sep. cover

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
APR 23 1956

April 19, 1956

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: New application (Mercury)
Mercury & Chemicals Corp.
Black Butte Mercury Mine
Lane County, Oregon

Dear Mr. Selfridge:

Enclosed are three copies of an application from the Mercury Chemicals Corporation for an exploration project at the Black Butte Mercury mine, Lane County, Oregon. Enclosed also are six copies of consent to lien signed by Daniel J. Mills, president of Quicksilver Syndicate, Inc. A copy of the Lease with Option to Purchase and Assignment of Lease, both unsigned, accompany each copy of the application.

Although the application does not state it, this property has been the subject of extensive investigations by both the Geological Survey and the Bureau of Mines. The reports are:

Aaron C. Waters, Notes to accompany Preliminary Maps of the Black Butte Mine, Lane County, Oregon: Strategic Minerals Investigation Preliminary Report 3-186, 1945.

Anon. Black Butte Mine, Lane County, Oregon: War Minerals Report 48, 1943. ✓

F. G. Wells and Aaron C. Waters, Quicksilver deposits of Southwestern Oregon: U. S. Geol. Survey Bull. 850, 1934.

W. W. Elmer, Mining methods and costs at the Black Butte Quicksilver mine, Lane County, Oregon: U. S. Bureau of Mines I. C. 6276, 1930.

The applicant's map is from a tracing of Waters' map. No work has been done at the mine since 1942, and the part of the mine where the exploration is proposed is inaccessible. Waters' work, however, apparently was done just before the mine shut down.

The applicant was told that the parallel drifts on the 1100 level were unacceptable and he now wishes to use the footage in order to drift further eastward. We have asked the applicant for a property map.

By Field Team, Region I, NW Dist.

Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

Verne C. Fryklund, Jr., Acting Member
U. S. Geological Survey

Enclosures

cc: USBM (2)
Alvord

MF-103
(Revised April 1952)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED

CORRECTED

APR 23 1956

Form Approved.
Budget Bureau No. 42-R1035.2.

APR 16 1956
U. S. G. S.
SPOKANE, WASH.

APPLICATION FOR AID IN AN EXPLORATION PROJECT, PURSUANT TO DMEA ORDER 1, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

Not to be filled in by applicant

Docket No. DMEA-4263
Metal or Mineral Mercury
Date Received 4-23-56
Estimated Cost $126,730.00
Participation (Government %)

INSTRUCTIONS

1. *Name of applicant.*—(*a*) State here your full legal name, in the form in which you will wish to contract, and your mailing address: Mercury & Chemicals Corp., Black Butte, Oregon.
(See attached sheet.)

(*b*) If other than an individual, add to your name above whether a corporation, partnership, etc., and the name of the State in which incorporated or otherwise organized.

(*c*) If a corporation, add to above statement, titles, names and addresses of officers.

(*d*) If a partnership, add to the above statement the names and addresses of all partners.

2. *General.*—Read DMEA Order 1, "Government Aid in Defense Exploration Projects," before completing this application. Submit this application and all accompanying papers in quadruplicate (four copies), with your name and address on each sheet of the application and on all accompanying papers. Where sufficient space is not provided on the form for all required information, state it on an accompanying paper, with a reference in each case to the instruction to which it refers by number. Comply with all applicable instructions; or, if not applicable, so state. File the application with Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C., or with the nearest field executive officer thereof.

3. *Applicant's property rights.*—(*a*) State the legal description of the land upon which you wish to explore, including all land which you possess or control that may be benefited by the exploration, and excluding any land or interest in land which is not to be included in the exploration project contract See attached sheets.

(*b*) State any mine name by which the property is known.

(*c*) State your interest in the land, whether owner, lessee, purchaser under contract, or otherwise

(*d*) If you are not the owner, submit with this application a copy of the lease, contract, or other document under which you control the property.

(*e*) If you own the land, describe any liens or encumbrances on it

(*f*) If the land consists of unpatented claims, add to the description above, the book and page numbers for each recorded location notice.

4. *Physical description.*—(*a*) Describe in detail any mining or exploration operations which have been or now are being conducted upon the land, including existing mine workings and production facilities. State your interest, if any, in such operations. Also describe accessibility of mine workings for examination purposes.

(*b*) State past and current production, and ore reserves, if any, giving quantities and grades.

(*c*) Describe the geologic features of the property, including mineralization, type of deposit (vein, bedded, etc.), and your reasons for wishing to explore. Illustrate with maps or sketches. Send with your application (but not necessarily as a part of it) any geologic or engineering report, assay maps, or other technologic information you may have, indicating on each whether you require its return to you.

(*d*) State the facts with respect to the accessibility of the project: Access roads, distances to shipping, supply and residence points.

(*e*) State the availability of manpower, materials, supplies, equipment, water, and power.

5. *The exploration project.*—(a) State the mineral or minerals for which you wish to explore .....

.....

(*b*) Describe fully the proposed work, including a map or sketch of the property showing a plan (and cross sections if needed) of any present mine workings, and the location of the proposed exploration work as related to such features as contacts, veins, ore-bearing beds, etc.

(*c*) The work will start within ..... days and be completed within ..... months from the date of an exploration project contract.

(*d*) State the operating experience and background of the applicant with relation to the ability to carry out such exploration project, and also that of the person or persons who will supervise the operations.

6. *Estimate of costs.*—Furnish a detailed estimate of the costs of the proposed work (you will have to use a separate sheet), under the following headings. Add the totals under all headings to give the estimated total cost of the project:

(*a*) *Independent contracts.*—(Note.—If the applicant does not intend to let any of the work to contractors, write "none" after this item. To the extent that the work is to be contracted, do not repeat the cost of the contract-work in subsequent items.) State the cost of any proposed independent contracts for the performance of all or any part of the work, expressed in terms of units of work (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved, etc.).

(*b*) *Labor, supervision, consultants.*—Include an itemized schedule of numbers, classes and rates of wages, salaries or fees for necessary labor, supervision and engineering and geological consultants.

(*c*) *Operating materials and supplies.*—Furnish an itemized list, including items of equipment costing less than $50 each, and power, water and fuel.

(*d*) *Operating equipment.*—Furnish an itemized list of any operating equipment to be rented, purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or suggested use-allowance based on present value, as the case may be.

(*e*) *Rehabilitation and repairs.*—Furnish a detailed list showing the cost of any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator and which will be devoted to the exploration project.

(*f*) *New buildings, improvements, installations.*—Furnish a detailed list showing the cost of any necessary buildings, fixed improvements, or installations to be purchased, installed or constructed for the benefit of the exploration project.

(*g*) *Miscellaneous.*—Furnish a detailed list showing the cost of repairs to and maintenance of operating equipment (not including initial rehabilitation or repairs of the Operator's equipment), analytical work, accounting, workmen's compensation and employers' liability insurance, and payroll taxes.

(*h*) *Contingencies.*—Give an estimate of any necessary allowances for contingencies not included in the costs stated above.

NOTE.—No items of general overhead, corporate management, interest, taxes (other than payroll and sales taxes), or any other indirect costs, or work performed or costs incurred before the date of the contract, should be included in the estimate of costs.

7. (*a*) Are you prepared to furnish your share of the cost of the proposed project in accordance with the regulations on Government participation (Sec. 7, DMEA No. 1)?

(*b*) How do you propose to furnish your share of the costs?

☐ Money ☐ Use of equipment owned by you ☐ Other

Explain in detail on acompanying paper.

CERTIFICATION

The undersigned, whether as an individual, corporate officer, partner, or otherwise, both in his own behalf and acting for the applicant, certifies that the information set forth in this form and accompanying papers is correct and complete, to the best of his knowledge and belief.

Dated 16 April, 1956

Mercury & Chemicals Corp.
(Applicant)

By Richard P. Fischl, Pres.

Title 18, U. S. Code (Crimes), Section 1001, makes it a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction.

U. S. GOVERNMENT PRINTING OFFICE 16—66551-1

RECEIVED
APR 23 1956

APPLICATION FOR AID IN AN EXPLORATION PROJECT, PURSUANT TO DMEA ORDER 1, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

1. Name of applicant.
   (a) Mercury & Chemicals Corp., Black Butte, Oregon
   (b) The corporation is incorporated in the State of Delaware.
   (c) Richard P. Fischer, President
   1897 Riverview Street
   Eugene, Oregon
   James K. Cogswell III, Vice-President
   270 Park Avenue
   New York, N. Y.
   George Ornstein, Treasurer
   342 Madison Avenue
   New York, N. Y.
   E. Haring Chandor, Secretary
   342 Madison Avenue
   New York, N. Y.

2. ---

3. Applicant's property rights.
   (a) See description in attached lease.
   (b) Black Butte Mercury Mine.
   (c) The property is under lease with option to buy.
   (d) Lease attached.
   (e) ---
   (f) No unpatented claims.

4. Physical description.
   (a) The Black Butte outcrop of cinnabar ore was found in the early 1890's. A small amount of development work was done on the top of the butte and a 40 ton Scott furnace with conventional brick condensers was built.

   In 1898, W. B. Dennis acquired the property and to 1908 he drove new levels totaling some 15,000 feet of development work.

   The Scott furnace, burning resinous Oregon fir for fuel, made excessive soot in the condensers and Dennis invented and patented a furnace and a wood gas producer designed to overcome this difficulty. A small experimental Dennis furnace was built and operated and worked well. This was in 1905 when the price of quicksilver averaged only $36.22 per flask and no full sized furnace was built. However a gas producer was built into the Scott furnace and increased its capacity from 30 or 36 to 49 or 51 tons per day. A tile pipe condenser was built to replace the old brick condensers. Thus many ideas that came into use in European and United States quicksilver mines only many years later, were pioneered at Black Butte. This early operation came to an end in 1909.

4. (a) cont'd.

In 1916 during World War I, the Black Butte mine was reopened and ore was treated as before in the Scott furnace with its tile pipe condenser system. A flotation plant was also built early in 1918 to concentrate the ore and the concentrates were treated in the furnace. At that time the main stope in the mine was 180 feet long, about 15 feet wide and extended from the surface down to near the 400 level. A tramway carried the ore from the mine to the furnace plant. E. B. Crane was superintendent and the cost of operation was $2.68 per ton. The Scott furnace used 1½ to 2 cords of wood per day and fire wood cost $2 to $2.50 per cord. This operation ended in 1919 when the price of quicksilver dropped after the high price it had during the war.

In 1927, when the European Quicksilver Cartel raised the quicksilver price to an average for that year of $118.16, the Black Butte mine was reopened under the management of R. S. Betts, an energetic and competent engineer. This time a 4 x 60 foot rotary kiln furnace was used with a tile pipe condenser system. In 1928 the Dennis Creek Tunnel was started to reach the ore zone 850 feet below the then lowest 900 foot level. A second rotary kiln was also installed in 1928 and both kilns were in operation in 1929. The first kiln treated about 84 tons of 2 inch ore daily with a fuel consumption of 9.3 gallons per ton. The ore was fed into the kiln with a screw conveyor feeder. The Sirocco dust collector caught some 600 lbs. of dust per 24 hours or less than ½ of 1 per cent of the thruput, so that the ore was not very dusty. The kiln slope was 3/4 inch per foot and the kiln made one revolution in 45 seconds. In operation the dust chamber temperature was 600° F and the stack temperature was 110° F.

The second rotary kiln was used for some three years only and was sold off in 1939. Late in 1931 some 43 men were employed to mine and treat some 80 tons per day. Late in 1932 the 1,100 level was being developed. In August 1934, some 70 tons per day were being treated still with 43 men of whom 20 worked in the mine and 15 in the plant. This operation continued until the mine was closed in 1942. It has not been worked since.

After the mine was shut down the U. S. Bureau of mines examined the property and estimated the possible existence of large ore bodies. The estimate was based primarily on the results of three core holes. Present management feels that the favorable indications produced by these three drill holes warrants an intensive exploration program.

(b) The Black Butte has a production record of 15,415 flasks of mercury. The ore has averaged about 3 lbs. of mercury to the ton.

(c) The underground geology along the old workings is shown on the accompanying map. The area shown in red is the area we plan to explore. It is in this area that the prior diamond drilling has indicated the possibility of ore. As shown on the map we plan to extend the 1,100 level approximately 1,200 feet and to put in approximately 400 feet of raises to the 900 level. We then plan to do about 5,000 ft. of diamond drilling.

4. (d) The property lies 17 miles south of Cottage Grove, Oregon, a station on the Southern Pacific Railroad. An excellent all weather county road goes directly to the property. On the property we have put in a truck access road to the 1100 adit and a bulldozer extension road to the 900 level. We are cleaning out the 1100 level by hand mucking and tramming and are over a quarter mile in from the adit.

(e) Good quality manpower is readily available. Adequate supplies, equipment, water and power are also readily available. We are at present having a power line installed directly to the 1100 portal. This will be a 440-volt open Y line capable of carrying 75 horsepower.

5. The exploration project.

(a) The management plans to explore for mercury.

(b) As stated in 4 (c) above we plan to extend the 1,100 level, connect it to the 900 level by raises and diamond drill this then accessible area which has shown possibilities of containing ore. Included in the proposed work is whatever surface work, such as roadwork, and any additional underground work, such as rehabilitation of the 900 level, that may be found necessary to facilitate the exploration.

(c) The work will start within 10 days and be completed within 12 months from the date of an exploration project contract.

(d) The chief executive officer of the company, Mr. Richard P. Fischer, is an engineering graduate and has had extensive experience in non-ferrous metal mining, geology and business administration. The superintendent on the job is Mr. Herbert E. Larsen, well known authority on the exploration and mining of mercury. Prior to his association with Mercury & Chemicals Corp. Mr. Larsen was for many years the superintendent of the highly successful mercury mine of the Sonoma Quicksilver Co. at Guerneville, California. Mr. Larsen is the expert who was hired by the Spanish government to diagnose the ailing Spanish mercury industry in 1954. Consultants to the company are Mr. Curt N. Schuette of Sebastopol, California, a man whose eminence in mercury mining is recognized by all within the industry; and Mr. Daniel J. Mills, President of Quicksilver Syndicate, who has an intimate knowledge of the mine from his position as mine foreman when the mine was last operated. Under Mr. Larsen is a capable staff of mining men. Mercury & Chemicals Corp. was formed to bring together as an operating unit this manpower which is highly qualified to make a success of the endeavor.

6. Estimate of costs incident to exploration.

(a) Rehabilitation of old workings.

Location	Operation	Footage	Cost Per Foot	Total Cost
900' level adit	Cleaning and timbering	300'	$21.70	$6510.00
1,100' level adit	Cleaning and timbering	400'	$21.70	$8680.00

6. (b) Proposed exploration work.

Location	Operation	Footage	Cost Per Foot	Total Cost
1,100' level	Drift 5' x 7'	1,200'	$31.00	$37,200.00
1,100' level	Raising 6' x 9'	400'	36.15	14,460.00
1,100' level	Core drilling	5,000'	4.00	20,000.00

(c) Other items of cost.

	No.	Total Cost
Mine cars	6	$ 1,600.00
Stoper and drifter	2	1,700.00
Air locomotive	1	2,500.00
Mucking machine	1	3,200.00
Diamond core drill	1	1,200.00
Drill steel		500.00
Compressor, 750 cu. ft.	1	8,000.00
Bulldozer work for clearing building sites and roadwork. Estimated 200 hours @ $15.00 per hour		$ 3,000.00
Buildings for change room, warehousing, assay office and accounting office. Two 32' x 48' buildings @ $4,270.00 per bldg.		8,540.00
Rehabilitation of house for living quarters for foreman on job		2,000.00
Consultants		3,000.00
Contingencies		5,000.00
		$126,730.00

7. (a) Yes.
(b) Money.

Explanation of Rehabilitation of Old Workings Costs

	Labor	Super-vision	Explosives	Timber	Power	Bits	Water, Air & Vent Pipe	Cost Per Foot
Per foot cleaning and timbering	$6.00	$4.00	---	$7.20	$1.00	---	$3.50	$21.70

Explanation of Costs of Proposed Exploration Work

	Labor	Super-vision	Explosives	Timber	Power	Bits	Water, Air & Vent Pipe	Cost Per Foot
1,100' drifting cost per foot	$14.00	$7.00	$2.10	$3.00	$1.00	$.30	$3.60	$31.00
1,100' raises cost per foot	12.00	6.00	1.90	12.00	1.00	.30	2.95	36.15

Docket copy

Murphy
Kinnow

PROJECT SUMMARY REPORT

By: F. M. Murphy July 30, 1959

1. Docket No. DMEA-4263 (Mercury)
Contract No. Idm-E998

Operator - Mercury and Chemicals Corp.
c/o Mr. E. Haring Chandor, Secretary
342 Madison Avenue
New York 17, New York

Operator's Property Rights -

Assignee of lease on all of sec. 16, T. 23 S., R. 3 W., Willamette Meridian, Lane County, Oregon.

Assignor: Bernard J. Chubet
Owner: Quicksilver Syndicate.

Daniel J. Mills, president of Quicksilver Syndicate signed a Consent to Lien and Subordination Agreement, dated August 30, 1956.

2. Contract, dated August 22, 1956.

Amendments -

No. 1, dated January 18, 1957, authorized use of smaller bulldozer at lower unit price, increased hours, with the total cost for this item not changed.

No. 2, dated May 14, 1957, extended completion date from 9 to 21 months, and the royalty payback period from 10 to 11 years.

Termination Agreement, dated October 25, 1957, was not executed by the Operator; however, the contract was considered terminated effective February 28, 1957.

Work Authorized and Completed -

See page 2.

2. Contract (continued) -

Work Authorized and Completed:

Item	Authorized	Completed	Unit Cost	Total Cost
Bulldozing	115.38 hr.	47	$13.00/hr.	$ 611.00
Core drilling (surface)	2,000 ft.	-	6.00/ft.	-
" " (underground)	1,000 ft.	-	4.00/ft.	-
Drifting	1,200 ft.	1/ 418	26.00/ft.	10,863.00
Timbering (drifts)	500 ft.	-	5.00/ft.	-
Raising	300 ft.	-	25.00/ft.	-
New buildings	1		820.00	- -
Rehabilitate adit	640 ft.	640	3.00/ft.	1,920.00
Assays (Hg)	300 samples	96	3.00/sample	288.00
	Total Accepted Cost			$13,682.00

1/ Amount invoiced, Operator actually completed 461.2 feet.

The work was started about November 1, 1956, and was stopped July 15, 1957. At that time the Operator was insolvent.

3. Certification of discovery, January 7, 1958.

4. Report of Review, dated March 17, 1959.

Total Cost as Billed by Operator	$13,682.00
Exceptions	None
Total Accepted Cost	$13,682.00
Government Participation @ 75%	$10,261.51
Amount paid to Operator	$10,261.51

5. Final Reports:

Operator's - Final report waived (see Chairman, Operating Committee, letter February 17, 1959.

Field Team's - received February 2, 1959

Excerpts from final report by Eric G. Erickson, USBM, and Howard F. Albee, USGS:

The Black Butte ore bodies are along a normal main fault zone and also smaller faults, joints, and bedding planes. The host rocks are highly altered andesitic lavas, tuffs and breccias of the Calapooya formation of Tertiary age.

The mine was discovered in 1890 and was worked intermittently until the end of the DMEA project work. A total of 14,000 flasks (76½ lbs. each) were produced up to the beginning of the DMEA program and 399 flasks during the project period.

The exploration project was designed to explore the east area of the mine for downward extension of the Smoky Stope by drifting on the 1100 level; core drilling from the drift for possible parallel ore bodies; raising on newly-exposed ore showings, and core drilling from surface to explore the footwall of the main fault in the area east of the extended 1100 level.

A part of the drifting was the only work completed. The last 80 feet of the drift exposed rock of probable ore grade. The small amount of work completed is not considered sufficient to confirm the 56,400-ton (3.0 lbs. Hg/ton) ore reserve under the 900 level Smoky Stope, estimated by the USBM as a result of its sampling and drilling program during 1942.

A large unexplored area of potentially mercury-bearing ground lies southeasterly of the DMEA workings. This area includes the main fault zone and beds in tufts parallel to the main fault that have been productive at other places in the mine. Therefore, completion of the project work is warranted.

Comments:

The standard of work was acceptable. However, the Operator started to exploit the mine before adequate ore reserves of minable grade were assured and a mining operation could be planned, such as a lower cost mining method and a low cost milling unit to upgrade the ore before furnacing.

The Operator failed to pay royalties of $3,215.00 on production. The owner of the property, Quicksilver Syndicate, repaid $1,800.00 of this sum as a result of a DMEA claim filed through the Attorney General's office. An amended claim for the remaining $1,415.00 was filed in the U. S. District Court by OME on April 28, 1959.

The subject property warrants additional exploratory work; therefore, the writer recommends that if a request for aid in such work is submitted by a financially-eligible party, it should receive favorable consideration.

F M Murphy/gla
cc to: Director's Read. File
Mr. Johnson Mr. Murphy

F M Murphy

F. M. Murphy

MME Form 17
Mar. 59

OFFICE OF MINERALS EXPLORATION

WORK COMPLETED ANALYSIS

X Certified — After final audit or review report is received, prepare in duplicate. File original in official docket. Send copy to Code 210.

Operator: Mercury & Chemicals Corp.
Actual Cost: X
State: Oregon - Lane County
Agreed Unit Cost:
Final Report of Audit:
Commodity: Mercury
Docket No.: DMEA-426.3
Final Report of Review: X March 17, 1959
Contract No.: Idm-E 918

Type of Work (Use these categories only)	Authorized by Contract and Amendments		Completed and Paid for		Net cost after sale of Gov't. Property
	Units	Cost 1/	Units	Cost 1/	
Drifting & Crosscutting	1200 feet	$33,700	418	$10,863	$10,863
Raising	300 feet	7,500			
Shafts					
Winzes					
Drilling (Specify) Surface Diamond	2000 feet	12,000			
Drilling (Specify) Underground Diamond	1000 "	4,000			
Surface Excavation					
Underground Excavation					
Roads and Trails & Drill sites		1500		611	611
Operating Equipment Purchased					
Surface Rehabilitation & Repairs					
Underground Rehabilitation		1920		1920	1920
New Building, Improvements, etc.		820			
Other (Specify) Assaying for Hg.		900		288	288
Totals		$62,340		$13,682	2/ 13,682

1/ Round off to dollars.
2/ Net cost total must agree with final report of audit or review.

Prepared by J M Murphy Date 7/30/59

52616

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
8/23/67		110
		220

AUG 23 1967

Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-2998

Gentlemen:

As the period under the referenced contract during which production was subject to royalty has now expired and you have completed payment of the royalty due on production, the Government according to its present records retains no claim or lien against the property described in the contract or any production therefrom. We, therefore, are closing our books and records on this contract.

Your attention, however, is called to the provisions of the contract which require the Operator to keep and preserve certain records for the period indicated.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

Copy to: Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon 97424

cc: Director's Reading File
Division File
Economic Geology File
OME Docket
OME Reading File
OME Region I
130

FEJohnson/gla 8-23-67

23263

MME Form 7
(2/63)

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Date	Surname	Code
8/23/67		110
		220

AUG 23 1967

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Rout, Box 514
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Mills:

Enclosed is a copy of a self-explanatory letter of today to the Operator under the subject contract.

This correspondence relates to the Consent to Lien and Subordination Agreement signed by you on August 30, 1956.

Sincerely yours,

FRANK E. JOHNSON

(F.H.)

Frank E. Johnson
Chief, Office of
Minerals Exploration

Enclosure

cc: Director's Reading File
Division File
Economic Geology File
OME Docket
OME Reading File
OME Region I
130

GLAult/a 8-23-67

23263

MME Form 7
(2/63)

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Date	Surname	Code
6/20		110
		220

Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Gentlemen:

Thank you for your check in the amount of $2,975,26 in payment of the balance of royalty due the Government on production from the land under the subject contract.

Your liquidation of this account is greatly appreciated.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file

FEJohnson/bih 6/20/67

23263

Attn: Mr. Frank Johnson, Chief
U. S. Dept. of Interior
Office of Minerals Exploration
Geological Survey
Washington 25, D. C.

OFFICIAL COPY
O. M. E.
RECEIVED
JUN 19 1967

INITIALS	CODE
	110
gla	120 m
	120
	~~$2975.26~~

Re: DMEA 4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Balance due the Government

6/2/67 Ck# 12 Acct #6-916 Exploration Acct $2975.26

Balance .00

Black Butte Mining, Inc.
B.B.Rt. Box 513
Cottage Grove, Oregon

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

OFFICIAL COPY
O. M. E.
RECEIVED
JUN 20 1967
INITIALS CODE

TO: Budget and Finance

FROM: Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
6/2/67	$2,975.26	U. S. Natl' Bank Cottage Grove Br. Cottage Grove, Ore.	Black Butte Mining Inc.	DMEA 4263 E-998	Royalties

REMARKS: (List smelter or mill lot numbers covered by royalties)

6/20/67
Date Prepared

Person Preparing Abstract

Date Received

Person Receiving Remittance

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
5/24		110
		220

MAY 2 4 1967

Mr. Oscar Nukka
Manager
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon 97424

Re: DMEA 4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Nukka:

Thank you for your letter of May 15, 1967, advising that you believe you can pay the balance due the Government on production from the land under the subject contract the latter part of June.

Our records indicate the status of this account is as follows:

Unpaid balance as of April 24, 1967 -	$3,575.26
Payments made in April and May 1967 -	600.00
Balance due the Government -	$2,975.26

We will look forward to payment in full of this account in June.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I w/cy inc.ltr.
120-M

FEJohnson/bih 5/24/67

23263

Black Butte Mining, Inc.
B.B.Rt. Box 513
Cottage Grove, Oregon
97424

OFFICIAL
COPY
O. M. E.
RECEIVED
MAY 22 1967

INITIALS	CODE
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May 15, 1967

Mr. Frank E. Johnson
Chief, Office of
Minerals Exploration
Geological Survey
Washington 25, D. C.

Dear Mr. Johnson:

Re: Letter of April 24th.

We believe we can pay the balance due the government the latter part of June on the DMEA-4263 (Mercury) loan., with Mercury & Chemicals Corp., Black Butte Mine, Lane County, Oregon, contract Idm-E998.

Very truly yours,

Oscar Nukka
Manager

ON/ch

Geological Survey
Dept. of Interior
Office of Minerals Exploration
Washington 25, D. C.

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract IDm-E998

Amerco

$00.00

Black Butte Mining, Inc.

OFFICIAL
COPY
O. M. E.
RECEIVED
MAY 16 1967
INITIALS | CODE
HK 120

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON, D.C. 20240

OFFICIAL BUSINESS

GEOLOGICAL SURVEY

RETURNED TO WRITER

REASON CHECKED
Unclaimed.....Refused.....
Unknown.....
Insufficient address.....
Moved, left no address.....
No such post office in state.....
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POSTAGE AND FEES PAID
U. S. DEPARTMENT OF THE INTERIOR

133875

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

American Mercury Corporation
P. O. Box 245
Cottage Grove, Oregon 97424

COTTAGE GROVE
MAY 1 1967

Name
1st Notice 5-1-67
2nd Notice 5-5-67
Return 5-15-67

EUGENE GROVE, ORE.G.
MAY 8
1961

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)
CERTIFIED NO. 133875	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.	
DATE DELIVERED	SHOW WHERE DELIVERED (*only if requested*)

c55—16—71548-8 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

POSTMARK OF DELIVERING OFFICE

INSTRUCTIONS: Show name and address below and complete instructions on other side, where applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article *RETURN RECEIPT REQUESTED.*

RETURN TO

NAME OF SENDER Geological Survey, Office of Minerals Exploration, Department of the Interior

STREET AND NO. OR P.O. BOX
18th and C Streets, N.W.,

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

4263

POD Form 3811 Oct. 1965 c55—16—71548-8

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

TO: Budget and Finance

FROM: Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
5/10/67	$300.00	U. S. Natl Bk. of Oregon	Mercury & Chemicals (Black Butte Mining, Inc)	DMEA-4263 E-998	Royalty

REMARKS: (List smelter or mill lot numbers covered by royalties)

5/16/67
Date Prepared

Person Preparing Abstract

Date Received

Person Receiving Remittance

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON 25, D. C.

GEOLOGICAL SURVEY

APR 24 1967

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

American Mercury Corporation
P. O. Box 245
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Gentlemen:

Reference is made to our letter of March 9, 1967, concerning payment of royalty due on production from the land under the subject contract.

Since our letter to you we have received a payment of $300, leaving the royalty account under the contract as follows:

Government's contribution repayable by a royalty on production -	$5,373.26
Monthly payments Sept. 1966 - March 1967	1,800.00
Balance due the Government	$3,573.26

Unless prompt arrangements are made to pay the balance of royalty due the Government in the amount of $3,573.26, the Government will take such action available under the law for collection of this indebtedness which may entail additional expense to you.

Sincerely yours,

Frank E. Johnson

Frank E. Johnson
Chief, Office of
Minerals Exploration

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

COTTAGE GROVE, OR STA
MAY 8
PM
1967

POSTMARK OF DELIVERING OFFICE

BOUNCING
DAYS
JULY 13 14 15 16

INSTRUCTIONS: Show name and address below and complete instructions on other side, where applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article *RETURN RECEIPT REQUESTED.*

RETURN TO

NAME OF SENDER Geological Survey, Office of Minerals Exploration, Department of the Interior

STREET AND NO. OR P.O. BOX
18th and C Streets, N.W.

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

4263

POD Form 3811 Oct. 1965 c55—16—71548-8

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO.

CERTIFIED NO. 133876

INSURED NO.

SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)

1

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

2

DATE DELIVERED 5-8-67

SHOW WHERE DELIVERED (*only if requested*)

c55—16—71548-8 GPO

DMEA 4263

INSTRUCTIONS TO DELIVERING EMPLOYEE

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(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO. 500718

CERTIFIED NO.

INSURED NO.

1 SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*) Daniel J. Mills

2 SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED 5-1-67

SHOW WHERE DELIVERED (*only if requested*)

o55—16—71548-8 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, $300

COTTAGE GROVE, OR 97424
MAY 1
PM
1967

POSTMARK OF
DELIVERING OFFICE

INSTRUCTIONS: Show name and address below and complete instructions on other side, where applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article *RETURN RECEIPT REQUESTED.*

RETURN TO

NAME OF SENDER Geological Survey, Office of Minerals Exploration, Department of the Interior

STREET AND NO. OR P.O. BOX
18th and C Streets N.W.
Washington, D. C. 20242

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

4263

POD Form 3811 Oct. 1965

c55—16—71548-8

320

DMEA 4263

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

TO:
Budget and Finance

FROM:
Offiee of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
4/19/67	$300.00	U. S. National Bk. of Oregon	Black Butte Mining Inc. (for Mercury & Chemical)	DMEA 4263 E-998	Royalty

REMARKS: (List smelter or mill lot numbers covered by royalties)

4/28/67
Date Prepared

Catherine A. Curtis
Person Preparing Abstract

Date Received

Person Receiving Remittance

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
4/24		110
4/24/67	Kirkeno	120
		220

APR 24 1967

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Oscar Nukka
Manager
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Nukka:

Reference is made to our letter of March 9, 1967, concerning payment of royalty due on production from the land under the subject contract.

Since our letter to you we have received a payment of $300, leaving the royalty account under the contract as follows:

Government's contribution repayable by a royalty on production -	$5,373.26
Monthly payments Sept. 1966 - March 1967	1,800.00
Balance due the Government	$3,573.26

Unless prompt arrangements are made to pay the balance of royalty due the Government in the amount of $3,573.26, the Government will take such action available under the law for collection of this indebtedness which may entail additional expense to you.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I
BX 120-M

FEJohnson/bih 4/24/67

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
4/24		110
4/24/67	Kirkemo	120
		220

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Mills:

Reference is made to our letter of March 9, 1967, concerning payment of royalty due on production from the land under the subject contract.

Since our letter to you we have received a payment of $300, leaving the royalty account under the contract as follows:

Government's contribution repayable by a royalty on production -	$5,373.26
Monthly payments Sept. 1966 - March 1967	1,800.00
Balance due the Government	$3,573.26

Unless prompt arrangements are made to pay the balance of royalty due the Government in the amount of $3,573.26, the Government will take such action available under the law for collection of this indebtedness which may entail additional expense to you.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I
120-M

FEJohnson/bih 4/21/67

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
4/24		110
4/24/67	Kirkemo	120
		220

APR 24 1967

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

American Mercury Corporation
P. O. Box 245
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Gentlemen:

Reference is made to our letter of March 9, 1967, concerning payment of royalty due on production from the land under the subject contract.

Since our letter to you we have received a payment of $300, leaving the royalty account under the contract as follows:

Government's contribution repayable by a royalty on production -	$5,373.26
Monthly payments Sept. 1966 - March 1967	1,800.00
Balance due the Government	$3,573.26

Unless prompt arrangements are made to pay the balance of royalty due the Government in the amount of $3,573.26, the Government will take such action available under the law for collection of this indebtedness which may entail additional expense to you.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I
120-M

FEJohnson/bih 4/24/67

23263

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO.

CERTIFIED NO. 133701

INSURED NO.

1 SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)

Daniel J. Miller

2 SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED 3/21/67

SHOW WHERE DELIVERED (*only if requested*)

548-8 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

c55—16—71548-8

POD Form **3811** Oct. 1965

COTTAGE GROVE, OR 97424
MAR 21
PM

POSTMARK OF DELIVERING OFFICE

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RETURN TO

NAME OF SENDER Office of Minerals Exploration
Geological Survey

STREET AND NO. OR P.O. BOX
Department of the Interior

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

4263

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO. 5011326

CERTIFIED NO.

INSURED NO.

SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)

1 Charles V. Woodard

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

2 Mrs Charles V. Woodard

DATE DELIVERED MAR 24 1967

SHOW WHERE DELIVERED (*only if requested*)

4363

c55—16—71548-8 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

POSTMARK OF DELIVERING OFFICE

MAR 1967

INSTRUCTIONS: Show name and address below and complete instructions on other side, where applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article *RETURN RECEIPT REQUESTED.*

RETURN TO

NAME OF SENDER U. S. Geological Survey
Office of Minerals Exploration

STREET AND NO. OR P.O. BOX
Dept. of the Interior

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

POD Form 3811 Oct. 1965 c55—16—71548-8

220

D MEA 42 63

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO.

CERTIFIED NO.
133703

INSURED NO.

SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)

1 X Daniel J. Mills

2 SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED
3-22-67

SHOW WHERE DELIVERED (*only if requested*)

c55—16—71548-8 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

COTTAGE GROVE, OREGON
MAR 22
3 PM
1967

POSTMARK OF DELIVERING OFFICE

INSTRUCTIONS: Show name and address below and complete instructions on other side, where applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article *RETURN RECEIPT REQUESTED.*

RETURN TO

NAME OF SENDER
Office of Minerals Exploration
Geological Survey

STREET AND NO. OR P.O. BOX
Department of the Interior

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

POD Form 3811 Oct. 1965 c55—16—71548-8

4263

4263

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO.

CERTIFIED NO. 133702

INSURED NO.

1 SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)

X [illegible]

2 SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED

3-16-67

SHOW WHERE DELIVERED (*only if requested*)

—71548-8 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE, $300

POD Form 3811 Oct. 1965 c55—16—71548-8

COTTAGE GROVE, OR 97424
MAR 16
AM
1967

POSTMARK OF DELIVERING OFFICE

INSTRUCTIONS: Show name and address below and complete instructions on other side, where applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article *RETURN RECEIPT REQUESTED.*

RETURN TO

NAME OF SENDER Office of Minerals Exploration
Geological Survey

STREET AND NO. OR P.O. BOX
Department of the Interior

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

4263

MEA 4263

Re: Docket #DMEA-4263(Mercury)
Mercury & Chemical Corp.
Black Butte Mine
Lane County
Contract #IDM-E998

Black Butte Mining, Inc.
B.B.Rt. Box 513
Cottage Grove, Oregon

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

TO: Budget and Finance

FROM: Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
3/9/67	$300.00	U. S. National Bk. of Oregon	Black Butte Mining Co.	DMEA 4263 E-998	Royalty

OFFICIAL COPY
O. M. E.
RECEIVED
MAR 14 1967
INITIALS CODE
JEO 120 ~~110~~
HK ~~120~~
220

REMARKS: (List smelter or mill lot numbers covered by royalties)

3/14/67
Date Prepared

C. Curtis
Person Preparing Abstract

Date Received

Person Receiving Remittance

MME Form 7
(10-58)

RECEIVED
MAR 7 1967
Division of Mineral Resources
Mineral Legal Serv...

OFFICIAL FILE COPY

Date	Surname	Code
3/6	Johnson	110
3/6/67	Kisbemo	120
	Long	140
Appd. Sol. Office		110
		220

MAR 9 1967

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Oscar Nukka
Manager
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Nukka:

We have information which indicates that production since 1964 from the property under the subject contract has been more than sufficient to repay the balance of the Government's contribution under the contract at the royalty rate provided for in the contract.

The account under the contract is as follows:

Government's contribution repayable by a royalty on production -	$5,373.26
Payments made to date -	1,500.00
Balance due the Government -	$3,873.26

As the royalty due the Government on the production provided for in the contract is greater than the total monthly payments made, you are requested to promptly remit the full amount of the balance of $3,873.26 due the Government to this office.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
SOL - Room 6546
OME Region I
120-M

FEJohnson/bih 3/6/67

43683

ME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
3/6	Johnson	110
3/6/67	Kirkamo	120
	Long	140
	Appd. Sol. Office	170
		220

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

MAR 9 1967

American Mercury Corporation
P. O. Box 245
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Gentlemen:

We have information which indicates that production since 1964 from the property under the subject contract has been more than sufficient to repay the Government the balance of its contribution under the contract at the rate of royalty provided for in the contract.

This account is as follows:

Government's contribution repayable by a royalty on production -	$5,373.26
Payments made to date -	1,500.00
Balance due the Government -	$3,873.26

You are requested to promptly remit the full amount of $3,873.26 due the Government to this office.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
SOL - Room 6546
BME Region I
120-M

FEJohnson/bih 3/6/67

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
3/6	[illegible]	110
3/6/67	Kirkemo	120
	Long	140
Appd. Sol. Office		210
		220

MAR 9 1967

RECEIVED
MAR 1967
Division of Mineral Resources
General Legal

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon 97424

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Mills:

This is with reference to our letter to you of January 4, 1967, concerning payment of royalty due the Government on production from the property under the subject contract.

The account under the contract is as follows:

Government's contribution repayable by a royalty on production -	$5,373.26
Monthly payments Sept.1966-Feb.1967 -	1,500.00
Balance due the Government -	$3,873.26

Production reported from the Black Butte Mine during the years 1964, 1965, and 1966 has been more than sufficient to repay the Government the balance of its contribution under the contract at the royalty rate provided for in the contract.

The Black Butte Mining, Inc. has failed to pay royalty to the Government in accordance with the terms of the contract or the agreement which provided for payment of $300.00 per month as long as it was not less than that which the Government is entitled to under the contract. Therefore, the Government

43683

looks to you for payment of the delinquent royalty. You are requested to promptly remit to this office the full amount of royalty due in the amount of $3,873.26.

Sincerely yours,

FRANK E. JOHNSON

(FK)

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
SOL - Room 6546
OME Region I
120-M

FEJohnson/bih 3/6/67

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane, Washington 99204
February 24, 1967

OFFICIAL COPY
O. M. E.
RECEIVED
FEB 27 1967
INITIALS | CODE
2/27 | 120
110
HK

Memorandum

To: Chief, Office of Minerals Exploration

From: Field Officer, Region I

Subject: OME-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

This refers to your memorandum of January 4, 1967, relative to royalty due the Government on production from the Black Butte mine.

In view of a statement in Daniel J. Mills' letter to you of December 3, 1966, to the effect that production records were all in Canada, it appears that little would be accomplished by a special trip to Cottage Grove, Oregon.

Washington State I.C. No. 39 listed the names and addresses of four buyers of mercury located in San Francisco and we have in our files the names and addresses of two others. Letters were sent to each of these six buyers of whom four replied. The other two letters were returned marked "Address Unknown." Help in locating the latter two companies was asked of Hal Stager.

The Oil, Paint, and Drug Reporter Buyers' Directory of 1964 lists 16 possible buyers of which 12 are located in the New York-New Jersey area, 2 in Chicago, 1 in Oklahoma, and 1, Quicksilver Products, Inc., in San Francisco. Of these, we have written only to Quicksilver Products, Inc.

Enclosed is a copy of each of the replies we have received and Stager's comments. Relative to the latter, the above-cited Buyers' Directory lists under mercury Wood Ridge Chemical Corporation, Wood Ridge, New Jersey 07075. Only Quicksilver Products, Inc., has reported any purchases of mercury from the Black Butte mine, but from the composition of their first paragraph one cannot be certain that payment was made to Black Butte Mining, Inc. Taken in context with our request for information, it appears that it probably was. If this is so, surely they should have these settlement sheets, at least.

It would not appear unreasonable to suppose that the two $300 payments recently made by Black Butte Mining, Inc., came from the $84,932.89 reported paid by Quicksilver Products, Inc. On this assumption:

Total received by Black Butte Mining, Inc.	$84,932.89
Total royalty due OME 1/6/65	$ 5,373.26
Royalty due OME at 5% of $84,932.89	4,246.64
Less royalty paid by Black Butte Mining, Inc.	-600.00
Balance due from Black Butte Mining, Inc.	$ 3,646.64

There may have been some mercury sold to some of the operating gold mines in Oregon, but in view of the 1966 production reported in The Ore Bin for January 1967, only 113 ounces, this could not account for much. Discussing mercury production, The Ore Bin states on page 1:

> "The largest producer was the famous Black Butte Mine in southern Lane County. The property was sold by American Mercury Corp. in the spring to Allegheny Mining & Exploration Co., Ltd. Both companies are based in Canada."

It looks as though one dummy corporation has taken over nominal control of the property from another, both being headquartered out of the Country, and that Black Butte Mining, Inc., has received settlements on sales during 1966, leaving Quicksilver Syndicate as the only hope of collecting royalty due the Government. It is recommended that the only remaining recourse is to demand payment, at least of the balance of $3,646.64 due on known settlements, from Quicksilver Syndicate.

D. R. MacLaren

D. R. MacLaren

Enclosures

9/28 - 300
11/7 300
1/5 300
1/10 300
2/14 300
$1500.00

5373.26
1500.00
Due $3873.26 2/28/67

2/ pmt 8/22/67

[illegible] RADIOCES [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] (Mercury)

[illegible]

[illegible] letter of [illegible] the purchases we have made (Black [illegible] the period December 1964 thru October [illegible]

DATE	FLASKS	AMOUNT
[illegible]	24 x [illegible] / [illegible]	$ 3,405.[illegible]
[illegible]	23 x 76 / 1 x 72-1/2#	2,910.35
[illegible]	12 x 76 / 1-1/2#	[illegible]
[illegible]	12 x [illegible] / [illegible]	[illegible]
[illegible]	12 x [illegible] / 3-3/4#	[illegible]

per flask

395—

415—

[illegible] Dept. of the Interior
[illegible] of Minerals Exploration

February 7, 1967

[illegible]	FLASKS	AMOUNT
[illegible]	12 x 76 # 8#	$ 5,064.16
[illegible]	12 x 76 # 2-1/2#	5,113.98
[illegible]	12 x 76 # 5-3/4#	5,252.89
[illegible]	12 x 76 # 1-3/4#	5,410.36
[illegible]	12 x 76 # 2-1/2#	5,655.45
[illegible]	12 x 76 # 5#	5,972.55
[illegible]	10 x 76 # 4-1/4#	5,229.07
[illegible]	12 x 76 # 1-1/2#	[illegible]
[illegible]	12 x 76 # 3-1/2#	5,085.52
		484,932.99

Very truly yours,

QUICKSILVER PRODUCTS, INC.

Grace Fumam

[illegible]

WATERS & ROGERS, INC. P.O. BOX 3200 • SAN FRANCISCO, CALIFORNIA 94119
RINCON ANNEX 467 2600

Mr. [illegible] MacLaren
United States Department of
the Interior
Office of Minerals Exploration
Geological Survey
[illegible] Howard Street
[illegible], Washington

February 9, 1967

Dear Mr. MacLaren:

In reply to your letter of February 6, 1967 regarding OME-[illegible] 3(Mercury). This letter is to advise that we have not purchased any flasks of Mercury from the Black Butte Mine, Lake County, Oregon during the period December, 1964 to October, 1966 inclusive.

Cordially yours,

D. H. Butler
Chemicals Department

DHB:

RECEIVED
[illegible]
[illegible]

[illegible]

[illegible]andum

[illegible] Officer [illegible] February [illegible]

[illegible]

From: Field Officer
[illegible]

[illegible] Beck & Co.

[illegible] that Coast Che[illegible] is a divisi[illegible] of [illegible] Company, Inc., of 55 [illegible] Street, San Francisco, [illegible] to Woodridge Chemic[illegible] Chemical Division, [illegible] Street, San Francisco, California [illegible] However they are [illegible] and we have not [illegible] since their present

[illegible]

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

TO: Budget and Finance

FROM: Geological Survey,
Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
2/14/67	$300.00	U. S. Natl Bank	Black Butte Mining, Inc.	DMEA 4263 E-998	Royalty

OFFICIAL COPY
O. M. E.
RECEIVED
FEB 14 1967
INITIALS | CODE
Cac 210 P
~~120~~ mo
~~110~~
220

REMARKS: (List smelter or mill lot numbers covered by royalties)

2/14/67
Date Prepared

C. Curtis
Person Preparing Abstract

Date Received

Person Receiving Remittance

OMe(2)

GEOLOGICAL SURVEY
Sc. 157 Howard Street
Spokane, Washington 99204
February 6, 1967

AIRMAIL

Van Waters & Rogers, Inc.
1400 16th St.
San Francisco, California 94103

Re: OME-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-8998

Gentlemen:

The functions of the Office of Minerals Exploration and its predecessor, the Defense Minerals Exploration Administration, are now the responsibility of the U. S. Geological Survey. Part of our responsibility deals with the matter of royalty that may be due the Government.

Will you kindly advise us as to the date, the number of flasks, and the amount paid for any mercury you may have purchased from the Black Butte Mine, Lane County, Oregon, during the period December 1964 to October 1966, inclusive. The sales may have been credited to any of the following operators:

American Mercury Corporation, Cottage Grove, Oregon
Black Butte Mining, Inc., Cottage Grove, Oregon
Allegheny Minerals and Exploration Company
Toronto, Canada
Quicksilver Syndicate, Cottage Grove, Oregon

Your cooperation will be greatly appreciated.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

DRMacLaren/mls

cc: OME(2)
CPF

Director's Reading File

OME(2)

GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane, Washington 99204
February 6, 1967

Air Mail

Gordon I. Gould & Co.
58 Sutter Street
San Francisco, California 94104

Re: OME-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Gentlemen:

The functions of the Office of Minerals Exploration and its predecessor, the Defense Minerals Exploration Administration, are now the responsibility of the U. S. Geological Survey. Part of our responsibility deals with the matter of royalty that may be due the Government.

Will you kindly advise us as to the date, the number of flasks, and the amount paid for any mercury you may have purchased from the Black Butte Mine, Lane County, Oregon, during the period December 1964 to October 1966, inclusive. The sales may have been credited to any of the following operators:

American Mercury Corporation, Cottage Grove, Oregon
Black Butte Mining, Inc., Cottage Grove Oregon
Allegheny Minerals and Exploration Company
Toronto, Canada
Quicksilver Syndicate, Cottage Grove, Oregon

As it has in the past, your cooperation will be greatly appreciated.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

DRMacLaren/mls

cc: OME(2)
CPF

Director's Reading File

Ome(2)

GEOLOGICAL SURVEY
Sp. 157 Howard Street
Spokane, Washington 99204
February 6, 1967

Coast Chemical Division
275 Brannon Street
San Francisco, California 94107

Re: OME-4263 (Mercury)
Mercury and Chemical Corp.
Black Butte Mine
Lane County, Oregon
Contract Ids-E998

Gentlemen:

The functions of the Office of Minerals Exploration and its predecessor, the Defense Minerals Exploration Administration, are now the responsibility of the U. S. Geological Survey. Part of our responsibility deals with the matter of royalty that may be due the Government.

Will you kindly advise us as to the date, the number of flasks, and the amount paid for any mercury you may have purchased from the Black Butte Mine, Lane County, Oregon, during the period December 1964 to October 1966, inclusive. The sales may have been credited to any of the following operators:

American Mercury Corporation, Cottage Grove, Oregon
Black Butte Mining, Inc., Cottage Grove, Oregon
Allegheny Minerals and Exploration Company
Toronto, Canada
Quicksilver Syndicate, Cottage Grove, Oregon

Your cooperation will be greatly appreciated.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

DRMacLaren/mls

cc: OME(2)
CPF
Director's Reading File

0 Mu 121

OFFICIAL FILE

GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane, Washington 99204
February 6, 1967

Jrj ~~120~~ ~~110~~ 220

Scientific Supplies Co.
600 Spokane Street
Seattle, Washington 98134

Re: OME-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-3998

Gentlemen:

The functions of the Office of Minerals Exploration and its predecessor, the Defense Minerals Exploration Administration, are now the responsibility of the U. S. Geological Survey. Part of our responsibility deals with the matter of royalty that may be due the Government.

