4263

E-998

For royalty payment of $1,000.00 dated 2/18/66, see transmittal letter file.

Mr. Andre Begin
Assistant to the President
American Mercury Corporation
P. O. Box 243
Cottage Grove, Oregon

Re: DMSA-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 proceeds 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 X
OME CA&A Div.
OME Mr. Selfridge

FEJohnson/bih 2/25/66

MAY 1 2 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.

MAR 2 2 1965

Mr. Stanley R. Darling
Darling, Vonderheit, Hershner & Hunter
115 Security Building
260 East Eleventh Avenue
Eugene, Oregon 97401

Re: Your File 1607-C
IMEA-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-8998

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

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-E998

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(e) 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 $6,788.76 remains due as royalty on future production until August 22, 1967, unless paid sooner.

Sincerely yours,

George Fumich, Jr.

Acting Director

GCSalfridge/mm
1/6/65
cc: Director's Reading File
Region I
✓CA&A Division
Docket
Mr. Salfridge
Code 120M

[illegible] State,
[illegible], Oregon
[illegible]ber 19, 1964

[illegible] States Dept. Of The Interior
[illegible] Of Minerals Exploration
[illegible] Howard St.
[illegible]ane, Wash. 99[illegible]04

Re: DMA -4203 (Mercury)
Contract IDM -[illegible]

Gentlemen:

In reply to your letter of December 15, 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 signed with us, and American Mercury Corp., P.O. Box 245, Cottage Grove, Oregon, that a provision was made that they pay the amount due on the DMA 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 $5,373.26*

Production should start later this month. Possibly by Dec. [illegible], 1964 , as the cold weather has set things back a few days.

Very Truly Yours,

Quicksilver Syndicate

By _____
President

* Our records show balance due of $6,788.26, as do Friends.

No. 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: DMRA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-8998

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

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-

E. D. Talbert

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.

84861-60

EXTRA COPY
O. M. E
RECEIVED APR 16
DATE

800

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-4265 (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:mg
cc: C&A Div., OME
OME; CFF
Reading copies to:
Nolan
Hobbs
Guild

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: [illegible]A-4263 (Mercury)
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract Idm-8993

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

Memorandum

FEB 14 1962

To: Acting Field Officer, Region I

From: E. D. Talbert, Acting Chief (Signed) E. D. Talbert
Contract Administration and Audit Division

Subject: DMTA-4263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lake County, Oregon
Contract Idm-5998

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

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.

Dated, New York, N.Y.
April 17, 1961

JOHN E. JOYCE
Referee in Bankruptcy

E998

Extra
~~OFFICIAL FILE~~ COPY
O. M. E.
RECEIVED APR 19 1961

DATE	INITIALS	CODE
		800

C
O
P
Y

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

800

September 28, 195[illegible]

J. Edward Gillespie, Jr., Esq.
United States Attorney
New York 7, New York

Re: Mercury and Chemicals Corporation
Your Reference: JR:M-3532

Dear Mr. Gillespie:

DJ 42-63

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. 59671.

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 5, 1959.

Sincerely yours,

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. Seller
Mr. Hofflund
Acting Director, OMF

Re: E 998 (Notice of 1st Mtg of Creditors)

Mr. Hofflund telephoned 9/24/59 and stated he was preparing ltr to Atty Genl. for Sol. signature to advise of this notice.

ATTENTION

Your attention is directed to the fact that under Section 57n of the Bankruptcy Act claims which are not filed within six months after the first date set for the first meeting of creditors shall not be allowed.

Proof of claim must be filed whether or not the debt due the creditor is included in the schedules of the bankrupt.

It is essential to proper administration of bankrupt estates that creditors avoid giving their proxies to unknown persons who may solicit them. Proxies will not be recognized by the Referee if it appears that they were solicited in the interest of the Bankrupt or of anyone other than general creditors.

FPI ERO—4-1-57-50M-6991

BK17-S

EXTRA COPY
O. M. E.
RECEIVED SEP 22 1959

DATE	INITIALS	CODE
		800

IN THE UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK
DIVISION

In the matter of

MERCURY & CHEMICALS CORP.,

Bankrupt.