Will you kindly advise us as to the date, the number of flasks, and the amount paid for any mercury you may have purchased from the Black Butte Mine, Lane County, Oregon, during the period December 1964 to October 1966, inclusive. The sales may have been credited to any of the following operators:

American Mercury Corporation, Cottage Grove, Oregon
Black Butte Mining, Inc., Cottage Grove, Oregon
Allegheny Minerals and Exploration Company
Toronto, Canada
Quicksilver Syndicate, Cottage Grove, Oregon

As it has in the past, your cooperation will be greatly appreciated.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

DRMacLaren/mls

cc: OME(2)
CPF
Director's Reading File

OMe(2)

GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane, Washington 99204
February 6, 1967

~~170~~ 110 220

AIRMAIL

F. W. Berk and Company, Inc.
55 New Montgomery St.
San Francisco, California 94105

Re: OME-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idn-E998

Gentlemen:

The functions of the Office of Minerals Exploration and its predecessor, the Defense Minerals Exploration Administration, are now the responsibility of the U. S. Geological Survey. Part of our responsibility deals with the matter of royalty that may be due the Government.

Will you kindly advise us as to the date, the number of flasks, and the amount paid for any mercury you may have purchased from the Black Butte Mine, Lane County, Oregon, during the period December 1964 to October 1966, inclusive. The sales may have been credited to any of the following operators:

American Mercury Corporation, Cottage Grove, Oregon
Black Butte Mining, Inc., Cottage Grove, Oregon
Allegheny Minerals and Exploration Company
Toronto, Canada
Quicksilver Syndicate, Cottage Grove, Oregon

Your cooperation will be greatly appreciated.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

DRMacLaren/mls

cc: OME(2)
CPF
Director's Reading File

OME(2)

ORIGINAL COPY

GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane, Washington 99204
February 6, 1967

AIRMAIL

Quicksilver Products, Inc.
407 Sansome St.
San Francisco, California 94104

Re: OME-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Gentlemen:

The functions of the Office of Minerals Exploration and its predecessor, the Defense Minerals Exploration Administration, are now the responsibility of the U. S. Geological Survey. Part of our responsibility deals with the matter of royalty that may be due the Government.

Will you kindly advise us as to the date, the number of flasks, and the amount paid for any mercury you may have purchased from the Black Butte Mine, Lane County, Oregon, during the period December 1964 to October 1966, inclusive. The sales may have been credited to any of the following operators:

American Mercury Corporation, Cottage Grove, Oregon
Black Butte Mining, Inc., Cottage Grove, Oregon
Allegheny Minerals and Exploration Company
Toronto, Canada
Quicksilver Sndicate, Cottage Grove, Oregon

Your cooperation will be greatly appreciated.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

DRMacLaren/mls

cc: OME(2)
CPF

Director's Reading File

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

TO: Budget and Finance

FROM: Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
1/10/67	$300.00	U. S. Natl' Bk. of Oregon	Black Butte Mining Inc.	DMEA4263 E-998	Royalty

OFFICIAL COPY
O. M. E.
RECEIVED
JAN 16 1967

REMARKS: (List smelter or mill lot numbers covered by royalties)

1/16/67
Date Prepared

Catherine Curtis
Person Preparing Abstract

Date Received

Person Receiving Remittance

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

TO: Budget & Finance

FROM: Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
1-5-67	$300.00	U. S. National Bank of Oregon	Black Butte Mining, Inc	DMEA-4263 E-998	~~XXXXXX~~ Royalties

OFFICIAL COPY
O. M. E.
RECEIVED
JAN 10 1967

INITIALS	CODE
gla	120
FD	~~110~~
HK	120
	~~120~~
	220

REMARKS: (List smelter or mill lot numbers covered by royalties)

1/10/67
Date Prepared

Catherine Curtis
Person Preparing Abstract

Date Received

Person Receiving Remittance

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
1/3		110
1/4/67	Kirberma	120
		220

Memorandum JAN 4 1967

To: Field Officer, OME Region I

From: Chief, Office of Minerals Exploration

Subject: OME-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

With reference to the copy of letter to you of November 30, 1966, from the U. S. Bureau of Mines, tabulating the flasks of mercury produced for the years 1962 to 1966, inclusive, transmitted with your memorandum of December 1, 1966, we need to determine, if possible, the purchasers of this mercury and obtain settlement data. Please follow up on this case.

The production of 1,069 flasks at the prevailing prices during the period December 1964 to October 1966, inclusive, would have an estimated value of $556,570. Royalty at 5 percent would amount to $27,828.50. The unpaid balance of the Government's contribution under the contract is as follows:

Balance of royalty lien -	$5,373.26
Less two payments of $300 each -	600.00
Balance due -	$4,773.26

If the production figures are correct for the land under the exploration contract, it is apparent that the balance of the Government's contribution should have been repaid early in 1965.

Our arrangement of July 14, 1966, with the Black Butte Mining, Inc. called for monthly payments of $300 until the Government's lien is liquidated, provided this amount is not less than the amount which the Government is entitled to under the terms of the exploration contract.

Because of the unsatisfactory conditions relating to production and royalty payments due the Government under this contract, it is very likely that this case will again be referred to the General Accounting Office. Before doing so, however, we need to have specific information to support our claim for unpaid royalty.

FRANK E. JOHNSON
Frank E. Johnson

130
120-M
FEJohnson/bih 1/3/67

Director's reading file
Division file
Economic Geology file
OME file
OME reading file

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
1/3		110
1/4/67	Kirberna	120
		220

JAN 4 1967

Mr. Oscar Nukka
Manager
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon

Re: BMKA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Nukka:

We have not received the $300 covering the December 1966 installment on repayment of the Government's contribution under the subject contract in accordance with our arrangement with Mr. Weinstein.

If your production has been at a rate which would call for a royalty to the Government in excess of $300 per month under the provisions of the contract, your monthly royalty payment should be increased accordingly. Also, copies of production and sales records should be furnished the Government.

Your prompt attention to this matter is requested.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc; Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I
120-M

FEJohnson/bih 1/3/67

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
1/3		110
1/4/67	Kirkemo	120
		220

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Mills:

This is in reply to your letter of December 3, 1966, concerning the subject contract.

We note your comments regarding the subleasing of the property, and the arrangement made with Mr. Weinstein for repayment of the unpaid balance of the Government's contribution under the contract at the rate of $300 per month. Under the arrangement with Mr. Weinstein, it was understood that if production resulted in royalties being due the Government in excess of $300 per month that, the full amount of the royalties due on such production would be paid. Consequently, production records are required to support the monthly payments. We do not understand why Quicksilver Syndicate has not been furnished copies of settlement data on production necessary to support royalty payments due under the terms of its Lease with Option to Purchase with the American Mercury Corporation. If the full amount of royalties due the Government are not paid by Black Butte Mining, Inc. we will look to Quicksilver Syndicate for payment of such royalties.

Incidentally, the $300 due for December has not been paid by the Black Butte Mining, Inc. We have information that considerable production has been made from the property under the contract. We, therefore, urge you to give this matter your prompt attention.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I w/cy inc. ltr.
420-M

FEJohnson/bih 1/3/67

23263

December 3, 1966
Blackbutte Route, Box 514
Cottage grove, Oregon

ORIGINAL
COPY
O. M. E.
RECEIVED
DEC 12 1966

Mr. Frank E. Johnson
Chief, Office Of
Mineral Exploration
Washington 25, D.C.

Re: DMEA -4263 (Mercury)
Mercury & Chemicals Corp.
Blackbutte Mine
Lane County, Oregon
Contract Idm--E998

Dear Mr. Johnson:

In Reply to your letters of June 15, September 20, and November 21, 1966.

In May of 1966, The American Mercury Corp., subleased to Blackbutte Mining Inc., of which your attorney in Portland, Oregon, and your office in Spokane, Washington were informed. And also that there were no records of what they had produced, as the records of American Mercury were all in Canada, and no one could seem to be able to get any information out of them.

Mr. Abe Weinstein, who represented the Blackbutte Mining Inc., set it up with your representatives, to pay the above stated loan off at $300.00 per month, starting with October 1966.

The balance of the loan was $5,373.26 , and since that time a payment was made in October, and in November. Leaving a balance of $4,773.26 to be paid at $300.00 per month.

Sincerely Yours,

Daniel J. Mills

Daniel J. Mills, President

Quicksilver Syndicate

MME FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. Chief, OME	12/1/66	
2. Re: DMEA-4263 (Mercury) Mercury and Chemicals Corp. ~~Black Butte Mine~~ Lane County, Oregon		
3. Contract Idm-E998		
4.		
5. D. R. MacLaren		
FROM: Fld. Officer, Reg. I		

OFFICIAL COPY
O. M. E.
RECEIVED
DEC 5 1966

FOR: Check items for action desired

____ Action	____ Reply for signature of	110	
____ Approval	____ Investigate		Surname
____ Comment	____ Recommendations		Signature
____ Conference	____ Rewrite		____ File
Instructions	X Your information		

REMARKS: Reference is made to your memo of 11/21/66 and our letter of 11/28/66 to A. J. Kauffman, Jr., Chief, Albany Office of Mineral Resources, Bur. of Mines.

MME FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. Chief, OME	12/1/66	
Re: DMRA-4263 (Mercury)		
2. Mercury and Chemicals Corp.		
Black Butte Mine		
3. Lane County, Oregon		
Contract Idm-E998		
4.		
5. D. R. MacLaren		
FROM: Fld. Officer, Reg. I		

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions X Your information

REMARKS:

Reference is made to your memo of 11/21/66 and our letter of 11/28/66 to A. J. Kauffman, Jr., Chief, Albany Office of Mineral Resources, Bur. of Mines.

(Owen)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

P. O. BOX 70
ALBANY, OREGON 97321

November 30, 1966

Mr. D.R. MacLaren
Field Officer, OME
U.S. Geological Survey
So. 139 Howard Street
Spokane, Washington 99204

Dear Mr. MacLaren:

In reply to your request of November 28 for production data of the Black Butte mine, we submit the following tabulation:

Year	Flasks
1962	None
1963	None
1964	[illegible]
1965	61
(Jan.-Oct.) 1966	[illegible]

In a recent telephone conversation between Howard Brooks of the State of Oregon Department of Geology and Mineral Industries and Ron Collins of our office, Mr. Brooks mentioned that the mine was owned by Allegheny Minerals and Exploration Company of Toronto, Canada.

If we can be of further service, please contact us.

Sincerely yours,

Gary A. Kingston, Acting Chief
Albany Office of Mineral Resources
Area VII

GEOLOGICAL SURVEY
So. 157 Howard Street
Spokane, Washington 99204
November 28, 1966

OFFICIAL
COPY
O. M. E.
RECEIVED
NOV 30 1966

Mr. A. J. Kauffman, Jr., Chief
Albany Office of Mineral Resources
U. S. Bureau of Mines
P. O. Box 70
Albany, Oregon 97321

Re: IMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Kauffman:

We are still unable to acquire from the Operator any statement of mercury production and sales from Black Butte since 1961. In September and November we received royalty payments of $300.00 each from Black Butte Mining, Inc., for the Mercury and Chemicals account. In spite of several requests to each company, we have been unable to secure any statement on production to show whether the royalties due are in excess of the $300.00 monthly payments.

If your office could give us a statement of the production for each year, 1962, 1963, 1964, 1965, and 1966, it would be most helpful in determining the present royalty status. Apparent changes in company management, auditors, etc., seem to be too frequent for us to catch up with.

Hope to see you in Spokane at the Northwest Mining Association Meetings this weekend.

Sincerely yours,

D. R. MacLaren
Field Officer, OME
Region I

DRMacLaren/mls

cc: OME(2)
CPF

Director's Reading File

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO.

CERTIFIED NO.
133309

INSURED NO.

1 SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)

Daniel J. Mills

2 SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED
11/28/66

SHOW WHERE DELIVERED (*only if requested*)

c55—16—71548-8 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, $300

COTTAGE GROVE, OR 97424
NOV 28
FM
1966

POSTMARK OF
DELIVERING OFFICE

INSTRUCTIONS: Show name and address below and complete instructions on other side, where applicable. Moisten gummed ends, attach and hold firmly to back of article. Print on front of article *RETURN RECEIPT REQUESTED.*

RETURN TO

NAME OF SENDER Office of Minerals Exploration, U. S. Geological Survey, Dept. of Interior

STREET AND NO. OR P.O. BOX
Department of the Interior Building

POST OFFICE, STATE, AND ZIP CODE
Washington, D. C. 20242

DMEA-4263

POD Form 3811 Oct. 1965

c55—16—71548-8

220

DMEA-4563

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
11/21		110
11/21/66	Shiferno	120
		220

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. David J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Mills:

Reference is made to our letters to you of June 15 and September 20, 1966, concerning production from the land under the subject contract.

We have been informed that production has been made from the land under the contract since November 6, 1964, the date of the Lease with Option to Purchase between Quicksilver Syndicate and the American Mining Corporation.

Your cooperation is requested in promptly furnishing a record and accounting of such production so as to determine the amount of royalty payable to the Government thereon. As you have been previously informed, the Government will look to you for payment of any unpaid royalty due the Government.

Sincerely yours,

FRANK E. JOHNSON (gla)

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's Reading File
Division File
Economic Geology File
OME Docket
OME Region I
OME Reading File

120M
FEJohnson/gla 11-21-66

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
11/21		110
11/21/66	Kirkemo	120
		220

NOV 3 1 1966

Memorandum

To: Field Officer, OME Region I

From: Chief, Office of Minerals Exploration

Subject: DMMA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Enclosed are copies of correspondence and royalty payment records since July 14, 1966, relating to the subject contract, which we discussed over the telephone on November 18.

In our discussion you advised that the U. S. Bureau of Mines reported a production of 453 flasks of mercury from the Black Butte mine but did not state if this was the total for 1966 or the total since March 1, 1962, as mentioned in our memorandum to you of September 20, 1966.

Please check with the Bureau of Mines again for production figures for each year, 1962, 1963, 1964, 1965, and 1966 to date.

We have received two monthly payments of $300.00 each from the Black Butte people in accordance with our letter of July 14, 1966, to Mr. A. M. Weinstein. You will note that management changes evidently have been made since then. As we have received no information on production from either the owner or the producer, we do not know if royalties are due in excess of the $300.00 per month payments.

FRANK E. JOHNSON (gla)

Frank E. Johnson

Enclosures

cc: Director's Reading File
Division File
Economic Geology File
OME File
OME Reading File
120M
130

FEJohnson/gla 11-21-66

23263

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

November Payment.

OFFICIAL
COPY
O. M. E.
RECEIVED
NOV 14 1966

INITIAL	CODE
cac	2-10
11/18/66	120
RJ	110
HR	120
	220

OFFICE OF MINERALS EXPLORATI
U.S. GEOLOGICAL SURVEY

TO: Budget & Finance

FROM: Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
11/7/66	$300.00	U. S. Natl' Bk. Cottage Grove, Ore.	Black Butte Mining Inc. for Mercury & Chemicals	DMEA-4263 E-998	Royalties

REMARKS: (List smelter or mill lot numbers covered by royalties)

11/14/66
Date Prepared

Person Preparing Abstract

Date Received

Person Receiving Remittance

BLACK BUTTE MINING, INC.

B.B. ROUTE, BOX 513, COTTAGE GROVE, OREGON, U.S.A. AREA CODE 503 — 942-5498

Sept 28, 1966

OFFICIAL
COPY
O. N. E.
RECEIVED
OCT 4 1966
INITIALS CODE
FJS 110
~~120~~
220

10/4/66

U. S. Dept. of Interior
Geological Survey
Office of Minerals Exploration
Washington 25, D. C.

Attention: Frank E. Johnson, Chief

Re: DMEA-4263 (Mercury) Mercury & Chemical Corp. Contract Idm-E998
Black Butte Mine Lane County Oregon

Dear Mr. Johnson:

Due to a change in management your correspondence was mislaid. We will be sending the required amount each month beginning October 10th. Enclosed find October payment.

Yours very truly,

Oscar Nukka, Manager

OK/ch

Re: Docket #DMEA-4263(Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract: IDM-E998

DMEA-4263(Mercury)
Contract:IDM-E998

OFFICIAL
COPY
O. M. E.
RECEIVED
APR 28 1967
INITIALS | CODE

$300.00

OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY

TO: Budget and Finance

FROM: Office of Minerals Exploration

- ABSTRACT OF REMITTANCES -

Date	Amount	Bank, City and State	Name of Remitter	Docket & Contract Numbers	Purpose
9/28/66	$300.00	U. S. Natl' Bank of Oregon Cottage Grove, Ore.	Mercury & Chemicals Corp. by Black Butte Mining, Inc.	DMEA 4263 E-998	Royalty

REMARKS: (List smelter or mill lot numbers covered by royalties)

10/4/66
Date Prepared

Person Preparing Abstract

Date Received

Person Receiving Remittance

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
9/20		110
9/20	Kirkham	120
		220

SEP 20 1966

Memorandum

To: Field Officer, OME Region I

From: Chief, Office of Minerals Exploration

Subject: DMEA-4263 (Mercury)
Mercury & Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Reference is made to the exchange of correspondence beginning with letter to your office dated May 1, 1965, from the American Mercury Corporation, concerning payment of royalty on production from the subject contract.

From this correspondence it is not clear whether the offer of payments on the Government's contribution was for payment of royalty due on production or for liquidating the balance of the Government's contribution. We are not certain if there has been any production from the property since March 1, 1962, the end of the period covered by the last Report of Review.

It is suggested, therefore, that a field check of the property be made, as well as a check with other sources of information, USBM and purchasers of mercury, to determine if any production has been made in recent years, to date.

FRANK E. JOHNSON

Frank E. Johnson

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
Solicitor/Mr. Long/Room 6554
Branch, Budget & Finance/Room 5408
130
120-M

FEJohnson/bih 9/20/66

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
9/20		110
9/20/66	Kirbano	120
		220

SEP 20 1966

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Mills:

Reference is made to our letter of June 15, 1966, concerning payment of royalty to the Government on production from the subject property.

Please furnish by return mail the information requested in our letter. If there has been no production from the property since November 6, 1964, please advise accordingly.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I
Solicitor/Mr. Long/Room 6554
Branch, Budget and Finance/Room 5408
120-M

FEJohnson/bih 9/20/66

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
9/20		110
9/20/66	Kirbano	120
		220

SEP 20 1966

Mr. A. M. Weinstein
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Weinstein:

This is in reference to your letter of June 28, 1966, offering to pay $300.00 per month commencing August 10, 1966, until the balance of the Government's contribution under the subject contract is liquidated, and our letter of July 14, 1966, agreeing to accept your offer.

We have not received any payment in accordance with your offer. You are requested to account by return mail for any production from the property under your Lease with Option to Purchase, dated November 6, 1964, supported by sales documents, and remit any royalty due the Government on such production.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
Solicitor/Mr. Long/Room 6554
Branch, Budget and Fiance/Room 5408
120-M
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FEJohnson/bih 9/20/66

23263

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
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7/14/66	Kirkemo	120
		220

JUL 14 1966

Mr. A. M. Weinstein
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon

Re: DMEA 4263 (Mercury)
Mercury and Chemical Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Weinstein:

Thank you for your letter of June 28, 1966, advising that American Mercury Corporation is insolvent but has not been placed in bankruptcy.

You state that Black Butte Mining, Inc., has contracted with American Mercury Corporation to continue the operations of Black Butte and that you assume that you may be obligated to liquidate the indebtedness of American Mercury under the subject contract and that upon being advised of the actual indebtedness you will consider meeting this obligation at the rate of $300.00 per month commencing August 10, 1966, until the entire obligation has been liquidated.

Pursuant to the provisions of the L E A S E With Option to Purchase dated November 6, 1964, from Quicksilver Syndicate, American Mercury Corporation acknowledged the Government's lien on production of mercury from the mine and agreed to pay royalties on production from the leased premises pursuant to the terms of DMEA contract No. Idm-E998 dated August 22, 1956.

The current balance of the royalty lien is $5,373.26 and the lien is in effect through August 22, 1967. The contract provides that, "The percentages of the Government's royalty shall be as follows: One and one-half (1½) percent of amount ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts." The Government's royalty shall be computed and

23263

paid currently upon each lot sold, held or used in integrated operations, as the case may be. The contract imposes no obligation to engage in production operations.

Of course, the indebtedness may be paid off in a lump sum payment or at some rate such as the $300.00 per month you have suggested so long as it is not less than the amount which the Government is entitled to under the royalty provisions. Also, the OME regulations set forth in 30 CFR Sec. 301.1--301.15 authorize adjustments in terms and conditions of payment. Accordingly, we can agree to accept payment at the rate of $300.00 per month commencing August 10, 1966, until the debt has been liquidated.

Sincerely yours,

FRANK E. JOHNSON (gla)

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME file
OME reading file
OME Region I
Solicitor-Mr. Long - Rm-6546
Budget & Finance - Room 5408

Long / FEJohnson /bih 7/13/66

IN REPLY REFER TO:

F-66-2132.11

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

JUL 11 1966

Memorandum

To: Chief, Office of Minerals Exploration

From: Assistant Solicitor, Oil and Gas and Minerals Exploration

Subject: DMEA (Mercury)
Mercury and Chemical Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm - E 998

Pursuant to your note of July 7, 1966 I have reviewed the letter dated June 28, 1966 from Black Butte Mining Inc. regarding American Mercury Corporation's indebtedness under the subject contract and I have prepared the enclosed draft reply to that letter.

Robert W. Long

Robert W. Long
Assistant Solicitor
Oil and Gas and
Minerals Exploration

Enclosure

F 66-2132.11

OFFICIAL
COPY
O. M. E.
RECEIVED
JUL 6 1966

INITIALS	CODE
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	120
	120
	520

Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon

June 28, 1966

United States Department of the Interior
Office of Minerals Exploration
Washington 25, D.C.

Re: American Mercury Corp. and DMEA-4263(Mercury) Idm-E998

Gentlemen:

Your communication of June 15, 1966 addressed to American Mercury Corporation, P.O. Box 245, Cottage Grove, Oregon, has been referred to the writer for reply.

For your information the American Mercury Corporation is insolvent but has not been placed in bankruptcy. Unfortunately we cannot reply to your request as the records of American Mercury Corporation are not available to this Company.

Inasmuch as we have contracted with American Mercury to continue the operations of Black Butte, we must assume that we may be obligated to liquidate the indebtedness of the Company to the Department.

Additional upon your acceptance and provided we are advised as to the actual indebtedness involved we would consider meeting this obligation payable in installments of $300.00 per month commencing on or before August 10, 1966, and monthly there-after, until the entire obligation has been liquidated.

Very truly yours,

BLACK BUTTE MINING, INC.

A. M. Weinstein

A. M. WEINSTEIN

Myrna Smith
by Myrna Smith, Bkkp.

Draft

RWLong:so:7 11 66

Mr. A. M. Weinstein
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon

Dear Mr. Weinstein:

Thank you for your letter of June 28, 1966 advising that American Mercury Corp. is insolvent but has not been plased in bankruptcy.

You state that Black Butte Mining Inc: has contracted with American Mercury to continue the operations of Black Butte and that you assume that you may be obligated to liquidate the indebtedness of American Mercury under the subject contract and that upon being advised of the actual indebtedness you will consider meeting this obligation at the rate of $300.00 per month commencing August 19, 1966 until the entire obligation has been liquidated.

Pursuant to the provisions of the L E A S E With Option To Purchase dated November 6, 1964 from Quicksilver Syndicate, American Mercury Corporation acknowledged the Government's lien on production of mercury from the mine and agreed to pay royalties on production from the leased premises pursuant to the terms of D.M.E.A. contract No. Idm-E 998 dated August 22, 1956.

The current balance of the royalty lien is $5, 373.26 and the lien is in effect through August 22, 1967. The contract provides that, "The percentages of the Government's royalty shall be as follows: One and one-half (1½) percent of amount ("gross proceeds" or "value")

not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½) per cent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts." The Government's royalty shall be computed and paid currently upon each lot sold, held or used in integrated operations, as the case may be. The contract imposes no obligation to engage in production operations.

Of course, the indebtedness may be paid off in a lump sum payment or at some rate such as the $300.00 per month you have suggested so long as it is not less that the amount which the Government is entitled to under the royalty provisions. Also, the OME regulations set forth in 30 CFR Sec. 301.1--301.15 authorize adjustments in terms and conditions of payment. Accordingly, we can agree to accept payment at the rate of $300.00 per month commencing August 10, 1966 until the debt has been liquidated.

File

Draft

RWLong:sc:7 11 66

Mr. A. M. Weinstein
Black Butte Mining, Inc.
Black Butte Route, Box 513
Cottage Grove, Oregon

Dear Mr. Weinstein:

Thank you for your letter of June 28, 1966 advising that American Mercury Corporation is insolvent but has not been placed in bankruptcy.

You state that Black Butte Mining, Inc., has contracted with American Mercury to continue the operations of Black Butte and that you assume that you may be obligated to liquidate the indebtedness of American Mercury under the subject contract and that upon being advised of the actual indebtedness you will consider meeting this obligation at the rate of $300.00 per month commencing August 10, 1966, until the entire obligation has been liquidated.

Pursuant to the provisions of the L E A S E With Option To Purchase dated November 6, 1964, from Quicksilver Syndicate, American Mercury Corporation acknowledged the Government's lien on production of mercury from the mine and agreed to pay royalties on production from the leased premises pursuant to the terms of D.M.E.A. contract No. Idm-E 998 dated August 22, 1956.

The current balance of the royalty lien is $5, 373.26 and the lien is in effect through August 22, 1967. The contract provides that, "The percentages of the Government's royalty shall be as follows: One and one-half (1½) percent of amount ("gross proceeds" or "value")

not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½) per cent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts." The Government's royalty shall be computed and paid currently upon each lot sold, held or used in integrated operations, as the case may be. The contract imposes no obligation to engage in production operations.

Of course, the indebtedness may be paid off in a lump sum payment or at some rate such as the $300.00 per month you have suggested so long as it is not less that the amount which the Government is entitled to under the royalty provisions. Also, the OME regulations set forth in 30 CFR Sec. 301.1--301.15 authorize adjustments in terms and conditions of payment. Accordingly, we can agree to accept payment at the rate of $300.00 per month commencing August 10, 1966, until the debt has been liquidated.

MME Form 7
(2/63)

J-66-2132.11

OFFICIAL FILE COPY

Date	Surname	Code
6/9	Johnson	
		110
6/9/66	Kirkham	120
	Long	140
	Appd. [illegible]	110
		220

JUN 15 1966

American Mercury Corporation
P. O. Box 245
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Gentlemen:

Reference is made to our letter of March 16, 1966, signed by Mr. F. G. Usher, Budget and Finance Officer, returning your check No. 414 dated February 18, 1966, in the amount of $1,000.00 because of insufficient bank funds.

You are again requested to make prompt remittance in the amount of $1,000.00 by money order or certified check, payable to the U. S. Geological Survey, with copies of sales invoices or other evidence of quantities of mercury sold, terms of sales, and gross proceeds represented by the above mentioned amount.

Unless arrangements are made to liquidate this account within 30 days of the date of this letter, the account will be referred to the appropriate Government agency for collection.

Sincerely yours,

FRANK E JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
Solicitor/Mr. Long/Rm 6546
Budget & Finance/Room 5408
OME file
OME reading file
OME Region I

FEJohnson/bih 6/9/66

FROM SOLICITOR
JUN 14 1966
FOR SIGNATURE

23263

MME Form 7
(2/63)

J-66-2132.11

INTERIOR DEPT.
JUN 10 1966
SOLICITOR

OFFICIAL FILE COPY

Date	Surname	Code
6/7	Johnson	110
6/6/66	Kirkham	120
	Long	140
		210
		222

JUN 15 1966

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Blackbutte Route, Box 514
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Mills:

This is in reference to the Consent to Lien and Subordination Agreements dated August 30, 1956, executed by you, granting a lien on the land and production therefrom under the subject contract.

Since November 6, 1964, the date of the Lease with Option to Purchase Agreement between Quicksilver Syndicate and American Mercury Corporation, no royalty has been paid on production from the Black Butte Mine. As advised in our letter of December 27, 1957, the Government will look to Quicksilver Syndicate for the payment of any royalty due on production from the land until the terms of the contract are satisfied. You are, therefore, requested to promptly furnish an accounting of any production from the land under the contract since November 6, 1964, and make payment of any royalty due the Government thereon.

Sincerely yours,

FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
Solicitor/Mr. Long/Rm 6546
Budget & Finance/Room 5408
OME file
OME reading file
OME Region I

FEJohnson/bih 6/9/66

FROM SOLICITOR
JUN 14 1966
FOR SIGNATURE

2326

Contract #E-990
Docket #DMEA 4263

March 16, 1966

American Mecury Corporation
BB Route, Box 517
Cottage Grove, Oregon 97424

Gentlemen:

Attached is your check number 414 dated February 18, 1966 for $1,000.00 which was returned by your bank due to insufficient funds. This check was payment for royalty due on above referenced contract with Mercury and Chemicals Corporation.

It is requested that remittance of $1,000.00 be made by money order or certified check, payable to the U. S. Geological Survey, and forwarded to Branch of Budget and Finance, U. S. Geological Survey, Washington, D. C. 20242, together with copy of this letter. Your prompt attention will be appreciated.

Very truly yours,

F. G. Usher
Budget and Finance Officer

Enclosure

cc: Field Officer, OME, Region I, Spokane, Washington
Thru: Office of Minerals Exploration, Washington, D. C.

Mn Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
2/25	J. Johnson	110
		120
		220

FEB 25 1966

Mr. Andre Begin
Assistant to the President
American Mercury Corporation
P. O. Box 245
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Begin:

Thank you for your letter of February 18, 1966, and enclosed check in the amount of $1,000 to be applied on liquidation of the Government's account under the subject contract.

Please forward, in duplicate, copies of sales invoices or other evidence of quantities of mercury sold, terms of sale, and gross preceeds represented by the above mentioned payment.

Sincerely yours,

(signed) FRANK E. JOHNSON

Frank E. Johnson
Chief, Office of
Minerals Exploration

cc: Director's reading file
Division file
Economic Geology file
OME Docket
OME reading file
OME Region I
OME CA&A Div.
OME Mr. Selfridge

FEJohnson/bih 2/25/66

43683

AMERICAN MERCURY CORPORATION

P.O. BOX 245, COTTAGE GROVE, OREGON

AREA CODE 503 — 942-3824
— 942-3637
TELEX — AMERCO

OFFICIAL COPY
O. M. E.
RECEIVED
FEB 24 1966
INITIALS DATE
110
170 MC
120

February 18, 1966.

United states Department of the Interior,
Defense Minerals Exploration Administration,
Washington 25 D.C.

Re: Docket No. DMEA 4263
Mercury and Chemicals Corp.
Black Butte Mine, Lane County,
Oregon. Contract No IDM-E998.

ck del. to B+F
2-24-66

Gentlemen:

Please find enclosed our cheque in the amount of $1,000.00 to be applied on account of the above mentionned loan.

We shall liquidate this indebtedness as soon as possible.

Yours very ltruly,

AMERICAN MERCURY CORPORATION

Andre Begin

Andre Begin
Ass't to President.

EXECUTIVE OFFICES: SUITE 935, 1010 ST. CATHERINE ST. WEST, MONTREAL, QUEBEC, CANADA
AREA CODE 514, 878-2102 TELEX: DELTA MIN MTL 01-20466

DMEA 4263

OFFICIAL
COPY
O. M. E.
RECEIVED
MAY 17 1965

INITIALS	CODE
EEF	800
	120
	120
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American Mercury Corporation
P.O. Box 245
Cottage Grove, Oregon

13 May 1965

Department of Interior
Office of Minerals and Exploration
157 Howard Street
Spokane, Washington

Subject: Tracer

Gentlemen

Reference our letter of 1 May 1965 regarding the agreement between Quicksilver Syndicate and yourselves. Request we be informed as to what department we should send our check and also the address of that department.

Your earliest reply would be appreciated.

Sincerely

Orville W. Taber
General Manager

Copy to: DMEA, Washington, D.C.
Mr. Harold LeBroc
Mr. Andrew R. L. McNaughton

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	Fisher	500
	Jellinger	120
5/12	Fumich	110
		100

MAY 13 1965

Mr. Orville W. Taber, General Manager
American Mercury Corporation
P. O. Box 245
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Taber:

Your letter dated May 1, 1965, to our Spokane, Washington, office has been referred to this office for attention.

Royalty payments applicable to the subject contract should be made by checks payable to the Office of Minerals Exploration and should be forwarded to:

Acting Field Officer, OME Region I
157 South Howard Street
Spokane, Washington 99204

The royalty remittances should be accompanied by documents, in duplicate, such as copies of sales invoices or other evidence of quantities of mercury sold, terms of sale, and gross proceeds on which the royalty is computed.

Sincerely yours,

George Fumich, Jr.

Acting Director

CEFisher:fh
5/12/65

cc: Docket
Region I
Director's reading file
CA&A Div.

23263

MME FORM 6 REFERENCE SLIP

REV. 2-59 OFFICE OF MINERALS EXPLORATION

TO:	DATE	INITIALS
1. Chief, Div. of Exploration Operations	5/6/65	
Re: DMEA-4263 (Mercury)		
2. Mercury and Chemicals Corp.		
Black Butte Mine		
Lake County, Oregon		
3. ~~Contract Idm-E998~~		
4.		
5. D. R. MacLaren		
FROM: Acting Fld. Officer, Reg. I		

FOR: Check items for action desired

X Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS: As this may involve more than a simple answer to the question in the last sentence, we are forwarding it to you for reply.

AMERICAN MERCURY CORPORATION

EXECUTIVE OFFICES: SUITE 900, 2015 DRUMMOND STREET, MONTREAL, CANADA - AREA CODE 514, 849-9161

[illegible] Mercury Corporation
[illegible]
[illegible] Grove, Oregon

[illegible] 1965

OFFICIAL COPY
O. M. E.
RECEIVED
MAY 10 1965

INITIALS	CODE
[illegible]	800
	~~120~~
	~~120~~

Department of Interior
Office of Minerals and Exploration
157 Howard Street
Spokane, Washington

Gentlemen:

With reference to an agreement made between Quicksilver Syndicate and yourselves, and as you know we have obligated ourselves to pay the balance of the loan at the rate of 5 percent of the gross production. Therefore, we wish to know what department and where to send the check.

Sincerely,

Orville W. Taber
General Manager

Copy to: DMEA, Washington, D.C.
Mr. [illegible] K. L. McNaughton
Mr. Harold LeBroc

RECEIVED
MAY [illegible]
OME
[illegible]

AMERICAN MERCURY CORPORATION

EXECUTIVE OFFICES: SUITE 900, 2015 DRUMMOND ST. MONTREAL, CANADA — AREA CODE 514, 849 916

[illegible] Mercury Corporation
[illegible]
[illegible] Grove, Oregon

Department of Interior
Office of Minerals and Exploration
157 Howard Street
[illegible], Washington

Gentlemen:

[illegible]

Mineral

[illegible]

Orville [illegible] Taber
General Manager

Copy to: DMEA, Washington, D.C.
Mr. Andrew B. L. McNaughton
Mr. Harold LeBroc

OFFICIAL COPY
O. M. E.
RECEIVED
MAY 3 1965
INITIALS CODE
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322

American Mercury Corporation
P.O. Box 245
Cottage Grove, Oregon

1 May 1965

Department of Interior
Office of Minerals and Exploration
157 Howard Street
Spokane, Washington

Gentlemen

With reference to an agreement made between Quicksilver Syndicate and yourselves, and as you know we have obligated ourselves to pay the balance of the loan at the rate of 5 percent of the gross production. Therefore, we wish to know what department and where to send the check.

Sincerely

Orville W. Taber
General Manager

DMEA-4263
Adm-E998

Copy to: DMEA, Washington, D.C.
Mr. Andrew R. L. McNaughton
Mr. Harold LeBree

Mercury & Chemical Corp.

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
3/5	Selfridge	120
	Long	140
3/22	Johnson	110
		100
		220

MAR 22 1965

Mr. Stanley R. Darling
Darling, Vonderheit, Hershner & Hunter
115 Security Building
260 East Eleventh Avenue
Eugene, Oregon 97401

INTERIOR DEPT.
MAR 8 - 1965
SOLICITOR
C-65-2045.11

Re: Your File 1607-C
IMRA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-2998

Dear Mr. Darling:

Thank you for your letter of February 22, 1965, transmitting a copy of the lease of November 6, 1964, between Quicksilver Syndicate and American Mercury Corporation.

You are entirely correct that the balance of the royalty lien is $5,373.26. Our last audit of the account inadvertently did not take into consideration the $1,415.00 involved in the compromise settlement of March 1959.

Sincerely yours,

George Fumich, Jr.

Acting Director

GCSelfridge/gla (3-5-65)
cc to: Director's Reading File
Docket
Region I w/cy incoming letter minus enclosure
Mr. Selfridge
800
120M

FROM SOLICITOR
MAR 8 1965

23263

IN REPLY REFER TO:

C-65-2045.11

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

March 19, 1965

Memorandum

To: Acting Director, Office of Minerals Exploration

From: Assistant Solicitor, Oil and Gas and Minerals Exploration

Subject: Royalty Lien
DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

This will respond to your request of March 12, 1965 for an opinion ". . . as to whether the total amount of the Government's contribution under the contract was reduced by $3,215.00 (the total amount claimed due on back royalties by the Government) or by only $1,800.00, the amount received under the compromise settlement, as far as the owner of the property or a future producer are concerned".

In this instance the Operator, Mercury & Chemicals Corp., held possession of the property as lessee from the owners, Quicksilver Syndicate. The Government's share of the exploration costs amounted to $10,261.61. Total royalties due on production amounted to $4,888.25 of which $1,673.25 was recovered by the Government by offsetting the amount due the Operator on his final voucher for work performed, leaving a balance of $3,215.00 payable by the Operator.

On September 11, 1957 a creditor of the Operator obtained a default judgment in the amount of $8,110.74 in the Circuit Court of the State of Oregon. The U. S. Attorney for the District of Oregon was advised of the Government's claim for $3,215.00. Also, Mercury & Chemicals Corp. filed a petition in the U. S. District Court, Southern District of New York proposing an arrangement (under the Bankruptcy Act), with its unsecured creditors. On advice from this office pursuant to the terms of the Subordination Agreement demand was made upon the landowner (Quicksilver Syndicate) for payment of the $3,215.00 royalty. The Solicitor referred the entire matter to the Attorney General on January 2, 1958 for appropriate action.

In a letter dated February 4, 1959, Quicksilver Syndicate offered the sum of $1,800.00 in compromise settlement of the DMEA claim pursuant to the Subordination Agreement for back royalties. By memorandum of February 5, 1959 the U. S. Attorney recommended that the offer be accepted and by memorandum of February 20, 1959 OME stated:

> "This compromise offer is acceptable to OME, provided that the release of the lien against the land is solely for royalties on production prior to August 27, 1957, with the lein being fully maintained for any production subsequent to that date, and, furthermore, that such action does not preclude or interfere in any way with the right to continue proceedings against the Operator (Mercury and Chemicals Corporation) for the balance of the claim."

By letter dated March 2, 1959 the Solicitor so advised the Department of Justice. By letter dated March 17, 1959 the Assistant Attorney General, Civil Division, advised the U. S. Attorney, Oregon, that:

> "The offer in compromise is accepted. The offer was made solely with regard to back royalties totalling $3,215.00. Therefore, the lien of the United States is to remain in effect with regard to any royalties which may hereafter accrue as the result of future operations.
>
> "Also, it is our understanding that this offer was made solely on behalf of Mercury & Chemicals Corporation. The Government's claim against the lessee will not be terminated as the result of this settlement with the lessor, although the claim filed in the insolvency proceeding will presumably have to be reduced pro tanto."

As a result of this settlement the Government's claim in the bankruptcy proceedings in New York was reduced to $1,415.00. The Assistant Attorney General, Civil Division, subsequently advised in a letter received March 17, 1951 that the assets of Mercury & Chemicals Corporation were not sufficient to pay the DMEA and the Justice Department had closed its file on the case.

It is clear from the offer and acceptance that the Government took the $1,800.00 from the landowner, Quicksilver Syndicate, in exchange for relinquishing any further claims against it pursuant to the

Subordination Agreement for $3,215.00, the amount of the back royalties due at that time. Therefore, as to Quicksilver Syndicate or any future Operator the $3,215.00 is no longer due and owing.

Robert W. Long

Robert W. Long
Assistant Solicitor
Oil and Gas and Minerals
Exploration

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
3/11	Johnson	110
	Eldridge	120
		100
		220
		140
		120
		110

MAR 1 2 1965

Memorandum

To: Associate Solicitor, Division of Mineral Resources and General Legal Services

From: Acting Director, Office of Minerals Exploration

Subject: Royalty Lien
DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-2998

Under the subject contract with the Mercury & Chemicals Corp., lessee of the property involved, the Government's share in exploration costs amounted to $10,261.61. Royalty on production of mercury due the Government in the amount of $1,764.50 was not paid. However, it was offset to the extent of $1,673.25 recovered by the Government through application of a like amount due the Operator from the Government for exploration work performed under the contract, leaving a balance of royalties due in the amount of $91.25.

Royalties due on subsequent production amounted to $3,123.75, making a total of $3,215.00 due as royalty. Failure to receive payment of this royalty resulted in referral of a claim for $3,215.00 being made to the Justice Department. Under a compromise settlement, $1,800.00 was paid the Government by the owner of the property.

This compromise settlement apparently released the owner from responsibility for payment of the full $3,215.00 claimed due on previous production but did not release the Operator from payment of the difference between the $3,215.00 claimed due and $1,800.00, the amount of the compromise settlement. However, it is not clear to us that the compromise settlement affected royalties on future production until the full amount of the Government's contribution to the cost of the exploration was repaid or the repayment period expired.

Evidently, the owner's representative believes that the compromise settlement on back royalties reduced the total of the amount to be repaid the Government by $3,215.00. This is not indicated by the Solicitor's letter of March 2, 1959, to the Assistant Attorney General which states, ". . . that the offer to compromise the Government's claim for back royalty is acceptable, provided that the Government's lien for royalty due the Government on future production is not released," and, ". . . that the Government's claim for royalty will continue until August 22, 1967, unless the total amount contributed by the Government (less adjustments) is repaid prior thereto."

23263

May we have your opinion as to whether the total amount of the Government's contribution under the contract was reduced by $3,215.00 (the total amount claimed due on back royalties by the Government) or by only $1,800.00, the amount received under the compromise settlement, as far as the owner of the property or a future producer are concerned.

Resume of Collections and Adjustments

Government's contribution		$10,261.51
Royalty due on production	$1,764.50	
Offset due Operator	1,673.25	1,673.25
Balance royalty due	$ 91.25	$ 8,587.26
Royalty due on subsequent production	3,123.75	
Amount of claim	$3,215.00	
Compromise settlement	1,800.00	1,800.00
Unpaid back royalties	$1,415.00	
Amount contributed by the Government remaining unliquidated		$ 6,787.26

George Fumich, Jr.

Acting Director

FEJohnson/gla (3-11-65)
cc to: Director's Reading File
Docket
Mr. Johnson

DARLING, VONDERHEIT, HERSHNER & HUNTER
ATTORNEYS AT LAW
115 SECURITY BUILDING
260 E. ELEVENTH AVENUE
EUGENE, OREGON 97401

STANLEY R. DARLING
OTTO F. VONDERHEIT
JAMES L. HERSHNER
GARLAND D. HUNTER, JR.
DOUGLAS L. McCOOL

MAILING ADDRESS
P. O. BOX 487

AREA CODE 503
TELEPHONE 342-5277

February 22, 1965

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File 1607-C

United States Department of Interior
Office of Minerals Exploration
Washington 25, D.C.

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Attention: Acting Director

Gentlemen:

Enclosed is a copy of the lease of the above referred to property to American Mercury Corporation dated November 6, 1964, as requested by your letter of January 6, 1965.

Our records show a lien balance of $5,373.26. We would appreciate a detailed statement from you concerning the manner in which you arrive at $6,788.26.

Yours truly,

DARLING, VONDERHEIT, HERSHNER & HUNTER

By Stanley R. Darling
Stanley R. Darling

SRD:he
Enclosure

1.7x
11-6-64

L E A S E

WITH OPTION TO PURCHASE

THIS AGREEMENT OF LEASE WITH OPTION TO PURCHASE made and entered into this 6th day of November, 1964, by and between QUICKSILVER SYNDICATE, an Oregon corporation, hereinafter referred to as Lessor, and AMERICAN MERCURY CORPORATION, an Oregon corporation, hereinafter referred to as Lessee, WITNESSETH:

This lease needs revision regarding slag pile

That for and in consideration of the rents, covenants and payments hereinafter agreed upon and under the terms, covenants and conditions hereinafter set forth, the Lessor hereby leases and grants unto the Lessee, and the Lessee hereby takes the land described in Exhibit "A" attached hereto and made a part hereof by this reference.

1. Houses, Property and Water Rights Reserved. The houses, property and water rights reserved and referred to in exception 8 of Exhibit "A" are described in Exhibit "B" attached hereto and made a part hereof by this reference.

2. Term. This lease shall run for a period of ten (10) years commencing on the 10th day of November , 1964.

3. Purposes. The Lessee shall use and occupy the premises for the purpose of searching for, mining, extracting, milling, reducing and treating and preparing ores, metals and minerals of every nature and description, and with the exclusive right to possess and work the same, subject to the provisions hereinafter set forth.

4. Minimum Rental. The Lessee shall pay a minimum rental in the amount of Sixteen Thousand Dollars ($16,000) per year. This rent shall be paid in monthly installments of One Thousand Three Hundred Thirty-three Dollars ($1,333) with every twelfth monthly installment to be the amount of One Thousand Three Hundred Thirty-seven Dollars ($1,337). The monthly installments shall be paid in

advance on the first day of each calendar month. The rental for any partial calendar month shall be paid in advance on a prorata basis. All payments shall be made to the Lessor at the Black Butte mine or as otherwise directed by the Lessor.

5. Additional Rent. The parties acknowledge that in arriving at the minimum annual rent it was assumed that the Lessee's operation would be a one furnace operation which would not be capable of processing more than one hundred (100) ton of mercury ore per day. This would result in a total annual processing of Thirty-three Thousand Six Hundred (33,600) tons based upon a three hundred forty (340) day a year operation. To compensate the Lessor for any additional tonnage processed by the Lessee, the Lessee shall pay, on the first day of each month, an additional rental which shall be that proportion of the minimun monthly rental by which the processed tonnage for the preceding calendar month exceeds two thousand eight hundred (2,800) tons of mercury ore. The Lessee shall supply the Lessor with a written statement showing the amount of ore processed through the furnace or furnaces used by the Lessee in its operation during each calendar month.

6. Moratorium and Termination by Lessee. The parties recognize that mercury prices fluctuate widely and that it probably would not be economical for the Lessee to operate the mine when the price of mercury is below Three Hundred Dollars ($300) per flask. If the price of mercury is less than Three Hundred Dollars ($300) per flask, the Lessee shall have the right to close its operations for a moratorium period of not to exceed twelve (12) consecutive months. During such a moratorium period the rental to be paid by the Lessee shall be reduced to the amount of Five Thousand Dollars ($5,000) per year payable in equal monthly installments in advance. During such moratorium period the Lessee shall maintain a watchman for the leased premises and otherwise perform its obligations under this lease. The

moratorium right shall be limited to the first five (5) years of the lease term and two (2) of such moratorium periods shall be allowed during said five-year period.

The Lessee shall have the right to terminate the lease at any time upon delivering a six (6) months advance written notice to the Lessor specifying the termination date which shall not be less than six months after the delivery of the notice. During the six-months notice period the rental rate required to be paid by the Lessee shall be based upon the rentals required to be paid during ordinary operation of the mine and the reduced rate for any moratorium period shall not apply.

7. D.M.E.A. Production Lien. The parties acknowledge that as of the date of this lease a lien on production of mercury from the quicksilver mine exists in favor of the Department of the Interior acting under D.M.E.A. Contract No. Idm-E 998 dated August 22, 1956. The lien is based upon royalty rights not to exceed five percent (5%) of the gross proceeds from the sale or the value of any mercury produced prior to August 22, 1967. The lien is in the amount of approximately Five Thousand Three Hundred Thirty Dollars ($5,330). The Lessee agrees to pay the royalty required to be paid to D.M.E.A. as mercury is produced. This payment will be separate and apart from the rental payments and the Lessor shall not be required to reimburse the Lessee for any portion of the D.M.E.A. payments except that such payments will be applied upon the purchase price if the Lessee's option to purchase is exercised. This agreement by the Lessee to pay said production royalty upon the D.M.E.A. lien shall not constitute an assumption of liability by the Lessee except to the extent of said royalty payment for mercury produced by the Lessee from the quicksilver mine.

8. Option to Purchase. The Lessee is hereby granted the option to purchase the leased property, including all of the rights

to the houses and water rights reserved under exception number 8 to Exhibit "A", for the purchase price of Two Hundred Seventy-five Thousand Dollars ($275,000). This option shall be exercisable only during the first five (5) years of the lease term and shall be exercised by a written notice thereof delivered to the Lessor prior to the expiration of the said five-year period. The notice exercising the option shall be accompanied by a payment of Seventy-five Thousand Dollars ($75,000). In the event the option is exercised, all rental payments theretofore made by the Lessee shall be considered as payment on the purchase price. The amount of such rental payments, plus the Seventy-five Thousand Dollars ($75,000) cash payment, plus the amount paid by the Lessee on the D.M.E.A. production lien existing as of the date of this lease, shall be considered to be the purchase price down payment. The balance of the purchase price shall be payable in three (3) equal annual installments, plus eight percent (8%) interest on unpaid balances from the date of the purchase. The first annual installment shall be payable one year after the purchase date.

9. Termination of Reserved Rights and Save Harmless Agreement. The rights heretofore reserved in the Lessor and other occupants to use the houses, domestic water, and surrounding premises referred to in exception number 8 to Exhibit "A" shall terminate and become part of the premises covered by this lease and subject to the option to purchase upon the exercise of the Lessee's option to purchase as hereinafter set forth.

During the use of said houses and surrounding premises by the Lessor, its agents or tenants, the Lessor shall save the Lessee harmless from any liability resulting from or arising out of the use of the said reserved premises by the Lessor, its agents, tenants or business invitees or by the occupants thereof.

10. Use of Domestic Water by Lessee. The Lessee shall have the right to obtain water for domestic uses from the water

sources reserved by the Lessor to the extent that such use does not interfere with the prior use thereof reserved by the Lessor. The Lessee shall not be entitled to use any of said water for mining or milling purposes.

11. Personal Property. The parties acknowledge that the Lessor is represented to be the owner of the track in the mine and an air tugger. The Lessee shall be entitled to use said property and shall be required to maintain said property during such period of use. The Lessee shall be required to pay the personal property taxes on the track during the term of the lease but it shall not be required to pay the personal property taxes upon the air tugger if the Lessee does not desire to use said equipment.

12. Mining Operations Other than Mercury. The parties recognize that this lease is for the primary purpose of mining cinnabar and the production of mercury and all references to the Lessee's operation shall be primarily construed to relate to cinnabar mining and quicksilver production. The parties recognize, however, that under the terms of this lease the Lessee may mine, extract, process and sell other ores, metals and minerals from the leased premises. For ores and their products, other than cinnabar and quicksilver, the Lessee agrees to pay to the Lessor a five percent (5%) royalty based on the gross sales price by the Lessee as payment is received by the Lessee. Such payments shall be made on the first day of each month for sales made in the preceding month.

13. Taxes, Licenses and Charges. Lessee will pay all real property and personal property taxes assessed against the leased premises, including taxes upon existing improvements and subsequent improvements made thereon by Lessee. It is understood that all 1964-1965 taxes and assessments levied against the leased premises and constituting a lien thereon as of the date of the execution of this agreement are to be prorated between the Lessor and Lessee, as of December 1, 1964. Lessee shall also pay any taxes, licenses,

or charges as may exist or as may be levied or imposed upon or by reason of the production from the leased premises or the operations of the Lessee on the said premises. The Lessee shall supply to the Lessor, at the end of every six (6) months period during the term of this lease, a certificate of an officer of Lessee certifying that the Lessee has paid all taxes and performed all obligations to governmental bodies required to be paid or performed by the Lessee.

14. Timber Rights; Grazing Rights and Slag Rights. The Lessee shall have the right to cut and remove so much of the standing timber on the leased premises as may be required in connection with the mining or milling of ores, metals or minerals on said premises. Any such cutting and removing shall be done under the supervision of the Lessor with reference to the area from which the timber is to be removed. Prior to the exercise of the option to purchase the Lessee shall have no right to otherwise remove or use the timber or to use the premises for any purposes other than mining purposes.

Neither party shall, without the written consent of the other, permit the grazing of livestock on any portion of the leased premises during the term of the lease.

The Lessee shall be entitled to sell or otherwise make such use as it desires of the slag or residue created during the operation of the mine by the Lessee.

15. D.M.E.A. Exploration. The Lessor will grants its consent to all arrangements made by the Lessee with D.M.E.A. for exploration purposes so long as no lien is thereby created against the property of the Lessor and the Lessee is shown to have fully performed its obligations hereunder.

16. Operations by Lessee. Lessee agrees to work said properties in a minerlike fashion and in a manner necessary and proper to good and economical mining and so as to take out the greatest amount of ore possible, with due regard to the safety, development and preservation of the same as a workable mine or mines,

and to mill the ores so extracted in a manner necessary and proper to the economical and expeditious reduction or treatment thereof.

17. Covenants Against Liens. Lessee agrees to keep the leased premises and every part thereof at all times free and clear of all mechanic's, miner's and other liens and encumbrances of every nature and description, and to pay all indebtedness and liabilities incurred by the Lessee which may or might become a lien on said premises before any of said indebtedness or liabilities shall become such lien, and to post and at all times keep posted in some conspicuous place upon the leased premises a notice that the interest of Lessor therein shall not be subject to any lien for service, labor or material furnished upon or used in connection with this lease or said leased premises by the Lessee, said notice to be on behalf of and in the name of Lessor. Lessor agrees that it will not, through any act or omission of Lessor or its agents, permit any lien or encumbrance to attach to the said premises during the term of this agreement, and will pay all indebtedness and liabilities incurred by Lessor or its agents which may or might become a lien on said premises before any of said indebtedness or liabilities shall become such lien.

18. Inspection by Lessor. Lessor shall have the right at all reasonable times and upon reasonable notice to Lessee to enter and inspect the mining operation of Lessee except in such areas and at such times as entry thereon might be dangerous to life. Lessor shall hold Lessee harmless from any liability arising out of the exercise of the aforesaid right of entry and inspection; provided, however, that Lessor shall have the same status and right as any business invitee.

19. Trespass. Lessee agrees to protect the property hereby leased during the term of this lease against trespassers or other wrongful intruders thereon.

20. Lessee's Save Harmless Agreement. Lessee agrees to hold Lessor harmless from any liability arising out of or in connection with the operations of Lessee hereunder, including, but not limited to, damage by fire commencing on the leased premises.

21. Quiet Enjoyment. Lessor agrees that it will protect Lessee and hold Lessee harmless from and against any claims, demands or actions for trespass or other cause brought or asserted by anyone claiming interference with a right, title or interest in or to the premises by reason of Lessee's presence or activities on said premises. All easements, rights of way and similar interests which Lessor may have in properties adjacent or adjoining said premises or in any property appurtenant thereto which shall be necessary or convenient to the operations of Lessee hereunder, shall be leased and let to Lessee as a part of this lease and are included herein except that such rights shall not interfere with the rights reserved to Lessor, and the rights of others to which this lease is made subject as heretofore set forth.

22. Default. Time is of the essence of this lease except as herein provided. The Lessee shall have a twenty (20) day grace period for all payments required to be made by the Lessee hereunder and failure to make payments as specified, including said grace period, shall give the Lessor the right to immediately terminate this lease.

In the event of failure by Lessee to perform any of the covenants or to comply with any of the conditions in this lease to be performed or kept by the Lessee, other than the payments herein required to be made by the Lessee, Lessor shall be entitled to give written notice of such default to Lessee and in the event Lessee shall not proceed with reasonable diligence to remedy such default within sixty (60) days after receipt of such notice, Lessor at its option shall be entitled to terminate this lease and declare the same forfeited.

The Lessor shall have the right to consider a default by the Lessee, which is not removed in accordance with the provisions of this paragraph, to be equivalent to a notice of termination by the Lessee as of the date the Lessor declares the default. If such an election is made, the Lessee shall remain liable to pay the full rental required under this lease for the period ending six (6) months after the declaration of default by the Lessor and the lease shall remain in effect during said time.

23. Guaranty. Norcan Ltd., incorporated under the Companies' Act of the government of Canada, Andrew R. L. McNaughton, and Marcel Lajeunesse, all of 2015 Drummond Street, West, Suite 900, Montreal, Canada, by their signatures to this lease, jointly and severally, guarantee to the Lessor the payment and performance of all obligations of the Lessee under this lease. Norcan Ltd. represents to the Lessor that it has full authority and the right to act as guarantor and that its vice president, Orville W. Taber, has full authority to execute this lease on behalf of Norcan Ltd. as guarantor. The guarantors shall be entitled to receive a copy of all notices of default required to be given to the Lessee. The mailing of a letter to the above address containing said notice shall be considered sufficient compliance with the notice requirement.

24. Bulk Sales Law. In the event the Lessee shall exercise its option to purchase, the Lessor, upon written request by Lessee, shall comply with all applicable provisions of the Bulk Sales Act of the State of Oregon and of any other governmental rules and regulations imposed upon a seller in connection with such a transaction.

25. Lessor's Title and Title Insurance Policy. The Lessor represents and warrants that it has merchantable title to the above described premises and the right to execute this lease for the purposes hereof except as set forth above following the description

of the leased premises. The Lessee acknowledges that it has examined a preliminary title report issued by Cascade Title Co. under order number 74818, dated October 30, 1964, and that it is satisfied with the state of title shown therein. As soon as reasonably possible following the execution of this agreement the Lessor shall supply the Lessee with a purchasers title policy in favor of the Lessee in accordance with said preliminary title report and in the amount of $ 80,000 , at the expense of the Lessor.

26. Escrow. The United States National Bank of Oregon, Eugene Main Branch, hereby is selected as the escrow agent of the parties. As soon as reasonably possible following the execution of this lease, documents will be deposited with the escrow agent and instructions will be given to the escrow agent in accordance with the provisions of this section. The Lessor will deliver to the escrow agent a warranty deed naming the Lessee as grantee covering the premises covered by the option to purchase. Such deed shall contain warranties against all encumbrances as of the date of the deed subject to easements, restrictions and rights described in this lease in connection with the description of the leased property except the rights listed under exception number 8 of Exhibit "A" attached to this lease. The Lessee shall execute, acknowledge and deliver to the escrow agent a bargain and sale deed naming Quicksilver Syndicate as the grantee.

Upon being informed in writing by the parties that the purchase price has been fully paid for the above described property in accordance with the right to purchase hereunder, the escrow agent shall deliver to the Lessee all of the documents in its possession and close the escrow.

The escrow agent shall be entitled and is hereby instructed to close the escrow and deliver all papers therein to Quicksilver Syndicate upon receiving from Quicksilver Syndicate a statement in affidavit form notifying the escrow agent that this lease and all rights of the Lessee hereunder have been terminated. The said affidavit shall contain an agreement by Quicksilver Syndicate

to save the escrow agent harmless from any and all liability to the Lessee or any other person by reason of the delivery of the papers and the closing of the escrow.

27. Prohibition Against Assignment. This lease shall not be assigned by the Lessee except upon written consent of the Lessor which consent shall not be unreasonably withheld. In connection with such consent, the parties acknowledge that the Lessor has entered into this lease in reliance upon the reported integrity and financial ability of the guarantors of this lease. Any such assignment will, in no event, release or waive the obligations herein incurred by the Lessee and the guarantors.

28. Lessee's Assignment on Termination. Upon termination of this lease for reason other than the purchase of the leased premises by the Lessee, this instrument shall be considered to be an assignment of all rights, interests and claims, including mineral rights and claims, of the Lessee in and to all premises covered hereby to the Lessor. The Lessee will execute any other documents requested by the Lessor to perfect such assignment.

29. Interpretation. All the covenants, agreements, conditions and terms contained in this lease shall be binding upon, apply and inure to the benefit of the heirs, executors and administrators or the successors and assigns respectively of the Lessor and the Lessee and the guarantors. All of said covenants shall be construed as covenants running with the land. This paragraph shall not be construed as consent by the Lessor to the assignment or subletting of the leasehold premises.

30. Waiver. Failure of the Lessor to insist upon the strict performance of the terms, covenants, agreements and conditions in this lease contained, or any of them, shall not constitute or be construed as a waiver or relinquishment of the Lessor's right to thereafter enforce any such term, covenant, agreement, or condition, but the same shall continue in full force and effect.

31. Litigation Expense. In the event that it is necessary for an action at law or a suit in equity to be brought to establish, obtain or enforce any right by either of the parties under this lease, then the prevailing party in such action or suit shall be entitled to a reasonable attorney's fee allowance as well as the costs and disbursements of the action or suit. In the event of an appeal to an appellate court for any purpose in connection with a suit or action brought under or in connection with this agreement, the prevailing party in such appeal shall be entitled to an attorney's fee in such amount as the court may determine reasonable.

IN WITNESS WHEREOF, the parties hereto have executed this instrument, this 6 day of November, 1964.

LESSOR:

QUICKSILVER SYNDICATE

By /s/ Daniel J. Mills
President

GUARANTORS:

NORCAN LTD.

By /s/ Orville W. Taber
Orville W. Taber

/s/ Andrew R. L. McNaughton
Andrew R. L. McNaughton

/s/ Marcel Lajeunesse
Marcel Lajeunesse

LESSEE:

AMERICAN MERCURY CORPORATION

By /s/ Orville W. Taber
Vice President

EXCEPT FOR AND SUBJECT TO THE FOLLOWING:

1. Reservations contained in United States Patents as follows:

(a) Patent to Peter McMartin, dated March 1, 1892, recorded October 19, 1892 in Book 27, Page 89, Lane County Oregon Deed Records, in Lane County, Oregon, to-wit:

"Subject to any vested and accrued water rights for mining, agricultural, manufacturing and other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by the local customs, laws and decisions of courts, and also subject to the right of the proprietor of a vein or lode, to extract and remove his ore therefrom, should the same be found to penetrate or intersect the premises hereby granted, as provided by law."

(b) Patent to William Harris, dated February 20, 1900, recorded April 16, 1901 in Book 28, Page 355, Lane County Oregon Deed Records, in Lane County, Oregon, to-wit:

"Subject to any vested and accrued water rights for mining, agricultural, manufacturing or other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by local customs, laws and decision of Courts, and also subject to the right of the proprietor of a vein or lode, to extract and remove his ore therefrom should the same be found to penetrate or intersect the premises hereby granted, as provided by law. And there is reserved from the lands hereby granted a right of way thereon for ditches or canals constructed by the authority of the United States."

2. Reservation of a 100.0 foot strip for railroad purposes and water rights as contained in the deed from Oregon and California Railroad, recorded January 29, 1898 in Book 43, Page 335 Lane County Oregon Deed Records, Lane County, Oregon. This reservation affects Sections 9 and 17.

3. That portion lying within the limits of County Roads over and across said property as conveyed to Lane County by deed recorded June 13, 1929, in Book 161, Page 435, and by deed recorded February 4, 1943, in Book 242, Page 67, Lane County, Oregon Deed Records, in Lane County, Oregon.

4. A portion of the premises under search is under reforestation and is subject to yield taxes and to all other rules and regulations of the State of Oregon regarding reforested areas.

5. An easement for roadway as granted to the United States of America by instrument recorded August 5, 1955, Clerk's Filing No. 62918, Lane County Oregon Deed Records, in Lane County, Oregon. This easement affects Sections 8 and 9.

EXHIBIT "A"

6. An easement for roadway as granted to Springfield Lumber Mills by instrument recorded July 7, 1955, Clerk's Filing No. 60619, Lane County Oregon Deed Records, in Lane County, Oregon. This easement affects Sections 8 and 9 and the Northeast 1/4 of Section 16 from a point near the Northwest corner of the Northeast Quarter of Section 16 to a point near the Southeast corner of the said Northeast Quarter of 16.

7. Free use of domestic water from system maintained by Quicksilver Syndicate or its successors, as granted in the deed to Frank Taylor and wife, recorded in Book 225, Page 347, Lane County Oregon Deed Records, in Lane County, Oregon.

8. The rights hereinafter more specifically described to the possession and use of certain houses and surrounding premises and the use of certain domestic water.

9. The rights of Albert O. Bartell under an agreement dated May 3, 1962, between Albert O. Bartell and Quicksilver Syndicate consisting of the right to remove certain slag rock located in Section 8, Township 23 South, Range 3 West of the Willamette Meridian, in Lane County, Oregon.

The Lessee acknowledges receipt of a copy of the above instrument.

EXHIBIT "A"

EXHIBIT "B"

(a) The house occupied at the time of the execution of this lease by Lillian E. Mills, which house is located in the "U" formed by the road leading to the office and furnace and extending West to the old pasture line, thence about 300 feet to the main road leading into Section 16 of the leased premises; ALSO, the old unoccupied house located in this area; andALSO, the right to take water from and use the domestic water line now established for the area;

(b) The house presently occupied by Daniel J. Mills which lies South of the above described house and premises, higher up the hill, and which is surrounded by presently existing roads; together with the right to take water from and use the domestic water line now serving this area;

(c) Two trailer houses located South of the Daniel J. Mills house and the right to use water from the domestic water line in the area;

(d) All rights to use the domestic water system now in use for the above residences shall be reserved to the occupants thereof.

Lillian E. Mills and Daniel J. Mills, and the other residential occupants shall be entitled to retain and remove all of their personal property located in or upon the areas above described in the event the Lessee exercises its right to purchase.

The Lessor represents that the water rights and uses above reserved will not interfere with the operation of the mine located in Section 16.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
January 26, 1959

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2/10	WSM	400

Mr. George C. Selfridge, Chairman
Operating Committee, OME
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury & Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

Enclosed are three copies of a Field Team final report on this project prepared by Eric G. Erickson, Mining Engineer, U. S. Bureau of Mines, and Howard E. Albee, Geologist, U. S. Geological Survey.

Work completed under the contract was 47 hours of bulldozing, 640 feet of adit rehabilitation, 461.2 feet of drifting, of which the Operator claims only 418 feet, and assaying of 96 samples. The total cost was $13,682 (subject to audit), of which the Government's share was $10,261.50.

Work was discontinued July 15, 1957. A Termination Agreement was forwarded to the Operator October 25, 1957, but has not been returned. A Certification of Discovery or Development was issued January 7, 1958. There remains due $3,215 in back royalty.

The small amount of work completed in the target area neither confirms nor disproves the existence of the 56,400-ton reserve below the 900 level estimated by the U. S. Bureau of Mines in 1942, and further exploration is warranted.

By Field Team, Region I

A. E. Weissenborn

A. E. Weissenborn, Executive Officer
U. S. Geological Survey

Wing G. Agnew

Wing G. Agnew, Member
U. S. Bureau of Mines

Reviewed by
OME OPERATING COMMITTEE
2-6-59
(date)

Enclosures
cc: USBM(2)
USGS(SRO)
Albee

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane, Washington 99204
January 6, 1965

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O. M. E.
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Memorandum

To: Chief, Division of Exploration Operations

From: Acting Field Officer, Region I

Subject: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lake County, Oregon
Contract Idm-E998

I have just checked the statement by Daniel J. Mills, in his letter of December 19, 1964, that his records show a balance to be paid by royalty on production is $5,373.26.

According to our records, the last payment was a compromise of $1,800.00 on royalty due which brought the total amount repaid to $3,473.25. The Report of Review dated March 17, 1959, indicated that the Government's contribution to the project was $10,261.51.

Done 1/6/65

Unless we have missed entering a payment, the balance due from royalty on production is $6,788.26. Which is the proper amount due, and should we advise Mills if our figure is correct?

D. R. MacLaren

D. R. MacLaren

MME Form 7
(2/63)

OFFICIAL FILE COPY

Date	Surname	Code
	GCS	120
1/6	Johnson	110
		100
		220

JAN 6 1965

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Blackbutte Route, Box 514
Cottage Grove, Oregon

Re: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-8998

Dear Mr. Mills:

We have now received a copy of your letter of December 19, 1964, to our Region I office in Spokane, which relates to a recent lease on the subject property. We thank you for the information given.

We respectfully call your attention to Article 2(c) of the contract which stipulates that two copies of an instrument of conveyance, lien, or encumbrance should be furnished to the Government. We shall appreciate receiving at least one copy of the lease either from you or from the American Mercury Corporation.

Our records show that a balance of $6,788.26 remains due as royalty on future production until August 22, 1967, unless paid sooner.

Sincerely yours,

George Fumich, Jr.

Acting Director

GCSelfridge/mm
1/6/65
cc: Director's Reading File
Region I
CA&A Division
Docket

Mr. Selfridge
Code 120M

23263

One (2)

JAN 6 1965

[illegible] Division of Mineral Exploration
[illegible] Street
[illegible], Wash. [illegible]

Re: [illegible]
Contract [illegible]

Gentlemen:

In reply to your letter of December 18, 1964.

A lease was signed with American Mercury Corp. for the production of Mercury.

Mr. Stanley Darling, who is the attorney, was supposed to inform you, that in the lease [illegible], and American Mercury Corp., P.O. Box 246, Cottage Grove, [illegible] that a provision was made that they pay the amount due on the [illegible] loan when production is made, and as made.

According to our records, there is now due, on a 5% royalty, until August 22, 1967, or unless paid sooner, the amount of $6,[illegible].26*

Production should start later this month, possibly by Dec. [illegible], 1964, as the cold weather has [illegible] a few days.

Very Truly Yours,

Quicksilver Syndicate

By _____
President

RECEIVED DEC 30 1964

DATE	INITIALS	CODE
12/30	ama	800
		120 M
		120

* Our records show balance due of $6,788.26 as do Fiscal Actions.

CA+A Div.

Ore 12)

OFFICE OF ...
RECEIVED
12/17 GEO 800
12/18 FM/AM 120 m
+20
220

So. 157 Howard Street
Spokane, Washington 99204
December 15, 1964

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon

Re: IMBA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lake County, Oregon
Contract Idm-2990

Dear Mr. Mills:

According to an item in the December 10, 1964 issue of The Wallace Miner, the Black Butte mine has been leased for a period of 10 years to the American Mercury Corporation and an early resumption of work is planned.

If this report is true, will you please advise us whether the American Mercury Association lease includes a provision whereby that company agrees to pay the royalty on production due the Government under the terms of the above-cited contract and, if so, will you furnish us with the address of the new operator.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

cc: OME(2)
CPF

Director's Reading File
Resources Research Branch Chief

DRMacLaren:mls

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON 25, D. C.

August 3, 1964

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lake County, Oregon
Contract Idm-E998

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon

Dear Sir:

After the completion of the approved exploration work under the contract identified above, we asked to be informed about changes in the status of the property and production from it during the period of royalty obligation.

To assist you to furnish this information and to assure the accuracy of our records, please answer the questions on the back of this letter and return two copies to this office with copies of any pertinent documents.

Please sign these forms. We note that the forms you returned in December 1963 were not signed.

Sincerely yours,

George C. Selfridge

George C. Selfridge, Chief
Division of Exploration Operations

OFFICIAL FILE COPY
O. M. E.
RECEIVED AUG 17 1964

DATE	INITIALS	CODE
8/17		800
8/17		100
8/17		~~110~~
8/18		120
	Ambrose	120
		220

MME Form 63
Revised 3-62

REQUEST FOR INFORMATION ON CERTIFIED PROJECT AND PROJECT UNDER ROYALTY AGREEMENT

1. Since December 1963 , has there been a change in ownership, lease, or sublease? If yes, please state details of the transaction below and provide a true or signed copy of the pertinent documents, unless they have been provided before. Yes ☐ No ☒

2. Since December 1963 , has there been any production from the land subject to the contract? Yes ☐ No ☒

   A. If so and it was shipped, give quantity, value, and name and address of purchaser.

	Quantity	Value

   B. If stockpiled awaiting sale, state quantity, grade, and location.

Type	Quantity	Estimated Grade	Location
Ore	Tons		
Concentrates	Tons		
Other	Tons		

3. Since , has any production been transported through workings (see of contract)? Yes ☐ No ☒

   A. If so, state quantity, value, and disposition of material.

Disposition of Material	Quantity	Value

Submitted by:

Name Daniel J. Mills Title President

Address Blackbutte Route Date August 12, 1964

Cottage Grove, Ore.

4511

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON 25, D. C.

December 4, 1963

Re: DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lake County, Oregon
Contract Idm-E998

Mr. Daniel J. Mills
President
Quicksilver Syndicate
Black Butte Route, Box 514
Cottage Grove, Oregon

Dear Sir:

After the completion of the approved exploration work under the contract identified above, we asked to be informed about changes in the status of the property and production from it during the period of royalty obligation.

To assist you to furnish this information and to assure the accuracy of our records, please answer the questions on the back of this letter and return two copies to this office with copies of any pertinent documents.

Sincerely yours,

F M Murphy

F. M. Murphy, Acting Chief
Division of Minerals

no signature

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 16 1963

DATE	INITIALS	
12/16	[illegible]	800
12/16	Murphy	100
		500
		220

MME Form 63
Revised 3-62

REQUEST FOR INFORMATION ON CERTIFIED PROJECT AND PROJECT UNDER ROYALTY AGREEMENT

1. Since March 1, 1962, has there been a change in ownership, lease, or sublease? If yes, please state details of the transaction below and provide a true or signed copy of the pertinent documents, unless they have been provided before. Yes ☐ No ☒

2. Since March 1, 1962, has there been any production from the land subject to the contract? Yes ☐ No ☒

   A. If so and it was shipped, give quantity, value, and name and address of purchaser.

	Quantity	Value
	NONE	NONE

   B. If stockpiled awaiting sale, state quantity, grade, and location.

Type	Quantity		Estimated Grade	Location
Ore		Tons		
Concentrates		Tons		
Other		Tons		

3. Since, has any production been transported through workings (see of contract)? Yes ☐ No ☐

   A. If so, state quantity, value, and disposition of material.

Disposition of Material	Quantity	Value

Submitted by:

Name _____ Title President

Address Blackbutte Route, Box 514
Cottage grove, Oregon

Date December 11, 1963

4511

OFFICIAL FILE COPY
O. M. E
RECEIVED APR 16 1962

DATE		
4/16	gla	500
		220

So. 157 Howard Street
Spokane 4, Washington
April 12, 1962

Memorandum

To: Chief, Fiscal Section, Division of Administrative Services, Office of the Secretary, Washington 25, D. C.

From: Acting Field Officer, OME, Region I

Subject: DMEA-426~~5~~3 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

There is enclosed a Report of Royalty Review dated April 3, 1962, for the purpose of determining the amount of royalty payable to the U. S. Government on sales of minerals from property referred to as the Black Butte Mine located in Lane County, Oregon, during the period March 13, 1957, through March 1, 1962.

This Report of Royalty Review is for record purposes only, and no copy has been provided for the Operator.

D. R. MacLaren

Enclosure

DRMacLaren:my
cc: CA&A Div., OME
OME, CPF
Reading copies to:
Nolen
Hobbs
Guild

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
		220

APR 3 1962

Memorandum

To: Acting Field Officer, Region I

From: E. D. Talbert, Acting Chief (Signed) E. D. Talbert
Contract Administration and Audit Division

Subject: DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

The original and one copy of a Report of Royalty Review covering the subject contract are enclosed. If you concur in the facts stated therein, please make the following distribution:

(a) Original to the Fiscal Section, Division of Administrative Services, Office of the Secretary, Department of the Interior, Washington 25, D. C.; and

(b) One copy for your files.

This Report of Royalty Review is made for record purposes only; therefore, no copy for the Operator is provided.

As evidence of your concurrence, a copy of your memorandum transmitting the original report to the Fiscal Section should be furnished this Division. If for any reason you do not concur, both copies of the report should be returned to this Division with your comments.

Enclosures

EDTalbert/ama 4-3-62

cc:
Docket
Director's Reading File
CA & A Division
Mr. Rothrock

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
2/14	[illegible]	120
		220

FEB 14 1962

Memorandum

To: Acting Field Officer, Region I

From: E. D. Talbert, Acting Chief (Signed) E. D. Talbert
Contract Administration and Audit Division

Subject: DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lake County, Oregon
Contract Idm-8998

This Division is preparing a Report of Royalty Review on the subject contract. Accordingly, your submission of an original and one copy of MME Form 22, Check Sheet of Examining Engineer, will be appreciated.

The last information in the Washington files on this property is contained in a Semi-Annual Report of Certified Project prepared by Galen G. Waddell on the basis of a June 3, 1958, examination. Accordingly, your inclusion under item 8 of MME Form 22 of a concise statement of the activity or lack of activity and any change in leasehold or possession of the property since that date is solicited. Please also indicate the last date on which status was determined by either inspection or inquiry of the landowner.

EDTalbert/ama 2-14-62

cc:
Docket
Director's Reading File
CA & A Division

43683

File
DMEA-4263

UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK.
In the matter of MERCURY & CHEMICALS CORP., Bankrupt, No. 92871.
To the creditors of the above-named bankrupt:
NOTICE IS HEREBY GIVEN that Murray Spellman, trustee herein, has filed his verified final report and account and application for discharge, and petition for allowances in the amounts below indicated have been filed, all of which may be inspected. A final meeting of creditors will be held in Room 237 of the United States Court House, Foley Square, New York, N.Y. on May 4, 1961 at 12:00 o'clock noon, at which time said report and account and applications will be examined. The trustee will offer for sale or otherwise dispose of the uncollected accounts receivable as well as the books and records of the bankrupt estate. Such other matters as may be proper will be acted upon.

Murray Spellman, trustee, statutory commissions	$62.50
Israel G. Halpert, attorney for trustee, fee	1,000.
disbursements,	22.42
Moe Sturtz, appraiser, fee,	30.

No allowances heretofore paid.

Summary of trustee's report: Receipts, $625.; disbursements, $397.33; balance, $227.67. Claims proved and allowed: General, $34,241.80; Priorities: Taxes, $45,918.69; Expense of administration against debtor-in-possession, $83.38; Priority Debt, $1,415.00. DMEA

Dated, New York, N.Y.
April 17, 1961

JOHN E. JOYCE
Referee in Bankruptcy

DMEA-4263
E 998

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 19 1961

DATE	INITIALS	CODE
4/19	gad	VVO
4/19	[illegible]	800
"	~~[illegible]~~ S.T.H	500
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OFFICIAL FILE COPY
O. M. E
RECEIVED MAR 22 1961

DATE	INITIALS	CODE
3/22	gad	220
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3/22	[illegible]	800
3/23	Hoeft SPH	500
		220

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

Address Reply to the Division Indicated and Refer to Initials and Number
WHO:RM
77-61-437

rp

Department of the Interior
Washington 25, D. C.

Attention: Solicitor

Re: Mercury and Chemicals Corporation. $1,415.00. Your Docket No. DMEA-4263.

Dear Sirs:

You will recall that certain efforts were made to collect the above claim in Oregon and that a settlement was consummated in March 1959. You will further recall that a claim in bankruptcy was thereafter filed in the Southern District of New York. The United States Attorney for that District now informs us that the assets of the above estate will not be sufficient to pay claims of higher priority, such as federal taxes. We have closed our file on this matter.

Yours very truly,

WILLIAM H. ORRICK, JR.
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 29 1959

DATE	INITIALS	CODE
9/29	RCW	225
9/29	Holt	800
		~~500~~
		225

SEP 28 1959

S. Hazard Gillespie, Jr., Esq.
United States Attorney
New York 7, New York

Re: Mercury and Chemicals Corporation
Your Reference: JR:M6-3532

Dear Mr. Gillespie:

OMEA 4263

Enclosed herewith is a "Notice of First Meeting of Creditors" in the matter of Mercury & Chemicals Corp., Bankrupt, U. S. District Court for the Southern District of New York, No. 92871.

This notice was received September 22 by this Department and is forwarded to you direct, rather than to the Department of Justice in view of the fact that the time of the meeting is fixed for October 6, 1959.

Sincerely yours,

Edmund T. Fritz

Edmund T. Fritz
Deputy Solicitor

Enclosure

Copy to:
George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

JLHofflund/hm 9/23/59
cc: Solicitor's docket
Solicitor's reading file
Mr. Fritz
Mr. Soller
Mr. Hofflund
Acting Director, OME

DMEA Form 7
(12-56)

AUG 21 1959

OFFICIAL FILE COPY

Date	Surname	Code
8/20	Murphy	500
8/20	[illegible]	500
8/20	Selfridge	130
		~~110~~ JKB
8/21	gad	220
		225

8/21 Lamb 130
8/21 Kikemoto 130

Mr. C. A. Fredell, Director
Technical Research and Development Division
Defense Materials Service
General Services Administration
6018 GSA Building
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lake County, Oregon
Contract No. Idm-E998

Dear Mr. Fredell:

A copy of the certification pertaining to the captioned contract was forwarded to you on January 7, 1958. We are now supplying the following additional information regarding the subject certified project for your records.

The contract, dated August 22, 1956, covered an exploration project estimated to cost $62,340.00, with Government participation amounting to 75 percent, or $46,755.00. Total accepted costs of the project were $13,682.00, of which the Government paid $10,261.51.

The project area consists of all of sec. 16, T. 23 S., R. 3 W., Willamette Meridian, Lane County, Oregon.

The project consisting of 2000 feet of core drilling from the surface, rehabilitation of underground workings, 1000 feet of core drilling from underground, 1200 feet of drifting, and 300 feet of raising, was designed to explore the east area of the mine for the downward extension of known ore bodies, and also, for possible parallel ore bodies. Of this work only underground rehabilitation and 418 feet of drifting were completed.

Production from the property prior to the contract amounted to 14,000 flasks of mercury. During the DMEA contract period 399 flasks were produced.

The Operator failed to pay royalties of $3,215.00 on production subject to Government royalty. However, the owner of the property, Quicksilver Syndicate, repaid $1,800.00 of

8623

this sum as a result of a DMEA claim filed through the Attorney General's office. An amended claim for the remaining $1,415.00 was filed in the U. S. District Court by OME on April 28, 1959.

In 1942, the U. S. Bureau of Mines estimated that the Black Butte mine had ore reserves of 56,400 tons, containing 3 pounds of mercury per ton, below the 900 level. The small amount of work completed in the target area neither confirms nor disproves the existence of such reserves.

Sincerely yours,

Frank E. Johnson (fw)

Acting Director

FMMurphy/GMcC
August 20, 1959

cc: Docket
Director's Reading File
Mr. Frank E. Johnson
Operating Committee
Mr. Lamb, USBM
Mr. Kirkemo, USGS
OME Field Team, Region I (2)
Mr. F. M. Murphy
Chron

Form 7
(-56)

FROM SOLICITOR

JUL 2 1959

FOR SIGNATURE

RECEIVED
JUL 23 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

OFFICIAL FILE COPY

Date	Surname	Code
7/22	Talbert	800
7/23	Selfridge	120
"	[illegible]	110
7/28	J. Lyons	140

Memorandum

To: Acting Associate Solicitor
Division of Mineral Resources

From: Acting Director
Office of Minerals Exploration

Subject: Docket DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Contract Idm-E998

As requested in your memorandum dated July 17, 1959, the docket file on the subject contract is attached. The copies of the July 16, 1959, letter and attachment from the Department of Justice also are attached.

The matter of collection of $3,215.00 due the U. S. Government as royalty on production of mercury from the Black Butte mine was referred to the Attorney General by the Solicitor's letter dated January 2, 1958. Proof of Claim for this amount, prepared in the Office of the Solicitor and executed by the Administrator, Defense Minerals Exploration Administration, was sent to the Attorney General with the Deputy Solicitor's letter dated January 24, 1958. Subsequently, an amount of $1,800.00 was received from Quicksilver Syndicate in compromise settlement of the Government's claim against the mine property for back royalty. An Amended Proof of Claim, prepared in the Office of the Solicitor, executed by the Acting Director, Office of Minerals Exploration, and stating that $1,415.00 of the debt remains unpaid and outstanding, was sent to the Attorney General with the Solicitor's letter dated May 2, 1959.

It is our understanding that the matter of collection of the amount of $1,415.00 due to the Government on back royalty will be pursued by the United States Attorney even if the proceedings for arrangement are replaced by a liquidation in ordinary bankruptcy. It also is our understanding that the Government's right to royalty on any further production from the property will not be impaired by any settlement in connection with this delinquent royalty.

(signed) FRANK E. JOHNSON

Attachments

EDTalbert/fw-7/22/59
cc: Docket
Dir.Read.File
CA & A Div.

FROM SOLICITOR

JUL [illegible] 9

FOR SIGNATURE

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

July 17, 1959

Memorandum

To: Acting Director
Office of Minerals Exploration

From: Acting Associate Solicitor
Division of Mineral Resources

Subject: Mercury and Chemicals Corporation, DMEA-4263, copies of letters received from Department of Justice with respect to their efforts to collect for the Government

I suggest that your auditors should review this matter and return it to me with any comments that they may have and your files, so that I may determine if any comments should be made to Justice pursuant to its letter to the U. S. Attorney in the field.

J. L. Hofflund

J. L. Hofflund

Attachments

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUL 21 1959

DATE	INITIALS	CODE
7-23	gad	220
7-21	[illegible]	500

INTERIOR DEPT.

JUL 1 7 1959

SOLICITOR

[redacted]

[redacted]

[redacted] Gillespie, Jr., Esq.
[redacted] Stephen Attorney
New York 7, New York

Attention: [redacted] Esq.
[redacted]

Re: Hervey and Chandler Corporation.
S.D. N.Y. Arrangement No. 92,871.
$1,115.00.
Your ref: [redacted]

Dear Mr. Gillespie:

In acknowledge receipt of your letter of July 7, [redacted] the above case. We are forwarding a copy of your letter to the Department of the Interior, to furnish it with an opportunity to make any comment which it may wish to offer.

It is my understanding that the Department of Interior [redacted] as the result of these efforts that a partial payment [redacted] received. Following which we asked you to reduce the amount of the claim to $1,115.00.

We do not have whether your local president [redacted] you to be holding to decide the [redacted] the arrangement proceeding in respect of [redacted] bankruptcy. However, if any such action is required, we will rely upon you to take it.

Yours very truly,

[redacted]
Assistant Attorney General
Civil Division

By:

[redacted]
[redacted]

cc: Department of the Interior
Washington 25, D. C.
Attention [redacted]
(Ref: [redacted])

JR

vd

M6-3532

July 9, 1959

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
U. S. Department of Justice
Washington 25, D.C.

Re: Jeremy and Chemicals Corp., Debtor
Your File: DJ[illegible] 77-61-437

Dear Mr. Doub:

Reference is made to the above entitled proceeding and to your letter of January 10, 1958 wherein you requested that the attention of the Referee be called to certain objections of the Government to your amended plan of arrangement.

Since that time I have attended numerous adjourned hearings. At each of these hearings attorneys for the debtor advised the Court that they were negotiating with people who were interested in advancing money to reopen the mine and that a acceptable plan of arrangement would be formulated.

At today's adjourned hearing an attorney for the debtor advised the Court that the proceedings were not in order as he had planned them to be heretofore. Although he believed that there still was a chance that a plan might be formulated. he further advised the Court that the landlord may claim that the machinery in the mine, which cost about $[illegible]00,000, was under the laws of Oregon deemed abandoned because it had not been removed within six months after the termination of the lease.

It appears to me that this case will be adjudicated. If the Government has any rights by virtue of liens or mortgages, or otherwise, I

George Cochran Doub, Jr. Esq.
Assistant Attorney General

July 9, 1959

suggest that appropriate action be taken in Oregon to protect its rights.

The Referee has adjourned the date of confirmation until September 8, 1959 and has stated that unless an acceptable plan was filed by that date he would either dismiss the proceeding or adjudicate it.

Very truly yours,

S. HAZARD GILLESPIE, Jr.
United States Attorney

By: _____
JULIUS KOLNITZKY

rlw

File Docket 4263

GCD: RM
77-61-437

Arthur H. Christy, Esquire
United States Attorney
New York 7, New York

MAY 8 1959

Attention: Julius Rolnitzky, Esquire
Assistant United States Attorney

Re: Claim against Mercury and Chemicals Corporation,
Arrangement No. 92,871. $1,415.00
Your ref: M6-3562

Dear Mr. Christy:

In accordance with your request, the Department of the Interior has furnished us with an amended proof of claim for use in the above proceeding. It is enclosed herewith.

If, under your local practice, the complaint should also be signed by the attorney representing the claimant, please add a sheet at the end of the proof of claim with an appropriate place thereon for signature by your office.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosure

cc: Department of the Interior
Washington 25, D. C.
Attention: Solicitor

Official Copy
EXTRA COPY
O. M. E.
RECEIVED MAY 13 1959

DATE	INITIALS	CODE

400

In reply refer to:
77-61-437

MAY 2 1959

Hon. George Cochran Doub
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Re: Mercury and Chemicals Corporation
Docket No. DMEA-4263
Contract Ida-2998

Dear Mr. Doub:

In response to the request in your letter dated April 1, 1959, to me, there is enclosed an Amended Proof of Claim executed by the Acting Director, Office of Minerals Exploration, in the form prescribed by General Order No. 21 of the General Orders in Bankruptcy. As suggested in your letter, the amended claim allows a credit in the amount of $1,800.00, on account of the compromise settlement with the Quicksilver Syndicate made by the United States Attorney for the District of Oregon.

Sincerely yours,

George W. Abbott

Solicitor

Enclosure

JLynch/hm 4/13/59
cc: Solicitor's docket
Solicitor's reading file
OME
Mr. Hofflund
Mr. Lynch

OME copies: DME docket
Dir. reading file
W. S. Martin
FT Reg. I (2)
J. L. Chambers

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 5 1959

DATE	INITIALS	CODE
5/5	G	220
		400

SURNAME COPY

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In the Matter

of

MERCURY & CHEMICALS CORPORATION

Debtor.

IN PROCEEDINGS FOR
AN ARRANGEMENT

No. 92,871

AMENDED PROOF OF CLAIM BY THE UNITED STATES

District of Columbia }
Washington, D. C. } ss.

Frank K. Johnson, being duly sworn, deposes and says:

1. That he is the Acting Director of the Office of Minerals Exploration, successors to the Defense Minerals Exploration Administration, an agency of the Department of the Interior, acting on behalf of the United States of America, located at Washington 25, D. C., and is duly authorized to make this proof of claim on behalf of the United States.

2. That Mercury and Chemicals Corporation, a Delaware corporation, the above-named debtor, was at and before the filing of a proposal for an arrangement with creditors, and still is, justly and truly indebted to said United States in the sum of $3,215.00.

3. That the consideration of said debt is as follows: a 5% royalty on 399 flasks of mercury valued at $97,765.00 amounting to $4,888.25, less $1,673.25 previously paid, said royalty being due as repayment for money advanced by the Government to the debtor for mineral exploration, pursuant to Contract No. Idm-2998.

C ✓ Hoffman

App'd. Sol. Off.

That no part of said debt has been paid except payment in the amount of $1,800.00 has been made by Quicksilver Syndicate, the owners of the land described in the above-mentioned Contract No. Idm-2998, as the result of a compromise settlement under a "Consent to Lien and Subordination Agreement", and that $1,415.00 of the debt remains unpaid and outstanding.

5. That there are no setoffs or counterclaims to said debt.

6. That the United States does not hold, and has not, nor has any person by its order or to deponent's knowledge or belief, for its use, had or received any security or securities for said debt, except the lien created by the express provisions of the exploration contract, and the "Consent to Lien and Subordination Agreement" executed by Quicksilver Syndicate, an Oregon corporation, Blackbutte, Oregon, the owner of the land described in the above-mentioned Contract No. Idm-2998. These instruments are not of record.

7. That the exploration contract upon which said debt is founded was attached to the "Proof of Claim of the United States", dated January 22, 1958, submitted by C. O. Mittendorf, Administrator, Defense Minerals Exploration Administration.

8. That this claim of the United States is entitled to priority by virtue of the provisions of 11 U.S.C., Supp. V, 104(a)(5), and 31 U.S.C. 191.

9. That this claim is made without waiving any other remedy, and without waiving the right to proceed against specific property.

10. That the United States Attorney for the Southern District of New York is authorized to represent the deponent and the United States of America in connection with this amended proof of claim and in all matters whatsoever relating thereto.

Frank E. Johnson

Frank E. Johnson

Acting Director, Office of Minerals Exploration

Subscribed and sworn to before me this 28th day of April, 1959.

/s/ Calvin Pierson

Notary Public

Extra copy

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In the Matter

of

MERCURY & CHEMICALS CORPORATION

Debtor.

IN PROCEEDINGS FOR
AN ARRANGEMENT

No. 98,871

AMENDED PROOF OF CLAIM BY THE UNITED STATES

District of Columbia)
Washington, D. C.) ss.

Frank E. Johnson, being duly sworn, deposes and says:

1. That he is the Acting Director of the Office of Minerals Exploration, successor to the Defense Minerals Exploration Administration, an agency of the Department of the Interior, acting on behalf of the United States of America, located in Washington 25, D. C., and is duly authorized to make this proof of claim on behalf of the United States.

2. That Mercury and Chemicals Corporation, a Delaware corporation, the above-named debtor, was at and before the filing of a proposal for an arrangement with creditors, and still is, justly and truly indebted to said United States in the sum of $3,215.00.

3. That the consideration of said debt is as follows: a 5% royalty on 300 flasks of mercury valued at $97,765.00 amounting to $4,888.25, less $1,673.25 previously paid, said royalty being due as repayment for money advanced by the Government to the debtor for mineral exploration, pursuant to Contract No. 14m-8996.

That no part of said debt has been paid except payment in the amount of $1,000.00 has been made by Quicksilver Syndicate, the owners of the land described in the above-mentioned Contract No. Idm-2998, as the result of a compromise settlement under a "Consent to Lien and Subordination Agreement", and that $1,415.00 of the debt remains unpaid and outstanding.

5. That there are no setoffs or counterclaims to said debt.

6. That the United States does not hold, and has not, nor has any person by its order or to deponent's knowledge or belief, for its use, had or received any security or securities for said debt, except the lien created by the express provisions of the exploration contract, and the "Consent to Lien and Subordination Agreement", executed by Quicksilver Syndicate, an Oregon corporation, Blackbutte, Oregon, the owner of the land described in the above-mentioned Contract No. Idm-2998. These instruments are not of record.

7. That the exploration contract upon which said debt is founded was attached to the "Proof of Claim of the United States", dated January 22, 1958, submitted by C. O. Mittendorf, Administrator, Defense Minerals Exploration Administration.

8. That this claim of the United States is entitled to priority by virtue of the provisions of 11 U.S.C., Supp. V, 104(a)(5), and 31 U.S.C. 191.

9. That this claim is made without waiving any other remedy, and without waiving the right to proceed against specific property.

10. That the United States Attorney for the Southern District of New York is authorized to represent the deponent and the United States of America in connection with this amended proof of claim and in all matters whatsoever relating thereto.

Frank E. Johnson

Acting Director, Office of
Minerals Exploration

Subscribed and sworn to before me this 28th day of April, 1959.

/s/ Calvin Pierson
Notary Public

EXTRA COPY. O. M. E. rlw RECEIVED APR 29 1959		
DATE	INITIALS	CODE
4/30	WSM	400

GCD:RM
77-61-437

APR 1 6 1959

Department of the Interior
Washington 25, D. C.

Attention: Solicitor

Re: Mercury & Chemicals Corp. - Claim against Quicksilver Syndicate under Subordination agreement, $1,415.00
Your ref: Docket No. DMEA-4263

Dear Sirs:

We enclose a copy of a letter dated April 10, 1959, from the United States Attorney for the Southern District of New York. You will observe that the hearing was adjourned to June 11, 1959.

We understand that you are now preparing the amended proof of claim requested by the United States Attorney.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosure

cc: Arthur H. Christy, Esquire
United States Attorney
New York 7, New York
Attention: Julius Rolnitzky, Esquire
Assistant United States Attorney
Your ref: JR:lm M6-3532

[illegible]
46-3532

April [illegible], 1959

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
Washington 25, D.C.

RE: [illegible]

Dear Sir:

Please [illegible] in the above [illegible]

The hearing scheduled for April [illegible], 1959, was adjourned until June 11, 1959. I am in receipt of a memorandum from the United States Attorney at Portland, Oregon that the acceptance of an offer of $1,800.00 from the QUICK-SILVER SYNDICATE reduces the government's claim of $3,215.00 to $1,415.00. I, therefore, renew my suggestion that an amended claim be prepared and forwarded to me for filing.

Very truly yours,

ARTHUR H. CHRISTY,
United States Attorney

BY:
JULIUS ROWITZKY

OFFICIAL FILE COPY
RECEIVED
MAR 30 1959

3/30
3/30
WSM
220
400

No. 157 Howard Street
Spokane 4, Washington
March 25, 1959

Mrs. Dorothy Long, Certifying Officer
DMEA Field Team, Region I
1201 North Division Street
Spokane 2, Washington

Re: Docket No. DMEA-4264 (Mercury)
Mercury and Chemical Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-F998

Dear Mrs. Long:

Attached is Certified Check No. 3919, dated February 4, 1959, for $1,800.00 drawn by Darling, Vonderheit & Hershner, Attorneys-at-Law, Eugene, Oregon, on The United States National Bank of Portland (Eugene Branch) which was received from the Office of United States Attorney, District of Oregon, together with a copy of their receipt, No. 69556, covering a payment of back royalties from the Quicksilver Syndicate inaccordance with the Consent to Lien and Subordination Agreement, dated August 30, 1956.

This is a ~~comprise~~ Compromise settlement made by the Department of Justice.

Sincerely yours,

A. E. Weissenborn
Executive Officer, OME
Field Team, Region I

Attachments as indicated
cc: Quicksilver Syndicate
% Darling, Vonderheit & Hershner
260 - 11th Avenue East
Eugene, Oregon

U. S. Attorney
District of Oregon
Portland, Oregon
DJ File No. 77-61-437
U. S. Attorney's No. 6-4 4137-C

OME(2) w/encl.
USBM(2) wo/encl.
CFF

3-25-59
D.L.
8
3473.25

Form No. USA-200
(Rev. 3-3-58)
Form approved by
Comp. Gen., U. S.