(In Bankruptcy
(
(No. 92871
(

NOTICE OF FIRST MEETING OF CREDITORS

To the creditors of MERCURY & CHEMICALS CORP.,

of 342 Madison Avenue, New York, N.Y. a bankrupt;

NOTICE IS HEREBY GIVEN that said MERCURY & CHEMICALS CORP.

has been duly adjudged a bankrupt on a petition filed by ~~xxx xgax-inst xxxx him~~ it on October 10, 1957, and that the first meeting of his creditors will be held at United States Court House, ~~in~~ Foley Square, New York, N.Y. in Room 237

on October 6 19 59, at 10:30 o'clock a.m., at which place and time the said creditors may attend, prove their claims, ~~appoint a trustee, appoint a committee of creditors,~~ examine the bankrupt, and transact such other business as may properly come before said meeting.

Dated at New York, September 18, 19 59. JOHN E. JOYCE
Referee in Bankruptcy

22
July 22, 1959

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.

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

EXTRA COPY
O. M. E.
RECEIVED JUL 21 1959

DATE	INITIALS	CODE

jsr

GOD:RM
77-61-437

S. Hazard Gillespie, Jr., Esq.
United States Attorney
New York 7, New York

Attention: Julius Rolnitsky, Esq.
Assistant U. S. Attorney

Re: Mercury and Chemicals Corporation.
S.D. N.Y. Arrangement No. 92,871,
$1,415.00.
Your ref: JR:BS-3532

Dear Mr. Gillespie:

We acknowledge receipt of your letter of July 9, 1959, regarding 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 our understanding that the Department of Interior has already exercised whatever rights it could exercise in Oregon. It was as the result of these efforts that a partial payment was received, following which we asked you to reduce the amount of the claim to $1,415.00.

We do not know whether, under your local practice, it is necessary for you to do anything to refile the proof of claim if the arrangement proceeding is replaced by a liquidation in ordinary bankruptcy. However, if any such action is required, we will rely upon you to take it.

Yours very truly,

OTHYS COLMAN DUVA
Assistant Attorney General
Civil Division

JR

vd

M6-3232

July 9, 1959

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
U. S. Department of Justice
Washington 25, D.C.

Re: Mercury and Chemicals Corp., Debtor
Your File: Civil 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 thus an acceptable plan of arrangement would be formulated.

At today's adjourned hearing an attorney for the debtor advised the Court that the prospects were not as bright as he had painted 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 now claimed that the machinery in the mine, which cost about $400,000, 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 ROLNITZKY

INTERIOR DEPT.
MAY 11 1959
SOLICITOR

RECEIVED
MAY 11 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

DHEW-4263

rlw

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 19 1959

DATE	INITIALS	
5/19	G	220
		800

Enclosure

cc: Department of the Interior
Washington 25, D. C.
Attention: Solicitor

[illegible]
[illegible]
[illegible] Justice
[illegible] D. C.

Re: Mercury and Chemicals Corporation
Docket No. DMEA-4263
Contract Idm-E998

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: OME docket
Dir. reading file
W. S. Martin
FT Reg. I (2)
J. L. Chambers

Audit's 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 E. 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.

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. Ida-8998, 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, Klamath, Oregon, the owner of the land described in the above-mentioned Contract No. Ida-8998. 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. G. 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

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C.

Address Reply to the Division Indicated and Refer to Initials and Number

GCD:RM
77-61-437

77-61-437
INTERIOR DEPT.
APR 17 1959
SOLICITOR

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APR 17 1959
ASSOC. SOLICITOR
MINERAL RESOURCES
APR 16 1959

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OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 29 1959

DATE	INITIALS	CODE
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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

E-998

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
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

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JR:lm
M6-3532

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 29 1959

DATE	INITIALS	CODE

April 10, 1959

George Cochran Doub, Esq.
Assistant Attorney General
Civil Division
Washington 25, D. C.