Receipt No. 69536

DEPARTMENT OF JUSTICE

Office of United States Attorney

District of Oregon

(CHECKS ACCEPTED SUBJECT TO COLLECTION)

Claim Against: Quicksilver Syndicate, Black Butte, Oregon	U. S. Attorney's No. 6-W 4137-C
Amount Received: Firm Ck 3919, 2/4/59 (Govt. [illegible]), Eugene Br., US Natl. (Trust Acct.) EIGHTEEN HUNDRED DOLLARS ---------- ($ 1800.00—)	From: [illegible], Vandenheit & [illegible], Attys., 260-11th Ave. E., Eugene, Ore.
Agency & File No.: Interior - DGRA-4263 (Stevens) Contract Ida-E998	THIS RECEIPT AND CONTRACTS LIMITED TO QUICKSILVER SYNDICATE ONLY.
Type Claim: Back Royalties Consent to lien and subordination agreement dated 3/30/56	Amt. of Claim: $3,215.00
DJ File No.: 77-61-437 Govt. Cls.	(XX) Pro-judgment ( ) Judgment (XX) Compromise (XX) Paid in full by comp. ( ) Partial Pay No.
Date Payment Received: Recd 2/4/59 Accepted 3/23/59	By: Emily Wood, Clerk for UNITED STATES ATTORNEY

Duplicate — With Remittance

orm 7
-56)

OFFICIAL FILE COPY

Date	Surname	Code
3/20	GMcCarthy	800
3/20	Talbutt	800
3/23	C	220
3/23	WSM	700

MAR 20 1959

Memorandum

To: George Mavor, OME Auditor

From: Jay L. Chambers (Signed) J. L. Chambers
Contract Administration and Audit Division

Subject: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Contract No. Idm-2998

Your Report of Review on the subject contract is acceptable and normal distribution is authorized.

GMcCarthy/GMcC
March 20, 1959

cc: Docket
Director's Reading File
Mr. Chambers

8623

Docket 4263

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

Address Reply to the Division Indicated and Refer to Initials and Number

INTERIOR DEPT.
MAR 17 1959
SOLICITOR

cy sent to rlw 8 00

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 19 1959

DATE	INITIALS	CODE
3/19	C	220
3/20	WSay	400

OCD:RM
77-61-437

RECEIVED
MAR 16 1959

MAR 17 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

Clarence Edwin Luckey, Esquire
United States Attorney
Portland 7, Oregon

Re: Mercury & Chemicals Corp. - Claim against Quicksilver Syndicate under subordination agreement, $3,215.00
Your ref: 6-W 4135-C

Dear Mr. Luckey:

Reference is made to your memorandum of February 5, 1959, which transmitted an offer of $1,800.00 in settlement of the Government's lien claim for back royalties totalling $3,215.00. We asked the Department of the Interior for an expression of its views; and these were received by a letter dated March 2, 1959, a copy of which we enclose.

The offer in compromise is accepted. The offer was made solely with regard to back royalties totalling $3,215.00. Therefore, the lien of the United States is to remain in effect with regard to any royalties which may hereafter accrue as the result of future operations.

Also, it is our understanding that this offer was made solely on behalf of Mercury & Chemicals Corporation. The Government's claim against the lessee will not be terminated as the result of this settlement with the lessor, although the claim filed in the insolvency proceeding will presumably have to be reduced pro tanto.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosure

cc: Department of Interior
Washington 25, D. C.
Attention: Solicitor
Your ref: DMEA-4263

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

Address Reply to the Division Indicated and Refer to Initials and Number

GCD:RM
77-61-1137

INTERIOR DEPT.
MAR 17 1959
SOLICITOR

RECEIVED
MAR 16 1959
MAR 17 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

Cy sent to 800 rlw

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 19 1959

DATE	INITIALS	CODE
3/19	C	220
3/20	WSM	400

Arthur H. Christy, Esquire
United States Attorney
New York 7, New York

Re: Mercury & Chemicals Corporation,
Arrangement number 92,871.
$3,215.00 Your ref: JR:M6-3532

Dear Mr. Christy:

Kindly refer to our letters of January 10, 1958, and January 31, 1958, with regard to the above claim. In the earlier of these letters we asked you to appear and object to the plan. We would appreciate being advised as to what ruling you received upon that objection.

A claim was also asserted in Oregon against the lessor of the property, based upon the lien which the United States holds. The lessor offered $1,800.00 in settlement of the Government's claim against the mine property for back royalties. That offer has been accepted. Accordingly, the proof of claim heretofore filed by you, may be reduced by $1,800.00 when we receive payment from the lessor. We will advise you when such payment is received.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

cc: Department of Interior
Washington 25, D. C.
Attention: Solicitor
Your ref: DMEA-4263

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 2 1959

DATE	INITIALS	CODE
3/2/59	WSM	400
		MAR 2 1959
3-2-59		800

Hon. George Cochran Doub
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Attention: Robert Mandel
Government Claims Section

Re: 6-W 4135-C
Mercury and Chemicals Corporation
Quicksilver Syndicate

Dear Mr. Doub:

Mr. Robert Mandel informally has requested our views on the offer, submitted by attorneys for Quicksilver Syndicate, to pay the Government $1,800 in compromise settlement of the Government's claim for back royalty totaling $3,215. Copies of Quicksilver Syndicate's letter containing the offer of compromise and of The United States Attorney's memorandum dated February 5, 1959, to the Civil Division recommending acceptance of the offer were sent to us.

We have been advised by the Office of Minerals Exploration that the offer to compromise the Government's claim for back royalty is acceptable, provided that the Government's lien for royalty due the Government on future production is not released. We concur in this position. A review of the earlier correspondence in this matter indicates that in a letter dated November 7, 1958, the Executive Officer, Office of Minerals Exploration Field Team, Region I, informed the United States Attorney that the Government's claim for royalty will continue until August 22, 1967, unless the total amount contributed by the Government (less adjustments) is repaid prior thereto.

Sincerely yours,

George W. Abbott

Solicitor

HCRubin/hm 2/25/59
cc: Sol. Docket
OME - 2 copies
Mr. Dwyer
Mr. Rubin

OFFICIAL FILE COPY O. M. E. RECEIVED MAR 2 1959		
DATE	INITIALS	CODE
3/2	C	220
3/2	WSM	400

1201 E. Division St.
Spokane 2, Washington

February 25, 1959

CERTIFIED MAIL

Mr. George Mavor, OME Auditor
Room 420, Custom House
555 Battery Street
San Francisco, California

Re: Docket No. DMEA-4263 (mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. I4m-2998

Dear Mr. Mavor:

Enclosed herewith is a memorandum from the Field Team, Region I, requesting a Report of Review in lieu of final audit of the subject contract. In addition, we are transmitting the following material needed to complete your audit:

1. Contract and Correspondence File
   (Includes original contract, Annex I, Exhibit "A", and Amendments Nos. 1 and 2)

2. Voucher File
   (MF-104's and 104A's, with attachments)

Sincerely yours,

Dorothy Long
Authorized Certifying Officer

Enclosures

cc: Mr. Chambers
OME (2)
USGS (2)
USBM (AD)

RECEIVED MAR 2 1959
DATE | CODE

1202 N. Division St.
Spokane 2, Washington

February 24, 1959

Mr. George Mayer, OSE Auditor
Room 420, Custom House
555 Battery Street
San Francisco 11, Calif.

Re: Docket No. DMEA-1263 (mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Ldm-2998

Dear Mr. Mayer:

The referenced contract has been declared terminated as of February 28, 1957, according to a letter from the Operating Committee dated February 17, 1959.

The number of units of work satisfactorily completed by the Operator and accepted by the Field Team are:

	Authorized	Completed
Drifting	1,300 ft.	418 ft. 1/
Bulldozing	115.38 hrs.	47 hrs.
Drilling, underground	1,000 ft.	none
Drilling, surface	2,000 ft.	none
Drift timber	500 ft.	none
Assaying	300 samples	96 samples
Initial rehabilitation	640 ft.	640 ft.
New buildings	1	none

1/ As of February 28, 1957.
The measurement on the final inspection made on September 5, 1957 shows that 461.2 feet of drifting was performed which leaves 43.2 feet unclaimed.

The requirement of an Operator's final report was waived by the Operating Committee on February 17, 1959.

The project was certified on January 7, 1958.

The total amount paid to date to the Operator is $10,261.51.

A Report of Review in lieu of a final audit is in order and requested.

According to instructions from the Operating Committee a copy of the Report of Review will not be sent to the Operator.

By Field Team, Region I

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: Mr. Chambers
OMZ (2)
USGS (2)
USBM (AD)

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
2/18	Talbert	800
2-18	Chambers	800
2/18	Holt	400
2/18	Martin	400
2/18	Selfridge	220
		~~140~~
		~~140~~
		140
		220

INTERIOR DEPT.
FEB 20 1959
SOLICITOR

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: Acting Director, Office of Minerals Exploration

Subject: Claim for Royalties under Contract Idm-2998, Docket DMEA-4263 (Mercury), Mercury and Chemicals Corporation

By letter dated February 4, 1959, Darling, Vanderheit & Hershner, Attorneys at Law, have offered the U. S. Attorney, Portland, Oregon, the sum of $1,800.00 in compromise settlement of the Government's $3,215.00 claim, based upon the consent to lien executed by their client (Quicksilver Syndicate), for royalties on production prior to August 27, 1957, under the subject contract. By memorandum dated February 5, 1959, the U. S. Attorney recommended to the Government Claims Section, Civil Division, Department of Justice, that the settlement offer be accepted.

This compromise offer is acceptable to OME, provided that the release of the lien against the land is solely for royalties on production prior to August 27, 1957, with the lien being fully maintained for any production subsequent to that date, and, furthermore, that such action does not preclude or interfere in any way with the right to continue proceedings against the Operator (Mercury and Chemicals Corporation) for the balance of the claim.

(signed) FRANK E. JOHNSON (FH)
Acting Director

EDTalbert/GMcC
February 18, 1959

cc: Docket
Director's Reading File
Mr. Chambers

RECEIVED
FEB 20 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

86

DMEA FORM 6 REFERENCE SLIP

REV. 12-56 DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO:	INITIALS	DATE
1. ~~Mr. Chambers~~		
2. ~~Solicitor's Dckt. Rm. 6038~~		
3. ~~Mr. Dwyer - Rm. 6556~~		
4. ~~Mr. Martin - Rm. 4447~~		
5. Mr. Johnson, OME		
FROM: SPHOLT:foc		2/11

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate X Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

R

SOLICITOR

FEB 12 1959

INTERIOR DEPT.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Department of Justice, Washington 25, D C
Civil Division, Govt. Claims Section
GCD:RM 77-61-437

DATE: Portland, Oregon
February 5, 1959

FROM : C. E. Luckey, United States Attorney, District of Oregon
6-W 4135-C

SUBJECT: Mercury & Chemicals Corp. - Claim against Quicksilver Syndicate under subordination agreement, $3,215.00

This office is in receipt of a certified check in the amount of $1800, the maker of which is Mr. Stanley R. Darling, counsel for the Quicksilver Syndicate, and which check has been offered in compromise settlement of the DMEA lien claim for back royalties totaling $3215. A copy of Mr. Darling's transmittal letter of February 4, 1959 is enclosed herewith for your examination in connection with the compromise offer. In view of the comprehensive nature of Mr. Darling's letter in setting out his reasons why he believes the compromise offer should be accepted, we offer no additional information in recommending that the settlement offer be accepted.

In view of Mr. Darling's note of urgency, we request an early reply.

Enclosure

cc: (w/cy encl) Dept. Interior
Washington 25, D C
Attn: Solicitor
(Ref: DMEA-4263)

77-61-437

INTERIOR DEPT.
FEB 12 1959
SOLICITOR

RECEIVED
FEB 12 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

DARLING & VONDERHEIT
ATTORNEYS AT LAW
115 SECURITY BUILDING
260 11TH AVENUE EAST - P. O. BOX 487
EUGENE, OREGON
TELEPHONE DI 4-2221

STANLEY R. DARLING
OTTO F. VONDERHEIT
FRANK R. FLEISCH

COUNSEL
KENNETH J. O'CONNELL

February 4, 1959

File 1607-C

Mr. C. E. Luckey
United States Attorney
United States Courthouse
Portland 7, Oregon

Re: 6-T-X 4135-C
Mercury & Chemicals Corporation, Black Butte Mine - Lane County, Oregon - Contract Idm - E998

Dear Sir:

Please review our prior correspondence concerning the claimed lien against real property belonging to Quicksilver Syndicate, an Oregon corporation, for royalty due on past production and royalty due on future production from the Mercury mines located on said property. As indicated by your letter of November 10, 1958, the lien claim for back royalties is $3,215. Enclosed you will find our certified check in the amount of $1,800 for disposition in accordance with the offer of settlement hereinafter made.

On behalf of Quicksilver Syndicate, an Oregon corporation, we are hereby offering you the sum of $1,800 in compromise settlement of the claim on behalf of DMEA for back royalties based upon the consent to lien and subordination agreement dated August 30, 1956, executed by Quicksilver Syndicate.

As you have previously been informed, Quicksilver Syndicate is the owner of lands which were leased to Mercury & Chemicals Corp., a Delaware corporation, which in turn entered into an exploration project contract with the United States of America acting through the Defense Minerals Exploration Administration. The Oregon corporation was required to terminate its lease to the mining corporation on August 27, 1957, for default in approximately 10 minimum monthly payments in a total amount in excess of $10,000. Since that time the Oregon corporation as the owner of the land has been attempting in every way possible to interest new capital and a new lessee in opening and operating the mine. The reopening of the mine has been made extremely

COPY

To: Mr. C. E. Lockey

difficult primarily by reason of the low price now being paid for mercury. The reopening of the mine has been further complicated by the fact that the former lessee has filed a petition in the United States District Court, Southern District of New York, for an arrangement under the bankruptcy laws of the United States. The petition and proceeding in New York bears the number 92,871. Despite many efforts on behalf of the Lessor to bring the arrangement proceedings to a termination, the bankruptcy court in New York has not yet seen fit to close the proceeding.

Following the installation of improvements at the Black Butte mine, the property under question, the Lane County tax officials drastically increased the real property taxes. The taxable value was increased from $705 for the tax year 1956-57 to $11,990 for the tax year 1957-58. All of this increase was created by reason of improvements placed upon the property by the lessee. The Oregon corporation has been arguing with the Lane County tax officials in the hope of establishing the fact that the property which caused the increase in the taxable value represents property of the lessee and does not represent property of Quicksilver Syndicate. We have hopes of being able to obtain a reduction in the taxes. The taxes, together with your lien claims, have caused the corporation to consider seriously the solution of allowing the property to be foreclosed for taxes. The corporation has been maintained in existence for many years and at great personal sacrifice of the principal stockholders with the hope that the mine might someday be developed. The principal basis for the hope of development was the survey by the United States government upon which the DMEA relied in entering the exploration contract with the Mercury & Chemicals Corp. The market conditions do not now indicate any possibility of reopening the mine, but the principal stockholders of the corporation are still willing to pay the real property taxes and attempt to retain possession of the mine property if the DMEA back royalty lien can be settl in the manner suggested. The proposed payment of $1,800 is a very definite hardship for the corporation and the stockholders thereof who have for many years devoted their personal time without compensation in an effort to maintain the mine property.

Since the abandonment of the mine operation by the lessee in 1957, the property has decreased considerably in value. The mining roads

To: Mr. G. E. Lucksy

have been washed out and the mining property has been lying idle and unsared for while under the jurisdiction of the bankruptcy court. The United States government, according to our understanding, has a prior claim against the Mercury & Chemicals Corp. and all of its property for approximately $30,000 for unpaid withholding taxes. In our opinion, a sale of the property of Mercury & Chemicals Corp. located at the mine would very probably not bring enough to pay the withholding tax claim. It is extremely doubtful whether the remaining property would bring enough money on a forced sale to pay the lien claims which have been presented on behalf of RMKA.

We would appreciate very much receiving an early reply to our offer of compromise settlement in order that we may know how to proceed in the efforts of the corporation to attempt to reduce all fixed charges to such an extent that it will be feasible for the corporation to continue with their ownership of the property. The property, incidentally, has been in the ownership of the Oregon corporation since 1927. The officials of the corporation certainly would like to be in a position to continue ownership of the property in the hope that at some future time mercury production from the mine would again become feasible.

We have previously discussed with you the grounds upon which we would hope to be able to present some type of a defense to any lien foreclosure action. Admittedly our defense would be based on issues which would have some questionable legal validity and would also involve a considerable expenditure of money on the corporation's behalf in their presentation.

We are not in any way representing Mercury & Chemicals Corp. and the only reason we are making in making the compromise offer is that the lien claimed against the land of Quicksilver Syndicate for the back royalties by [illegible].

Yours truly,

DARLING, VONNEGGERT & [illegible]

By Stanley R. Darling
Stanley R. Darling

SRD:yh

Enclosure

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
2/16	Talbert	800
2-16	Chambers	800
2-16	Holt	400
2/16	Martin	400
2/17	GCS	130
1/16	Johnson	100
2/18	C	220

480

FEB 17 1959

Mr. A. E. Weissenborn
Executive Officer
OMP Field Team, Region I
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Weissenborn:

By letter dated February 4, 1959, you ask if a unilateral termination waiving the requirement of a final report could be issued to the referenced Operator in order that final audit of the project costs can proceed.

Inasmuch as the Operator is insolvent and has instituted bankruptcy proceedings, submission of either a final report or a claim for work performed subsequent to February 1957 is unlikely. Furthermore, any communication with the Operator would be inappropriate at this time because the collection of past due royalty is in the hands of the Attorney General, who has filed proof of claim in the Operator's bankruptcy proceedings and also made demand against Quicksilver Syndicate under the Subordination Agreement.

Under the circumstances the exploration work under the contract is considered terminated as of February 28, 1957, and the requirement for a final report is waived. Final audit review of the project costs may proceed on this basis. However, a copy of the Report of Review should not be sent to the Operator.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (JHB)

APPROVED:

H. G. Iverson (JHB)
Member, Bureau of Mines

N. E. Nelson (JHB)
Member, Geological Survey

cc: Docket
Director's Reading File
Operating Committee
THKiilsgaard
JWPennington
Mr. Chambers
Mr. George Mavor

EDTalbert/GMcC
February 16, 1959

8623

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
2-11	Holt	400
2-11	Martin	400
		800
		140
		140
		130
		110
		225

Mr. A. E. Weissenborn
Executive Officer
OME Field Team, Region I
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA 4263 - Mercury
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Weissenborn:

Your letter of February 4, 1959, suggests that we issue a unilateral termination agreement closing the above-referenced contract.

However, as long as the matter is in the hands of the Attorney General, neither this office nor the Field Team should send any communication to the Operator.

Your letter also suggests that we waive the Operator's Final Report. Our decision on that subject will depend on the results of the Attorney General's actions in this instance.

You should, therefore, follow your usual procedure to have the final audit made, without regard to availability or non-availability of the Operator's Final Report.

Not signed re-written

Sincerely yours,

Chairman, Operating Committee

APPROVED:

SPHOLT:foc 2-11-59
cc to: Code 400
Director's Read. File
Operating Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Member, Bureau of Mines

Member, Geological Survey

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
WASHINGTON 25, D. C.

Mr. A. E. Weissenborn
Executive Officer
OME Field Team, Region I
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA 4263 - Mercury
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Chairman, Operating Committee

APPROVED:

Member, Bureau of Mines

Member, Geological Survey

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY O. M. E. RECEIVED FEB 9 1959		
DATE	INITIALS	CODE
2/9	C	220
2/9	WSM	400

February 4, 1959

Mr. George C. Selfridge, Chairman
Operating Committee, OME
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemical Corporation
Black Butte Mine
Lane County, Oregon
Contract Idm-E998

Dear Mr. Selfridge:

The collection of back royalty due from production from the referenced property has been placed in the hands of the Attorney General and as far as we know settlement is still pending. The operator has never submitted a final voucher covering 43.2 feet of drifting at $26.00 per foot completed prior to July 15, 1957. If this advance is considered voucherable, $1,123.20 could be credited against the back royalty due in the amount of $3,215.00. As the company has apparently ceased to function, there is little likelihood that an operator's final report can be obtained.

The Administrator sent a proposed termination agreement to the operator on October 25, 1957 and there is nothing in our files to show whether or not he has signed and returned it. If he has not done so, could a unilateral termination waiving the requirement of an operator's final report be issued? We would like to proceed with a final audit so we can close our books on this contract.

By Field Team Region I

A. E. Weissenborn

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: USBM (2)
USBM(AD)

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O. M. E.
RECEIVED FEB 6 1959

DATE	INITIALS	CODE
2-6	C	220
2/6	WSM	400

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

February 6, 1959

Memorandum

To: W. S. Martin, Office of Minerals Exploration

From: Assistant Chief, Branch of Base Metals

Subject: Review of Field Team final report, Docket No. DMEA 4263 (mercury), Mercury & Chemicals Corp., Black Butte Mine, Lane County, Oregon. Contract No. Idm-E998

Exploration of the Black Butte mine consisted of 47 hours of bulldozing, 640 feet of adit rehabilitation, and 418 feet of drifting at a total cost of $13,687.00. The project was started about November 1, 1956, and operations ceased July 15, 1957, due to financial difficulties. A Certificate of Discovery or Development was issued January 7, 1958.

The report adequately describes the work performed under the DMEA exploration project. I concur with the conclusion that further exploration of the Black Butte mine is warranted.

J. W. Pennington

Copy to: Division of Minerals
Branch of Base Metals (2)
Thor Kiilsgaard, U.S.G.S.
F. D. Lamb
F i l e s

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 2 1959

DATE	INITIALS	CODE
2/6	JB	130
		220

FT's FINAL REPORT

DEPARTMENT OF THE INTERIOR

OFFICE OF MINERALS EXPLORATION

FIELD TEAM, REGION I

FINAL REPORT

Contract Idm-E998

by

Eric G. Erickson
Mining Engineer
U. S. Bureau of Mines

Howard F. Albee
Geologist
U. S. Geological Survey

MERCURY & CHEMICALS CORPORATION

Black Butte, Oregon

Docket No.:	DMEA-4263
Commodity:	Mercury
Contract date:	August 22, 1956
Termination date:	July 15, 1957

Reviewed by
OME OPERATING COMMITTEE
2-6-59
(date)

BLACK BUTTE MINE
Black Butte-Elkhead District
Lane County, Oregon

Spokane, Washington

January 1959

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FINAL REPORT

MERCURY & CHEMICALS CORPORATION
Black Butte Mine
Black Butte-Elkhead District
Lane County, Oregon

Contract Idm-E998

* * * *

INTRODUCTION

This report describes a project conducted jointly by the Mercury and Chemicals Corporation and the Defense Minerals Exploration Administration to explore for mercury ores at the Black Butte mine, Lane County, Oregon.

Summary

The exploration project was designed to explore the east area of the mine. The proposed exploration consisted of drifting easterly on the 1100 level to explore for possible downward extension of the Smoky Stope, core drilling from the new drift for possible parallel ore bodies, raising on newly exposed ore showings, and core drilling 3 holes from the surface spaced at 300-foot intervals to explore the footwall of the main fault in the area east of the extended 1100 level drift.

The completed project work included 47 hours of dozer work to improve the mine access road and 461.2 feet of drifting (only 418 feet was claimed by vouchers). The Operator was financially unable to complete the remaining contract work.

Work was discontinued July 15, 1957, when the Operator's lease was cancelled. A Termination Agreement was forwarded to the Operator, but it has not been returned.

The total approved cost of the project work was $13,682, of which the Government contributed 75 percent or $10,261.50.

Production during the contract period amounted to 399 flasks of mercury which sold for $97,765, and the royalty due the Government at 5 percent amounted to $4,888.23 (subject to audit) which is 47.6 percent of the amount contributed by the Government for the project work. There remains $3,215 due the Government in back royalties.

The 1100 level DMEA drift was in slightly mineralized rock for the entire distance advanced, and the last 80 feet of drift exposed some rock of probable ore grade. The small amount of work performed in the target area is not considered sufficient to confirm the 56,400-ton ore reserve below the 900 level estimated by the U. S. Bureau of Mines, nor is the short strike length (80 feet) of ore exposed by the 1100 level east drift sufficient basis for increasing the Bureau's reserve estimate.

//?
In hands of Atty Gen., who is proceeding against lien as opp. out of Fed. Talbot 7/6/5

Recommendations

A Certification of Discovery or Development was issued on January 7, 1958.

Work was stopped, due to financial difficulties of the Operator, shortly after disclosing encouraging ore in the target area. Further exploration and development is warranted.

LOCATION AND ACCESSIBILITY

The Black Butte mine may be reached by traveling south on U. S. Highway 99 from Eugene, Oregon, a distance of 22 miles to the junction of the highway and a county road 1 mile south of Cottage Grove, Oregon, thence south 12 miles on a surfaced county road to London Springs, Oregon, thence 4 miles south on a graveled county road to the mine. The mine is on the north slope of Black Butte Mountain, situated east of the graveled county road.

Black Butte Mountain is in the eastern foothills of the Cascade Range, and its summit is about 1,600 feet above the valley floor. The summers are quite hot and dry, but rainfall is heavy during the winter months. The property is easily accessible the year around.

PROPERTY

The land included in the contract consists of all of sec. 16, T. 23 S., R. 3 W., Willamette meridian, Lane County, Oregon (fig. 1).

When the contract was executed, the Operator held possession of the land by virtue of an assignment, dated September 29,

1955, of a Lease with Option to Purchase of the same date between Quicksilver Syndicate, an Oregon Corporation, and Bernard J. Chubet. The term of the lease was for 10 years with right of lessee to renew for an additional 5 years.

The Operator failed to fulfill the terms of the lease agreement and the agreement was cancelled before the exploration work was completed.

History

The Black Butte mine was discovered about 1890 and was worked intermittently until 1898. W. B. Dennis, a prominent Oregon engineer, acquired the property in 1898, developed the upper part of the deposit, and installed what was considered to be the most up-to-date mercury plant then available at that time. The property was closed in 1908 due to the low price of mercury, and the financial distress then being experienced throughout the country. Operation of the property was resumed in 1916 at which time a Scott furnace was installed to replace the older one. The mine produced mercury during World War I but ceased operation after the war when the price of mercury dropped. By this time the mine had been developed by 5 upper adit levels and had an estimated total production of 4,000 flasks.

The mine was reopened in 1927 by the Quicksilver Syndicate Corporation and operated continuously until 1935. Operations were sporadic from 1935 until 1942. The Quicksilver Syndicate developed the 4 lower levels, namely, 600, 900, 1100, and 1650, from which most of its 10,000 flasks of mercury was produced.

A 4- by 60-foot Gould rotary furnace was installed in 1927 in place of the Scott furnace, and in 1929 a second similar unit was installed which doubled the furnace capacity to 150-200 tons per day. One unit was sold in 1939 when the mine output was reduced because of lack of development of additional reserves. The total reported mine production up to 1942 was 14,000 flasks of mercury. An additional 399 flasks of mercury were produced during the period November 1956 to July 15, 1957.

During 1942 the U. S. Bureau of Mines conducted a drilling and sampling project (Project No. 408) on the property. This project is the subject of an unpublished War Minerals Report entitled "Black Butte Mine, Lane County, Oregon" (1943). Three of the holes drilled on this project penetrated ore-grade rock, and this information, combined with sampling on the 900 level, suggested the presence of an inferred block of ore 490 feet long, extending 150 feet below the 900 level and averaging 10 feet in width. This block was calculated

to have 56,400 tons of mercury ore containing an average of 3 pounds of mercury per ton. Sampling of drifts and stope areas on the 900 level and above indicated an additional 20,150 tons of mercury ore containing 3.1 pounds of mercury per ton.

The vertical distance from the surface to the 1650 level is about 1,272 feet and the distance in the plane of the vein is about 1,673 feet. Level intervals are about 65 feet, 95 feet, and 190 feet.

The ground is competent for the most part as is evident by the good condition of the walls in the shrinkage stopes drawn many years ago.

Ventilation is by natural flow of air through stopes and raises between levels. The flow must be controlled by doors because the velocity becomes too great and at times the tempertature becomes too cold in parts of the mine for comfortable working conditions. Mine drainage is natural through the numerous adits.

The mine was adequately equipped during the time of the exploration project. Equipment included compressor, drills, trammers, bulldozer, mine cars, and essential small tools. The surface plant included a compressor house and "dog house" at the 1100 adit portal and a remodeled building situated about 500 feet below the 1100 adit to serve as office, warehouse, assay office, and change room. A new Gould rotary kiln and condenser system having a capacity of about 100 tons per day was in operation.

It is reported that, due to financial difficulties of the company, some of the mining equipment was repossessed and surface installations were attached for delinquent accounts. Settlement of the claims and disposition of equipment and facilities have not been reported.

GEOLOGY

The geology and ore deposits of the Black Butte mine are described in the following reports:

1. Waters, A. C., 1945, Notes and preliminary maps of the Black Butte mine, Lane County, Oregon: Strategic Minerals Investigations Preliminary Report 3-186 (open-file).

2. Anonymous, 1943, Black Butte Mine, Lane County, Oregon: War Minerals Report 48.

3. Schuette, C. N., 1938, Quicksilver in Oregon: State of Oregon Dept. of Geology and Mineral Industries Bull. No. 4.

4. Wells, F. G., and Waters, A. C., 1934, Quicksilver deposits of southwestern Oregon: U. S. Geological Survey Bull. 850.

The following discussion of the Black Butte mercury deposit is abstracted or quoted freely from the above reports.

The mountain known as "Black Butte" is composed of andesitic lavas, tuffs, and breccias of the Calapooya formation of Tertiary age. These rocks have been so profoundly altered by hydrothermal solutions that the original character of the rock is almost unrecognizable in the field. Locally, these rocks have been intruded by dikes and irregular-shaped masses of basalt and andesite.

The Black Butte ore bodies are along and near a normal fault, the trace of which roughly follows the crest of Black Butte; the fault strikes about N. 70° W. and dips 50°-60° N. Numerous parallel to subparallel smaller faults are distributed through a wide zone on both sides of the main fault. The main fault zone is fairly narrow from the 900 level up but widens considerably below the 900 level and becomes poorly defined.

Mercury-bearing solutions rising along the main fault zone and following along the smaller faults, joints, and bedding planes in the volcanics, strongly altered the rocks and locally produced silicified zones and ore shoots. The alteration is characterized by carbonatization and kaolinization, and the silicified zones by quartz and chalcedony. Opal, chlorite, sericite, pyrite, and marcasite occur in accessory amounts. Calcite veinlets and veins, some of which are quite large, are locally abundant. The alteration zone is exposed eastward along the crest of Black Butte for over 1,000 feet beyond the mine workings.

Ore Bodies

Cinnabar with minute amounts of metacinnabar and quicksilver occurs mainly within or near the main fault and along contacts between tuff beds. In the richer ore shoots the cinnabar is chiefly in discontinuous veinlets and blebs, but much ore-grade rock contains cinnabar as finely disseminated specks.

The walls of the ore shoots are indefinite and can be determined only by assay. The tenor of ore within a shoot varies widely, but sampling by the U. S. Bureau of Mines indicates that much of the ore contains between 3 and 4 pounds of mercury per ton and that substantial reserves averaging 3 pounds of mercury per ton remain in the mine (Anon., 1943, p. 1).

Ore shoots along the main fault.--The largest ore shoot in the mine has been followed continuously along the main fault from near the top of Black Butte down to the 1100 level (pls. 1 and 2). The "Big Stope" is the largest stope on this ore shoot. The ore shoot rakes westward and, measured along the rake, is at least 1,200 feet long. Its width varies from 3 to 40 feet and its strike length averages at least 300 feet. It has not been explored below the 1100 level. In general the richest ore is in the more silicified and shattered rocks although some of the silicified zones are nearly barren. Some ore also occurs locally in the carbonatized and kaolinized rocks. In the main fault a small stope from the west 500 level produced ore of the same character as that mined from the Big Stope. As there is ore between the west 500 level stope and the Big Stope, they apparently are in the same shoot.

Ore shoots along contacts.--Stopes on the east end of the 900 level and the west end of the 1100 level produced ore from shoots following beds in tuffs that are located more than 100 feet north of the main fault.

The Smoky Stope ore shoot (pls. 1 and 2) follows the contact between a purple-brown tuff underlain by an altered white- to light-grayish orange tuff. The basal zone of the purple-brown tuff is locally silicified, and the best ore occurs within and immediately below the silicified zones. In the vicinity of the Smoky Stope the underlying white tuff is strongly carbonatized and kaolinized, but westward it becomes increasingly silicified. The tenor decreases westward and the rock becomes barren as the silicification increases. The east side of the Smoky Stope shoot is cut off by a northeast-trending cross fault.

The contact between the tuffs strikes N. 80° W. and dips about 35° N.; its over-all dip, however, is 45°-50° due to repeated offsetting by small faults with downthrow to the northeast.

At the west end of the 1100 level the stopes produced ore from shoots in partially silicified tuffs interstratified between volcanic breccias.

Ore shoots along steeply dipping shears north of the main fault.--At the west end of the workings small stopes from the Dennis Creek (1,650) level have produced low-grade ore localized in the vicinity of a series of steeply dipping fractures that strike roughly parallel to the main fault. The fractures are in an andesitic lava bed and the cinnabar occurs as veinlets and disseminated particles in irregularly altered rock near the fractures.

Inferred ore body below 900 level.--In 1942 the U. S. Bureau of Mines explored the Black Butte mine with 7 diamond drill holes and took over 900 channel samples from the 400, 900, and 1100 levels.

Four of the holes were drilled from the surface to test for the downward extension of the Smoky Stope ore shoot (pl. 3). DDH's 1, 3, and 4 penetrated ore-grade rock, and this information, combined with the information from sampling on the 900 level, was used to infer a block of ore 490 feet long extending 150 feet below the 900 level and averaging at least 10 feet in width. This block was calculated to contain approximately 56,000 tons of ore averaging 3 pounds of mercury per ton (Anon., 1943, p. 13).

Drifting on the 1100 level under the DMEA contract was designed to explore the downward extension of the Smoky Stope ore shoot and potential ore-bearing structures to the east of the Smoky Stope area. The DMEA 1100 drift east was advanced a total of 461.2 feet of which the easternmost 80 feet exposed some commercial ore. To explore this area further the Operator, on his own, drove an additional 143 feet of crosscut and drift southeasterly from the DMEA drift. The ground between the DMEA and non-DMEA drifts has been largely stoped out. The material averaged about 3 pounds of mercury per ton.

The exploratory drifts have been advanced within the ore zone that was indicated by the drilling, but the over-all area that was to be explored was barely touched. Many hundreds of feet of potential mercury-bearing material extends eastward from the old workings.

THE PROJECT

Between 300,000 and 400,000 tons of ore have been mined up to 1942, from which about 14,000 flasks of mercury were produced. A sampling and drilling program carried out by the U. S. Bureau of Mines in 1942 resulted in total inferred reserve estimates of about 76,000 tons of ore with a content of about 3 pounds of mercury per ton. The 1100 level east drift was located so that it could be advanced through one block of inferred reserves, estimated to contain about 56,000 tons of ore, and into a large area of potential mercury-bearing rock.

An application for exploration aid was received April 16, 1956. It contained a proposal to extend the 1100 level 1,200 feet east, drive connections from the 1100 to the 900 level by 400 feet of raising, 5,000 feet of core drilling, rehabilitate the 1100 and 900 levels and improve access roads. The applicant estimated the cost would be $126,730 including the purchase of equipment and

other related costs. On May 9, 1956, the applicant revised his estimate of cost to $105,409 by excluding the purchase of equipment and reducing the cost of rehabilitation items.

A fixed unit cost contract, dated August 22, 1956, was presented to the applicant. It covered virtually the same work items and costs recommended by the examining engineer, as follows:

1. Surface

   (a) Bulldoze not to exceed 100 hours to improve access road and prepare 3 diamond drill sites.

   (b) Diamond drill 3 holes with the total footage not to exceed 2,000 feet.

   (c) Construct a change-storage building.

2. Underground

   (a) Rehabilitate approximately 640 feet of the 1100 level.

   (b) Drift 1,200 feet on the 1100 level east and timber 500 feet as necessary.

   (c) Raise 300 feet.

   (d) Diamond drill 1,000 feet from the 1100 east drift extension.

The total estimated cost of the project was $62,340 with Government participation at 75 percent amounting to $46,755.

The work items specified in the contract differed little from those proposed by the applicant. The amount of raising was reduced from 400 to 300 feet and the core drilling was cut from 5,000 to 3,000 feet. Rehabilitation and repairs were reduced because this work was already in progress and some would be completed before a contract could be approved. The applicant's proposed costs were reduced in view of concurrent operations and costs experienced for like work in the area.

The exploration project work was started about November 1, 1956, and was stopped July 15, 1957, when operations ceased due to financial difficulties. The Operator's last invoice was for February 1957; however, a final field inspection on September 5, 1957, showed an additional 43.2 feet of drifting and corresponding sampling had been done since February 1957.

There were two amendments to the contract. Amendment No. 1 authorized the use of a smaller dozer at a lower unit price and increased the number of bulldozing hours from 100 to 115.38 hours. Amendment No. 2 changed the period for completion of the work under the contract from 9 to 21 months and the repay period from 10 to 11 years.

Work units completed under the contract consisted of 47 hours of bulldozing, improving the access roads on the property, and 643 feet of adit rehabilitation on the 1100 level. A building was constructed near the 1100 level adit portal, but the cost was not claimed by the Operator.

The 1100 level east drift was extended 418 feet between November 1, 1956, and March 1, 1957, and an additional 43.2 feet was completed sometime during the period of March 1, 1957, to July 15, 1957, but this last footage and the corresponding sampling and assaying was never invoiced. None of the core drilling authorized by the contract was performed.

Ore Reserves

The sampling and drilling project conducted by the U. S. Bureau of Mines during the summer of 1942 indicated the following ore reserves:

Block No.	Location	Length (feet)	Width (feet)	Depth (feet)	Tons	Mercury lb per ton
1	Under 900 level Smoky Stope	490	10	150	56,400	3.0
2	Above 900 level and east of Smoky Stope	140	10	150	16,100	2.7
3	Above 400 level	105	5	50	2,025	3.6
4	Below 400 level	105	5	50	2,025	3.6
	Total tons and grade				76,550	3.0

The 56,400-ton reserve below the 900 level Smoky Stope was indicated by the mercury content in cores from three core drill holes and projecting known ore shoots downward. The exploration project work was planned to explore the indicated ore reserves below the 900 level and the Smoky Stope (Block No. 1), estimated from the results of U. S. Bureau of Mines core drilling, by extending the 1100

level drift 1,200 feet easterly. Three core drill holes aggregating 2,000 feet of drilling were authorized to be drilled from the surface at sites spaced at about 300-foot intervals from the east end of the new 1100 level drift. The drilling was planned to check the possibility of the ore occurrences extending eastward.

A total of 461.2 feet of drifting was completed under the contract. Of this, 43.2 feet has not been claimed for payment. Sampling by the Operator of the 82-foot interval between 336 and 418 feet indicated an average of 2 pounds of mercury per ton. The Operator raised above the DMEA drift and encountered ore averaging 3 pounds of mercury per ton. The ore zone in this area above the drift had an apparent dip to the south, and the Operator drove a lateral drift south of the DMEA drift and stoped the area above and between the two drifts. An estimated 3,000 tons of ore containing about 3 pounds of mercury per ton was mined. Company production records are incomplete, and the above production was estimated from a sketch of the stope and sampling by DMEA examining engineers at the time of final inspection.

Total production during the contract period is reported to be 399 flasks of mercury weighing 76 pounds each. This production amounts to 30,124 pounds, and using 3 pounds per ton as the average grade, the total tons of ore produced would be 10,108. It is estimated that about 3,000 tons came from the stope near the east end of the 1100 drift, and the bulk of the remaining 7,108 tons came from the 1100 northwest drift and subsequent stope development. Some production is reported from the 900 level and is believed to be from old stope fringes and pillars other than reserves included in the U. S. Bureau of Mines estimate.

None of the 10,108 tons of ore is believed to have come from any of the reserves estimated by the U. S. Bureau of Mines drilling and sampling project. The DMEA project work was below Block No. 1 that was projected 150 feet below the 900 level, and it is believed the work was not continued far enough to confirm or disprove the U. S. Bureau of Mines ore reserve estimate. Because of the spotty occurrence of the ore and the small amount of work done in the target area, estimating additional reserves hardly seems justified.

Exploitation Possibilities

The indicated and/or inferred ore reserves below the 900 level would have to be proven by further exploration and development before it would be feasible to initiate a mining operation.

Summary of Factual Data

Project work covered the following items:

Item	Authorized	Completed	Unit cost	Total cost
Bulldozing	115.38 hr	47 hr	$ 13.00/hr	$ 611.00
Core drilling (surface)	2,000.0 ft	--	6.00/ft	--
New buildings	1	--	820.00	--
Rehabilitation (adit)	640.0 ft	640 ft	3.00/ft	1,920.00
Drifting	1,200.0 ft	1/418 ft	26.00/ft	2/10,868.00
Timbering (drifts)	500.0 ft	--	5.00/ft	--
Raising	300.0 ft	--	25.00/ft	--
Core drilling (underground)	1,000.0 ft	--	4.00/ft	--
Assays	300 ea.	96 ea	3.00 ea	288.00
Total cost				3/$13,687.00

1/ Amount invoiced; Operator actually completed 461.2 feet.

2/ November 1956 invoice shows 131 feet at $26 per foot due as $3,401, whereas it should be $3,406. The $5 error was carried forward.

3/ Subject to audit.

Total amount of contract	$62,340.00
Government's participation at 75 percent	46,755.00
Total amount expended	$13,687.00
Government's share	10,265.25
Total amount unexpended	$48,653.00
Government's share unexpended	36,489.75
Value of production during contract period	$97,765.00
Government royalty received	none
Government royalty due	$ 4,888.25
Operator's Feb. 1957 invoice credit applied to delinquent royalties	$ 1,673.25
Balance due on Government royalty	$ 3,215.00

The Government acquired no equity in operating equipment or supplies.

Discussion of Conclusions

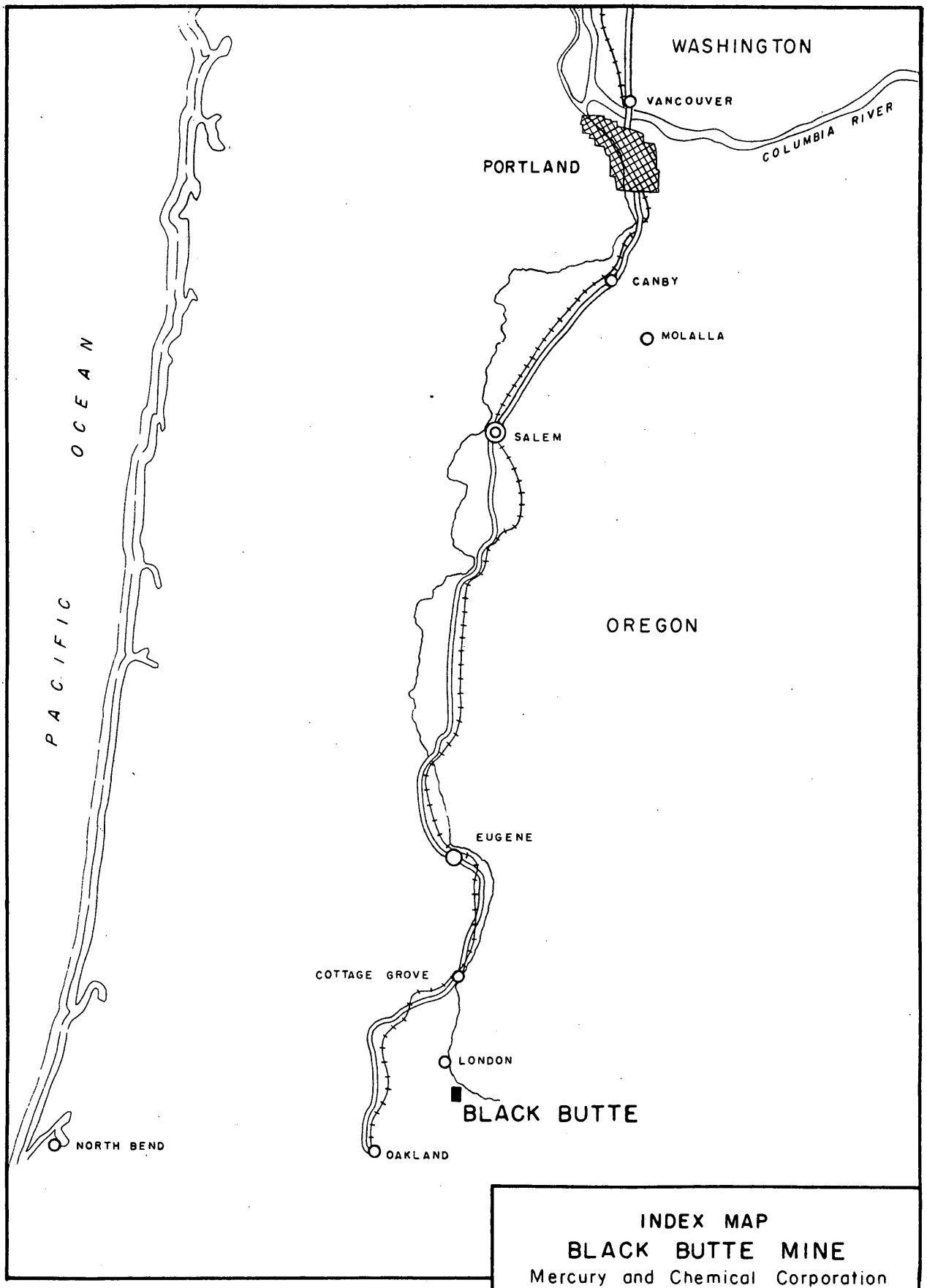
The standard of the work completed was acceptable. It is believed that the costs allowed by the contract were in line with actual costs for like work in the area under similar operating conditions. However, it would seem that the management erred in its judgment by initiating a mining operation before adequate reserves of minable grade were assured so that an operation could be planned.

It is reported that because of the lack of adequate reserves there was always a frantic attempt to supply capacity tonnage to the furnace regardless of the grade. The number of miners and supervisors was excessive for the capacity of the plant. It is estimated that the cost of mining and furnacing a ton of ore at this property with a reasonably efficiet operation, using selective mining, would be about $8. The Operator was obligated to pay a total of 15 percent royalty on production; therefore, 3 pounds per ton mercury ore with mercury selling at $245 per flask would be about the cut off or breaking even point, allowing no cost for equipment. It is estimated that a grade of ore averaging over 4 pounds of mercury per ton would have to be maintained for a profitable operation. In view of the reserves containing an average of 3 pounds of mercury per ton a selective mining method would have to be employed. A lower cost mining method and a low cost milling unit to upgrade ore before furnacing would be desirable.

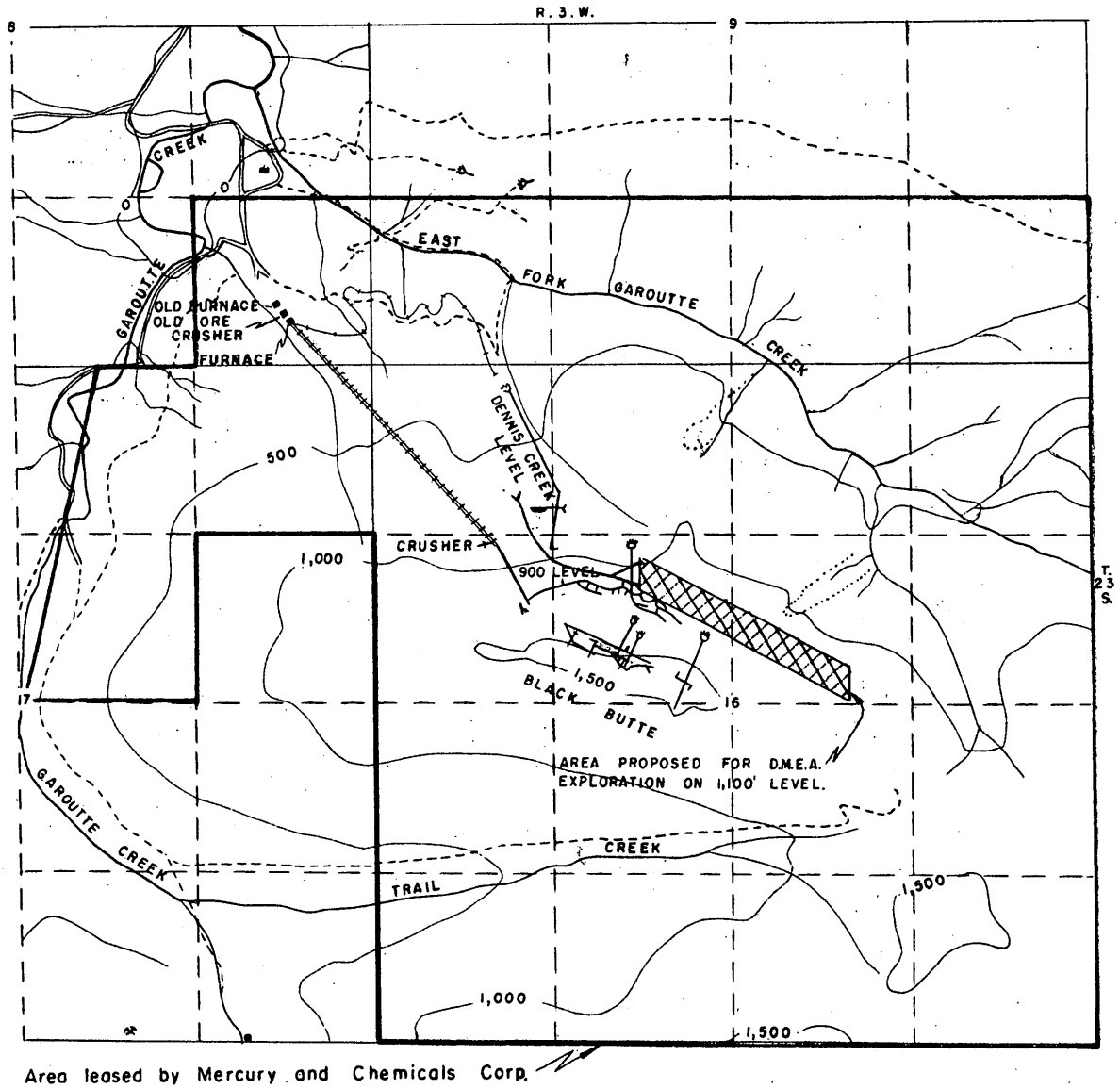
A large unexplored area of potentially mercury-bearing ground lies southeasterly of the DMEA workings. This area includes the main fault zone and beds in tuffs parallel to the main fault that have been productive at other places in the mine.

Completion of the exploration project work is warranted. Core drilling north and south of the 1100 level drift is recommended to test for indicated parallel ore zones, to be followed by cross-cutting and drifting if justified by the results of the core drilling.

Enclosures
Distribution:
- OME(3)
- USBM(5)
- USGS(SRO)
- Docket
- Albee



INDEX MAP
BLACK BUTTE MINE
Mercury and Chemical Corporation
Lane County, Oregon
Oct. 1958 Fig. 1



500 0 2,000 FEET
CONTOUR INTERVAL 500 FEET
(ARBITRARY DATUM)

FIGURE 2- TOPOGRAPHIC MAP OF BLACK BUTTE MINE AND VICINITY
MERCURY AND CHEMICAL CORPORATION
Lane County, Oregon
Dec. 1958

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 2 1959

DATE	INITIALS	CODE

DMEA FORM 6 REFERENCE SLIP

REV. 12-56 DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO:	INITIALS	DATE
1. 800		
2. 140		
3. 120		
4. 100		
5. 400		
FROM: W. S. MARTIN 12/16/58		

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions **For Your information**

REMARKS:

These are delayed parts of the background for FT letter of 11/7/58 which obviously required no action here

WSM

INT.-DUP. SEC., WASH., D.C. M8278

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Operating Committee, OME, Washington DATE: 12/12/58

FROM : Field Team Region I, Spokane

SUBJECT: Docket No. DMEA-4263 (Mercury), Mercury & Chemical Corp., Black Butte Mine, Lane County, Oregon, Contract No. Idm-E998

Copies of the attached incoming correspondence should have accompanied copies of our letter of November 7, 1958, to Mr. Luckey. These are for your files.

OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 16 1958

DATE	INITIALS	CODE
12 16	C	220
12 16	WSM	400

EMRaymond

Spokane

Attention

Dear Sir:

In re

We

office

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property

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gies or other

satisfaction

any future

Enclosure

Enc1.

-30 [illegible]

6

DARLING, VONDERHEIT & HERSHNER
ATTORNEYS AT LAW
118 SECURITY BUILDING
290 E 11TH AVE - P O BOX 487
EUGENE, OREGON
TELEPHONE [illegible]

STANLEY R. DARLING
OTTO F. VONDERHEIT
JAMES L. HERSHNER

COUNSEL
CHARLES G. HOWARD

OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 16 1958

DATE	INITIALS	CODE

October 28, 1958

File 1607-C

Mr. C. E. Luckey
United States Attorney
United States Courthouse
Portland 7, Oregon

Re: 6-Tyx4135-C
Mercury & Chemicals Corporation, [illegible]
Butte Mine - Lane County, Oregon -
Contract Idm - [illegible]

Dear Sir:

Thank you for your letter of October 24 and the copy of the Subordination Agreement of August 30, 1956.

I have been checking this file in an attempt to determine just what suggestions we can make to Quicksilver Corporation which might lead to a compromise settlement of the [illegible] claim by the Government. My memory is that the DMEA has a claim of $3,215 for unpaid royalties and that there is a further claim for future production. It would seem that the claim on future production could not be [illegible] dollars since the production is problematical. However, I have a vague memory that there was a specific claim in dollars which the DMEA stated would be in existence covering future production. I have searched the file and I can not find any information to support my memory.

It may be that the only claim which your office knows about is the claim for $3,215. We would appreciate it if you would give us any information you might have concerning any other claim. We do have a letter from DMEA relating to the $3215 and a copy of a Certification of Discovery dated January 7, 1958 in which it is stated that all minerals mined or produced from August 22, 1956 to August 22, 1967, are subject to the Government's percentage royalty as set forth in the contract until the total amount contributed by the Government is repaid.

Our previous topics of discussion toward compromise negotiations included the possibility of Quicksilver Syndicate paying $500 on

the $3,215 lien claim and paying the balance at the rate of $250 with complete payment to be made on or before ten years after the date of the first payment. This plan of payment would be supported by a note and a mortgage executed by the corporation on at least a portion of the lands covered by the lease to the operator, Mercury & Chemicals Corporation.

Another possibility we discussed was the payment of a lump sum, perhaps one half of the lien claim in full discharge of the lien.

The corporation is considering the possibility of letting the land go for the lien claim in view of the lien on the future production and the present demand for $3,215. The land is primarily cut-over timber land, having been cut over three times and there is some real question as to whether the land should be retained by the corporation in view of the claims against it. Taxes against the land are accumulating and the annual expense may be too great for the corporation. The corporation has a small cash balance at this time and it may be considered advisable to preserve the cash and let the Government proceed with its foreclosure against the land, particularly since the homes and buildings located on the land were reserved from the lease to Mercury & Chemicals corporation.

You undoubtedly can tell from the tone of this letter that the officers of Quicksilver Syndicate just do not know what to do. I am wondering whether you would be willing to discuss this matter with representatives of the DMEA to see whether they would be willing to accept some sum such as $2,000 in full payment and discharge of all lien claims by the United States.

Yours truly,

DARLING, VONDERHEIT & [redacted]

By Stanley R. Darling
Stanley R. Darling

SRD:ebr

Payment 800

OFFICIAL FILE COPY

No. 157 Howard Street
Spokane 4, Washington
November 7, 1958

11/10
11/10 C
WSM 226
Yoe

Mr. C. E. Luckey
United States Attorney
District of Oregon
United States Courthouse
Portland 7, Oregon

Re: Our Docket No. DMEA-4963 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-2998

Your ref: 6:GT
4137-C

Dear Mr. Luckey:

Perhaps the best way to answer your letter of October 30, 1958, and that of Stanley R. Darling, a copy of which you enclosed, would be to summarize the entire problem which in effect is comprised of two phases: royalty due on past production and royalty due on future production.

The Government has advanced the sum of $10,261.51 to the Operator, Mercury and Chemicals Corporation, under DMEA Contract No. Idm-2998, dated August 22, 1956. Under the terms of the contract, should a discovery or development be certified, the money advanced by the Government is to be repaid by royalties not to exceed 5 percent of the gross proceeds from the sale or the value of any mercury produced, within a period of 10 years from the date of the contract. By Amendment No. 2, the royalty period was extended from 10 to 11 years, or until August 22, 1967.

During the life of the contract, Mercury and Chemicals Corporation produced 399 flasks of mercury valued at $97,765, on which royalty at 5 percent amounted to $4,888.25. Mercury and Chemicals Corporation paid only $1,673.25 of this amount, leaving a balance of $3,215 in royalty still due the Government. This is the first phase of the problem.

In addition to the above, the Government is entitled to royalty from any future production from the property until the entire amount contributed by the Government has been repaid or until August 22, 1967, whichever comes first. There is, however, no obligation to produce nor, aside from the $3,215 still due in

back royalty, is there any obligation to repay except as royalty on production from the property. The total amount to be paid the Government, including the $3,215 in back royalty, is $8,588.26.

The Government cannot waive the right to royalty on future production that might be made.

Sincerely yours,

A. E. Weissenborn
Executive Officer, OME
Field Team, Region I

cc: OME(3)
USBM(2)
ONM(AD)

So. 157 Howard Street
Spokane 4, Washington

3/10 C 220
WSM 400

March 6, 1958

Mr. C. E. Luckey
United States Attorney
District of Oregon
United States Courthouse
Portland 7, Oregon

Re: Our Docket No. DMEA-4263
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Your ref: 6:BH
4135-C

Dear Mr. Luckey:

This is in reply to your letter of February 28, 1958, in which you request whatever information we can give you relative to confirmation or denial of the claims made by Mr. Stanley R. Darling in the second paragraph of his letter to you dated February 21, 1958.

In processing our applications, it is customary to have the applicant secure the necessary signed Consent to Lien and Subordination Agreements. In this case the forms were sent to Mercury and Chemicals Corporation by our Washington, D. C. office. A copy of the forwarding letter dated August 17, 1956, is enclosed. When we received the contract from Washington, we had not yet received the signed consent forms and wrote to the applicant requesting them. A copy of that letter dated August 28, 1956, is enclosed. At no time, to our knowledge, did any representative of the Government discuss the forms with a representative of the Quicksilver Syndicate. What representations Mercury and Chemicals may have made we do not know. Furthermore, you will see from item 2 of the enclosed copy of the Consent to Lien and Subordination Agreement, signed by Daniel J. Mills, President of Quicksilver Syndicate, that Mr. Darling is confused. It is true that royalty is to be paid on the production but the lien is to secure that payment if the Operator does not pay it.

At no time did DMEA give Mercury and Chemicals Corporation any right to defer payment of the royalties due the Government. As a result of a royalty audit made in March 1957, we discovered that royalty in the amount of $1,764.50 was due the Government. The Government's share of the cost of work completed during the month of February 1957 was $1,673.50. We advised Mr. Fischer, then President of Mercury and Chemicals Corporation, by telephone that we were going to withhold the amount of $1,764.50 claimed in his February voucher as partial payment of the royalties due the Government. He told us that in that case he would probably be forced to shut down the operation for lack of funds. We asked him to present an acceptable proposal whereby the royalty due would be paid in installments, suggesting one-third of the amount be deducted from the February voucher, and one-third each from the March and April vouchers as they were presented. In April Mr. Fischer advised us that new ore had been found and that the outlook for the future was good; he requested that we apply the entire amount of the February voucher to the back royalty. The enclosed letters of April 25, 1957 to Mr. Fischer and April 26, 1957, to the Chairman of the Operating Committee, DMEA, support these statements and indicate that the balance of royalty due after deduction of the February voucher was $91.25.

The company continued production without paying royalty and the enclosed memorandum dated July 2, 1957 to the DMEA Field Team from John D. Bardill, reports the gist and substance of a telephone conversation he had with Mr. Fischer on that date in an attempt to find out why royalty payments were not being received. Our letter of July 18, 1957 (copy enclosed) to Mr. Fischer is a follow up of Mr. Bardill's call of July 2.

The enclosed copy of a memorandum of October 10, 1957 to the DMEA Field Team from G. G. Waddell describes his visit to the property on September 5, 1957, at which time he found the property closed and a "Writ of Attachment" posted on the company office. This was the first we knew that work had been stopped. Our geologist visited the property July 8 and work was progressing at that time.

From the above statements and the supporting enclosures it appears that Mr. Darling has been misinformed both as to any representations made by DMEA to Quicksilver Syndicate regarding any change in the intent of the Consent to Lien and Subordination Agreement and as to any permission given to Mercury and Chemicals Corporation to defer payment.

If there is any more information we can give you, please let us know.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region 1

Enclosures

cc: DMEA (3) w/3 copies of incoming
USBM (2) w/2 " " "
USBM (AD) w/copy

ADDRESS REPLY TO
UNITED STATES ATTORNEY
AND REFER TO
INITIALS AND NUMBER

E:BH
4135-C

United States Department of Justice

UNITED STATES ATTORNEY
DISTRICT OF OREGON
UNITED STATES COURTHOUSE
PORTLAND 7, OREGON

February 28, 1958

Mr. Wing G. Agnew
Acting Executive Officer
DMEA Field Team Region I
Defense Minerals Exploration Adm.
Department of the Interior
So. 157 Howard Street
Spokane, Washington

Dear Sir:

In re: Mercury & Chemicals Corp.
Black Butte Mine, Lane County, Oregon
Contract No. Idm-E998
Docket No. DMEA-4263

This office pursuant to direction of the Department of Justice has made demand upon Quicksilver Syndicate for payment of the royalties owed the United States government in connection with the above referred matter. In answer to our demand we received a letter dated February 21, 1958 from Mr. Stanley R. Darling, Attorney at Law, representing the Quicksilver Syndicate. A copy of the letter is attached for your perusal.

We would appreciate whatever information you can give us relative to confirmation or denial of the claims made by Mr. Darling in the second paragraph of the attached letter. At the present time we have no independent knowledge of a supplementary contract or other document modifying the terms of the Subordination Agreement.

Respectfully,

C. E. LUCKEY
United States Attorney

Encl.

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 10 1958
DATE | INITIALS | CODE

RECEIVED
MAR 1958
U.S.G.S.
SPOKANE

DMEA (3)

DARLING & VONDERHEIT

ATTORNEYS AT LAW

February 21, 1958

OFFICE FILE COPY

DMEA

RECEIVED MAR 10 1958

DATE	INITIALS	CODE

File 1607-C

Mr. C. E. Luckey
United States Attorney
United States Courthouse
Portland 7, Oregon

Re: Mercury & Chemicals Corporation
Black Butte Mine [redacted]

Dear Ed:

Your letter of February 6, 1958 addressed to Quicksilver Syndicate has been referred to me for handling. I would appreciate your telling me that there is not going to be any great rush to attempt to collect this account. The Quicksilver Syndicate is in a horrible situation by reason of the conduct of Mercury & Chemicals Corporation.

I might point out to you that the consent to lien and subordination agreement was signed based upon representations that there would be no possible liability visited upon Quicksilver Syndicate as the lessor since the royalties would be collected as the quicksilver was produced. It is my understanding that officials of DEMA gave Mercury & Chemicals the right to defer payment of the royalties now being claimed at a time when it was known that Mercury & Chemicals was having great difficulties in meeting their obligations, in other words, DEMA granted to Mercury & Chemicals Corporation the right to use money owing to the government for royalties for the purpose of continuing operation. At the time this right was granted Mercury & Chemicals had been unable to pay rent to the lessor for many months.

I certainly would appreciate an opportunity to discuss this situation with you prior to your instituting any action against Quicksilver Syndicate. It does seem unfair that the government should refrain from making collections from the lessees at a time when the collections were possible and then impose the liability upon Quicksilver Syndicate for the payments which had not been made with the consent of DEMA.

Yours truly,

DARLING & VONDERHEIT

By Stan
Stanley R. Darling

SRD:hc

cc; Quicksilver Syndicate

RECEIVED
MAR 4 1958
U. S. G. S.
SPOKANE, WASH.

What is DMEA's to do?

In reply refer to:
DMEA-4263

FILE COPY
Surname:

Chambers
Martin
Johnson
Weinrodt
Corbin
Dwyer

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

FEB 10 1958

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Dear Sir:

In compliance with the request of your letter dated January 31, 1958 (file reference GCD:RM 77-61-437), documents re the claim against Quicksilver Syndicate, DMEA-4263, are enclosed to complete your file.

Sincerely yours,

Edward J. Fitz

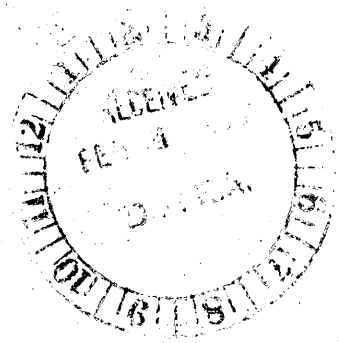
DEPUTY Solicitor

Enclosure-9

JLChambers/wb
February 5, 1958

Copy to: Solicitor's Docket
DMEA Docket
Admr. Reading File
Field Team, Reg. I (2)
R. P. Dwyer
J. L. Chambers

rlw



GCD:RM
77-61-437

Department of the Interior
Washington 25, D. C.

Attention: Solicitor

Re: [redacted] against Quicksilver Syndicate
[redacted] a Subordination Agreement, dated
August 30, 1956. $3,215.00
Your ref: DMRA-4263

Dear Sirs:

We acknowledge receipt of your letter of January 24, 1958, regarding the claim against Quicksilver Syndicate under the Subordination Agreement which it executed in aid of the contract with Mercury and Chemicals Corporation, No. Idm-E998.

In accordance with your suggestion, we are asking the United States Attorney for the District of Oregon to make demand upon Quicksilver Syndicate. We have already sent one set of the documents to the United States Attorney forthe Southern District of New York, and we are now sending to the United States Attorney for the District of Oregon the other set of documents which accompanied your letter of January 2, 1958. In order to make our file complete, kindly furnish us another set of those documents.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

rlw

OCD:RM
77-61-437

JAN 30 1959

Clarence Edwin Luckey, Esquire
United States Attorney
Portland, Oregon

Re: Mercury & Chemicals Corp.
Claim against Quicksilver Syndicate
under a subordination agreement dated
August 30, 1956. $3,215.00
Your ref: 1:HJ

Dear Mr. Luckey:

Reference is made to your memorandum of October 30, 1957, in which you requested instructions regarding a letter addressed to you by the Department of the Interior under date of October 29, 1957. Said letter asked you to take action against Mercury & Chemicals Corporation. By a telegram dated November 5, 1957, we authorized you to take any appropriate action.

Subsequently, we were advised that Mercury and Chemicals Corporation had become insolvent and had instituted proceedings for arrangement under Chapter XI of the Bankruptcy Act in the Southern District of New York. Therefore, the liability of Mercury and Chemicals Corporation is no longer your responsibility. However, the Department of the Interior desires that action be taken on the same claim against Quicksilver Syndicate.

We have asked the United States Attorney for the Southern District of New York to enter an appearance in the bankruptcy of Mercury and Chemicals Corporation; and we have asked the Department of the Interior to prepare a proof of claim to be filed in that proceeding. However, we should like you to move against Quicksilver Syndicate without awaiting the outcome of the proceeding in New York.

We enclose copies of letters from the Department of the Interior dated January 2, and January 24, 1958. We also enclose a set of the materials received from the Department of the Interior with the earlier letter.

When we received the earlier letter from the Department of the Interior, we wrote back to that Department asking on what theory Quicksilver Syndicate could be held liable. It was in response to that inquiry that we received the letter of January 24, 1958. The Department of the Interior takes the position that it has a lien on the land for the amount of its claim. It should be possible to bring an action to foreclose that lien, making Mercury and Chemicals Corporation and Quicksilver Syndicate defendants therein. The Department of the Interior further suggests that Quicksilver Syndicate may be accountable for any rents or royalties received by it after the date of its Subordination Agreement. The amount, if any, of rents and royalties [illegible] apparently unknown to the Department of the Interior; so your complaint should ask for disclosure and accounting of such payments.

We are inclined to think that, before such a suit is actually filed, we ought to ask the New York court for leave to proceed, since the realty in Oregon might be in the constructive possession of the New York court. However, we should like you to make demand on Quicksilver Syndicate in the meantime and advise us what attitude that company takes toward the demand.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosures

cc: Department of The Interior
Washington 25, D. C.
Attention: Solicitor
Your ref: DMRA-4263

rlw

GCD:RM
77-61-437

JAN 27 1958

Paul W. Williams, Esquire
United States Attorney
New York 7, New York

Re: Mercury and Chemicals Corporation,
Arrangement number 92,871.
$3,215.00

Dear Mr. Williams:

Kindly refer to our previous letter in which we asked you to appear in the above proceeding.

We have now received from the Department of the Interior a letter dated January 24, 1958, of which we enclose a copy. We also enclose the original and several copies of a proof of claim prepared and executed by that Department. If this proof of claim meets with your approval, please add the usual place at the end for your signature, add such signature, and file the original.

Kindly keep us informed of future developments in this proceeding.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosure

cc: Department of the Interior
Washington 25, D. C.
Attention: Solicitor
Your ref: Docket No. DMEA-4263

DMEA FORM 6 REFERENCE SLIP

REV. 12-56 DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO:	INITIALS	DATE
1. ~~Mr. H. C. Rubin~~		
2. Mr. L. Martin		
3.		
4.		
5.		
FROM: C. E. Fisher		1/23

FOR: Check items for action desired

____ Action ____ Reply for signature of _____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

FROM SOLICITOR

Per our telephone conversation.

JAN 24 1958

INTERIOR DEPT.

JAN 23 1958

FOR SIGNATURE

SOLICITOR

INT.-DUP. SEC., WASH., D.C. M8278

DEPARTMENT OF THE INTERIOR
Office of the Solicitor

Date Jan. 17, 1958

~~1. W. S. Martin~~
~~2. J. L. Chambers~~ ~~C. O. Mittendorf~~
Referred to: ~~3. C. O. Mittendorf~~
~~[redacted]er~~ 5. Solicitor
From: Associate Slctr., Mineral Resources

For: Information and retention
Information and return
Necessary action and return X
Comment and return
Distribution in office or region

RECEIVED
JAN 23 1958
ASSOC. SOLICITOR
MINERAL RESOURCES

RECEIVED
JAN 23 1958
ASSOC. SOLICITOR
MINERAL RESOURCES

INTERIOR DEPT.
JAN 22 1958
SOLICITOR

Remarks: Please have Proof of Claim signed by Mr. Mittendorf and notarized, and attach original and 4 copies to letter to Mr. Doub. Also please have copy of the contract attached to the original copy of the Proof of Claim.

2 letters to Atty Gen. and Proof of Claim

Lab P. Sawyer
(Signature)

INT.-DUP. SEC., WASH., D.C. 94399

SURNAMES (See Solicitor's docket)

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

Rubin
Dwyer
Hopkins
Martin
Fisher
Chambers
Johnson
Mittendorf

JAN 24 1958

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Re: Mercury and Chemicals Corporation
Docket No. DMEA-4243
Contract Idm-8998

Dear Sir:

Your letter dated January 14, 1958, to me, with regard to my letter dated January 2, 1958, to the Attorney General, stated that a legal action would be brought against Quicksilver Syndicate, the landowner, to recover the amount of $3,215.00, owed the Government as royalty on production of mercury made by Mercury and Chemicals Corporation, a Delaware corporation, the lessee, if a legal basis exists for such suit.

The Consent to Lien and Subordination Agreement dated August 30, 1956, recites that it was executed by Quicksilver Syndicate as an inducement to the Government to contract with Mercury and Chemicals Corporation. Paragraph numbered 2 of said undertaking grants to the Government a lien upon the land and upon any production of minerals as security for payment of the Government's royalty. Therefore, we visualize that the Government may proceed against the land (subject to any recorded claims paramount to the Government's) to the extent of the indebtedness due the Government.

Under paragraph numbered 3 of the landowner's undertaking, its rights in the land and in the production are subordinated to the Government's rights to royalty. Under paragraph numbered 5(a), the landowner agrees to commit no act nor assert any claim in conflict with its agreement. We believe that under these provisions the landowner must account to the Government for any rents or royalty received by it after the date of said agreement to satisfy the lessee's indebtedness to the Government for royalty.

If you determine that our position is sound and decide to commence litigation, the additional information you desire is as follows: Quicksilver Syndicate is an Oregon corporation doing business at Blackbutte, Oregon.

The proof of claim referred to in your letter was sent to you with a separate letter.

Very truly yours,

Edmund J. Fritz

DEPUTY Solicitor

HCRubin/emd 1/17/58

Copy to: Solicitor's Docket (2)
✓DMEA Docket
Adm. Reading File
W. kS.Martin
Field Team, Reg. I (2)
R. P. Dwyer
J. L. Chambers
H. C. Rubin
chron.

rlw

GCD:RM
77-61-437

JAN 14 1958

Department of Interior
Washington 25, D. C.

Attention: Solicitor

Re: Mercury and Chemicals Corp. Contract
I dm-E998 (Docket No. DMEA-4263).
Royalty Claim, $3,125.00

Dear Sirs:

We acknowledge receipt of your letter dated January 2, 1958, regarding the above matter.

We have referred this matter to the United States Attorney by a letter of which two copies are enclosed herewith. You will observe that we have asked him to oppose the Plan of Arrangement on certain grounds. In addition, however, the United States ought to file a proof of claim as soon as possible. It is requested that you prepare a proof of claim in the form prescribed by General Order No. 21 of the General Orders in Bankruptcy and that you have it signed and sworn to by some appropriate official of your Department.

We suggest that the proof of claim should assert p riority by virtue of 11 U.S.C. 104 (a)(5) and 31 U.S.C. 191. It should also recite that the United States Attorney for the Southern District of New York is authorized to represent you in the proceeding. We suggest that you furnish us with four carbon copies of the proof of claim in addition to the executed original.

We are willing to proceed against the Quicksilver Syndicate if a legal basis for doing so can be shown. However, our study of the "consent to lien and subordination agreement" has not enabled us to find any language which we would construe as a guaranty of payment of the royalties by Mercury and Chemicals, Corp. If we have overlooked

some language upon which liability could be based, please call it to our attention.

If a legal basis is found for suing Quicksilver Syndicate and if it is decided to commence such litigation, it will be necessary to know whether Quicksilver Syndicate is a corporation, partnership, joint venture, or other form of business partnership. Kindly furnish this information if you wish us to proceed against Quicksilver Syndicate.

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

Enclosure

cc: Paul W. Williams, Esquire
United States Attorney
New York 7, New York

rlw

GCD:RM
77-61-437

Paul W. Williams, Esquire
United States Attorney
New York 7, New York

Re: Mercury and Chemicals Corp.
Arrangement No. 92871. Claim of
Department of Interior, $3,215.00

Dear Mr. Williams:

We enclose a copy of a letter from the Department of Interior dated January 2, 1958, and a set of the materials which accompanied it. This matter is herewith referred to you for handling.

We will ask the Department of Interior to furnish a Proof of Claim. Meanwhile, however, please enter an appearance in Arrangement Proceeding No. 92871 and object to the Amended Plan on the grounds hereafter mentioned.

The Amended Plan, in Class 2 of Article I, lists "all debts due to the United States Government..." However, Article III does not provide for payment of all claims in Class 2 of Article I, but only for payment of "all taxes, included in Class 2 of Article I." Interior's claim for royalties is not a tax. It also does not come within Class I of Article I because its priority rests on sec. 64 (a)(5) of the Bankruptcy Act rather than sec. 64 (a)(2). Thus the net effect is to throw Interior's claim in with those of general creditors or perhaps to make no provision at all for payment thereof.

Please insist that section B of Article III be amended to add "and other claims" after the word "taxes".

Enclosure

Yours very truly,

GEORGE COCHRAN DOUB
Assistant Attorney General
Civil Division

By:

George F. Foley
Chief, Government Claims Section

cc: Department of the Interior
Washington 25, D. C.
Attention: Soliciter
Your ref: Docket No.
DMRA-4263

SURNAMES (See Solicitor's docket)
Rubin
Dwyer
Hopkins
Martin
Fisher
Chambers
Johnson
Mittendorf

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

JAN 24 1958

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
Department of Justice
Washington 25, D. C.

Re: Mercury and Chemicals Corporation
Docket No. DMEA-4263
Contract Idm-8998

Dear Sir:

In response to the request in your letter dated January 14, 1958, to me, there is enclosed a Proof of Claim executed by the Administrator, Defense Minerals Exploration Administration, in the form prescribed by General Order No. 21 of the General Orders in Bankruptcy. As suggested in your letter, the claim asserts priority, and authorizes the United States Attorney for the Southern District of New York to represent the United States.

Very truly yours,

Edward J. Fritz

DEPUTY Solicitor

Enclosures 5

HCRubin/emd--1/17/58
Copy to: Solicitor's Docket (2)
DMEA Docket
Adm. Reading File
W. S. Martin
Field Team, Reg. I (2)
R. P. Dwyer
J. L. Chambers
H. C. Rubin
chron.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In the Matter

of

MERCURY & CHEMICALS CORPORATION,

Debtor.

XI PROCEEDINGS FOR
AN ARRANGEMENT

No. 32,571

PROOF OF CLAIM BY THE UNITED STATES

District of Columbia)
Washington, D. C.) ss.

Clarence O. Mitmaker, being duly sworn, deposes and says:

1. That he is the Administrator of the Bureau Minerals Exploration Administration, an agency of the Department of the Interior, acting on behalf of the United States of America, located at Washington 25, D. C., and is duly authorized to make this proof of claim on behalf of the United States.

2. That Mercury and Chemicals Corporation, a Delaware corporation, the above-named debtor, was at and before the filing of a proposal for an arrangement with creditors, and still is, justly and truly indebted to said United States in the sum of $2,312.00.

3. That the consideration of said debt is as follows: A 3% royalty on 399 flasks of mercury valued at $97,765.00 amounting to $4,892.55, less $1,673.25 previously paid, said royalty being due as repayment for money advanced by the Government to the debtor for mineral exploration, pursuant to Contract No. Ibm-2090.

4. That no part of said debt has been paid, and no judgment has been rendered thereon.

5. That there are no setoffs or counterclaims to said debt.

6. That the United States does not hold, and has not, nor has any person by its order or to deponent's knowledge or belief, for its use, had or received any security or securities for said debt, except a "Contract to Lease and Subscription Agreement," executed by Quicksilver Syndicate, an Oregon corporation, Klamath, Oregon, the owner of the land described in the above-mentioned Contract No. Ibm-2090, said instrument being an unrecorded lien against said land to secure the payment of the Government's percentage royalty on production.

Nancy Rockett

7. That the Contract upon which said debt is founded is attached hereto.

8. That this claim of the United States is entitled to priority by virtue of the provisions of 11 U.S.C., Supp. IV 104(a)(3), and 31 U.S.C. 191.

9. That this claim is made without waiving any other remedy, and without waiving the right to proceed against specific property.

10. That the United States Attorney for the Southern District of New York is authorized to represent the department and the United States of America in connection with this proof of claim and in all matters whatsoever relating thereto.

C. O. [illegible]
Administrator, Defense Minerals
Exploration Administration

Subscribed and sworn to before me this _____ day of JAN 22 _____, 1958.

s/ Calvin Pierson

Form 7
(-56)

OFFICIAL FILE COPY

Date	Surname	Code
1/6/58	Holt	400
1/6	Martin	400
1/6	Talbot	800
1/7	Selledge	130
"	Johnson	110
1/8	Sturgis	
7	Rutledge	1100
1/7	GBT	220
		400

Kilsgaard
Lamb

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mercury and Chemicals Corporation
c/o Mr. E. Haring Chandor, Secretary
342 Madison Avenue
New York 17, N. Y.

SOLICITOR

JAN 7 1958

INTERIOR DEPT.

Re: Docket No. DMEA 4263 - Mercury
Black Butte mine
Lane County, Oregon
Contract No. Idm-E998

Gentlemen:

Enclosed is a certification of discovery or development which covers all the land described in Article 2 of the contract.

By the terms of the Exploration Project Contract, as amended, and of the certification, all minerals mined or produced from August 22, 1956, to August 22, 1967, are subject to the Government's percentage royalty as set forth in the contract until the total amount contributed by the Government is repaid.

Checks covering royalty should be made payable to the Defense Minerals Exploration Administration, and mailed to the Executive Officer, DMEA Field Team, Region I, South 157 Howard Street, Spokane 4, Washington. The purchaser should be advised to deduct royalties from the amount due on each shipment and forward check direct to the Executive Officer. Royalty payments to the Government should be accompanied by suitable evidence, such as settlement sheets, showing quantity and grade of the products sold, the name of the purchaser, and the charge certified to be correct by the purchaser.

You are requested to notify the Executive Officer of any changes in ownership or production rights that might have any effect on the Government's right to its percentage royalty. Also, if production ceases at any time for any extended period, please notify the Executive Officer at 6 month intervals that no production has been made, when that is the case.

FROM SOLICITOR

JAN 7 1958

FOR SIGNATURE

Sincerely yours,

C. O. [illegible]

Administrator

Enclosure

cc to: FT. REG. I
F. D. Lamb, USBM
J. W. Pennington, USBM
T. H. Kilsgaard, USGS
Mr. Chambers

SPHOLT:foc 1-6-58
cc to: 110
400
Admr. R. File
Oper. Comm.

8623

rm 7
6)

OFFICIAL FILE COPY

Date	Surname	Code
1/6/58	Holt	400
1/6	Martin	400
1/6	Talbot	800
1/7	Selfridge	130
"	Johnson	110
"	Sawyer	
"	Mitchell	100
1/7	GB	220
		400

JAN 7 1958

Mr. Daniel J. Mills, President
Quicksilver Syndicate
Black Butte, Oregon

SOLICITOR

JAN 7 1958

INTERIOR DEPT.

Re: Docket No. DMEA 4263 - Mercury
Mercury and Chemicals Corporation
Black Butte mine
Lane County, Oregon
Contract No. Idm-E998

Kiilsgaard
Lamb

Dear Mr. Mills:

Enclosed is a copy of a certification of discovery or development, with copy of covering letter to the Operator, which has been issued pursuant to the terms of the above-cited contract.

This correspondence relates to the Consent to Lien and Subordination Agreement executed by your company on August 30, 1956. The Government's prior lien on the land and upon any production therefrom will continue in existence for the length of time mentioned in the enclosed copy of the letter to the Operator. You are obligated during that period to commit no act and to assert no claim in conflict with the Government's rights under the agreement signed by you, and to give advance notice of the Government's rights to any transferee or lessee of any part of your interest in the land or the production therefrom.

Sincerely yours,

C. O. McMondale

Administrator

SPHOLT:foc 1-6-58
cc to: Docket
Code 400
Admr. R. File
Oper. Comm.
FT. REG. I
F. D. Lamb, USBM
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
Mr. Chambers

Enclosure

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DMEA
RECEIVED JAN 6 1958

DATE	INITIALS	CODE
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	MSM	400

JAN 3 3 12 PM '58

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YWB060 WAF SP 8 I-GS-G

SPOKANE WASH 1-3-58 1200U

GEORGE C. SELFRIDGE, CHAIRMAN OPERATING COMMITTEE

DMEA WA

REURTT JANUARY 2, MERCURY AND CHEMICAL CORPORATION, BLACK BUTTE MINE, DOCKET DMEA-4263. WE SUGGEST DELETION OF REFERENCE TO REHABILITATION ON 900 LEVEL BECAUSE THIS WORK WAS NOT DONE UNDER THE CONTRACT, AND DELETION OF REFERENCE TO "BEDDED TUFF CONTACTS" AS THIS CONTROL WAS NOT ENCOUNTERED ON THE 1100 LEVEL. OTHERWISE WE ARE IN ACCORDANCE WITH THE SUGGESTED STATEMENT WHICH WOULD THEN READ SOMEWHAT AS FOLLOWS: "REHABILITATION AND DRIFTING ON THE 1100 LEVEL HAVEXPOSED (SIGNIFICANT TONNAGES OF) LOW-GRADE MERCURY-BEARING ORE OCCURRING AS CINNABAR DISSEMINATED ALONG A SHEAR ZONE."

A E WEISSENBORN, EXEC OFFICER, REGION I

DMEA-4263 900 1100 1100

EKC 1204U

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JAN 3 3 27 PM '58
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

Fisher
Martin
Selfridge
Mitchell
Langer

JAN 2 1958

Honorable William E. Rogers
The Attorney General
Department of Justice
Washington 25, D. C.

Dear Mr. Attorney General:

On August 22, 1956, the Mercury and Chemicals Corp., a Delaware Corporation, of Black Butte, Oregon, entered into Defense Minerals Exploration Project Contract Idm-2993 (Docket No. DMEA-1253) with the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration.

In general the contract provided that: (a) the Mercury and Chemicals Corp. (hereinafter referred to as the Operator) would conduct exploration for deposits of mercury, as outlined in Exhibit "A" of the contract and amendments thereto; (b) the Government would pay to the Operator 75 percent of the accepted costs of completed exploration work and (c) under provision of Article 2(b)(1), regardless of any certification of discovery or development, the Operator or its successor in interest would pay to the Government a percentage royalty on minerals produced from the land described in Article 2 of the contract from the date of the contract until the lapse of time within which the Government may certify that a discovery or development was made (not later than six months after the Operator has rendered a sufficient final report), or until the amount contributed by the Government is repaid, whichever occurs first. (Enclosure No. 1.)

By Amendment No. 2 the period for completion of the exploration work was extended to May 22, 1958, and the royalty repayment period, in the event the Government should certify that a discovery or development was made, was extended to eleven years from the date of the contract. Through February 1957, the accepted exploration costs totaled $13,638.00 and the Government's contribution, computed at 75%, equaled $10,861.51. The exploration work contemplated by the contract has not been completed and the Operator, therefore, is unable to render a sufficient final report.

An audit of the Operator's sales accounts and records for the period August 22, 1955 through March 12, 1957, disclosed that 144 flasks of mercury had been produced and sold for $35,290.00 on which royalty, at the rate of 5 percent, was due the Government in the amount of $1,764.50. At that time, the Government had not contributed its share ($1,673.25) of the accepted costs of exploration incurred during February 1957. The Operator consented to the Government applying the $1,673.25 to its royalty account, leaving a balance due of $91.25. In a letter dated April 25, 1957, request was made for payment of the latter amount. (Enclosure No. 2.)

On July 2, 1957, the Operator informed mining engineer, John B. Bardill, representative of Defense Minerals Exploration Administration Field Team, Region I, that a total of 355 flasks of mercury had been sold to that date. In a letter, dated July 15, 1957, the Field Team requested the Operator to pay royalty estimated at $2,810.75 (subject to audit) computed as due and unpaid on additional sales to July 2, 1957, together with any additional royalty on production subsequent to said date. (Enclosure No. 3.)

No exploration work has been performed on the project since July 15, 1957. On October 25, 1957, the Operator was advised of the default under the contract and a proposed Termination Agreement was forwarded for signature. To date, the Operator has not returned the proposed Termination Agreement. (Enclosure No. 4.)

In a letter, dated October 29, 1957, A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, advised Clarence E. Luckey, U. S. Attorney, U. S. Court House, Portland, Oregon, of the Government's royalty claim, that the Operator was in financial difficulty, and requested that action be taken respecting the Government's interest. Mr. Weissenborn was in receipt of information furnished by a representative of the Operator indicating that 399 flasks of mercury, or 255 flasks in excess of those sold at the time of the DMEA royalty audit, had been produced from the property. The royalty due on the value of these 255 flasks was estimated at $3,123.75

which, added to the $[illegible]1.25 remaining unpaid on the 144 flasks included in the audit, totaled $3,215.00. (Enclosure No. 5.)

Under date of December 10, 1957, Mr. Lumkey advised the Acting Executive Officer, DMEA Field Team, Region I, that a default judgment had been entered against the Operator in favor of Pioneer Hardware Co., a creditor of the Operator, in the amount of $8,110.74, plus interest in the sum of $202.76 and $29.[illegible] costs. (Enclosure No. 6.)

By letter, dated December 13, 1957, the Executive Officer, DMEA Field Team, Region I, referred Mr. Lumkey's letter to the Chairman, DMEA Operating Committee, and stated that the Operator had performed certain exploration work subsequent to February 1957, which would warrant additional contribution to such costs by the Government in the amount of $342.40, if claim for reimbursement were filed by the Operator. A set off of this amount to the royalty account would reduce the amount presently due to the Government to $2,372.[illegible]. The Government contribution to exploration costs would be thus increased from $10,261.51, mentioned in the third paragraph of this letter, to $11,10[illegible].[illegible]1. (Enclosure No. 7.)

On December 23, 1957, the Administrator, DMEA, received from John E. Joyce, Referee in Bankruptcy, United States Court House, New York, N. Y., a copy of a Notice to Creditors in the matter of Mercury and Chemicals Corp., Debtor, No. 92871, together with a copy of Amended Provisions for Arrangement in such action. The Notice provides for a meeting of creditors to be held in Room 237 of the United States Court House, Foley Square, New York, N. Y., on January [illegible], 1958 at 11 a.m. (Enclosure No. 8.)

In a letter dated December 27, 1957, the Administrator, DMEA, demanded payment of the royalty in the amount of $3,215.00 from Quicksilver Syndicate, Black Butte, Oregon, in accordance with the provisions of Consent to Lien and Subordination Agreement signed

by that company under date of August 30, 1955. (Enclosure No. 9.) The offsetting credit in the sum of $342.40 was not considered in the computation, since the Operator to date has not claimed it. A copy of the subordination document is included with Enclosure No. 1.

In view of the foregoing it is requested that your Department initiate such action as you deem appropriate to protect the Government's interest.

The enclosures furnished with this letter are either photostats or copies of the original documents. If the United States Attorney to whom this case is assigned requires additional information, it may be obtained from either A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I, South 157 Howard Street, Spokane 4, Washington, or C. G. Mittendorf, Administrator, Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C.

Sincerely yours,

Solicitor

Copy to: DMEA Docket
Adm. Reading File, DMEA
DMEA Field Team, Reg. I (2)
J. L. Chambers, DMEA
R. F. Dwyer
R. W. Long
chron

OFFICIAL FILE COPY

Date	Surname	Code
1/2	Holt	400
1/2	Martin	400
1/2	RCS	130
"		
2	Mattendorf	100
1/2/58	C. T.	320
		400

JAN 2 1958

INTERIOR

DMEA

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14X4401(01) REVOLVING FUND, DEFENSE PRODUCTION ACT, INTERIOR, (TRANSFER TO OFFICE OF SECRETARY).

T E L E T Y P E

MR. A. E. WEISSENBORN, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION I
SOUTH 157 HOWARD STREET
SPOKANE 4, WASHINGTON

RE MERCURY AND CHEMICAL CORPORATION, BLACK BUTTE MINE, DOCKET NO. DMEA 4263, ON BASIS INCOMPLETE INFORMATION AVAILABLE HERE WE PROPOSE CERTIFICATION SOMEWHAT AS FOLLOWS: "REHABILITATION ON 900 LEVEL AND DRIFTING ON 1100 LEVEL HAVE EXPOSED LOW GRADE MERCURY-BEARING ORE OCCURRING AS CINNABAR DISSEMINATED ALONG A SHEAR ZONE AND IN BEDDED TUFF CONTACTS IN ALTERED VOLCANIC ROCKS." PLEASE WIRE YOUR SUGGESTIONS FOR ANY CHANGES AND RECOMMENDATIONS CONCERNING CERTIFICATION AT YOUR EARLIEST CONVENIENCE.

George C. Selfridge

CHAIRMAN, OPERATING COMMITTEE (GCS)

1-2-58
SPHOLT:foc
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

Form 7
(-56)

OFFICIAL FILE COPY

Date	Surname	Code
800	Fisher	12/26
800	Chandler	12-26
400	Martin	-
120	Selfridge	
100	Wetherby	100
220	12/27 C	220
		800

DEC 27 1957

CERTIFIED MAIL

Mr. Daniel J. Mills, President
Quicksilver Syndicate
Black Butte, Oregon

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Mills:

Reference is made to Consent to Lien and Subordination Agreement dated August 30, 1956, wherein your company (a) granted to the Government a lien upon all of your right, title, and interest in certain land in Lane County, Oregon, which is the subject of the above-referenced exploration contract, and (b) subordinated your right, title, claim, or interest in or against such land and any production therefrom to the rights of the Government under the contract, with respect to royalty on production. Article 6(b) of the exploration contract provides that the Operator (Mercury and Chemicals Corp.) "shall pay to the Government a royalty on all minerals mined or produced from the land * * * regardless of any certification of discovery or development, from the date of the contract until the lapse of time within which the Government may make such certification or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first."

Mercury and Chemicals Corp. is in default under said contract both as to completion of the exploration work contemplated by the contract and as to the payment of royalty due to the Government under the above-mentioned Article 6(b) of the contract. In addition, that company has filed a petition in the United States District Court, Southern District of New York, proposing an arrangement with its unsecured creditors.

According to our records the approved costs of exploration work between the date of the contract, August 22, 1956, and February 28, 1957, amounted to $13,682.00 to which the Government's contribution, on a 75 percent basis, amounted to $10,261.51. Royalty due the Government on production and sales of mercury during the period August 22, 1956, to March 12, 1957, was determined by audit to be $1,764.50, of which $1,673.25 was recovered by the Government through

8623

application of amount due to Mercury and Chemicals Corp. for exploration work accomplished during February, 1957, leaving a balance due of $91.25 for that period.

We are advised that additional production subsequent to March 12, 1957, has amounted to 255 flasks of mercury. It is estimated that the royalty due to the Government on such additional production amounts to $3,123.75 making the total royalty now due and unpaid $3,215.00.

Demand is made upon your company for payment of $3,215.00 royalty presently payable to the Government in accordance with the Consent to Lien and Subordination Agreement mentioned above. You are further notified that the Government will look to you for the payment of any royalty due on other production from the land until the terms of the contract are satisfied. In the event that the Government should certify that a discovery or development has resulted from the exploration, the maximum period for royalty payments and liens to secure them will be extended to August 22, 1967, which is eleven years from the date of the contract, or until the net amount expended by the Government is repaid.

Sincerely yours,

S

Administrator

CEFisher/ama
December 26, 1957

Copy to: Docket
Administrator
Admr. Reading File
Field Team, Region I
Mr. Chambers

IN THE DISTRICT COURT OF THE United States for the Southern District of New York. In the Matter of **MERCURY & CHEMICALS CORP.**, Debtor, No. 92871. To the creditors of the above-named debtor:

NOTICE IS HEREBY GIVEN that on October 10, 1957, the debtor filed a petition in this court proposing an arrangement, since amended, with its unsecured creditors under Chapter XI of the Act of Congress relating to bankruptcy and that a meeting of its creditors will be held in Room 237 of the United States Court House, Foley Square, New York, N. Y., on January 9, 1958 at 11 A.M., when creditors may attend, prove their claims, examine the debtor, examine witnesses on any relevant matter, nominate a trustee, appoint a committee of creditors, present written acceptances of the proposed arrangement and transact other business. An application for confirmation and objections thereto, if any, will be heard at the place aforesaid on January 23, 1958 at 11 A.M. Accompanying this notice is a copy of the arrangement proposed by the debtor and a summary of the liabilities and assets of the debtor as shown by the schedules.

NOTICE IS ALSO HEREBY GIVEN that the time and place of such meeting is hereby fixed for a hearing pursuant to section 376 of said Act to consider and determine whether, in the event the arrangement is withdrawn or abandoned prior to its acceptance and no other arrangement is pending or if the arrangement is not accepted at the meeting, the debtor be adjudged bankrupt and bankruptcy proceeded with or the proceeding under Chapter XI dismissed; and that the time and place for the hearing on the confirmation of the arrangement is hereby fixed for a hearing under such section to consider and determine whether in the event the money or other consideration required to be deposited is not deposited or the application for confirmation is not filed within the time fixed or confirmation is refused, the debtor be adjudged bankrupt and bankruptcy proceeded with or the proceeding under Chapter XI dismissed. The application for confirmation and all applications, in duplicate, for fees, costs and expenses shall be filed two days before the date set for hearing the application for confirmation and will be heard at that time.

Dated: New York, December 16, 1957.

JOHN E. JOYCE
Referee in Bankruptcy

RECEIVED
DEC 28 1957
D.M.E.A.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

X

In the Matter

of

MERCURY & CHEMICALS CORP.,

Debtor.

X

IN PROCEEDINGS FOR
AN ARRANGEMENT

No. 92,871

AMENDED PROVISIONS FOR ARRANGEMENT

The above named Debtor hereby proposes the following plan of arrangement.

ARTICLE I.

DIVISION OF CREDITORS INTO CLASSES

1. All wage claims and other debts having priority under Section 64-a (2) of the Acts of Congress relating to bankruptcy.

2. All debts due to the United States Government, the State of Oregon, the State of New York, and any municipalities of said states.

3. All general unsecured creditors with claims up to $100.00.

4. All other general unsecured creditors, including all claims based upon the rejection of executory contracts.

5. Debts incurred in connection with the operation of the business by the Debtor-in-Possession.

ARTICLE II.

GENERAL PROVISIONS

A. The lease covering the Black Butte Quicksilver Mine, in Lane County, Oregon, claimed to have been cancelled by the landlord, shall be reinstated in all of its terms and conditions as of the date of the confirmation of the plan of arrangement, except that the said landlord shall become a general unsecured creditor for all moneys due to it under the lease, claimed to have been cancelled, as of the date of the filing of the petition.

B. The Debtor proposes to borrow a sum up to $50,000.00 from Cyrus J. Quinn, or other third party, which loan is to be secured by a first mortgage on the machinery and equipment owned by the Debtor and an assignment of its lease. The principal amount of said loan, together with 6% interest to the date of payment, shall be

repaid by the Debtor out of the net annual profits of the operation of the business of the above named Debtor at the rate of not less than 10% of the said net profits, the said percentage to be determined each year by the Board of Directors of the Debtor company; the said net profits shall be computed as of December 31, 1958 and on December 31st of each year thereafter and the payment to said Cyrus J. Quinn, or other third party making said loan, shall be payable immediately after such computation is made; said net profits shall be computed after all of the taxes, Federal, State and local, have been determined.