RE: Mercury and Chemicals Corporation Arraignment
Your File: GSC:RM-77-61-437

Dear Sir:

Please refer to my letter to you of March 18, 1959, in the above entitled matter.

The hearing scheduled for April 9, 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 ROLNITZKY

rlw

EXTRA COPY
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APR 1 1959

GCD:RM
77-61-437

Department of the Interior
Washington 25, D. C.

Attention: Solicitor

Re: Mercury & Chemicals Corp. - Claim against Quicksilver Syndicate under Subordination agreement, $3,215.00
Your ref: Docket No. DMEA-4263

no attachments

Dear Sirs:

We enclose herewith a copy of a memorandum dated March 23, 1959, from the United States Attorney for the District of Oregon. We also enclose a copy of a memorandum dated March 25, 1959, which he addressed to the United States Attorney for the Southern District of New York in connection with the arrangement proceedings which are pending there.

Since the United States Attorney for the District of Oregon did not send us the check for $1,800.00, we presume that he sent it to you. In accordance with the previous request made by the United States Attorney for the Southern District of New York, please prepare an amended proof of claim giving credit for the amount recovered in Oregon.

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
Your ref: JR:M6-3532

rlw

GCD:RM
77-61-437

Clarence Edwin Luckey, Esquire
United States Attorney
Portland 7, Oregon

APR 1 1959

Re: Mercury & Chemicals Corp. - Claim against Quicksilver Syndicate under Subordination agreement, $3,215.00
Your ref: 6-W 4135-C

Dear Mr. Luckey:

Thank you for your memorandum of March 23, 1959, regarding the above claim. We approve your suggestion that you should send your file to the United States Attorney for the Southern District of New York, so that he may have it available if there should be a challenge to the claim of the United States.

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: Solicitor
Your ref: Docket No. DMEA-4263

cc: Arthur H. Christy, Esquire
United States Attorney
New York 7, New York
Your ref: JR:M6-3532

EXTRA COPY
O. M. E.
RECEIVED APR 3 1959
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E-998

For Certificate of Deposit No. 500, dated March 26, 1959, giving royalty payment of $1,800.00, see E-152.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Department of Justice, Washington 25, D C
Civil Div., Govt Claims Section
GCD:RM 77-61-437

DATE: Portland, Oregon
March 23, 1959

E 998

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.

INTERIOR DEPT.
APR 2 - 1959
SOLICITOR

With reference to your letter of March 16, 1959, we note that the beginning sentence of the last paragraph therein reads as follows: "Also, it is our understanding that this offer was made solely on behalf of Mercury & Chemicals Corporation." Inasmuch as the settlement was with Quicksilver Syndicate and not Mercury & Chemicals Corporation, a fact apparently recognized by you, as evidenced by the last sentence of said paragraph, we call the error to your attention solely for the purpose of correcting the record. Since we assume the above was merely an oversight, we have proceeded with the compromise procedure and are closing our file.

With further reference to the last sentence of said paragraph, if any of the documents from our file are necessary for use in the insolvency proceeding in the Southern District of New York, we shall be glad to furnish same upon request.

We are attaching hereto, copy of our memorandum of this date to the U. S. Attorney for the Southern District of New York.

RECEIVED
APR 3 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

OFFICIAL FILE COPY
C. M. E.
RECEIVED APR 15 1959
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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Hon. Arthur H. Christy, U. S. Attorney
Southern District of New York
U. S. Courthouse, Foley Square, N. Y. C.

DATE: March 25, 1959

FROM : C. E. Luckey, United States Attorney
Portland, Oregon

SUBJECT: Mercury & Chemicals Corp. - Proceedings for Arrangement under Chapter XI of the Bankruptcy Act - S. D. of N. Y.

We were advised by letter of January 31, 1958, from the Department of Justice that the Mercury & Chemicals Corporation, Black Butte, Oregon, had become insolvent and had instituted proceedings for arrangement under Chapter XI of the Bankruptcy Act in the Southern District of New York. We were further advised by said letter that your office had been requested to enter an appearance in the bankruptcy of Mercury & Chemicals Corporation, and that the Department of Interior had been requested to prepare a proof of claim to be filed in that proceeding.