In addition to the said chattel mortgage, and as additional consideration for the said loan, the said Cyrus J. Quinn, or other third party so making the loan, shall be entitled to receive, from the Debtor, twenty thousand (20,000) shares of the fully paid and non-assessable common stock of its treasury stock.

C. The Debtor proposes to enter into a contract with Gordon I. Gould & Co., of San Francisco, California, to install an additional furnace, similar to the one now in its plant, which is to be completed within eight (8) months, at a cost of approximately $80,000.00, and to be paid at the rate of not less than 15% of the net annual profits from the operation of the business, the said percentage to be determined each year by the Board of Directors of the Debtor company; the said net profits shall be computed as of December 31, 1958, and on December 31st of each year thereafter and the payment to said Gordon I. Gould & Co., as aforesaid, shall be made immediately after such computation is made; said net profits shall be computed after all of the taxes, Federal, State and local, have been determined.

As further consideration, said Gordon I. Gould & Co. is to receive twenty thousand (20,000) shares of the fully paid and non-assessable common stock of the Debtor from its treasury stock.

ARTICLE III.

PAYMENT TO VARIOUS CLASSES OF CREDITORS

A. To pay all priority and other claims, included in Class I of Article I., immediately upon the confirmation of the plan, or in accordance with separate agreements to be entered into by and between the Debtor and the said priority creditors.

B. To pay all taxes, included in Class 2. of Article I., immediately upon the confirmation of the plan, or in accordance with separate agreements to be entered into by and between the Debtor and the separate taxing authorities.

C. To pay all general unsecured creditors with claims under $100.00, included in Class 3. of Article I, in full, sixty (60) days after the entry of the order confirming the plan of arrangement.

D. To pay all other general unsecured creditors, including all claims based upon the rejection of executory contracts, included in Class 4. of Article I, 100% of their respective claims in the following manner; not less than 10% of the annual net profits from the operation of the business of the above named Debtor, the said percentage to be determined each year by the Board of Directors of the Debtor company; the said net profits shall be computed as of December 31, 1958, and on the 31st day of December of each year thereafter, and the payment to said creditors shall be made immediately upon said computation, until said claims have been paid in full; the said net profits shall be computed after all taxes, Federal, State, and local, have been determined. Each annual payment shall be accompanied by a copy of the Profit and Loss Statement and Balance Sheet prepared by a certified public accountant.

E. To pay all debts incurred by the Debtor-in-Possession during the arrangement proceeding in the regular course of business.

ARTICLE IV.

PROVISION FOR PAYMENT OF ADMINISTRATION EXPENSES

To pay all expenses of administration in full immediately upon the entry of the order confirming the plan of arrangement.

DATED,
December 3, 1957.

SUMMARY STATEMENT OF LIABILITIES AND ASSETS

Summary statement of the liabilities as shown by the Debtor's schedules is as follows:

Taxes due United States	$ 21,000.00	
Taxes due States	2,674.92	
Secured claims	30,261.16	
Unsecured claims	167,816.01	$221,752.09

Summary statement of the assets as shown by the Debtor's schedules is as follows:

Real Estate	$111,807.31	
Automobiles and other vehicles	900.00	
Machinery, fixtures and tools	26,204.19	
Debts due on open account	Unknown	
Property in reversion, remainder or expectancy	Unknown	
Books, deeds and papers		$138,911.50

MERCURY & CHEMICALS CORP.

By E. HARING CHANDOR
Vice-President

EA FORM 6 REFERENCE SLIP

REV. 12-56 DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO:	INITIALS	DATE
1. Mr. Dwyer		
2. Room 7343		
3. ~~Mr. W. S. Martin~~		
4. Mr Chambers WS Martin		
5.		
FROM: W. S. MARTIN		

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

X Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

RECEIVED
DEC 17 1957
ASSOC. SOLICITOR
MINERAL RESOURCES

UNITED STATES DISTRICT COURT
JOHN E. JOYCE
REFEREE IN BANKRUPTCY
UNITED STATES COURT HOUSE
NEW YORK 7, N. Y.

OFFICIAL BUSINESS

NEW YORK 7, N.Y.
DEC 20
8-PM
1957

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, $300

CHURCH STREET
STATION

Defense Minerals Exploration Corp.
Dept. of the Interior
Washington, D. C.

92871

20

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

DEC 23 1957

Memorandum

WSM

To: Administrator, DMEA
Attention: W. S. Martin

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-4263 (Mercury), Mercury and Chemicals Corp., Contract No. Idm-E998

With an undated reference slip, Mr. Martin transmitted the Field Team's letter dated December 13, 1957, to the Operating Committee, and a copy of the U. S. Attorney's letter dated December 10, 1957, to the Acting Executive Officer, both relating to the matter of royalty payments under the subject contract. Our comments were requested.

The Operating Committee's teletype dated October 25, 1957, to the Executive Officer requested that he advise the U. S. Attorney at Portland, Oregon, of a creditor's foreclosure suit against the subject Operator and of the Government's claim for royalty. On the same date, a letter was written to the Operator's Corporate Secretary at New York, submitting a proposed Termination Agreement for execution and demanding payment of royalty due the Government. By letter dated October 29, 1957, the Executive Officer notified the U. S. Attorney of the Government's claim for royalty.

The U. S. Attorney's recent letter to the Acting Executive Officer verified that a default judgment for approximately $8,350.00 had been entered aginst the Operator and that a writ of attachment and an execution were issued vs. its physical assets. He inquired whether he should reduce the Government's claim to judgment. A request for such judgment, the U. S. Attorney suggests, should be referred to the Department of Justice at Washington.

The U. S. Attorney also pointed out that any purchaser of the Operator's production (other than another Government agency), with prior actual notice of the Government's lien for royalty, would be subject to payment of royalty. Such a proposition is a

question of fact, and we do not have before us any information establishing that any purchaser had "notice."

The lessor granted a Consent to Lien and Subordination Agreement in this case, and there has been no demand upon it (Quicksilver Syndicate) for payment. We believe such demand should be made, and that if payment is not forthcoming from the lessor the matter should be referred to the Department of Justice to proceed against both the Operator and the lessor.

Robert P. Dwyer

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

DEC 23 1957

Administrator, DMEA
Attention: W. S. Martin

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-4263 (Mercury), Mercury and Chemicals Corp., Contract No. Idm-8998

With an undated reference slip, Mr. Martin transmitted the Field Team's letter dated December 13, 1957, to the Operating Committee, and a copy of the U. S. Attorney's letter dated December 10, 1957, to the Acting Executive Officer, both relating to the matter of royalty payments under the subject contract. Our comments were requested.

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Robert P. Dwyer

HCRubin/emd
Copy to: Solicitor's Docket (2)
~~DMSA Docket~~
W. S. Martin
J. L. Chambers
R. P. Dwyer
H. C. Rubin
chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

DEC 23 1957

Memorandum

To: Administrator, DMEA
Attention: W. S. Martin

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-4263 (Mercury), Mercury and Chemicals Corp., Contract No. Ldm-2990

With an undated reference slip, Mr. Martin transmitted the Field Team's letter dated December 13, 1957, to the Operating Committee, and a copy of the U. S. Attorney's letter dated December 10, 1957, to the Acting Executive Officer, both relating to the matter of royalty payments under the subject contract. Our comments were requested.

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Robert P. Dwyer

HCRubin/emd
Copy to: Solicitor's Docket (2)
DMRA Docket
W. S. Martin
✓J. L. Chambers
R. P. Dwyer
H. C. Rubin
chron.

ORIGINAL FILE COPY
DMEA
RECEIVED DEC 16 1957
CODE
12/16 C 220
12/16 WSM 400

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

December 13, 1957

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

2 cys to 1004800

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

Enclosed are three copies of a letter dated December 10, 1957 from Mr. Clarence E. Luckey, United States Attorney, Portland, Oregon. This letter is in reply to ours, dated October 29, 1957, addressed to Mr. Luckey in which we outlined the basis of the Government's claim for back royalty, and requesting that he take action respecting the Government's interest.

Although there may still be some mining equipment on the property, we do not know whether it was bought, rented, or owned by the Operator. In any case, it is probable that all equipment has either been repossessed or, if wholly owned by the company, attached to protect the claims of creditors.

Because the Operator was selling mercury rather than ore, he was not specifically requested to advise the purchasers to pay the royalties due the Government; in fact he had made several shipments before we learned that he was selling the mercury. He was advised regarding the supporting data that should accompany any royalty payments by our letter of February 5, 1957. This data was never furnished, as he made no payments to this office. Accordingly, we withheld $1,673.25, the entire amount of his voucher for February 1957, leaving a balance of royalty due of $91.25 as of a royalty audit covering the period August 22, 1956 to March 12, 1957. Subsequent production, which presumably has been sold, amounted to 255 flasks of mercury, according to statements made by Mr. Fischer to G. G. Waddell (Final Inspection Report dated October 10, 1957) and by telephone to D. R. MacLaren in Spokane. Assuming a price of $245 per flask, the royalty at 5 percent due on this mercury is $3,123.75 making the total royalty now due $3,215.

RECEIVED
DEC 17 1957
ASSOC. SOLICITOR
MINERAL RESOURCES

According to Waddell's report of October 10, 1957, since February the Operator has driven 43.2 feet of drift at $26 per foot but has not made any claim against the total cost of $1,123.20 for this work. If a claim were made, and the Government's share amounting to 75 percent or $842.40 were applied to the $3,215 royalty due, a balance due of $2,372.60 would still remain subject to audit.

Judging from Mr. Luckey's letter, there do not appear to be any distrainable assets in Oregon; whether or not there might be in the company's New York office at 342 Madison Avenue, we do not know.

By Field Team, Region I

A. E. Weissenborn

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Thomas E Howard

for: Wing G. Agnew, Member
U. S. Bureau of Mines

Enclosures

cc: USBM (2)
USBM (AD)

IN REPLY TO
THE UNITED STATES ATTORNEY
AND REFER TO
INITIALS AND NUMBER

1-T
Misc

United States Department of Justice

UNITED STATES ATTORNEY
DISTRICT OF OREGON
UNITED STATES COURTHOUSE
PORTLAND 7, OREGON

December 10, 1957

Mr. Wing G. Agnew
Acting Executive Officer
DMEA Field Team Region I
U. S. Department of the Interior
Defense Minerals Exploration
Administration
Sec. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED DEC 16 1957

DATE	INITIALS	CODE

DMEA

Dear Sir:

In re: Your Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Ida-E998

You have referred to this office on behalf of your agency, the claim of the agency arising against the above company as the result of unpaid royalties claimed due for mined minerals under the contract above-referred-to to which the Mercury and Chemicals Corp. is a party.

You have advised us that a creditor was seeking, by court action in Lane County, Oregon, to distrain certain assets of the company, and ask that the government's interests be protected.

The organization appears to be in financial difficulties and we have examined the records of the Circuit Court of the State of Oregon for Lane County at Eugene, and find that in Case No. 52448, Pioneer Hardware Co. v. Mercury and Chemicals Company, the action was filed August 27, 1957 and on September 11, 1957, a default judgment entered against the Mercury and Chemicals Company in favor of the plaintiff, in the amount of $8,110.74 plus interest in the amount of $202.76 and $26.96 costs.

A writ of attachment was issued on September 4, 1957. An execution was issued on September 17, 1957 and as of November 19, 1957, when the records were examined, had been unreturned.

We know of no alternative other than reducing the government's claim to judgment, to protect the government's interest. We have no apparent priority over the judgment debtor. The contract giving rise to the government's claim for royalties is not of record and it would appear the government is, at least as to those holding prior judgments, a general creditor.

[illegible] that it is [illegible] the [illegible] of the government [illegible] against subsequent [illegible] that you should [illegible] the Department of [illegible] Washington, D.C., [illegible] office is authorized to [illegible] such a civil action [illegible] On the other hand, it [illegible] understood that the [illegible] sufficient distinguishing [illegible] the judgment [illegible] government interest, [illegible] the claim is [illegible] the Memory and [illegible] offerings.

[illegible]

So. 157 Howard Street
Spokane 4, Washington

11/12 C
11/12 WSM
220
400

November 7, 1957

Mr. C. E. Luckey
United States Attorney
United States Courthouse
Portland, Oregon

Re: Docket No. DMEA-4203 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Luckey:

Enclosed is a copy of Contract No. Idm-E998, with one amendment, as requested in your teletype of today.

Sincerely yours,

Wing G. Agnew
Acting Executive Officer
DMEA Field Team Region I

Enclosure as above

cc: DMEA (2)
USBM (2)
USBM(AD)

RECEIVED
DATE
10/31 C 220
10/31 WSM 400

So. 157 Howard Street
Spokane 4, Washington

October 29, 1957

Mr. Clarence E. Luckey, U. S. Attorney
U. S. Courthouse
Portland, Oregon

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Luckey:

This is in reference to Mr. MacLaren's telephone call of October 28, 1957, regarding royalty on mercury sales due the Government from the Mercury and Chemicals Corporation.

Under the terms of a Defense Minerals Exploration Administration contract, Mercury and Chemicals Corporation, whose mailing address is Black Butte, Oregon, is obligated to pay a royalty of 5 percent of the gross proceeds or value of all mercury sold from production at the Black Butte mine, Lane County, Oregon, since August 22, 1956.

Our field men visited the property on July 8, 1957, and again on September 5, 1957. At the time of the July 8 visit the mine was in operation. By September 5, 1957, the mine had been shut down. Our engineer saw a Writ of Attachment, dated August 27, 1957, served by C. A. Swarts, Sheriff of Lane County, on behalf of Pioneer Hardware. However, the Government does not have any equity in the equipment attached.

Our engineer telephone Mr. Richard P. Fischer on August 30, 1957, and learned that he had resigned as president of the company and that all the company records had been sent to the New York office. Mr. Fischer told the engineer that the company had accumulated many bills and owed the Government back taxes.

Mr. MacLaren telephoned Mr. Fischer on October 18, 1957. In addition to confirming the information gathered by our field men, Mr. Fischer stated that the lease on the property had been cancelled because of default by the company in making payments.

The property was originally leased by Quicksilver Syndicate, Black Butte, Oregon, to Bernard J. Chubet who assigned the lease to Mercury and Chemicals Corporation. Daniel J. Mills, president of Quicksilver Syndicate, signed a Consent to Lien and Subordination Agreement, dated August 30, 1957. Mr. Fischer also told MacLaren that representatives from the New York office were expected in Eugene or Black Butte on October 24 to try to effect a settlement with the creditors. Whether or not they have been successful, we do not know.

According to Mr. Fischer's statements to our engineer and to MacLaren, the company has produced a total of 399 flasks of mercury since the DMEA contract was in effect. From our audit inspection we know that as of March 12, 1957, 144 flasks were sold and that $91.25 royalty is still due the Government on that sale. If the remaining 255 flasks have been sold, which presumably they have, the estimated royalty due the Government on the sale, based on a market price of $245 per flask and 5 percent royalty and pending audit, is $3,123.75. If any mercury remains unsold and has been attached by any of the creditors, the Government has a right to royalty of 5 percent of the sale price if it is sold.

In connection with back royalties, the DMEA Field Team, in a letter dated July 18, 1957, advised Mr. Fischer, who was then president of the Mercury and Chemicals Corporation, that royalties due the Government as of July 2, 1957 amounted to $2,810.75. This letter requested that payments be kept up to date. To that letter we received no reply. As stated above, additional shipments of mercury after that date have brought the royalties due the Government to an estimated total of $3,123.75.

It appears that the company is in financial difficulties and is subject to various claims and attachments. We have been advised by the Washington office of the DMEA that if the creditors are foreclosing, we should notify you of the Government's claim for royalty and request that you take action respecting the Government's interest.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I

cc: DMEA (2)
USBM (2)
USBM (AD)
Alvord

EA Form 7
2-56)

OFFICIAL FILE COPY

Date	Surname	Code
10/25	Chapman	400
10/25	Martin	400
10-25	Chandler	800
10/25	Selfridge	130
10/25	Williams	130
10/25	Lamb	130
"	Johnson	110
"	Mittendorf	100
10/28	C	220
		400

OCT 25 1957

Mr. E. Haring Chandler, Secretary
Mercury and Chemicals Corporation
342 Madison Avenue
New York 17, N. Y.

Re: Docket No. DMEA 4263 - Mercury
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Chandler:

Reference is made to the subject contract between Mercury and Chemicals Corporation of Black Butte, Oregon, and the Government. Your attention is called to the fact that no work has been done under this contract since July 15, 1957, and, consequently, your company is in default of the contract. Unless this default is cured promptly, your company may be subject to refund of the entire amount of the Government's contribution toward the cost of the work to the date when the project was stopped. We understand that your company has lost its lease on the property covered by the exploration contract.

Under the circumstances it appears that the contract should be terminated. We have, therefore, prepared the enclosed Termination Agreement. If you agree with the provisions of this agreement, please have an authorized official of your company sign all copies and return them promptly to this office.

Your attention is also called to royalty owed to the Government, amounting to $2,810.75 according to our latest information, on ore produced from the property under the subject contract. Unless satisfactory arrangements are made for payment of this royalty, it will be necessary for the Government to take appropriate action to collect the amount due.

Please give these matters your prompt attention.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

cc: Richard P. Fisher, Pres.
Mercury & Chemicals Corp.

Oper. Comm.
FT. REG. I
J. W. Pennington, USBM
T. H. Kilsgaard, USGS

FEJOHNSON/bih/foc 10-25-57
cc to: Code 400
Admr. R. File

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
10-25	Chapman	400
10-25	Martin	400
10/25	G.C.S.	130
"	Johnson	110
"	Duttenberg	100
		~~300~~ 220
10-25	Chambers	800

10/25 Lamb (130)
10/25 Williams (130)

OCT 25 1957

INTERIOR

DMEA

[illegible]

14X4401 (01) REVOLVING FUND, DEFENSE PRODUCTION ACT, INTERIOR (TRANSFER TO OFFICE OF SECRETARY)

T E L E T Y P E

MR. A. ?. WEISSENBORN, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION I
SOUTH 157 HOWARD STREET
SPOKANE 4, WASHINGTON

RE DOCKET NO. DMEA-4263, MERCURY AND CHEMICALS CORP., CONTRACT IDM-E998. SUBMITTING TERMINATION AGREEMENT WITH PSEUDOCERTIFICATION TO OPERATOR AT NEW YORK OFFICE. IF ([illegible]) CREDITORS ARE FORECLOSING NOTIFY UNITED STATES ATTORNEY AT PORTLAND OF GOVERNMENT'S CLAIM FOR ROYALTY AND REQUEST HE TAKE ACTION PROTECTING GOVERNMENT'S INTEREST.

George C. Selfridge
CHAIRMAN, OPERATING COMMITTEE (GHB)

WSMARTIN/dlm
10-25-57
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

Typed 10-25-57

TT to Ex. Officer

RE DOCKET NO. DMEA-4263, MERCURY & CHEMICALS ~~EXXR~~ CORP., CONTRACT IDM-E998, ARE SUBMITTING TERMINATION AGREEMENT WITH PSEUDOCERTIFICATION TO OPERATOR AT NEW YORK OFFICE. ~~REQUEST TOO DETERMINE WHETHER~~ COMPANY HAS ANY ASSETS AT THE MINE ~~WHICH~~ that ARE NOT already SUBJECT TO LIENS ~~WHICH ARE AVAILABLE TO SATISFY INDEBTEDNESS TO GOVERNMENT~~ and [illegible] are foreclosing ~~AS DETERMINATION IS [illegible] AFFIRMATIVE~~ NOTIFY UNITED STATES ATTORNEY AT PORTLAND OF GOVERNMENT'S CLAIM for royalty AND REQUEST HE TAKE ACTION RESPECTING GOVERNMENT'S INTEREST.

File

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 25 1957

DATE	INITIALS	CODE
10/25	gb	220
10/31	WGM	400

Air Mail

October 23, 1957

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

In further reference to your letter of October 14, 1957, your teletype of October 18, 1957 and our teletype of October 21, 1957, we are enclosing four copies each of a final inspection report by G. G. Waddell, Mining Engineer, U. S. Bureau of Mines, and an interim inspection report by Donald C. Alvord, Geologist, U. S. Geological Survey.

In order to learn the present status of this project, we telephoned Mr. Fischer upon receipt of your teletype but could not reach him until five o'clock that afternoon. Mr. Fischer said that the lease had been cancelled by the lessor because the payments were in default and that work stopped July 15, 1957. He resigned as president and now has no official connection with the company. However, he apparently has some contact with the company as he told us the New York office had acquired a contract with an unnamed consumer in New Jersey. He has been advised by the New York office that representatives of the company will arrive at the property October 24, 1957 to meet with the creditors in an attempt to settle various claims. Mr. Fischer is also trying to interest new capitol and if he is successful he is sure the lease will be reinstated and work will be continued.

Mr. Fischer stated that since the start of the project 399 flasks of mercury have been produced and estimates that between 4 and 5 percent of the production, or between 16 and 20 flasks of mercury, has come from the DMEA drift.

Because of the uncertain financial future of the company and because there may be additional production resulting from the DMEA work, we recommend that a termination agreement embodying a pseudo-certification be presented to the company care of E. Haring Chandor, Secretary, 342 Madison Avenue, New York 17, New York.

By Field Team, Region I

Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

Donald R. MacLaren, Acting Member
U. S. Geological Survey

Enclosures

cc: USBM (2)
USBM (AD)
Alvord

P. S. The royalty payment due as of July 2, 1957 in the amount of $2,810.75 which we requested in our letter to the operator of July 18, 1957 has not been made.

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 22 1957

DATE	INITIALS	CODE
10/22	C	220
10/22	WSM	400

AXXXXXXX-063K

AXXXXXXX-064K

AXXXXXXX-065K

XDXXXXXX-066K

YWB010 WAF SP 13 (DUPE AND CCT CPY)

WAF SP 8 I-GS-G

SPOKANE WASH 10-21-57 0920U

GEORGE C. SELFRIDGE, CHAIRMAN OPERATING COMMITTEE

DMEA, WA

REURTT SEPTEMBER 18, DOCKET DMEA 4263, MERCURY AND CHEMICAL CORPORATION, CONTRACT IDM-E993. OPERATOR IN FINANCIAL DIFFICULTIES. LEASE CANCELLED BECAUSE PAYMENTS HAVE LAPSED. WORK WAS DISCONTINUED JULY 15 1957. POSSIBILITY OF REFINANCING TO BE CONSIDERED THIS WEEK. IF SUCCESSFUL, LEASE WILL BE REINSTATED OR RENEWED. RECOMMEND TERMINATION OF CONTRACT WITH PSEUDO-CERTIFICATION. BECAUSE LOCAL MANAGEMENT HAS RESIGNED, COMPANY SHOULD BE ADDRESSED IN CARE OF HARRING CHANDOR, SECRETARY, 342 MADISON AVENUE, NEW YORK 17, NY.

A E WEISSENBORN, EXECUTIVE OFFICER, REGION I

18 4263 IDM-E993 15 1957 342 17

EKC 0927U/1000U

OCT 21 2 32 PM '57
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D.C.

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 22 1957

DATE	INITIALS	CODE

AXXXXXXX-045K

XDXXXXXX-046K

YWA044 WAF SP 8 I-GS-G

SPOKANE WASH 10-21-57 0920U

GEORGE C SELFRIDGE, CHAIRMAN OPERATING COMMITTEE

DMEA, WA

REURTT SEPTEMBER 18, DOCKET DMEA 4263, MERCURY AND CHECMICAL CORPORATION, CONTRACT IDM-E993. OPERATOR IN FINANCIAL DIFFICULTIES. LEASE CANCELLED BECAUSE PAYMENTS HAVE LAPSED. WORK WAS DISCONTINUED JULY 15 1957. POSSIBILITY OF REFINANCING TO BE CONSIDERED THIS WEEK. IF SUCCESSFUL LEASE WILL BE REINSATED OR RENEWED. RECOMMEND TERMINATION OF CONTRACT WITH PSEUDO-CERTIFICATION. BECAUSE LOCAL MANAGEMENT HAS RESIGED, COMPANY SHOULD BE ADDRESSED IN CAREOF E. HARRING CHANDOR, SECRETARY, 342 MADISON AVENUE, NEW YORK 17, NY.

A E WEISSENBORN, EXECUTIVE OFFICER, REGION I

18 4263 IDM-E993 15 1957 342 17

EKC 0927U

1. Has [illegible] if so, shall work continue? If yes, [illegible] with lease [illegible], (b) [illegible] can cert. be made?

2. will [illegible] the product agree?

[illegible] legal can proceed.

HCB

OCT 21 2 32 PM '57
BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
10/21	[illegible]	120
10/22	[illegible]	110
"	[illegible]	100
10/23	[illegible]	220
10/24	[illegible]	400

October 21, 1957

Memorandum

To: Administrator

From: George C. Selfridge, Special Assistant

Subject: Docket No. DMEA-4263 (Mercury)
Contract No. Idm-E998
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon

During a telephone conversation today between Mr. MacLaren of Region I and the writer, the former stated that they had just received the Operating Committee's teletype relating to the certification and termination of the subject contract. He mentioned that they were going to teletype a recommendation to terminate the contract with a pseudo certification. The Field Team had been informed that the company had lost its lease, an attempt was being made to refinance the operations which, if successful, would regain the lease, and that less than 4 per cent of the ore that had paid DMEA royalty was DMEA ore. Thus, a certification is hardly warranted.

George C. Selfridge

George C. Selfridge (hb)

GCSelfridge/hb (10/21/57
Copy to: Docket
Admr. R. File
GCSelfridge
Chron.

8623

Form 7
-56)

OFFICIAL FILE COPY

Date	Surname	Code
10-18		400
10-18	Martin	400
10-18	Chamberlin	800
10/18	GCS	130
10/18	Rand	130
10/18	Kiilsgaard	130
"	Coleman	110
"	Mittenthal	400
10/18	C	220
		400

OCT 18 1957

INTERIOR

DMEA

XXXXXXXXXXXXXXXXXXXXXX

14X4401(01) REVOLVING

FUND, DEFENSE PRODUCTION ACT, INTERIOR
(TRANSFER TO OFFICE OF SECRETARY)

T E L E T Y P E

MR. A. E. WEISSENBORN, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION I
SOUTH 157 HOWARD STREET
SPOKANE 4, WASHINGTON

REDOCKET DMEA 4263, MERCURY AND CHEMICALS CORPORATION, CONTRACT NO. IDM-E998.

IN CONNECTION WITH PROCEDURE FOR US TO FOLLOW HERE IN COLLECTING OVER-DUE

ROYALTIES PLEASE WIRE YOUR RECOMMENDATIONS REGARDING CERTIFICATION AND TERMINATION.

George C. Selfridge
CHAIRMAN, OPERATING COMMITTEE (HB)

WSMARTIN/foc
10-18-57
cc to: Docket
Code 400
Code 800
Admr. R. File
Oper. Comm.
FT. REG. I
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

OFFICIAL FILE COPY

Date	Surname	Code
10/14	Fisher	800
10-14	Chamber	800
10/14	Chapman	400
10/14	Martin	400
10/14	GCS.	130
	Johnson	110
"	Butterworth	1004
10/15	B	220
		400

OCT 14 1957

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team, Region I
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Weissenborn:

Reference is made to letter dated July 18, 1957, wherein the Field Team, Region I, requested the Operator to pay royalty due as of July 2, 1957, under provisions of the subject contract in the amount of $2,810.75.

Will you please advise present status of your efforts to collect this amount as well as any royalty which may have become due subsequent to July 2, 1957.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (WB)

APPROVED:

Frank D. Lamb (WB)
Member, Bureau of Mines

W. P. Williams (WB)
Member, Geological Survey

Copy to: Docket
Admr. Reading File
Operating Committee
Mr. Mote, USBM
Mr. Kiilsgaard, USGS
Mr. Chambers

CEFisher/wb
October 14, 1957

8623

OFFICIAL FILE COPY
D.M.E.A.
RECEIVED JUL 1957

DATE		CODE
7/29	C	220
7/29	C.E.T.	800
7/30	WSM	400

1201 N. Division St.
Spokane 2, Washington

July 18, 1957

Mr. Richard P. Fischer, President
Mercury and Chemicals Corporation
1897 Riverview Street
Eugene, Oregon

Re: Docket No. ~~DMEA 4263 (mercury)~~
Black Butte Mine
Lane County, Oregon
Contract No. Idm-X998

Dear Mr. Fischer:

Mr. John D. Bardill reports that on the morning of July 2, 1957, he telephoned to you to inquire about the status of the DMEA project contract work and why royalty repayments on production are not being paid currently.

You informed him that as of July 2 total production subject to royalty repayments was 366 flasks of mercury. At the time of the DMEA audit by Mr. C. A. Turner, on March 25, 1957, 144 flasks had been sold which were subject to a royalty of $1,764.50. The entire sum of $1,673.50 for your February voucher was withheld, leaving a balance due the Government of $91.25. No royalty payments have been received in the meantime.

The following estimated royalties were due as of July 2, 1957. Additional royalties are also due on production since then.

Previous unpaid balance	$ 91.25
Sale of 222 additional flasks estimated at $245/flask @ 5% royalty	2,719.50
Amount due (subject to audit)	$2,810.75

We sympathize with your financial difficulties in carrying through this project; however, we believe it desirable to keep royalty payments current.

By Field Team, Region I

Wing G. Agnew, Acting Exec. Officer
U. S. Bureau of Mines

R. B. Sample, Acting Member
U. S. Geological Survey

cc: DMEA (2)
USGS (2)
USBM (AD)
Turner

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 27 1957

DATE	INITIALS	CODE
6/27	C	220
	es	130
		400

June 24, 1957

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemical Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

Enclosed are the Government, Audit, and Division copies of Amendment No. 2 to the contract.

Other copies of the amendment have already been distributed.

Sincerely yours,

Donald R. MacLaren

Donald R. MacLaren
Alternate Acting Executive Officer
DMEA Field Team, Region I, NW Dist.

Enclosures

cc: USBM (2)
USBM (AD)
Alvord

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 20 1957

DATE	INITIALS	CODE
5/20	C	220
5/21	[illegible]	800
5/22	WSM	400

So. 157 Howard Street
Spokane 4, Washington

May 16, 1957

Mr. Richard P. Fischer, President
Mercury and Chemical Corporation
1897 Riverview Street
Eugene, Oregon

Re: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Fischer:

In accordance with your desire to extend the time for completion of your DMEA contract expressed in a telephone conversation of May 10, 1957, we have prepared and are enclosing an original and five copies of a proposed Amendment No. 2, signed for the Government by the Executive Officer, DMEA Region I, Northwest District.

If the terms and conditions of the proposed amendment No. 2 meet with your approval, please sign all copies, keep the one marked "Operator's Copy" and return the others to this office. If the amendment is not acceptable, please return all copies, unsigned, to this office, with a statement of your objections, and we will, if possible, adjust the amendment accordingly.

By Field Team, Region I, NW Dist.

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

Enclosures

cc: DMEA (2) w/info copy of encl.
USBM (2)
USBM (AD)
Alvord

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED APR 30 1957

DATE	INITIALS	CODE
4-30	C	220
5/1	WSM	400

April 26, 1957

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

In accordance with your teletype of March 20, 1957, we advised Mr. Fischer, President of Mercury and Chemicals Corp., by telephone to present a proposal outlining how he intended to pay the royalty due on past production. The situation at this time was very bad; the mercury content of the material they were treating had dropped below cut-off grade and the company apparently was in financial difficulties. No proposal was ever made and, consequently, we withheld payment of the Operator's February voucher.

The next word we received was a telephone call from Mr. Fischer, in which he said they had discovered more ore. This apparently has relieved the financial situation for Mr. Fischer requested that we apply the entire sum of $1,673.25, which we were withholding from his February voucher, to the due royalty, $1,764.50. This leaves a balance due of $91.25, which we will deduct from the next voucher submitted.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

cc: USBM (2)
Certifying Officer
CPF
Turner
Alvord

OFFICIAL FILE COPY DMEA RECEIVED APR 29 1957		
DATE	INITIALS	CODE
4.29	C	220
5/1	[illegible]	800
5/1	WSM	400

So. 157 Howard Street
Spokane 4, Washington

April 22, 1957

MEMORANDUM

To: The Files

From: D. R. MacLaren

Subject: Royalty due from Mercury and Chemicals Corporation, Black Butte Mine, Lane County, Oregon, Docket No. DME-263 (Mercury), Contract No. Ida-2998

On April 8 or 9, 1957, Mr. Fischer telephoned the Executive Officer to request that the overdue royalties be taken out of the amount withheld from the February voucher.

D. R. MacLaren

cc: DMEA (3)
USBM (2)
Certifying Officer
CPT
Alvord
Turner

Form 7
(6)

OFFICIAL FILE COPY

Date	Surname	Code
4/1	Fisher	800
4/2	C	220
		225

APR 1 - 1957

Mr. Charles A. Turner
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: First Royalty Audit Report
Mercury and Chemicals Corp.
Idm-E998, DMEA-4263

Dear Mr. Turner:

Receipt is acknowledged of your First Royalty Audit Certificate and Report covering the above-cited project.

The report is acceptable and normal distribution is authorized.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

CEFisher/wb
April 1, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

8623

EA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
3/22	Hopkins	400
3/22	Martin	400
	Dwyer	140
		140
3/22	Talbert	800
3/22	Selfridge	120
3/22	Johnson	110
"	Mittendorf	100
3/26	C	220
		225

MAR 25 1957

Mr. Irving Dressler
848 Van Park Avenue
Valley Stream, Long Island, New York

Re: Docket No. DMEA 4263 - Mercury
Mercury and Chemicals Corporation
Black Butte mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Dressler:

Reference is made to your letter of February 25, 1957, addressed to Government Bureau of Mines, Washington, D. C. As you were informed by the Bureau of Mines, this letter has been referred to the Defense Minerals Exploration Administration for reply.

The U. S. Government through the Defense Minerals Exploration Administration furnishes financial assistance to mine operators for the exploration of strategic and critical minerals. The exploration work is conducted by the operator under a contract with the DMEA. For your further information regarding this exploration program I am enclosing DMEA Order-I, Amended, and a copy of our pamphlet explaining it in greater detail.

The Mercury and Chemicals Corporation is exploring for mercury under a contract with DMEA dated August 22, 1956, covering a project estimated to cost not in excess of $62,340.00, of which the Government will participate to a maximum extent of 75 percent or $46,755.00. The project covers all of Sec. 16, T. 23 S., R. 3 W., Willamette Meridian, Lane County, Oregon. We are not in a position to furnish details of the company's operations or finances. The exploration work is performed by the company, and although we exercise rights reserved by the contract with respect to auditing project costs, and determining that the work of the project is accomplished in a manner satisfactory to the Government, we do not enter into the business aspects of the operations.

JHopkins:foc 3/22/57
cc to: Docket
Code 400
Admr. Read. File
FT. REG. I - NWDist.
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosures

Sincerely yours,

C. O. Mittendorf (for)

Administrator

8623

4263

February 28, 1957

Mr. Irving Dressler
848 Van Park Avenue
Valley Stream, New York
Long Island NY

Dear Mr. Dressler:

Your letter of February 25, 1957 requesting information concerning the Mercury and Chemical Corporation is being referred to the Defense Minerals Exploration Administration for reply.

Very truly yours,

A. D. McMahon

A. D. McMahon
Commodity Specialist
Branch of Base Metals

ADMcMahon/vr
Copy to: Division of Minerals
Branch of Base Metals (2)
Files
Defense Minerals Exploration Admin.

C
O
P
Y

848 Van Park Avenue
Valley Stream, N. Y.

February 25, 1957

Government Bureau of Mines
Washington, D. C.

To Whom it May Concern:

Would you please send me information about the Mercury and Chemical Corporation of New York City, which is operating a mine in Eugene, Oregon for the purpose of extracting or producing mercury from the ore that is being processed there at this time.

To what extent has the Government aided the mine in exploration, etc. The Mercury and Chemical Corporation claims that it is now operating in the "Black" that is, profitably!

Any information that you can supply me with, that is pertinent to its operation, financially or otherwise, would be greatly appreciated by me.

Sincerely yours,

/s/ Irving Dressler

Form 7
-56)

OFFICIAL FILE COPY

Date	Surname	Code
3/19	Selfridge	120
"	Johnson	110
	" Weissenborn	100
	14X14.01(01) Revolving Fund, Defense Production Act,	

3-19-57

Department of the Interior
Defense Minerals Exploration Administration
14X14.01(01) Revolving Fund, Defense Production Act,
Interior, (Transfer to Office of Secretary)

3/20 C 100 225
Chambers

TELETYPE

xxxxxxxxxxxxxxxxxxxxxxxxxxxx

Mr. A. E. Weissenborn, Executive Officer
DMEA Field Team, Region I - Northwest District
South 157 Howard Street
Spokane 4, Washington

RE DOCKET DMEA 4263, MERCURY AND CHEMICALS CORPORATION, HOLD FEBRUARY VOUCHER UNTIL COMPANY'S PROPOSAL TO PAY DELINQUENT ROYALTY IS RECEIVED AND APPROVED BY US. SUGGESTED MINIMUM ROYALTY PAYMENT ONE-THIRD OF AMOUNT DUE DEDUCTED FROM FEBRUARY, MARCH, AND APRIL ~~VOUCHERS~~ Cash voucher for IF CONTRACT WORK CONTINUES.

George C. Selfridge
GEORGE C. SELFRIDGE, CHAIRMAN
OPERATING COMMITTEE

GCSelfridge/esf
3/19/57
cc to: Docket
Code 400
Admr. Read. File
~~Oper. Comm.~~
~~J. W. Dunnington, USBM~~
~~T. H. Killingsgard, USGS~~
G. C. Selfridge

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
1/19	Selfridge	120
		110
		100
		225

March 19, 1957

MEMORANDUM

To: Administrator

From: George C. Selfridge, Special Assistant

Subject: Docket No. DMEA-4263 - Mercury
Mercury and Chemicals Corporation
Black Butte mine
Lane County, Oregon
Contract No. Idm-E998

Mr. Weissenborn telephoned today to ask what he should do with regard to royalties due under the subject contract. He recently learned that the company owes $1,673 in royalty payments. He had talked with Mr. Richard P. Fisher, president of the company, who explained that the lack of royalty payments had been an oversight on the part of the company and that it would pay future royalties on a current basis and catch up on the delinquent ones. He further explained that the company was hard-pressed for financing, having had some difficulty with its New York broker. Mr. Fisher did not mention on what basis the company would pay the delinquent royalties.

Mr. Weissenborn has not remitted $1,700 due under the company's February voucher. He wished to know whether or not he should withhold the $1,700. He thought withholding the entire amount would work a hardship upon the company. He suggested that possibly withholding $300 or $400 on each future voucher might be the thing to do. The writer suggested that he contact Mr. Fisher to see on what basis the company might bring its royalty account to date. The writer told Mr. Weissenborn that he would discuss the matter here and would wire later. Mr. Weissenborn mentioned that the field man had just returned from the mine which had been working under the contract. Mr. Weissenborn thought that by the time the February voucher would clear the Government would owe a goodly sum on the March voucher which could be withheld if the February one were cleared.

George C. Selfridge

GCSelfridge/esf
Copy to: Docket
Admr. R. File
Mr. Martin
Mr. Selfridge

8623

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 11 1957

DATE	INITIALS	CODE
2/12	C	220
2/18	EEB	800
		225

xxxxxxxxxxxxxxxxxx
So. 157 Howard Street
Spokane 4, Washington

February 5, 1957

Mr. Richard P. Fischer, President
~~Mercury and~~ Chemicals Corporation
1897 Riverview Street
Eugene, Oregon

Re: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Fischer:

Mr. Bardill has informed us that you desire clarification regarding supporting data that should accompany royalty payments.

It will be sufficient for you to submit in triplicate a statement listing each buyer, showing the number of flasks, price per flask, and the amount paid to you, and the royalty due at 5 percent of the sum of the amounts paid to you. This statement should include a certificate to the effect that:

> "I (we) hereby certify that to the best of my (our) knowledge and belief, the above statement that (so many) flasks of quicksilver have been sold at a price of (so much) is a true and correct summary of sales for the month of _____.
>
> (Signed)_____ "

This statement, in triplicate, should accompany your check for the amount of royalty due made out to Defense Minerals Exploration Administration and mailed to the Executive Officer at the above address.

We do not require copies of the invoices, but you should keep them in your files so that they will be available for periodic audit.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

cc: DMEA (2)
USBM (2)
USBM (AD)
Alvord
CPF

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D. C.~~
So. 157 Howard Street
Spokane 4, Washington

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 7 1957

DATE	INITIALS	CODE

February 4, 1957

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

Enclosed are the Government, Docket, and Division copies of Amendment No. 1 to the contract.

Other copies of the amendment have already been distributed.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

Enclosures

cc: Finance Office
USBM (2)
Alvord

OFFICIAL FILE COPY
DMEA
RECEIVED JAN 28 1957

DATE	INITIALS	CODE
1-28	C	220
1/29		800
		225
January 24, 1957		

XXXXXXXXXXXXXXXXX
So. 157 Howard Street
Spokane 4, Washington

Mercury and Chemicals Corporation
1897 Riverview Street
Eugene, Oregon

Re: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-8998

Gentlemen:

As we explained in our letter of December 12, 1956, we could not pay the full amount claimed in your operating report for November, as the $705.00 claimed for bulldozing was done with an IH-TD18A bulldozer while the contract specified a D-8 or equivalent. Accordingly, we requested our Washington, D. C. office to prepare an amendment to authorize using an IH-TD18A bulldozer.

Enclosed are an original and five copies of a proposed amendment No. 1. If the conditions and terms of the proposed amendment are satisfactory, you should sign all copies, keep the one marked Operator's copy and return the other copies to this office. When we receive the signed copies, we will release the withheld funds.

If any part of the proposed amendment is unsatisfactory, return all copies unsigned, with your proposed changes.

Sincerely yours,

A. K. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

Enclosures

cc: DMEA (2)
USBM (2)
USBM (AD)
Alvord

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
1/17	Chapman	400
1/17	Martin	400
1-18	Chambers	400
1/18	Selfridge	130
1/18	L. Johnson	100
"	Matterson	100

JAN 18 1957

Mr. A. E. Weissenborn, Executive Officer
DMEA Field Team, Region I, N. W. District
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA 4263 - Mercury
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Weissenborn:

Enclosed are the original and five copies of a proposed Amendment No. 1 to the above referenced contract, signed by the Administrator, for the Government. Two extra copies are enclosed for the use of the Field Team.

If the conditions and terms of the proposed amendment are satisfactory to you and the Operator, all six copies should be signed by the Operator and the usual distribution made.

If any part of the proposed amendment does not have your approval or that of the Operator and cannot be altered within your delegated authority, the original and all copies are to be returned to this office, together with the proposed changes for consideration.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

TLChapman:am 1-17-57
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT REG I, NWDist
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclsoure

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
1/10	Chapman Martin	400
		140

INTERIOR DEPT.
JAN 1 1 1957
SOLICITOR

January 10, 1957

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Iron and Ferro-Alloys Division, DMEA

Subject: Preparation of Amendment No. 1
Docket No. DMEA 4263 - Mercury
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Attached is rough draft of proposed Amendment No. 1 to the above-captioned contract for your use in preparing in final form.

W. S. Martin, Chief
Iron and Ferro-Alloys Division

Attachment

TLChapman:am
cc to: Docket
Code 400

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

1201 N. Division St.
Spokane 2, Washington
December 21, 1956

RECEIVED DEC 31 1956 D.M.E.A.

Mr. George C. Selfridge, Chairman
DMEA Operating Committee
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

The Operator is leasing an IH-TD18A bulldozer at $9.50 per hour (not operated) in lieu of a D8 (fully operated) at $15.00 per hour as authorized in the contract. The cost of an operator at $2.75 per hour, plus fuel and maintenance at about $1.00 per hour, will bring the cost to about $13.25 per hour.

The Associated Equipment Distributors rental rate for a TD18A with hydraulic blade is $136.35 per day.

We recommend that the contract be amended authorizing 115.38 hours of dozing with a TD18A at $13.00 per hour in lieu of 100 hours with a D8 @ $15.00 per hour. The dollar amount of the dozing will remain the same.

By Field Team, Region I, NW Dist.

A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew
Wing G. Agnew, Member
U. S. Bureau of Mines

cc: USGS (2)
USBM (AD)

xxxxxxxxxxxxxxxxx
1201 N. Division Street
Spokane 2, Washington

RECEIVED
DEC 17 1956

December 12, 1956

Mercury & Chemicals Corp.
1897 Riverview Street
Eugene, Oregon

Re: Docket No. DMEA 4263 (mercury)
Contract No. Idm-E998
Monthly operating report for
November 1956

Gentlemen:

This is to inform you that payment could not be made in the full amount claimed on the subject monthly operating report.

The suspensions made are explained in the attached copy of a memorandum to the Field Team from the DMEA Certifying Officer, Region I.

By Field Team, Region I, NW District

Wing G. Agnew, Acting Executive Officer
U. S. Bureau of Mines

cc: DMEA (2)
USGS (2)

Donald R. MacLaren, Acting Member
U. S. Geological Survey

DMEA Field Team, Region 1, Nv Dist. December 12, 1956

DMEA Certifying Officer, Region I

Docket No. DMEA 4263, Contract No. Idm-2948. Mercury & Chemicals Corp.
Monthly operating report for November 1956.

The subject monthly operating report has been processed and forwarded to the disbursing officer for payment.

Suspensions have been made as follows:

1. The Operator claimed $705.00 for bulldozing which was done with an IH-TD18A bulldozer. According to the contract the work should have been done with a D-8 or equivalent. Therefore, it has been necessary to suspend payment of this cost until an amendment can be prepared to allow the use of the IH-TD18A equipment. If our Washington, D.C. office approves this amendment the above mentioned bulldozing cost can be allowed.

2. Costs were claimed for 131 feet of drifting for a total drifting cost of $3,401.00. Half of this amount has been approved for payment and the balance will be sent the Operator as soon as the footage can be verified by the U. S. Bureau of Mines engineer who is making an inspection this week.

Myrtle Purdy

cc: DMEA (2)
USGS (2)

xxxxxxxxxxxxxxxxxx
So. 157 Howard Street
Spokane 4, Washington

December 3, 1956

Mr. Richard P. Fischer, President
Mercury and Chemicals Corporation
1897 Riverview Street
Eugene, Oregon

Re: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Fischer:

Enclosed is the Operator's copy of the Consent to Lien and Subordination Agreement signed by Daniel J. Mills, President, Quicksilver Syndicate, Blackbutte, Oregon, to be attached to your copy of the subject contract. This was forwarded to us from our Washington office for distribution.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW Dist.

Enclosure

cc: DMEA (2)
USBM (2)
Alvord

CW

400

Docket
SURNAME
McMahon
Martin
Selfridge
Johnson
Mathews

NOV 23 1956

Mr. A. E. Weissenborn
Executive Officer
DMEA Field Team
Region I, N. W. District
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA 4263 - Mercury
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Weissenborn:

Reference is made to your letter of September 4, 1956, transmitting the original and five copies of the Consent to Lien and Subordination Agreement signed by Daniel J. Mills, president, Quicksilver Syndicate, Blackbutte, Oregon.

We have received the executed Government, Docket, and Division copies of the subject contract forwarded with your letter of November 8, 1956, and have attached to each a copy of the Consent to Lien and Subordination Agreement. Enclosed are the remaining three copies of the latter document for proper distribution.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)

APPROVED:

Frank D. Lamb (FDL)
Member, Bureau of Mines

Thor H. Kiilsgaard (THK)
Member, Geological Survey

ADMcMahon:am 11-20-56
cc to: Docket
Code 400
Oper. Comm.
Admr. Read. File
FT. REG. I - NWD
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosures

R.C.B.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
NOV 13 1956
D.M.E.A.

November 8, 1956

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mr. Selfridge:

Enclosed are the Government, Docket, and Division copies of this contract which have been signed by Mr. Richard P. Fischer, president of Mercury and Chemicals Corp. By copy of this letter other copies are being distributed.

In conformance with the request contained in the last paragraph of your letter dated August 22, 1956, to us, the Operator has filled in the starting date (November 1, 1956) under Article 1.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA Field Team
Region I, Northwest District

Enclosures
cc: Finance Office
USBM(2)
Alvord

So. 157 Howard Street
Spokane 4, Washington

RECEIVED
NOV 13 1956
D.M.E.A.

November 5, 1956

Mr. Richard P. Fischer, President
Mercury and Chemicals Corporation
1377 Riverview Street
Eugene, Oregon

Re: Docket No. [illegible]-4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-[illegible]

Dear Mr. Fischer:

We wish to acknowledge receipt of the original and five copies of your contract which we are sending to our Washington office today. In a few days we will send you the Monthly Report forms and instructions for their preparation.

Your attention is called particularly to Article 6 of the contract which deals with repayment by the Operator from royalty on production. Any production from the land described in the contract is subject to the royalty provisions of the contract whether or not the ore was known to exist prior to the date of the contract or it is discovered or developed by the work under the contract. This applies to all production during the period in which the Government may certify or, if the project is certified, to all production during the repayment period specified in the contract.

Sincerely yours,

A. T. Weissenborn
Executive Officer, DMEA
Field Team, Region 1, No. Dist.

cc: [illegible](2)
[illegible](2)
[illegible]
Alvord

Docket

XXXXXXXXXXXXXXXX
So. 157 Howard Street
Spokane 4, Washington

October 29, 1956

Mr. Richard P. Fischer, President
Mercury and Chemicals Corporation
1397 Riverview Street
Eugene, Oregon

WSM

Re: Docket No. DMA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon

Dear Mr. Fischer:

On September 4, 1956, we forwarded to you the original and five copies of a proposed contract between the Government and Mercury and Chemicals Corporation, Black Butte, Oregon, requesting that if the contract meets with your approval you sign all copies, retain the one marked for the "Operator," and return the others to this office. We also requested that if this contract does not meet with your approval, you return all copies of the contract with your comments.

In a telephone conversation with you on October 4, 1956, we were informed that the contract would be returned within a few days. We have heard nothing further since we again talked with you on October 12, and you indicated we would hear within a week or 10 days.

We do not wish to press you unnecessarily, but as we cannot leave this matter open indefinitely, we hope that you will be able to sign and return the contract soon. If you find that you cannot undertake the work at this time, you should return the contract to us unsigned. The contract could be put into effect very quickly if, at a later date, you find that you were able to do the exploration outlined in the proposed contract.

May we hear from you soon as to what course of action you wish to take?

By Field Team, Region I, W. District

A. L. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: S. Haring Chandor, Secretary
Mercury & Chemicals Corp.
342 Madison Ave., New York, New York (Air Mail)
[illegible](2); [illegible](2); [illegible]); Alvord

Copied from the Mining Record
October 4, 1956, page 12

Dimx-4263

BLACK BUTTE MERCURY

Mercury-Chemicals Corp. is rehabilitating the old Black Butte mercury mines about 20 miles southeast of Cottage Gove, Ore. Exploratory drilling is also under way. An old Gould furnace on the property is being modernized and the firm expects to go into production sometime in November.

Pub. Dep. Dept. 10-10

Docket

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
SEP - 7 1956

September 4, 1956

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Copy retained 400

W34

Re: Docket No. DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon

Dear Mr. Selfridge:

Enclosed are the original and five copies of Consent to Lien and Subordination Agreement signed by Quicksilver Syndicate. These forms were sent directly to the Operator by your office with a letter of transmittal, dated August 17, 1956, from W. S. Martin, Chief, Iron and Ferro-Alloys Division.

We have forwarded the proposed contract to the Operator for signature and will send it on to you as soon as received in this office.

Sincerely yours,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

Enclosure

cc: USBM (2)
USBM (AD)
Alvord

Docket

RECEIVED
SEP - 7 1956

xxxxxxxxxxxxxxxxxx
So. 45, Howard Street
Spokane 4, Washington

September 4, 1956

Mercury & Chemicals Corp.
Black Butte, Oregon

Copy retained 400

WSM

Re: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon

Gentlemen:

We wish to acknowledge receipt of the original and five duly signed copies of the Consent to Lien and Subordination Agreement sent directly to you by our Washington office. We are forwarding this form to that office today.

Enclosed are the original and five copies of a proposed contract between the Government and Mercury & Chemicals Corporation, Black Butte, Oregon. If the contract meets with your approval please sign all copies, retain the one marked for the Operator, and return the others to this office. If it does not meet with your approval, please return all copies of the contract with your comments.

Sincerely yours,

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

Enclosures

cc: DMEA (2)
USBM (2)
USBM (AD)
Alvord

Docket

xxxxxxxxxxxxxxxxx
So. 157 Howard Street
Spokane 4, Washington

August 28, 1956

WSM

Copy retained 400

Mercury & Chemicals Corp.
Black Butte, Oregon

Re: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon

Gentlemen:

We have received a proposed contract for your DMEA project and are waiting for the Consent to Lien and Subordination Agreement sent directly to you by our Washington office with a letter of transmittal dated August 17, 1956, and signed by W. S. Martin, Chief, Iron and Ferro-Alloys Division.

As soon as we receive the original and five duly signed copies of these documents we will forward the proposed contract for your consideration and, if acceptable to you, for your signature.

Sincerely yours,

King G. Agnew
Acting Executive Officer, DMEA
Field Team, Region I, NW District

cc: DMEA (3)
USBM (2)
USBM (AD)
Alvord

DOCKET
SURNAME
400

McMahon
Martin
Chapman
Selfridge
Johnson
Williams

AUG 22 1956

Mr. A. E. Weissenborn, Executive Officer
DMEA Field Team, Region I - NW District
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA 4263 - Mercury
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon

Dear Mr. Weissenborn:

Enclosed are the original and five copies of a proposed contract for an exploration program at the above-referenced property, signed by the Administrator for the Government, together with Annex I (1 page), Exhibit "A" (2 pages), and 2 maps. Two extra copies of Exhibit "A" and of the annex and maps are enclosed for the use of the Field Team.

If the terms and conditions of this proposed contract are satisfactory to you and the operator, all six copies should be signed and the usual distribution made.

If any part of this proposed contract does not have either your approval or that of the operator and can not be amended within your delegated authority, the original and all copies of the proposed contract are to be returned to this office, together with the proposed changes for consideration.

Under Article 1, the starting date has been left blank and is to be filled in when the contract is signed by the operator.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (S/G)

P. S. Ordinarily, raises of the size stipulated in the contract are not approved for exploration, but the unit cost is reasonable and we have allowed the size you recommended. Please see also your copy of W.S. Martin's August 17 letter to the operator.

APPROVED:

FRANK D. LAMB (S/G)
Member, Bureau of Mines

W. P. Williams (S/G)
Member, Geological Survey

ADMcMahon/fcc / 8/17/56
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. I - NWD
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosures

DOCKET

400

SURNAME

Martin Mattendorf

AUG 17 1956

Mercury & Chemicals Corp.
Black Butte, Oregon

Re: Docket No. DMEA 4263 - Mercury
Black Butte Mine
Lane County, Oregon

Gentlemen:

Enclosed are original and six copies of Consent to Lien and Subordination Agreement prepared on the latest Form MF-205, for execution by Quicksilver Syndicate to replace the forms submitted previously.

Our objection to the form submitted is that it did not bind the lessor because it was executed by an individual, the acknowledgment of his signature as "president" not identifying the company for which that individual was acting. Please note also that in completing paragraph four of the form submitted, unless there is some claim, lien or encumbrance on Quicksilver Syndicate's title, only the word "none" should be inserted. After execution, please send all copies of the Form MF-205 (except one copy which is for your files) directly to the Executive Officer, DMEA Field Team, Region I - Northwest District, South 157 Howard Street, Spokane 4, Washington.

Sincerely yours,

SIGNED

W. S. Martin, Chief
Iron and Ferro-Alloys Division

cc to: FT. REG. I - NWDistrict
J. W. Pennington, USBM
T. H. Killsgaard, USGS

WSMARTIN/fec 8/17/56
cc to: Docket
Code 400
Admr. Read. File

Enclosure

Note to FT - Reg. I - NWD: Mr. Gus Levathes, a Washington representative of the applicant, called here on August 17 to inquire about the status of the proposed contract and at his suggestion we are sending the above mentioned forms directly to the applicant. The proposed contract, if approved, will be sent to you in accordance with our usual practice.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

AUG 16 1956

Memorandum

To: The Administrator, DMEA
Attention: Chief, Iron and Ferro-Alloys Division

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-4263, Mercury & Chemicals Corp.

Pursuant to your memorandum dated August 1, 1956, we have prepared the attached contract in satisfactory legal form for execution, subject to the attachment of the two maps referred to in the contract, and attachment of new Consent-to-Lien form.

The Consent to Lien submitted does not identify the lessors. It is signed by an individual and the acknowledgment of his signature as President does not identify the company of which the individual is president. Consent-to-Lien forms for your use are attached.

Robert P. Dwyer

Robert P. Dwyer

Attachments

HCRubin/emd
Copy to: Solicitor's Docket (2)
DMEA Docket
W. S. Martin
R. P. Dwyer
H. C. Rubin
chron.

400

DOCKET
SURNAME
McMahon
Martin

August 1, 1956

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Iron and Ferro-Alloys Division, DMEA

Subject: Preparation of contract
Docket No. DMEA 4263 - Mercury
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon

Transmitted herewith is a draft of a proposed contract for the captioned project for your use in preparing the contract in final form.

W. S. Martin, Chief
Iron and Ferro-Alloys Division

Attachment

ADMcMahon/foc
8/1/56
cc to: Docket
Code 400

EXPLORATION PROJECT CONTRACT
MERCURY & CHEMICALS CORPORATION
DOCKET NO. DMEA 4263

ANNEX I

The land referred to in Article 2 of this contract consists of all of sec. 16, T. 23 S., R. 8 W., Willamette Meridian, Lane County, Oregon, as shown on the map entitled "FIGURE 1 - TOPOGRAPHIC MAP OF BLACKBUTTE MINE AND VICINITY", attached hereto and made a part hereof.

The Operator, Mercury and Chemicals Corporation, holds title to the above land by virtue of an assignment of a "Lease With Option To Purchase", dated September 29, 1955, and running for 10 years, between Quicksilver Syndicate, an Oregon Corporation, and Bernard J. Chubet.

EXPLORATION PROJECT CONTRACT
MERCURY AND CHEMICALS CORPORATION
DOCKET NO. DMEA 4263

EXHIBIT "A"

Attached hereto and made a part hereof is a map entitled "COMPOSITE GEOLOGIC MAP, BLACK BUTTE MINE, LANE COUNTY, OREGON, PLATE I", which shows the underground workings and proposed extension of the 1,100-level east drift.

Description of the Work

The estimated work consists of not more than 100 hours of bulldozing, approximately 640 feet of rehabilitation, not more than 1,200 feet of drifting and 300 feet of raising, not more than 2,000 feet of surface and 1,000 feet of underground diamond drilling, and construction of a change-storage building.

The items of exploration work to be performed are as follows:

1. Surface -

(a) 100 hours of bulldozing (D-8 or equivalent) to improve access road to 1,100 level adit portal and prepare three surface diamond drill sites.

(b) Diamond-drill three holes from surface, directed to intersect the bedded tuff ore zone at the 1,100 level and through to the footwall zone of the main fault. The first of these three holes is to be drilled about 300 feet east of the end of the proposed drift east on the 1,100-level; the other two holes shall be located eastward in line at approximately 300-foot intervals. The total footage for all three holes shall not exceed 2,000 feet. The first 100 feet of each hole shall be Bx size and the balance AX in size. The cores of all mineralized zones shall be

sampled and the samples assayed for mercury.

(c) Construct a change-storage building near the portal of the 1,100 adit level having a floor area not in excess of 1,000 square feet.

2. Underground

(a) Rehabilitate approximately 640 feet of air, water and vent pipe; change not in excess of 350 track ties; and timber over 9 old chutes.

(b) Drift east on the 1,100 level not more than 1,200 feet parallel with the main fault in the bedded tuff ore zone, timbering where necessary. The drift shall have a cross-section of five feet by seven feet in the clear and where timbered shall be 5 feet by seven feet in the clear of timber. In mineralized ground, each face of the drift shall be sampled and the samples assayed for mercury.

(c) Drive three two-compartment raises totaling not more than 300 feet from the new 1,100 level east drift extension. The location, direction and footage of each raise shall have prior written approval by the Government. Each compartment shall be six feet by four feet in the clear of timber. All mineralized zones shall be sampled at intervals of ten feet and the samples assayed for mercury.

(d) Diamond drill not more than 1,000 feet of AX size holes to explore ore zones from the new 1,100 level east drift extension.

FIXED UNIT COSTS

The unit costs for drilling includes all costs of drilling holes AX size or larger, including reaming and casing, cementing and redrilling, surveys, delays, and other miscellaneous items.

1. Surface

Bulldozing, 100 hours @ $15.00/hr.	$1,500.00
Diamond-drilling, 2,000 feet @ $6.00/ft.	12,000.00
Change- storage building	820.00
Total - Surface work	$14,320.00

2. Underground

Rehabilitation - 640 feet @ $3.00/ft.	$ 1,920.00
Drifting - 1,200 feet @ $26.00/ft.	31,200.00
Drift timbering - 500 feet @ $5.00/ft.	2,500.00
Raising - 300 feet @ $25.00/ft.	7,500.00
Diamond drilling - 1,000 feet @ $4.00/ft.	4,000.00
Assaying - 300 samples @ $3.00 per sample	900.00
Total - Underground Work	$48,020.00

SUMMARY

Estimated Total Cost of Surface Work	$14,320.00	
Estimated Total Cost of Underground Work	48,020.00	
Estimated Total Cost of Project		$62,340.00
Government Participation @ 75%		$46,755.00

MF-200A
(Rev. April 1956)

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT
(Short Form)

DMEA No.	*Commodity*	*Contract No.*	*County*	*State*
1263	Mercury	*Idm–E*	Lane	Oregon

It is agreed ....., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and ....Mercury and Chemicals Corporation.....

.....

.....

.....

whose mailing address is .....Black Butte, Oregon.....

.....

hereinafter called the "Operator," as follows:

ARTICLE 1. *Authority and project.*—(a) This contract is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF–200A), the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed therein. The project work is a search for indicated or undeveloped deposits of the commodity designated above. The Operator shall begin the work on or before ....., and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within ....Nine..... months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the project work is $....62,340.00..... The Government will contribute ....75.... percent of the fixed unit cost of the work performed, not exceeding $....16,755.00....., in accordance with the provisions of Articles 4 and 5.

(c) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. *Operator's property rights.*—(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's rights of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances: ....None.....

.....

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached, as follows: ....Consent to Lien.....

.....

(c) The Operator shall preserve and maintain his right, title, and interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing

in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof. Two copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. *Performance of the work.*—(a) Operator's responsibility.—The work shall be performed diligently, efficiently, expertly, in a workmanlike manner, and in accordance with good mining standards and State regulations governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work, as specified in Article 1 (a).

(b) *Government may inspect.*—The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract, and also after certification of discovery or development, to inspect production operations and underground workings. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. *Contribution by the Government.*—The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5 (b); but all payments by the Government are provisional only, subject to audit, and until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been rendered, the Government may withhold such sums as it sees fit but not in excess of 10 percent of the estimated total cost of the work. To the extent that excesses over fixed unit costs or any excess over the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such excesses for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. *Reports, accounts, audits.*—(a) Operator's records.—The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) *Progress reports and vouchers.*—The Operator shall provide the Government with five copies of monthly progress reports in three sections as follows: (1) Operator's Monthly Report and Voucher showing a detailed statement of units of work performed during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and the fixed unit costs incurred for each type of work; and (3) a Narrative Report of the work performed during the reporting period including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground. (Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) *Final report.*—Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final progress report and voucher). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) *Report of sales.*—The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's percentage royalty relates, such as copies of smelter or concentrator settlement sheets, and certified accounts of production and sale or other disposition of production.

(e) *Compliance with requirements.*—If in the opinion of the Government any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the making or completion of such with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. *Repayment by Operator.*—(a) *Certification.*—If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered a sufficient final report (see Article 5), may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

(b) *Royalty on production.*—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 his interest in the land), shall pay to the Government a royalty on all minerals mined or produced from the land, as follows: (1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first; or (2) if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

(c) *Basis for computation.*—The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f. o. b. point); *except,* that charges of *the buyer* arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by *the buyer,* sampling and assaying to determine the value of the production sold, and freight paid by *the buyer* to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling, assaying, or transportation performed or paid by the Operator or by anyone other than the buyer are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(d) *Unsold production.*—If any production (ore, concentrates, metal, or equivalent) after the lapse of six months from the date the ore was extracted from the ground remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance, if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrates, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) *Percentages of royalty.*—The percentages of the Government's royalty shall be as follows:

One and one-half (1½) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.

(For instance: the royalty on an amount of five dollars ($5.00) per ton would be one and one-half (1½) percent; on an amount of ten dollars ($10.00) per ton, three and one-half (3½) percent.)

(f) *Time for computation and payment.*—The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be, as above provided in this Article.

(g) *Lien for payment.*—To secure the payment of its percentage royalty, there is hereby granted to the Government a lien upon the land or the Operator's interest in the land and upon any production of minerals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(h) *Notice to purchasers.*—The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Administrator, Defense Minerals Exploration Administration, or his successor, and his estimate thereof shall be final and binding upon the Operator.

(i) *No obligation to produce.*—Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(j) *Government not obligated to buy.*—Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

ARTICLE 7. *Termination of the Government's obligations.*—(a) If in the opinion of the Government operations at any time have failed to achieve anticipated results that indicate the probability of making a worthwhile discovery and in the opinion of the Government further operations are not justified, the Government may give the Operator written notice thereof, and thereupon the Government shall be free of all obligation to pay on account of units of work not then performed, and the Operator shall be free of all further obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting.

(b) If in the opinion of the Government the Operator is in any manner in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting. The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and liens to secure the payment thereof, and such rights shall be fully preserved.

ARTICLE 8. *Notices to be given by the Government* may be delivered to the Operator or may be sent by registered mail addressed to the Operator at the mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. *Officials not to benefit.*—No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 10. *Changes and added provisions.*—

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

.....
(Operator)

By .....

By .....

.....

I, ..., certify that I am the ..... secretary of the corporation named as Operator herein; that ....., who signed this contract on behalf of the Operator, was then ..... of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

.....

[CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE: 1956—O-383069

Docket

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

RECEIVED
JUL 19 1956

Copy retained 400

July 19, 1956

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: Commodity Industry Analyst, Branch of Base Metals

Subject: Review of Field Team Report, Docket No. DMEA 4263 (mercury) Mercury and Chemicals Corp., Black Butte Mine, Lane County, Oregon

The Field Team report on this property by D. C. Alvord, Geological Survey, and J. D. Bardill, Bureau of Mines, has been reviewed.

The applicant had proposed a total of 1,200 feet of parallel drifts southeastward from the 1,100 level to explore the ground beneath the Smokey stope and 900 level; four hundred feet of raises to the 900 level and 5,000 feet of diamond drilling to further test the ground; rehabilitation of the 900 level and retimbering of service chutes, and miscellaneous work at an estimated total cost of $105,409.00.

Analysis of the applicant's program by the examiners led to the belief that certain of the proposals were not exploration and that the estimated costs of others were excessive.

As a result, the examiners have proposed a modified program estimated to cost $61,341.21. They believe that conditions are favorable for the discovery of mineralized areas assaying 3 to 4 pounds of mercury per ton. Moreover, they state that with careful management the material can be mined and processed at a profit.

I cannot agree with the statements of the Field Team that 3 pound mercury ore can be mined from this property and processed at a profit. The Field Team data support my view. It is stated that mining and processing costs are estimated to be $9.03 a ton. This is a conservative figure and apparently is direct and not total costs. In any event, the mercury market has been weakening and the price now is about $255 a flask (not $270 as stated in the report). Also, estimates

should be based on the guaranteed price of $225 a flask which would, according to the data of the Field Team, make the ore worth $8.43 a ton. That means, according to their estimates, a loss of at least $0.60 per ton.

However, the possibility of discovering more and higher grade ore should be investigated and I recommend that the modified program of the Field Team be approved.

J. W. Pennington

J. W. Pennington

Copy to: Division of Minerals
Branch of Base Metals (2)
Thor Kiilsgaard, U. S. G. S.
R. W. Geehan
F i l e s

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

July 13, 1956

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: T. H. Kiilsgaard, U. S. Geological Survey

Subject: Review of Field Team report, DMEA Docket 4263 (Mercury), Mercury and Chemicals Corp., Black Butte mine, Lane County, Oregon.

The field examiners in a very well-prepared report recommend approval of a modified exploration contract for the cited applicant. All of the changes proposed by the field examiners appear to be warranted and should be incorporated in any contract written by DMEA.

Concerning the modifications, it is suggested that care be taken to include all of section 16 as land obligated to contract terms rather than part of the section as proposed by the applicant in his letter of April 28, 1956, to A. E. Weissenborn. It is also suggested that all raising allocated in the contract should be done only with prior approval of the Government. In this respect it might be noted that the applicant wants to use the raising to connect the 1100 level with the 900 level, whereas the field examiners do not stipulate where the raises will be. Perusal of the cross sections on Plate 3 shows that raises requested by the applicant could be used only for mining and ventilation purposes; they would have little exploratory value. It would instead be better exploration to drive blind raises to the northeast, at angles of about 50 degrees, to crosscut the zones of mineralization. In fact, all exploration north of the proposed 1100 level drifting could be done quicker and cheaper by raises than by crosscuts, assuming the drift and projected locations of the ore zones are plotted correctly on the map. Only to the southwest would crosscutting from the drift be advantageous, assuming crosscutting is allocated as suggested in the Field Team letter of June 27, 1956.

I recommend approval of a unit cost contract, the exploration project to be as recommended by the field examiners.

T. H. Kiilsgaard

T. H. Kiilsgaard

Docket

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
JUL 2 - 1956

June 27, 1956

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

Re: Docket No. DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon

Dear Mr. Selfridge:

Enclosed are four copies of a memorandum by D. C. Alvord, Geological Survey, and J. D. Bardill, Bureau of Mines, recommending approval of the application.

There appears to be a good possibility of discovering a significant tonnage of ore containing 3 to 4 pounds of quicksilver per ton in extension of known ore shoots and in new ore shoots. Although the grade is low it is believed that with careful management ore of this grade can be mined at present prices, and under the conditions that exist at the Black Butte property. There appears to be at least some possibility that some ore of slightly higher grade might be discovered. ?

We recommend approval of the program as revised by the field examiners. We suggest, however, that subject to Field Team approval some of the drifting provided for on the 1100 level (item 4 of the proposed program) could be used for crosscutting to any orebodies found by the underground drilling (item 6 of the proposed program).

By Field Team, Region I, NW District

Reviewed by
DMEA OPERATING COMMITTEE
7-9-56
(date)

A. E. Weissenborn
A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

Thomas E Howard
for: Wing G. Agnew, Member
U. S. Bureau of Mines

Enclosure

cc: USBM (2)
USGS(SRO)
Alvord

RECEIVED
JUL 2 - 1956

ON-SITE Report

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
So. 157 Howard Street
Spokane 4, Washington

Reviewed by
DMEA OPERATING COMMITTEE June 6, 1956

7-9-56
(date)

MEMORANDUM

To: DMEA Field Team, Region I, Northwest District

From: D. C. Alvord, Geologist, U. S. Geological Survey, and
J. D. Bardill, Mining Engineer, U. S. Bureau of Mines

Subject: Examination Report, Docket No. DMEA-4263 (Mercury),
Mercury & Chemicals Corp., Black Butte Mine, Lane County,
Oregon

INTRODUCTION

The property was examined on May 4, 1956. Mr. R. P. Fischer, President, Mr. H. E. Larsen, Superintendent, and Mr. C. N. Schuette, Consulting Geologist, assisted the field examiners during the examination. The 1100 level adit workings were already cleaned out and retimbered, and the truck trail to the 1100 portal had been improved.

Recommendation

We recommend the application as modified herein be approved.

Summary

At Black Butte mine mercury ore shoots are localized along the shear zone of a steeply dipping northwest-trending fault and along the bedding planes of the country rock (volcanics). The main ore-bearing fault zone extends at least half a mile east of the present workings.

Total production from the mine is about 14,000 flasks of mercury, much of which was extracted from rock averaging only slightly more than 2.5 pounds of mercury per ton. Exploration conducted by the U. S. Bureau of Mines in 1942, however, indicates that the ore averaged between 3 and 4 pounds of mercury per ton and that substantial reserves (76,000 tons) averaging nearly 3 pounds of mercury per ton remain in the mine.

Exploration is recommended to test the downward continuation and lateral extent of an ore shoot indicated by Bureau of Mines drilling and to search for new ore shoots east of the present mine workings. Twelve hundred feet of drifting, 300 feet of raising, and 3,000 feet of diamond drilling are recommended for the program.

APPLICANT

Mercury & Chemicals Corp.
A Delaware Corporation
342 Madison Avenue
New York, N. Y.

Richard P. Fischer, President
1897 Riverview Street
Eugene, Oregon

James K. Cogswell III,
Vice-President
270 Park Avenue
New York, N. Y.

George Ornstein, Treasurer
342 Madison Avenue
New York, N. Y

E. Haring Chandor, Secretary
342 Madison Avenue
New York, N. Y.

Mr. Fischer has a degree in geological engineering and has about ten years of experience in mining, geology, and business administration. The corporation has retained as superintendent, Mr. H. E. Larsen, a well-known mining engineer with considerable experience in the exploration and mining of mercury. In addition, the corporation retains as consultant Mr. Curt N. Schuette, geologist, Sebastopol, California, who is widely known in the mercury industry and the author of several papers on the subject. Mr. Daniel J. Mills, foreman of the mine when it was last operated, is also retained as consultant.

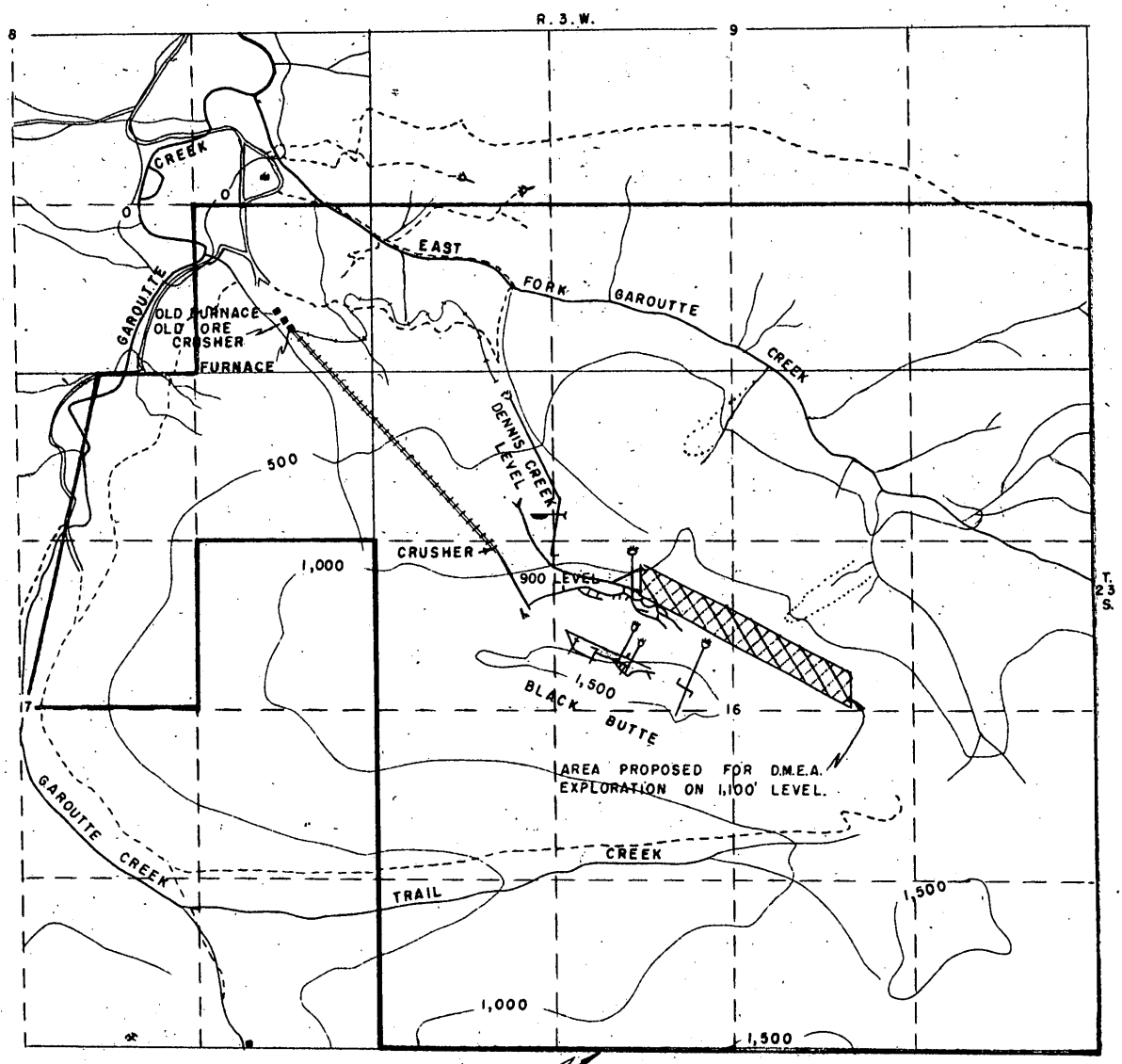
The applicant is apparently able to finance its share of the exploration program and undoubtedly is well qualified to conduct such a program.

LOCATION

The Black Butte mine is in sec. 16, T. 23 S., R. 3 W., Black Butte-Elkhead district, Lane County, Oregon (see plate 1, index map). It is reached from Cottage Grove, Oregon, the nearest railroad shipping point, by 16 miles of county highway, most of which is surfaced. The roads are open the year around.

PROPERTY RIGHTS

The Mercury & Chemicals Corporation controls by lease with option to purchase the mining and milling rights to an area of land amounting to nearly 1½ sections (fig. 1). The lease was executed on September 29, 1955, between Bernard J. Chubet, New York, N. Y., (lessee) and the Quicksilver Syndicate, a corporation in the State of Oregon and the lessor. The term of the lease is ten years from the date of execution and, at the option of the lessee, it may be renewed an additional term of five years. The lease was assigned by Bernard J Chubet to Mercury & Chemicals Corporation on September 29, 1955.



500 0 2,000 FEET
CONTOUR INTERVAL 500 FEET
(ARBITRARY DATUM)

FIGURE 1 - TOPOGRAPHIC MAP OF BLACKBUTTE MINE AND VICINITY

The land involved is held in fee simple by the lessee and includes: sec. 16, the S½S½ sec. 9, the SE¼SE¼ sec. 8, and about 3/4NE¼ sec. 17, all within T. 23 S., R. 3 W. (fig. 1). The ground proposed for exploration, however, is located in the central portion of section 16 and it is suggested that the Government should concern itself only with the lessor's rights regarding section 16. A consent to lien covering the applicant's ground has been signed by the lessor and was submitted with the application.

Description of the Property

The mine is on the north slope of Black Butte, a steep-sided hill rising about 1,600 feet above the adjacent valleys (fig. 1). It is in the western foothills of the Cascade Range where the climate is characterized by fairly dry summers and rainy winters.

The mine is developed with 8 adit levels extending from the 100 level near the top of the Butte down to the 1650 (Dennis Creek) level (pls 1 and 2). There are no shafts in the mine but the various levels are connected by raises, winzes, and open stopes. Most of the adit portals are caved and entrance into some portions of the underground workings is presently either impossible or extremely hazardous due to caving and disrepair of manways; nevertheless, the ground generally stands well, many large stope areas have remained open throughout the years and timbering is rare. The applicant has already retimbered the portal zone of the 1100 level and plans to reopen the 900 level in the near future.

The office and plant buildings are about 500 feet below the 1100 level portal and are connected by a steep truck trail with both the 1100 and 900 levels. These buildings are all in disrepair and the crushing and furnace plants are presently being demolished, with portions salvaged. One building is remodeled for use as a combined office, warehouse, and change room. Other mine buildings on the property are not considered worth repairing.

LITERATURE

The Black Butte mercury deposit has been the subject of considerable study. The reader is particularly referred to Waters (1945) and Anonymous (1943) as these reports contain excellent summaries of the geology and reserves of the deposit that are an aid in evaluating the applicant's proposal.

1. Waters, A. C., 1945, Notes and preliminary maps of the Black Butte mine, Lane County, Oregon: Strategic Minerals Investigations Preliminary Report 3-186 (open-file).

2. Anonymous, 1943, Black Butte Mine, Lane County, Oregon: War Minerals Report 48.

3. Schuette, C. N., 1938, Quicksilver in Oregon: State of Oregon Dept. of Geology and Mineral Industries Bull. No. 4.

4. Wells, F. G., and Waters, A. C., 1934, Quicksilver deposits of southwestern Oregon: U. S. Geol. Survey Bull. 850.

5. Elmer, W. W., 1930, Mining methods and costs at the Black Butte quicksilver mine, Lane County, Oregon: U. S. Bureau of Mines I. C. 6276.

The following discussions of the geology and reserves of the Black Butte deposit are abstracts or quotes from portions of the above reports.

GEOLOGY

Black Butte is composed of beds of andesitic lavas, tuffs, and breccias (Tertiary Calapooya formation) that dip to the northeast. Locally, these rocks have been intruded by dikes and irregular-shaped masses of basalt and andesite.

The main Black Butte vein is a normal fault, the trace of which roughly follows the crest of Black Butte; it strikes about N. 70° W. and dips 50°-60° N. Numerous parallel to subparallel smaller faults are distributed through a wide zone on both sides of the main fault. The fault zone is fairly narrow from the 900 level up but widens considerably below the 900 level and becomes poorly defined.

Mercury-bearing solutions rising along the main fault zone and following along the smaller faults, joints, and bedding planes in the volcanics, strongly altered the rocks and locally produced silicified zones and ore shoots. The alteration is characterized by carbonatization and kaolinization, and the silicified zones by chalcedony and quartz. Opal, chlorite, sericite, pyrite, and marcasite occur in accessory amounts. Calcite veins and veinlets are locally abundant, some of which are quite large. The alteration zone continues east along the ridge at least half a mile past the present mine workings.

Mercury occurs as cinnabar with subordinate amounts of metacinnabar and quicksilver, chiefly within or near the main fault and along bedded tuff contacts. In the richer shoots the cinnabar occurs chiefly as discontinuous veinlets and blebs but much ore-grade rock contains cinnabar as disseminated fine specks.

Ore Shoots

The Black Butte ore shoots occur both within or along the main fault and along contacts between bedded tuffs. The walls of the shoots are indefinite and diffuse; in mining they are simply the limit of the economic rock. The tenor within a shoot varies widely but most of the past production has run around 2.5 pounds of mercury per ton (see page 7, this report). Sampling by the U.S. Bureau of Mines, however, indicates that much of the ore has run between 3 and 4 pounds of mercury per ton and that substantial reserves averaging 3 pounds of mercury per ton remain in the mine (Anon., 1943, p. 1).

Ore shoots along the main fault.--By far the largest ore shoot in the mine has been followed continuously along the main fault from the top of Black Butte down to the 1100 level (pl. 2, Big Stope and others). The shoot rakes westward, and measured along rake it is at least 1,200 feet long. Its width varies from 3 to 40 feet and its length at right angle to the rake averages 300 feet. It has not been explored below the 1100 level. In general the richest portions of this shoot are in the more silicified and shattered rocks of the structure although some of the silicified zones are nearly barren. Locally some ore also occurs in the carbonatized and kaolinized rocks within and near the fault.

A small stope extending from the 500 level west to above the west end of the 400 level developed ore in the main fault of the same character as just described. There is ore between these stopes and they are apparently in the same shoot.

Ore shoots along contacts.--Stopes on the east end of the 900 level and west end of the 1100 level developed ore in shoots following beds in tuffs that are located more than 100 feet north of the hanging wall of the main fault.

The Smoky stope ore shoot (pls. 1 and 2) follows the contact between a purple-brown tuff underlain by an altered white- to light-buff tuff. The basal zone of the purple-brown tuff is locally silicified and the best ore occurs within and immediately below the silicified localities. With the Smoky stope the underlying white tuff is strongly carbonatized and kaolinized but westward it becomes increasingly silicified; the tenor diminishes and disappears westward as the silicification increases. The east end of the Smoky stope shoot is cut off by a northeast-trending cross fault.

The contact between the tuffs strikes N. 80° W. and dips about 35° N.; its overall dip, however, is 45° or 50° due to repeated offsetting by small faults with downthrow to the northeast.

At the west end of the 1100 level the stopes develop shoots in partially silicified tuffs interstratified between volcanic breccias.

Ore shoots along steeply dipping shears north of the main fault.--At the west end of the workings small stopes from the Dennis Creek (1,500-foot) level have developed low-grade ore localized in the vicinity of a series of steeply dipping fractures that strike roughly parallel to the main fault. The fractures are in an andesitic lava bed and the cinnabar occurs as veinlets and disseminated particles in irregularly altered rock near the fractures.

PAST PRODUCTION

The Black Butte mine was first discovered in the early 1890's and was worked intermittently until January 1942; since then it has not been operated. Total production is about 14,000 flasks, about 10,000 of which were produced from 300,000 short tons of ore mined chiefly off the 600, 900, and 1100 levels (Anon., 1943, p. 3). Thus the average grade of this ore would appear to be only 2.53 pounds of mercury per ton, a figure contrary to the 3- to 4-pound range reported in many publications (Waters, 1945, p. 3; Anon., 1943, p. 4; Wells and Waters, 1934, p. 33; and Schuette, 1938, p. 138-9).

BUREAU OF MINES EXPLORATION AND ORE RESERVES

In 1942 the U. S. Bureau of Mines explored the Black Butte mine with 7 diamond drill holes and with more than 900 channel samples taken from the 400, 900, and 1100 levels.

Four of the holes were drilled from the surface to test the downward extension and westerly rake of the Smoky Stope ore shoot (pl. 1). Three of these holes penetrated ore-grade rock (pls. 2 and 3) and this information, combined with sampling done on the 900 level above (pl. 4), developed an inferred block of ore 490 feet long extending 150 feet below the 900 level and averaging at least 10 feet in width. This block was calculated to contain 56,400 tons averaging 3 pounds of mercury per ton (Anon., 1943, p. 13).

Bureau sampling on the 900 level also indicated another block of ore east of the Smoky Stope and above the 900 level. About 16,000 tons of ore averaging 2.71 pounds of mercury per ton were estimated for this block (Anon., 1943, p. 14).

Bureau sampling at the west end of the 1100 level showed ore in the drift, but inaccessible stopes both above and below the drift made reserve estimation impracticable (pl. 5). This ore follows the contact between tuff beds and lies more than 100 feet from the footwall of the main fault zone. The Bureau drilled two holes from the west end of the 1100 level to test the zone between the footwall of the main fault and the ore following the tuff beds. Neither of these holes penetrated ore near the fault.

Bureau sampling on the Dennis Creek (1650) level failed to find ore in the main fault zone. A hole drilled from this level for 40 feet into the footwall of the main fault zone also was barren.

Sampling at the west end of the 400 level disclosed about 4,000 tons of rock averaging 3.6 pounds of mercury per ton.

Thus, although production figures indicate that much of the Black Butte ore has averaged only a little more than 2.5 pounds of mercury per ton, Bureau of Mines exploration shows that substantial tonnages of 3-pound rock are present in the mine. Apparently the Black Butte structure offers a favorable zone of exploration in which quite large shoots of 3-pound ore are likely to be encountered.

APPLICANT'S PROPOSAL

The applicant has proposed a total of 1,200 feet of parallel drifts southeastward from the 1100 level to explore the ground beneath the Smoky Stope and 900 level. Four hundred feet of raises to the 900 level and 5,000 feet of diamond drilling are proposed to further test this ground. Aid is also requested to reopen the 900 level and to retimber service chutes thereon so that production from the 900 level can be maintained contemporaneously with exploration on the 1100 level.

APPLICANT'S PROPOSED PROGRAM OF EXPLORATION

The following is a summary of the applicant's proposed exploration program:

Rehabilitation of old workings

900 Level

1,160 feet of cleanup:

1,010 feet of cleanup @ $4/ft.	$4,040.00	
150 feet cleanup and heavy timbering of adit @ $30/ft.	4,500.00	
14 chutes to be timbered over:		
13 lightly timbered @ $25/chute	325.00	
1 heavily timbered @ $250	250.00	
Replacing 1,160 feet of ties @ $0.30/ft.	348.00	
400 feet water pipe @ $0.30/ft.	120.00	
		$ 9,583.00

1100 Level

8 Chutes to timber over @ $25/chute	$ 200.00	
1 heavily timbered @ $250	250.00	
640 feet air and vent pipe @ $3.20/ft.	2,048.00	
160 feet water pipe @ $0.30/ft.	48.00	
		$ 2,546.00
1,200 feet 5'x7' drift @ $31.00/ft.		37,200.00
400 feet 6'x9' raises @ $36.15/ft.		14,460.00
5,000 feet diamond drilling @ $4.00/ft.		20,000.00
150 hours bulldozing to clear building site and access road @ $15.00/hr.		2,250.00
Change room, warehouse, assaying and accounting office, 40'x48' @ $2.64/sq. ft.		5,070.00

Living quarters at mine	3,000.00
Consultants - $350/mo. for 12 months	4,200.00
Bookkeeping - $175/mo. for 12 months	2,100.00
Contingencies	5,000.00
Total estimated cost	$105,409.00

The applicant made the following breakdown of drifting and raising costs on the 1100 level:

	Drifting Ft.	Raising Ft.
Labor	$14.00	$12.00
Supervision	7.00	6.00
Explosives	2.10	1.90
Timber	3.00	12.00
Power	1.00	1.00
Bits	0.30	0.30
Water, vent and air pipe	3.60	2.95
	$31.00	$36.15

Analysis of Applicant's Costs

Rehabilitation of the 900 level is clearly development and Government aid for this work should not be considered. This level was thoroughly sampled under Bureau of Mines Project 408. The assay maps are available.

Drifting east on the 1100 level to explore the downward continuation of the ore in bedded tuffs below the Smoky Stope is sound exploration, and it is believed that Government participation in such work is justified. Participation in parallel drifting, as the applicant has proposed, is not considered warranted.

The bulldozer time for improving the access road to the 1100 level adit portal and surface diamond drill sites should be reduced to 100 hours.

A building having a floor area of about 1,000 square feet should suffice for a change room and storage near the 1100 level portal. Since the winters are temperate a lean-to type shelter with open sides should be adequate housing for a portable compressor. If the contract is on an agreed unit cost basis, the Operator should provide bookkeeping quarters. The application contains an item of $175 per month for bookkeeping, which is excessive.

It is understood that the applicant plans to mine and treat the known ore simultaneously with the exploration contract work, so living quarters would probably serve as quarters for the production crew as well as for the exploration crew.

Contingencies are not necessary on a unit cost basis.

The consultant fee at the rate of $350 per month seems excessive. About $200 per month for this service should be adequate.

The applicant's estimated costs for drifting and raising seem high, particularly the charge for supervision and drift timbering. Unless conditions change markedly, very little timber, if any, should be needed in the drifts. More realistic estimated costs are given under the proposed modified program herewith.

DMEA'S PROPOSED PROGRAM OF EXPLORATION

Drilling by the Bureau of Mines has indicated the downward continuation of ore in bedded tuffs below the Smoky Stope and has, coupled with the 1100 drift east, roughly delimited the western limit of this shoot. The eastern limit of this shoot remains to be demonstrated. In addition, very little is known concerning the Black Butte structure east of the Smoky Stope and exploration on the 1100 drift east to search for new shoots is warranted. Therefore, to test the downward extension of the Smoky Stope and to explore the Black Butte structure east of the present workings, the following program is suggested:

1. Improve access road to 1100 level adit portal and clear 3 surface diamond drill sites with not in excess of 100 bulldozer hours.

2. Rehabilitate about 640 feet of air, water and vent pipe, not in excess of 350 track ties and timber over 9 old, rotten chutes on the 1100 level.

3. Construct a change-storage building near the portal of the 1100 adit level having a floor area of about 1,000 square feet.

4. Drift not more than 1,200 feet east on the 1100 level, extending it parallel with the main fault in the bedded tuff ore zone, timbering the drift where necessary.

5. Drive 3 raises totaling not more than 300 feet from the new 1100 level east drift extension at locations and footages with prior approval of the Government and mutually agreeable to the Government and Operator.

6. Not more than 1,000 feet of AX size diamond drill holes to explore the ore zones from the new 1100 level east drift extension.

7. Three diamond drill holes from the surface, directed to intersect the bedded tuff ore zone at the 1100 level and through to the footwall zone of the main fault, the first of these to be drilled about 300 feet east of the end of the proposed DMEA drift east and the others eastward in line on approximate 300-foot centers for a maximum total of 2,000 feet. The first 100 feet of each hole shall be BX size and the balance AX in size.

Operating Equipment Depreciation Allowance

The Operator submitted the following list of equipment which is planned to be used on the project and for which depreciation should be allowed at one-sixtieth of the cost per month.

Item	Cost	Monthly depreciation
1 - 330 cfm air compressor, skid mounted 2/	$5,450.00	$90.83
1 - air receiver 2/	464.00	7.73
2 - jackhammers 1/	800.00	13.33
1 - jackleg 1/	180.00	3.00
1 - stoper 3/	635.00	10.58
3 - mine cars @ $285 2/	855.00	14.25
1 - air trammer 2/	2,750.00	45.83
1 - mucking machine 1/	3,470.00	57.83
1 - pickup truck 2/	2,651.00	44.18

Note: 1/ Used for drifting
2/ Used for drifting and raising
3/ Used for raising

The depreciation allowance for operating equipment was calculated on the basis of one-half for drifting and one-half for raising when the same items of equipment were used for working both faces at the same time, since the daily advance was calculated at 8 feet each. The following tabulation shows the breakdown of depreciation between drifting and raising.

Item	Total Depreciation Drifting 6 mo.	Total Depreciation Raising 1½ mo.
1 compressor	$ 476.85	$ 68.13
1 air receiver	40.57	5.81
2 jackhammers	79.98	--
1 jackleg	18.00	--
1 stoper	--	15.87
3 mine cars	74.80	10.70
1 air trammer	240.60	34.38
1 mucking machine	346.98	--
1 pickup truck	231.82	33.14
	$1,509.60	$168.03

ESTIMATED COST OF PROJECT

Drift and raise simultaneously at rate of 8 ft/24 hrs. each on 2-shift per day basis.

Duration of contract 7 months with drifting and raising to be completed in 6 months.

(1) Independent contracts:

		Total cost
a. Not more than 100 hours @ $15/hr. bulldozing to improve access road to 1100 level adit portal and clear 3 surface diamond drill sites		$1,500.00
b. Not more than 1,000 feet of AX size diamond drill holes from the new 1100 level drift @ $4/ft.		4,000.00
c. Three diamond drill holes from the surface, the first 100 feet of each BX size @ $6.50/ft. and the balance of not more than 1,700 feet AX size @ $6/ft.		12,150.00
Drifting on 1100 level - 1,200 feet, 6 months, 5'x7' clear of timber		17650
(2) Labor, supervision and consultants		
Labor:		
4 miners @ $16.00/day, 150 days	$9,600.00	
2 trammers @ $14.40/day, 150 days	4,320.00	
1 surfaceman @ $14.40/day, 150 days	2,160.00	$16,080.00
Supervision:		
Mine Supt. - 2 hrs/day @ $750/mo. for 7 months		1,312.50
Technical Services:		
Consulting geologist - 2 days/mo. @ $50/day for 7 months	700.00	
Bookkeeping - $25/mo. for 7 months	175.00	875.00

(3) Operating Materials and Supplies

Explosives: 7,500 lbs. 35% gelatin @ $22.65/100 lbs.	1,698.75	
No. 6 blasting caps: 3,000 @ $25/M	75.00	
18,000 ft. safety fuse @ $11.50/M	207.00	1,980.75
Air, water, vent pipe @ $2.30/ft. @ 50% salvage - 1,200 feet	1,380.00	
Used 30-lb. rail @ $85/ton plus spikes, fishplates, ties, etc. @ $0.25/ft. or total of $1.10/ft. @ 50% salvage value - 1,200 feet	660.00	
300 feet 1" air hose & fittings @ $0.80/ft.	240.00	
300 feet water hose @ $0.35/ft.	105.00	345.00
Drill steel and bits @ $0.75/ft.	900.00	
Misc. tools @ $0.30/ft.	360.00	
Diesel power fuel @ $1.00/ft.	1,200.00	
Repairs @ $1.00/ft.	1,200.00	3,660.00

(4) Operating Equipment

To be rented: none

To be purchased: none

To be furnished:

Depreciation 1,509.60

(7) Miscellaneous

Unemployment compensation, indust. accident, Soc. Security, etc. @ 12.5% of payroll	2,174.06	
Sampling and assaying Each 5 ft. - 240 samples @ $3/ea.	720.00	2,894.06

(8) Contingencies: none

Total estimated cost of drifting $30,696.91 25.58

Raising from 1100 level, 300 feet, 1½ months
2-compartment, each compartment 6'x4'
clear c.' timber

(2) Labor, supervision and consultants

Labor:		
4 miners @ $16.00/day, 38 days	2,432.00	
2 trammers @ $14.40/day, 38 days	1,094.40	
		3,526.40
Supervision:		
Mine Supt. - 2 hrs/day @ $750/mo., 2 months		375.00
Technical services:		
Consulting geologist, 2 days/mo. @ $50/day, 2 months	200.00	
Bookkeeping - $25/mo., 2 months	50.00	
		250.00

(3) Operating Materials and Supplies

Explosives: 1,875 lbs. 35% gelatin @ $22.65/100 lbs.	424.69	
No. 6 blasting caps: 750 @ $25/M	18.75	
4,500 ft. safety fuse @ $11.50/M	51.75	
		495.19
Air, water and vent pipe @ $2.30/ft. @ 50% salvage, 300 feet		345.00
Timber:		
6-ft. stulls @ $0.20/lin.ft., spaced 5 ft. apart, 300 feet	90.00	
2"x5'x6' partition @ $50/M bd.ft., 300 feet	180.00	
300 feet ladders @ $0.50/ft.	150.00	
Wedges, 300 feet @ $0.10/ft.	30.00	
		450.00

100 feet 1" air hose & fittings @ $0.80/ft.	80.00	
100 feet water hose @ $0.35/ft.	35.00	115.00
Drill steel & bits @ $0.75/ft., 300 feet	225.00	
Misc. tools @ $0.30/ft.	90.00	
Diesel power fuel @ $1/ft.	300.00	
Repairs @ $1.00/ft.	300.00	915.00

(4) Operating Equipment

To be rented: none

To be purchased: none

To be furnished:

Depreciation		168.03

(7) Miscellaneous

Unemployment compensation, indust. accident, Soc. Security, etc. @ 12.5% of payroll	487.68	
Sampling and assaying Each 5 ft. - 60 samples @ $3/ea.	180.00	667.68

(8) Contingencies: none

Total estimated cost of raising 300 feet 7,307.30 24.35

Ground stands without timber so 6-ft. stulls placed at 5-ft. intervals with 2"x12"x5' rough lumber for partition between manway and ore passage should suffice.