The Mercury & Chemicals Corporation, as we understand it, was operating a mercury mine pursuant to a Defense Minerals Exploration Administration contract as lessees on property belonging to the Quicksilver Syndicate, an Oregon Corporation. Under the terms of the DMEA Contract Mercury & Chemicals Corporation was obligated to pay royalty to the government of 5% of the gross proceeds or value of all mercury sold from production at the said mine from August 22, 1956. In connection with the signing of this Contract, the DMEA obtained a Consent to Lien and Subordination Agreement from the Lessors of the mine by the terms of which the Lessors subordinated their rights under the lease and consented to a lien in favor of the government to secure the payment of the royalties provided by the contract if the operator failed to pay them.

During the life of the Contract, Mercury & Chemicals Corporation produce 399 flasks of mercury valued at $97,765.00, on which royalty of 5% amounted to $4,888.25. Mercury & Chemicals Corporation paid only $1,673.25 of this amount, leaving a balance of $3,215.00 in royalties still due the government. By virtue of the Consent to Lien and Subordination Agreement and at the direction of the Department of Justice, this office made demand upon Quicksilver Syndicate, as lessors, for payment of the $3,215.00, which culminated in a compromise settlement in the amount of $1,800.00. The offer was accepted, of course, on the understanding that it was made solely on behalf of Quicksilver Syndicate, as lessors, that it had no effect whatsoever on the government's right to royalties from any future production from the property, and that the government's claim against the lessee was not affected. In other words, the offer was made and accepted solely with regard to back royalties totaling $3,215.00, but without release of Mercury & Chemicals Corporation.

Since presumably you have filed a proof of claim in the above entitled bankruptcy proceedings, we presume you will want to reduce that claim in the amount of the $1,800.00 settlement figure.

cc: Civil Div., Govt. Claims Sec.
Department of Justice
Washington 25, D. C.
Dept. Ref: GCD:RM 77-61-437

rlw

EXTRA COPY
O. M. E.
RECEIVED MAR 19 1959

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GCD:RM
77-61-437

MAR 16 1959

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

rlw

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77-61-437

MAR 1 6 1959

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

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FEB 20 1959

Memorandum

To: Associate Solicitor, Division of Mineral Resources

From: Acting Director, Office of Minerals Exploration

Subject: Claim for Royalties under Contract Ldo-[illegible], Docket DMEA-1363 (Mercury), Mercury and Chemicals Corporation

By letter dated February 4, 1959, Douglas, Vandenheit & 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 asserted 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.

Acting Director

EDTalbert/GMeC
February 18, 1959

cc: Docket
Director's Reading File
Mr. Chambers

No. 157 Howard Street
Spokane 4, Washington
November 7, 1958

800

Mr. C. E. Luckey
United States Attorney
District of Oregon
United States Courthouse
Portland 7, Oregon

Re: Our Docket No. DMSA-4263 (Mercury)
Mercury & Chemicals Corp.
Klack Butte Mine
Lane County, Oregon
Contract No. Idm-8998

Your ref: 6:OT
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 DMSA Contract No. Idm-8998, 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)
[illegible](2)
[illegible](AD)

4137-C
6:GT

United States Department of Justice

UNITED STATES ATTORNEY
DISTRICT OF OREGON
UNITED STATES COURTHOUSE
PORTLAND 7, OREGON

October 30, 1958

EXTRA COPY
O. M. E.
RECEIVED DEC 16 1958

DATE	INITIALS	
		880

United States Department of the Interior
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane 4, Washington

Attention: A. E. Weissenborn, Executive Officer

Dear Sir:

In re: Your Docket No. DMEA-4263, Mercury & Chemical Corporation
Black Butte Mine, Lane County, Oregon, Contract No. Idm-E998

We enclose for your information a copy of a letter received by this office from the attorneys for the Quicksilver Corporation received in connection with our settlement negotiations of the above-entitled claim.

We would appreciate your examining the letter, which we believe is self-explanatory and then advising us with respect to the various questions proposed by Mr. Darling. At least at present this office is not too concerned with the question of negotiation of a compromise settlement of the $3,215.00 government claim inasmuch as we believe some form of settlement with Quicksilver Corporation of this claim is not only feasible but probable. However, we of course request your views on this particular phase of the negotiations. We are, however, concerned primarily at this time with the question proposed by Mr. Darling in the third paragraph of his letter, that is, a final determination as to the question of the government's rights under the contract as affecting the property to August 22, 1967. Mr. Darling seems to quite naturally be concerned with possible future claims by the government subsequent to the compromise or otherwise settling of the $3,215.00 claim. Apparently he feels that any satisfaction of the present claim should include a complete satisfaction of any future or probable claims

We shall appreciate your advice in this matter.

Respectfully,

C. E. LUCKEY
United States Attorney

Encl.

DARLING, VONDERHEIT & HERSHNER
ATTORNEYS AT LAW
118 SECURITY BUILDING
260 E 11TH AVE - P O BOX 487
EUGENE, OREGON
TELEPHONE DI 4 2221

STANLEY R. DARLING
OTTO F. VONDERHEIT
JAMES L. HERSHNER

COUNSEL
CHARLES G. HOWARD

October 28, 1958

EXTRA COPY D. M. E. RECEIVED DEC 16 1958		
DATE	INITIALS	CODE

File 1607-C

Mr. C. E. Luckey
United States Attorney
United States Courthouse
Portland 7, Oregon

Re: 6-Tyx4135-C
Mercury & Chemicals Corporation, Black Butte Mine - Lane County, Oregon - Contract Idm - E998

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 lien 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 resolved into 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 & HERSHEER

By Stanley R. Darling
Stanley R. Darling

SRD:ebr

So. 157 Howard Street
Spokane 4, Washington

March 6, 1958

900

Mr. C. A. Luckey
United States Attorney
District of Oregon
United States Courthouse
Portland 7, Oregon

Re: Our Docket No. DMSM-4263
Mercury & Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-3996

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 I

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

BH
4135-C

United States Department of Justice

UNITED STATES ATTORNEY

DISTRICT OF OREGON
UNITED STATES COURTHOUSE
PORTLAND 7, OREGON

Mac
AR
USBM
DMEA

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

EXTRA COPY
DMEA
RECEIVED MAR 10 1958

DATE	INITIALS	CODE

Dear Sir,

In re: Mercury & Chemicals Corp.
Black Butte Mine, Lane County, Oregon
Contract No. Idm-2998
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.

RECEIVED
MAR 1958
U.S.
SPOKANE

DARLING & VONDERHEIT
ATTORNEYS AT LAW
PORTLAND, OREGON
STANLEY R. DARLING
JAMES L. VONDERHEIT
JAMES L. HERSHNER
COUNSEL
KENNETH J. DUNKLE
CHARLES S. HOWAR

February [illegible]

EXTRA 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 - 4435-[illegible]

Dear Ed:

Your letter of February 6, 19[illegible] 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 moneys 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 [signature]
Stanley R. Darling

RECEIVED
MAR 4 1958
U. S. G. S.
SPOKANE WASH.

SRD:hc

cc: Quicksilver Syndicate

Write DMEA as to facts of

Donner

United States Department of Justice

UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF NEW YORK
UNITED STATES COURT HOUSE
FOLEY SQUARE
NEW YORK 7, N. Y.

INTERIOR DEPT.
FEB 19 1958
SOLICITOR

February 4, 1958

Honorable George Cochran
Assistant Attorney General
Department of Justice
Washington 25, D. C.

The Mercury and Ch[illegible] Corporations,
Arrangement

Your File [illegible]

Dear Mr. Doll:

Please [illegible] the original [illegible] of [illegible] letter of [illegible] 31, [illegible] office [illegible] Justice.