(5) Rehabilitation and Repairs

1100 level:

Pipe - air, vent and water lines, 640 feet

3-in. air line @ $1.00/ft. @ 50% salvage	320.00	

10-in. vent pipe @ $1.00/ft. @ 50% salvage	320.00		
1-in. water line @ $0.30/ft.	96.00		
Labor and insurance to install @ $0.90/ft.	576.00		
		1,312.00	
Replacing rotten track ties:			
Approx. 350 ties @ $0.25/tie	87.50		
Labor and insurance to install @ $0.25/tie	87.50	175.00	
Timbering over old rotten chutes:			
8 small, lightly timbered chutes @ $25.00/chute	200.00		
1 large heavily timbered chute, approx. 8 feet long @ $30/ft. (may be full of waste rock)	240.00		
		440.00	
			1,927.00
(6) New Buildings			
Construct change-storage building near 1100 level portal having approx. 1,000 sq. ft. floor area @ $2.75/sq. ft. @ 30% salvage			825.00
(7) Miscellaneous			
Not more than 500 feet of 1100 level drift timbering where necessary @ $5.00/ft.			2,500.00
Sampling and assaying 145 drill cores @ $3.00/ea.			435.00
Total estimated cost of project			$61,341.21

RECAPITULATION OF ESTIMATED COSTS

Item	Drifts 1,200 ft.	Raises 300 ft.	Total Cost
(1) Unit Contracts:			
100 hrs. bulldozing			$ 1,500.00
1000 ft. underground diamond drilling			4,000.00
2000 ft. surface diamond drilling			12,150.00
(2) Labor, Supervision, Technical Services:			
Labor	$16,080.00	$3,526.40	19,606.40
Supervision	1,312.50	375.00	1,687.50
Technical services	875.00	250.00	1,125.00
(3) Operating Materials and Supplies:			
Explosives	1,980.75	495.19	2,475.94
Pipe and accessories	1,380.00	345.00	1,725.00
Rail and accessories	660.00	--	660.00
Timber	--	450.00	450.00
Hose and accessories	345.00	115.00	460.00
Drill steel and bits	900.00	225.00	1,125.00
Misc. tools	360.00	90.00	450.00
Fuel	1,200.00	300.00	1,500.00
Repairs	1,200.00	300.00	1,500.00
(4) Operating Equipment			
Depreciation	1,509.60	168.03	1,677.63
(5) Rehabilitation and Repairs			1,927.00
(6) New Buildings			825.00

(7) Miscellaneous

Unemployment, Soc. Sec., etc.	2,174.06	487.68	2,661.74
Sampling and assaying	720.00	180.00	900.00
Sampling and assaying diamond drill cores			435.00
Not more than 500 feet of 1100 level drift timbering where necessary @ $5.00/ft.			2,500.00
	$30,696.91	$7,307.30	$61,341.21
Estimated Cost per foot	$ 25.58	$ 24.36	
Total estimated cost of project			$61,341.75
Government participation at 75%			$46,006.31

Air, water, ventilation pipes and rail which would have a salvage value have been assumed to have a 50 percent salvage value and have been written off in that amount in the above estimates so that at the end of the contract the Government will not have any equity in these items.

Bureau of Mines Information Circular 6276, "Mining Methods and Costs at the Black Butte Quicksilver Mine," gives an analysis of operations in 1929. Only 12 holes 5-5½ feet are drilled for each drift and raise round so that explosive consumption and drill bit were all unusually low. The ground stands almost entirely without support in the drifts and raise so that timber costs are very low. Normally the only timber required is for chutes, stulls and partitions and ladders in the raises. These factors have been considered in the drift and raise estimates.

A unit cost contract is recommended.

Estimated Operating Profits or Losses

U. S. Bureau of Mines Information Circular 6276, "Mining Methods and Costs at the Black Butte Quicksilver Mine, Lane County, Oregon," includes the following cost data for mining and kiln treatment of 17,721 tons of ore from January 1 to July 30, 1929.

Cost per ton of ore mined and treated

Item	Labor	Supervision	Power	Explosives	Oil	Other Supplies	Total
Mining	$0.95	$0.07	$0.07	$0.15	--	$0.07	$1.31
Kiln treatment	0.38	0.03	0.07	--	$0.57	0.08	1.13
1/Surface	0.10	--	0.01	--	--	0.05	0.16
	$1.43	$0.10	$0.15	$0.15	$0.57	$0.20	$2.60

1/ Surface costs taken from month of November 1929 because these costs were not included in the longer time period.

Average wage scale during the period mentioned above was about $4.75 per day.

Supervision and labor represented about 58.7 percent of the total cost.

Assume this ratio is the same today and that average labor is $16.00 per day plus $1.60 for insurance, Social Security, etc., or $17.60 total. Then,

$$\frac{\$1.43}{\$4.75} = \frac{X}{\$17.60} = \$5.30 \text{ labor and supervision}$$

Also,

$$\frac{\$5.30}{X} = \frac{58.7}{100.0} = \$9.03 \text{ total cost}$$

If the plant feed contains 3 pounds of mercury per ton at $270 per flask at 95% recovery in the kiln, the ore has a value of $10.10 per ton.

However, if the guaranteed price of $225 per flask is used the ore has a value of $8.43 per ton.

But, the total cost per ton for the January 1 to July 30, 1929 period was for tons of ore mined and treated as well as an unknown tonnage of ore broken and stored in the shrinkage stopes. Development and exploration costs were included in the above. Also at the time, ore was trammed to the portal by horse, and drift and crosscut exploration and development rock was hand mucked.

Using mechanical locomotives and mucking machines and other mechanized equipment plus the fact that considerable ore has been developed by previous Bureau of Mines exploration, it would seem that exploration of this property should be successful for a time.

Attachments 5

Distribution:
DMEA (4)
USBM (5)
USGS(SRO)
Docket

Alvord

400

MAY 15 1956

Mercury & Chemicals Corp.
Black Butte, Oregon

Re: Docket No. DMEA 4263 - Mercury
Black Butte Mercury Mine
Lane County, Oregon

Gentlemen:

The above-docketed application for exploration assistance for mercury ores has been reviewed by the Washington office of the Defense Minerals Exploration Administration and referred to Mr. A. E. Weissenborn, Executive Officer, DMEA Field Team, Region I - Northwest District, South 157 Howard Street, Spokane 4, Washington, for a field examination of the property.

Any assistance that you can give the members of the Field Team will be appreciated.

Sincerely yours,

C. O. Mittendorf

Administrator

ADMcMahon/foc/esf
5-14-56
cc to: Docket ✓
Code 400
Admr. R. File
Operating Comm.
FT, REG. I - NWD
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

DOCKET
SURNAME
400 McMahon
Martin
Kiilsgaard
Gerhon

Mercury & Chemicals Corp.
Black Butte, Oregon

Re: Docket No. DMEA 4263 - Mercury
Black Butte Mercury Mine
Lane County, Oregon

Gentlemen:

The above docketed application for exploration assistance for mercury ores has been reviewed by the Iron and Ferro-Alloys Division of the Defense Minerals Exploration Administration and referred to Mr. M. E. Weissenborn, Executive Officer, DMEA Field Team, Region I - Northwest District, South 157 Howard Street, Spokane 4, Washington, for a field examination of the property.

Any assistance that you can give the members of the Field Team will be appreciated.

Sincerely yours,

Administrator

ADMcMahon/foc
5-14-56
cc to: Docket
Code 400
Admr. Read. File
Operating Comm.
FT. REG. I - NWD
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

DOCKET
SURNAME
400 McMahon
Keating
Selfridge
Johnson
Mitchell

MAY 15 1956

Mr. A. E. Weissenborn, Executive Officer
DMEA Field Team, Region I - NW District
South 157 Howard Street
Spokane 4, Washington

Re: Docket No. DMEA 4263 - Mercury
Mercury & Chemicals Corp.
Black Butte Mercury Mine
Lane County, Oregon

Dear Mr. Weissenborn:

The above-docketed application for exploration assistance is being referred to your office for a field examination of the property.

The applicant has shown purchases totaling $18,700.00 as costs of equipment for the proposed exploration project. In the event the field examiners find that the property merits consideration for a contract, the relative costs of rental equipment or Government contribution on a depletion basis should be explored with the applicant. Other costs which are estimated in the application and require further substantiation as items of rehabilitation, drifting and raising are for supervision, labor and timbering. In this connection, a complete breakdown of all costs should be obtained by the examiners if there is any probability that a contract will be recommended.

Copies of memoranda dated April 26 and 27, 1956, by J. W. Pennington, Bureau of Mines, and H. E. Nelson, Geological Survey, respectively, relating to the project are enclosed.

Sincerely yours,

Enclosures

George C. Selfridge

APPROVED:

Chairman, Operating Committee

/s/ Robert W. Geehan

Member, Bureau of Mines

ADMcMAHON/foc 5/14/56

cc to: Docket
Code 400
Admr. Read. File
Operating Comm.
FT. REG. I - NWDIST.
J.W. Pennington,
T. H. Kiilsgaard, USGS

Thor H. Kiilsgaard

Member, Geological Survey

P.S. Please also give us your recommendations on the requests made in the applicant's letter to you of May 9, 1956.

Docket

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D.C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
MAY 14 1956

May 11, 1956

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

WSM

Re: Docket No. DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mercury Mine
Lane County, Oregon

Dear Mr. Selfridge:

Enclosed are three copies of a letter dated May 9, 1956 from Richard P. Fischer, President of Mercury & Chemicals Corp., in which he includes a revision of part 6 of his original application.

Sincerely yours,

A. E. Weissenborn/w.f.

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW Dist.

cc: USBM (2)
Alvord

Copy retained 400

MERCURY AND CHEMICALS CORPORATION
1007 RIVERVIEW STREET
EUGENE, OREGON
DIAMOND 2-5261

RECEIVED
MAY 14 1956

May 9, 1956

Subject: DMEA-4263
Re: Exploration Assistance
Black Butte Mercury Mine

Mr. A. E. Weissenborn
Defense Minerals Exploration Administration
So. 157 Howard St.
Spokane, Washington

Dear Mr. Weissenborn:

Enclosed are four copies of a revision of part 6 of form MF-103 of our original application. This revision has been made possible largely because of the continued clean-up work which has been and is being done.

You will notice that the costs of rehabilitation have been completely redone. We should like to have the rehabilitation on the 900' level be on an actual cost basis with a reasonable maximum allowable.

The estimate of the proposed exploration has been unchanged.

The estimate of items of other cost has been greatly reduced by the deletion of the cost of equipment. So as to be able to have the equipment ready for immediate use, should we enter into a DMEA program, the company has decided to order the equipment now. We should like to have included, in any program which might be forthcoming, some standard form of contractor's agreement for the use of the equipment in the program.

Sincerely yours,

MERCURY & CHEMICALS CORP.

Richard P. Fischer, President

RECEIVED
MAY 10 1958
U.S.G.S.
SPOKANE, WASH.

May 9, 1956
Subject: DMEA-4263
Re: Exploration Assistance
Black Butte Mercury Mine

REVISION OF PART 6
of FORM MF-103
Dated April 16

RECEIVED
MAY 14 1956

6. Estimate of costs incident to exploration.

(a) Rehabilitation of old workings.

900 level

1160' of clean-up	
150' clean-up & heavy timbering at adit @ $30 per ft.	$ 4,500.00
1010' clean-up @ $4.00 per ft.	4,040.00
14 chutes to be timbered over	
13 lightly timbered @ $25 per chute	325.00
1 heavily timbered	250.00
Timbering when necessary (other than listed above) @ $7.00 per ft.	-
Replacing 1160' of ties @ 30¢ per ft.	348.00
400' of water pipe @ 30¢ per ft.	120.00
	$ 9,583.00

1100 level

1600' of clean-up completed at company's expense	
10 chutes to be timbered over	
1 heavily timbered at company's expense	
8 lightly timbered @ $25 per chute	$ 200.00
1 heavily timbered	250.00
1120' air and vent pipe	
480' completed at company's expense	
640' additional needed @ $3.20 per ft.	2,048.00
160' of water pipe @ 30¢ per ft.	48.00
	$ 2,546.00

(b) Proposed exploration work. See breakdown of costs on last page.

Location	Operation	Footage	Cost Per Foot	Total Cost
1,100' level	Drift 5' x 7'	1,200'	$31.00	$37,200.00
1,100' level	Raising 6' x 9'	400'	36.15	14,460.00
1,100' level	Core drilling	5,000'	4.00	20,000.00
				$71,660.00

6. (c) Other items of cost.

Bulldozer work for clearing building site and roadwork. Estimated 150 hours @ $15.00 per hour	$ 2,250.00
Building for change room, warehousing, assay office and accounting office. 40' x 48' @ $2.64 per sq. ft.	5,070.00
Living quarters at mine	3,000.00
Consultants $350.00 per month for 12 months	4,200.00
Bookkeeping $175.00 per month for 12 months	2,100.00
Contingencies	5,000.00
	$21,620.00
Total estimated cost	$105,409.00

Explanation of Costs of Proposed Exploration Work

	Labor	Super-vision	Explosives	Timber	Power	Bits	Water, Air & Vent Pipe	Cost Per Foot
1,100' level drifting cost per foot	$14.00	$7.00	$2.10	$3.00	$1.00	$.30	$3.60	$31.00
1,100' level raises cost per foot	$12.00	6.00	1.90	12.00	1.00	.30	2.95	36.15

RECEIVED
MAY 14 1956

Docket

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
~~WASHINGTON 25, D. C.~~
So. 157 Howard Street
Spokane 4, Washington

RECEIVED
MAY 7 - 1956

May 1, 1956

Mr. George C. Selfridge, Chairman
Operating Committee, DMEA
Department of the Interior
Washington 25, D. C.

WSM

Re: Docket No. DMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mercury Mine
Lane County, Oregon

Dear Mr. Selfridge:

Enclosed are copies of a letter dated April 28, 1956 from Richard P. Fischer, President of the company, in which he enclosed copies of his map (three of which are attached) outlining the extent of the land under lease. Also enclosed are photostat copies of the lease between Quicksilver Syndicate and Bernard J. Chubet and an Assignment of Lease from Chubet to Mercury & Chemicals Corporation. In the application as originally submitted the applicant included only copies of these instruments.

Sincerely,

A. E. Weissenborn

A. E. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW Dist.

Enclosures

cc: USBM (2)
Alvord

Copy retained 400

MERCURY AND CHEMICALS CORPORATION
1007 RIVERVIEW STREET
EUGENE, OREGON
DIAMOND 3-5261

MAY 7 - 1955

28 April 1955

Mr. [illegible]
Defense [illegible]
So. 157 [illegible]
Spokane [illegible]

Dear Mr. Reisgenbo[illegible]

Enclosed [illegible] outlined [illegible] the [illegible] shown in red the acc[illegible] by the red cross-hatc[illegible] The ground outlined by [illegible] the adits on the varl[illegible] of proposed exploratio[illegible] a possible eastward [illegible] exploration. It is this [illegible] which is the ground for [illegible] or [illegible]

Enclosed also is a photostatic copy of a signed lease between Quicksilver Syndicate and Bernard J. Chabot and a photostatic copy of a signed assignment of lease between Bernard J. Chabot and Mercury & Chemicals Corp.

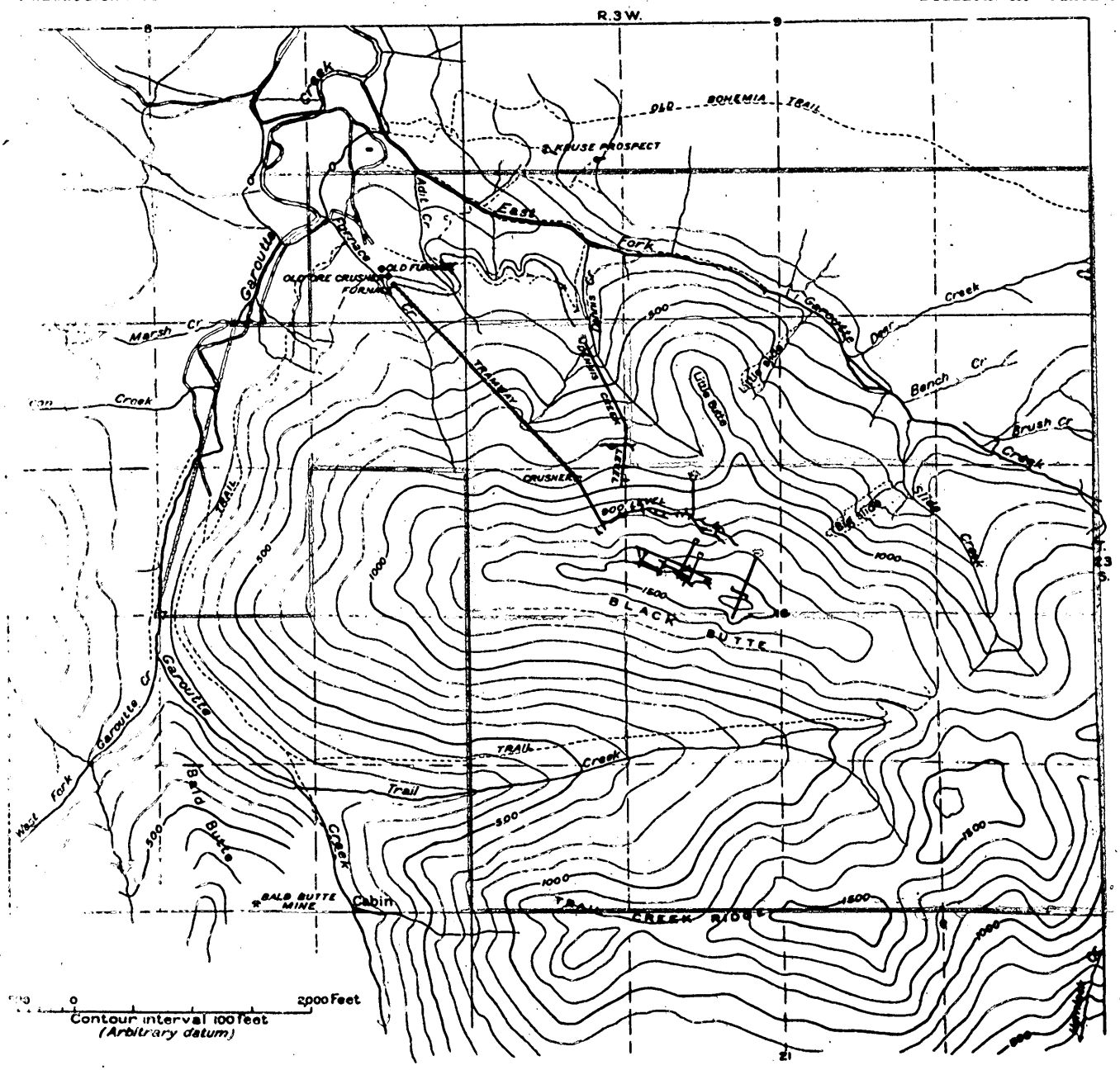
The access route on the 1100 level to the face [illegible] which we propose to start exploration is now open. Our consultants will be here Friday and I believe it would be helpful if they could meet Mr. Carsons at that time and examine the mine with him.

It was very pleasant seeing you and meeting Mr. Fuglevand and Mr. Carsons on my recent trip to Spokane. I hope it is the start of a mutually profitable association.

Sincerely yours,

Richard P. Fischer, President
Mercury & Chemicals Corp.

Enclosures as indicated



TOPOGRAPHIC MAP OF BLACKBUTTE MINE AND VICINITY.

Docket

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

RECEIVED APR 27 1956

April 27, 1956

Re: DMEA 4263
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
$127,090.00 - Mercury

WSM

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of application.

The applicant requests assistance in rehabilitating an old mine and erecting buildings after which exploratory diamond drilling, drifting and raising will be done.

The work proposed consists of:--

Rehabilitation	900' level	300 feet	$ 6,510.00
Rehabilitation	1100' "	400 "	8,680.00
Drifting	1100' "	1200 "	37,200.00
Raising (1100'-900')		400 "	14,460.00
Core drilling		5000 "	20,000.00
			$86,850.00
Machinery			18,700.00
Bulldozing			3,000.00
Buildings			8,540.00
Buildings rehabilitation			2,000.00
Consultants			3,000.00
Contingencies			5,000.00
			$127,090.00

Diamond drilling and sampling by the Bureau of Mines in 1942 yielded information supporting the following estimates, W.M.R. 48, 1942.

Tons	Pounds Mercury/ton
56,400 (Indicated*)	3
24,200 (Inferred *)	2.7 to 3.6

* The classifications are mine.

Copy retained 200

This ore is below the 900 level and for the most part is the down dip extension of the Smoky Stope ore. The data sustain the estimate. That such material will support a proportionate operation is not so evident.

Referral to the Field Team for appropriate action is recommended.

N. E. Nelson

N. E. Nelson

Docket

RECEIVED
APR 27 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

April 26, 1956

Memorandum

WSM

To: W. S. Martin, Defense Minerals Exploration Administration

From: Commodity Industry Analyst, Branch of Base Metals

Subject: Review of application, Docket No. DMEA 4263, (mercury), Mercury and Chemical Corp., Black Butte Mercury Mine, Lane County, Oregon, $126,730.00

The applicant proposes to do 700 feet of rehabilitation on the 900 and 1100 levels, to extend the 1100 level 1200 feet, connect the 1100 level and the 900 level with 400 feet of raises, and do 5000 feet of core drilling on the 1100 level at a total estimated cost of $126,730.00. Also included is bulldozer work on surface for buildings and roads, equipment, facilities, and services.

Information furnished with the application appears accurate and estimated costs seem reasonable.

The program is similar in part to that proposed in War Mineral Report No. 48.

Referral of the application to the Field Team is recommended with the caution that ore containing 3 pounds of mercury per ton is worth about $9.00 at the guaranteed price of $225 a flask. Under these conditions careful consideration should be given to anticipated mining and furnacing costs.

J. W. Pennington

Copy to: Division of Minerals
Branch of Base Metals (2)
R. W. Geehan
Thor Kiilsgaard, U.S.G.S.
F i l e s

Copy retained 400

MF-203
Revised March 24, 1955

For Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator
Docket No. DMEA-
Contract No. Idm-E
Contract Date

RECEIVED
APR 23 1956

CONSENT TO LIEN

To the United States of America:

Referring to that certain land in the County of Lane, State of Oregon, described ~~as follows:~~ 1/

in a lease dated September 29, 1955 and recorded on Reel 68 '55D Instrument 68249 of said county.

which is the subject of a proposed exploration project contract, hereinafter called the "contract," with the United States of America, hereinafter called the "Government;" in consideration of the contract and as an inducement to the Government to enter into it, the undersigned hereby--

1. Undertakes and agrees that property in which the Government may acquire an interest or equity under the contract may be dismantled, severed from the land, and removed, as may be provided in the contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned;

2. Grants to the Government a lien upon all of the undersigned's right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of a percentage royalty on production as may be provided for by the contract;2/ and represents and undertakes that there are no claims, liens, or encumbrances upon the undersigned's right, title, or interest in the land prior to that hereby granted to the Government other than the following:3/

none except the lease above mentioned

3. Undertakes and agrees neither to commit any act nor assert any claim in conflict with the provisions of this Consent to Lien; and to give advance notice of the Government's rights under this Consent to Lien to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, or interest in the land; and

1/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease [or contract, deed, or other document] dated _____, and recorded in book _____ page _____ official records of said county." If (b) is used, the book and page of recordation cannot be dispensed with. If the space provided is insufficient, use an Annex, and refer to the Annex in the space.

2/ Mining or production from the land is not required, and in the absence of production there is no obligation to repay the Government.

3/ Write "none" if that is the case. Do not leave lines blank.

4. Consents to all amendments and assignments of the contract without notice thereof, and agrees that this Consent to Lien shall extend and apply thereto.

5. Added provision: none

Dated this 12th. day of march, 1956

Daniel J. Mills [Seal]

[Seal]

[Seal]

I, FRED L. MILLS certify that I am the SECRETARY (Secretary, etc.) of the corporation named herein; that DANIEL J. MILLS who signed this agreement was then PRESIDENT (President or Vice-President, etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

Fred L. Mills

[Corporate Seal]

April 24, 1956
Subject: DMEA-4263
Re: Exploration Assistance
Black Butte Mercury Mine

Mercury & Chemicals Corporation
Black Butte, Oregon

Gentlemen:

The receipt of your application dated April 16, 1956, for exploration assistance under the Defense Production Act of 1950, as amended, is hereby acknowledged.

Your application has been assigned Docket Number DMEA-4263 and referred to the Iron & Ferro-Alloys Division.

Kindly identify all future correspondence relating to your application by this docket number.

Sincerely yours,

Robert E. Adams, Chief
Operations Control and
Statistics Division

Unsatisfactory
To be replaced

ADMM

When we say "timber over" do we mean "timber accross"?

I want to make sure we do not "retimber 9 old chutes"

or do we want "bulkheads"

Quinn Barber

To either "timber accross" or "retimber chutes" - bulkheading chutes above the deck

April 24, 1956

Memorandum

To: Executive Officer, DMEA Field Team, Region I NW

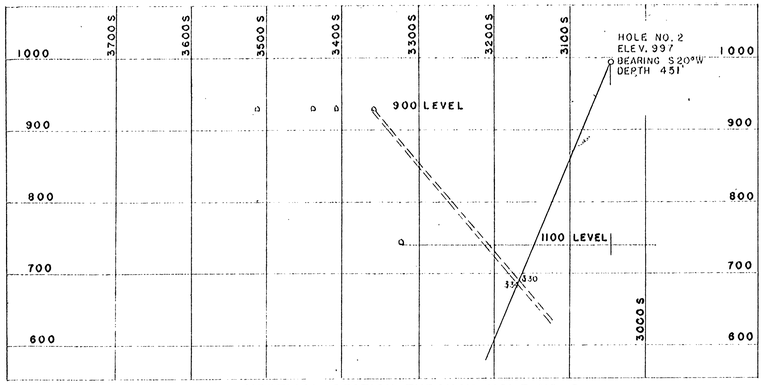
From: Chief, Operation's Control and Statistics Division

Subject: Assignment of Docket Number

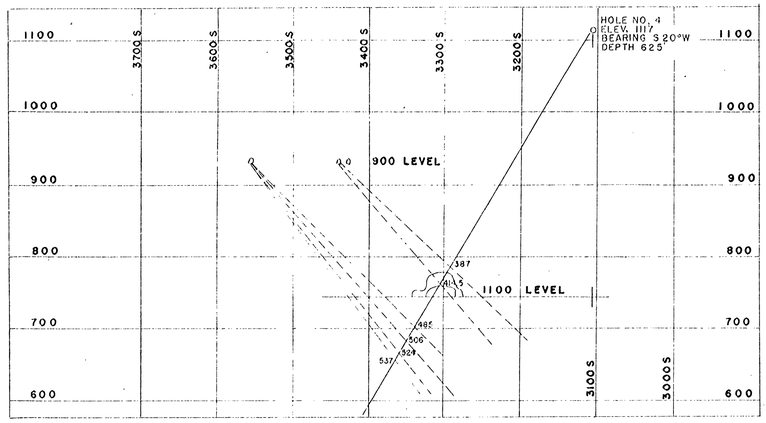
There is listed below the assigned docket number to an application recently received from Region I NW.

DMEA - 4263 Mercury & Chemicals Corporation

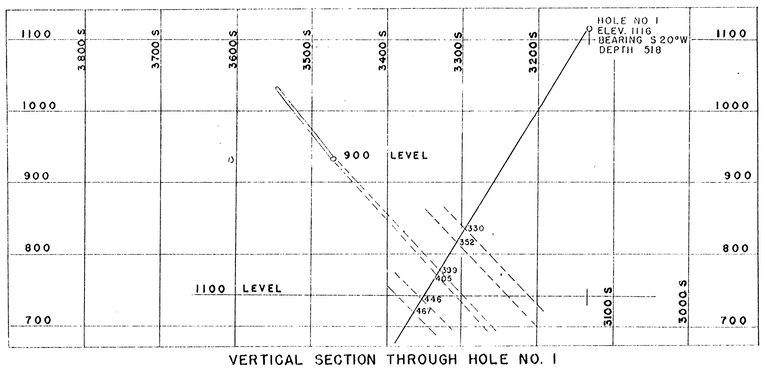
Robert E. Adams
Chief, Operation's Control
and Statistics Division



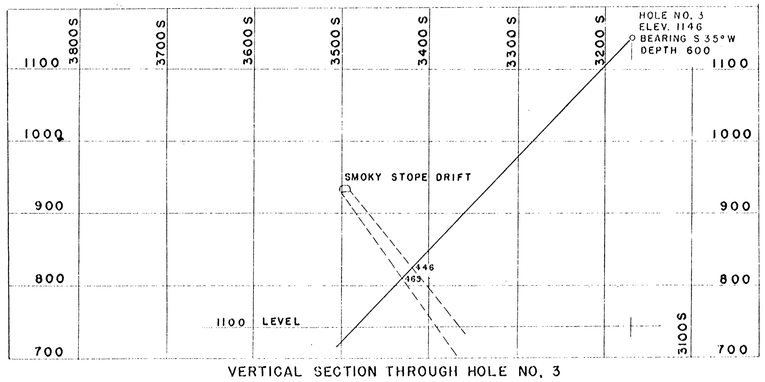
VERTICAL SECTION THROUGH HOLE NO. 2



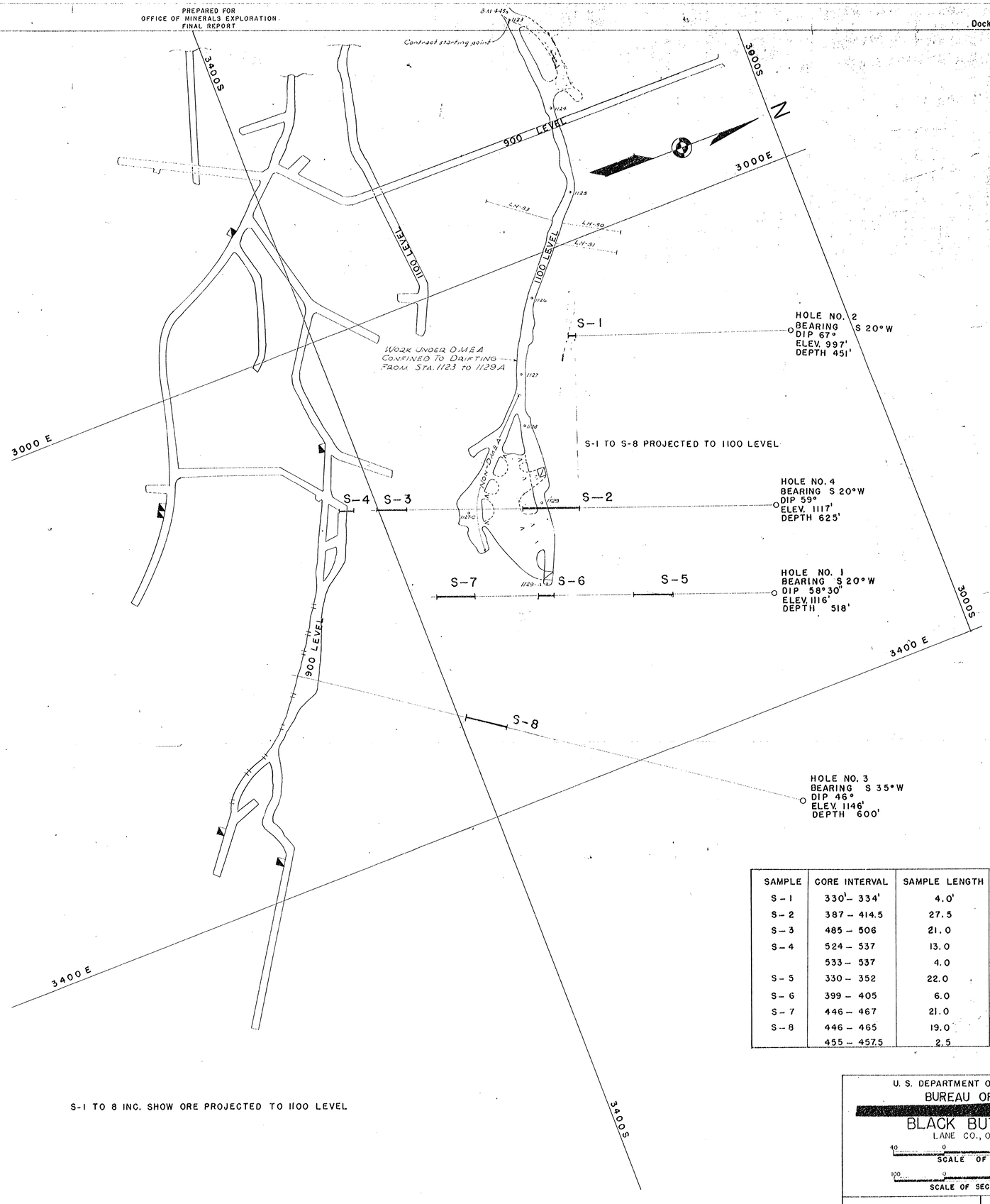
VERTICAL SECTION THROUGH HOLE NO. 4



VERTICAL SECTION THROUGH HOLE NO. 1



VERTICAL SECTION THROUGH HOLE NO. 3



SAMPLE	CORE INTERVAL	SAMPLE LENGTH	Hg LBS/TON
S-1	330'- 334'	4.0'	0.95
S-2	387 - 414.5	27.5	6.22
S-3	485 - 506	21.0	0.24
S-4	524 - 537	13.0	1.33
	533 - 537	4.0	16.40
S-5	330 - 352	22.0	9.20
S-6	399 - 405	6.0	1.00
S-7	446 - 467	21.0	1.20
S-8	446 - 465	19.0	0.95
	455 - 457.5	2.5	3.10

S-1 TO 8 INC. SHOW ORE PROJECTED TO 1100 LEVEL

Modified by D.C. Alvord and H.F. Albee, U.S.G.S.

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

BLACK BUTTE MINE

LANE CO., OREGON

10 0 40 80
SCALE OF PLAN

100 0 100 200
SCALE OF SECTIONS

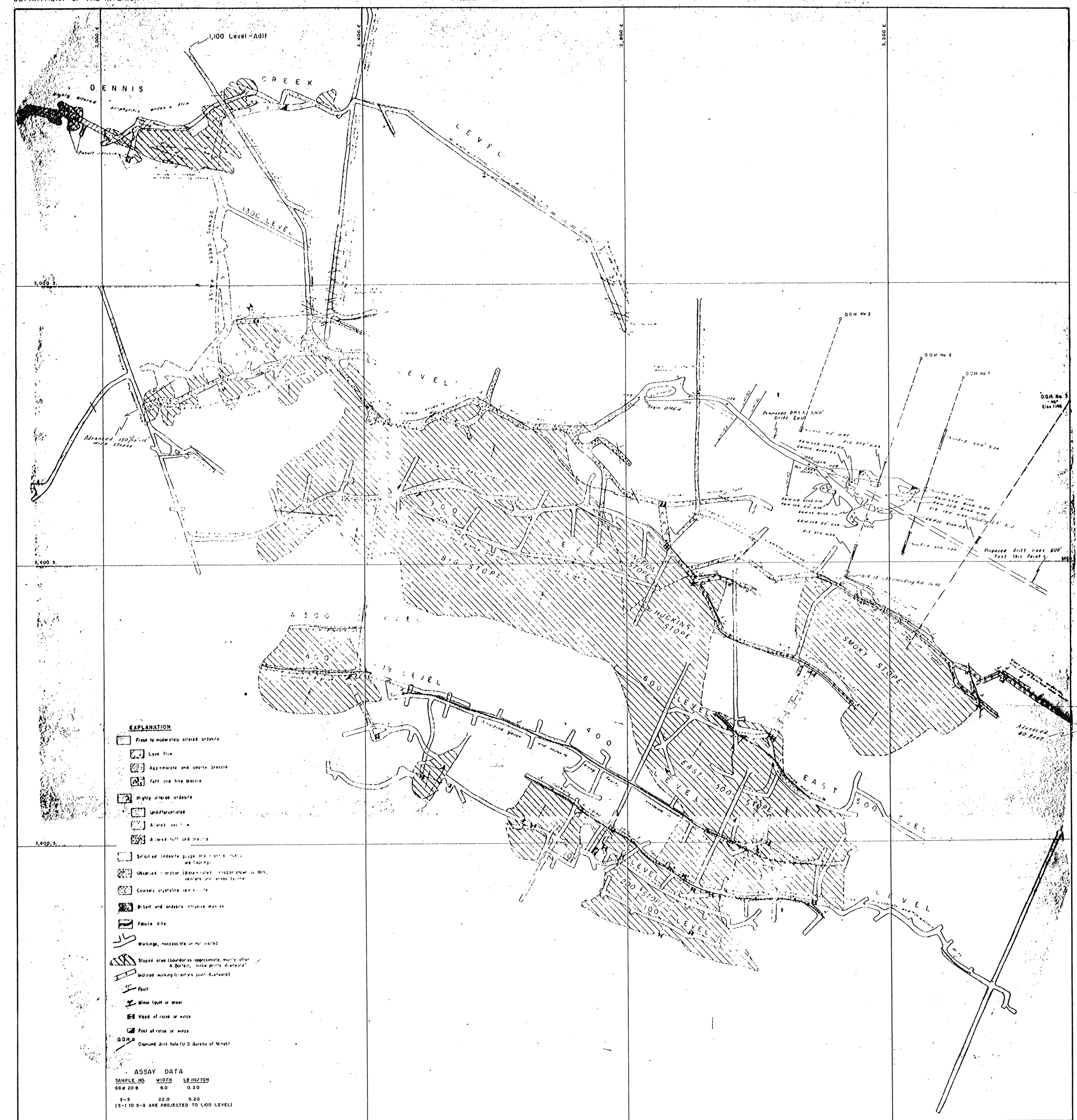
DATE 5-4-45

PLATE 3

UNITED STATES
DEPARTMENT OF THE INTERIOR

PREPARED FOR
OFFICE OF MINERALS EXPLORATION
FINAL REPORT

DOCKET NO. DMEA 4263



Sec 16, T 23S., R 3W. W.M.

COMPOSITE GEOLOGIC MAP

BLACK BUTTE MINE

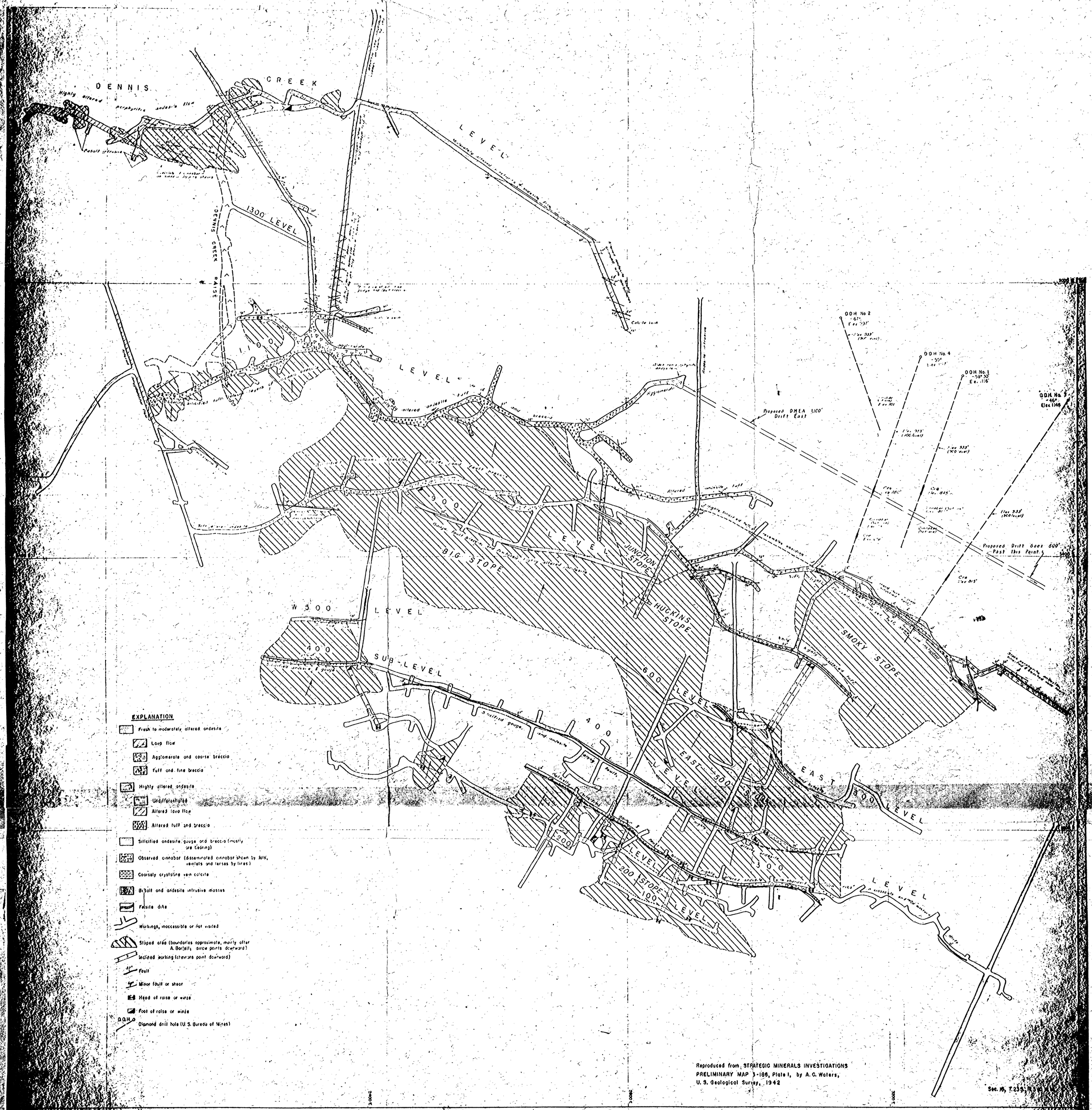
Sec. 16, T. 23S., R. 3W. W.M
Lane County, Oregon

0 40 80 160 FEET

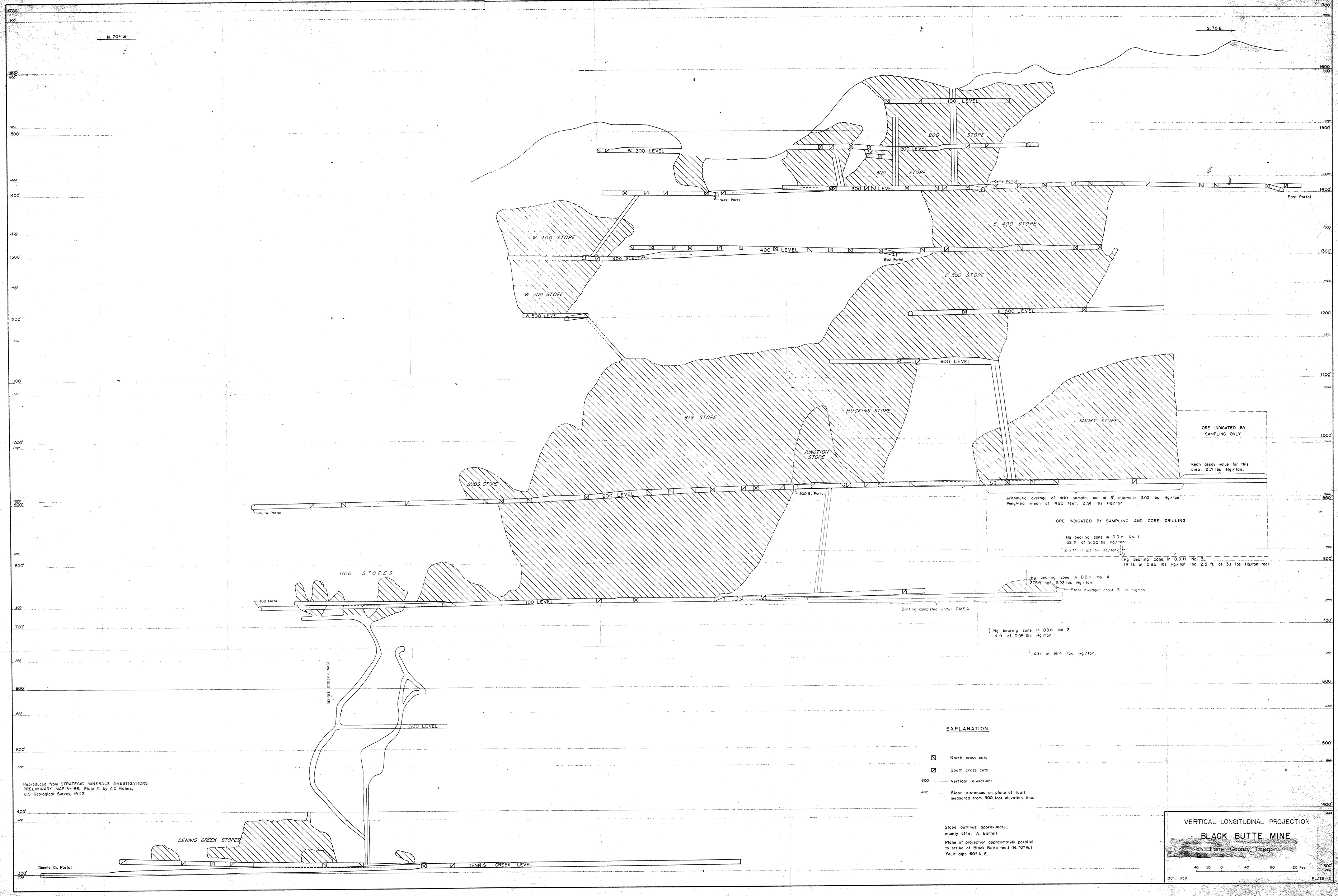
OCT. 1958

PLATE I

Reproduced from Strategic Minerals Investigations.
Preliminary Map 3-186, Plate I, by A.C. Waters,
U.S. Geological Survey, 1942.



COMPOSITE GEOLOGIC MAP, BLACK BUTTE MINE, LANE COUNTY, OREGON


N. 70° W.
S. 70 E.
1700'
1600'
1500'
1400'
1300'
1200'
1100'
1000'
900'
800'
700'
600'
500'
400'
300'
100 LEVEL
200 STOPE
W. 200 LEVEL
200 LEVEL
300 STOPE
300 LEVEL
Center Portal
West Portal
East Portal
E 400 STOPE
W 400 STOPE
400 LEVEL
400 SUBLEVEL
East Portal
E 500 STOPE
W 500 STOPE
W. 500 LEVEL
E 500 LEVEL
600 LEVEL
BIG STOPE
HUCKINS STOPE
JUNCTION STOPE
SMOKY STOPE
BUDS STOPE
900 LEVEL
900 W. Portal
900 E. Portal
1100 STOPES
1100 Portal
1100 LEVEL
DENNIS CREEK RAISE
1300 LEVEL
DENNIS CREEK STOPES
Dennis Cr. Portal
DENNIS CREEK LEVEL
ORE INDICATED BY SAMPLING ONLY
Mean assay value for this area: 2.71 lbs Hg/ton.
Arithmetic average of drift samples cut at 5' intervals: 3.02 lbs Hg/ton.
Weighted mean of 490 feet: 2.91 lbs Hg/ton.
ORE INDICATED BY SAMPLING AND CORE DRILLING
Hg bearing zone in D.D.H. No. 1
22 ft of 5.20 lbs Hg/ton.
2.5 ft of 3.1 lbs Hg/ton rock
Hg bearing zone in D.D.H. No. 3.
19 ft. of 0.95 lbs Hg/ton inc. 2.5 ft. of 3.1 lbs. Hg/ton rock
Hg bearing zone in D.D.H. No. 4
2.75 ft of 6.22 lbs Hg/ton.
Stope averages about 3 lbs Hg/ton
Drifting completed under DMEA
Hg bearing zone in D.D.H. No. 2
4 ft of 0.95 lbs. Hg/ton
4 ft of 16.4 lbs Hg/ton.
EXPLANATION
North cross cuts
South cross cuts
600 Vertical elevations
800 Slope distances on plane of fault measured from 300 foot elevation line.
Stope outlines approximate; mainly after A. Bartell
Plane of projection approximately parallel to strike of Black Butte fault (N. 70° W.)
Fault dips 60° N. E.
Reproduced from STRATEGIC MINERALS INVESTIGATIONS
PRELIMINARY MAP 3-186, Plate 2, by A.C. Waters,
U.S. Geological Survey, 1942
VERTICAL LONGITUDINAL PROJECTION
BLACK BUTTE MINE
Lane County, Oregon
40 20 0 40 80 120 Feet
OCT. 1958
PLATE 2