Very truly yours,

PAUL W. WILLIAMS
United States Attorney

By: _____
Julius Rolnitsky

PS to Interior
att Sol
RM

FORWARDED TO
Dept. of Interior
Solicitor
FOR
Information & File
DEPARTMENT OF JUSTICE
Civil Division
2/14/58 : R.M.
(DATE) (INITIALS)

RECEIVED
FEB 2

In reply refer to:
DMA-4263

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:EM 77-61-137), documents re the claim against Quicksilver Syndicate, DMA-4263, are enclosed to complete your file.

Sincerely yours,

Edward J. Fitz

DEPUTY Solicitor

Enclosure-9

JLChambers/mb
February 5, 1958

Copy to: Solicitor's Docket
DMA Docket
Admr. Reading File
Field Team, Reg. I (2)
R. P. Dwyer
J. L. Chambers

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. DMSA-4263
Contract Idm-6958

Dear Sir:

Your letter dated January 16, 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 $3,213.00, 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

NCRubin/mmd 1/17/58

Copy to: Solicitor's Docket (2)
NMEA Docket
Adm. Reading File
W. M. Martin
Field Team, Reg. I (2)
R. F. Dwyer
J. L. Chambers
N. C. Rubin
chron.

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 Ldm-[illegible]

Dear Sir:

In response to the request in your letter dated January 14, 1958, to us, 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

WCRubin/end--1/17/58
Copy to: Solicitor's Docket (2)
DMEA Docket
Adm. Reading File
W. E. Martin
Field Team, Reg. 1 (2)
R. F. Boyer
J. L. Chambers
R. C. Rubin
chron.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In the Matter

of

STANDARD & GENERAL CORPORATION,

Debtor.

IN BANKRUPTCY FOR
AN ARRANGEMENT

No. 38,671

PROOF OF CLAIM OF THE UNITED STATES

District of Columbia,
Washington, D. C. } ss.

Clarence G. Kittredge, being duly sworn, deposes and says:

1. That he is the Administrator of the Bituminous Materials 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 Wyoming and Montana Corporation, a Delaware corporation, the above-named debtor, was at and before the filing of a petition for an arrangement with creditors, and still is, justly and truly indebted to said United States in the sum of $1,211.02.

3. That the consideration of said debt is as follows: A 5% royalty on gross finishes of uranium valued at $17,755.40 amounting to $1,088.32, less $1,072.30 previously paid, said royalty being due as repayment for money advanced by the Government to the debtor for mineral exploration, pursuant to Contract No. 14r-2206.

4. That no part of said debt has been paid, and no judgment has been rendered therefor.

5. That there are no security or consideration to said debt.

6. That the United States does not hold, and has not, nor had any person for its use or to deponent's knowledge or belief, for its use, had or received any security or consideration for said debt, except a "Contract to Lease and Indemnification Agreement," entered by Quicksilver Syndicate, an Oregon corporation, Blackburn, Oregon, the owner of the land described in the above-mentioned Contract No. 14r-2206, said instrument being an unrecorded lien against said land to secure the payment of the Government's percentage royalty on production.

J. L. Chambers

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)(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 proof of claim and in all matters whatsoever relating thereto.

C. O. Mitterdorf
Administrator, Defense Minerals
Exploration Administration

Subscribed and sworn to before me this _____ day of JAN 22 _____, 1958.

s/ Calvin Pierson

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

Honorable William E. Rogers
The Attorney General
Department of Justice
Washington 25, D. C.

JAN 2 1958

Dear Mr. Attorney General:

On August 22, 1955, the Mercury and Chemicals Corp., a Delaware Corporation, of Black Butte, Oregon, entered into Defense Minerals Exploration Project Contract Idm-8998 (Docket No. DMEA-4263) 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 5(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 $13,582.00 and the Government's contribution, computed at 75%, equaled $10,261.51. 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, 1956 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 D. Bardill, representative of Defense Minerals Exploration Administration Field Team, Region I, that a total of 386 flasks of mercury had been sold to that date. In a letter, dated July 18, 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. Lumley, 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 $91.25 remaining unpaid on the 144 flasks included in the audit, totaled $3,215.00. (Enclosure No. 5.)

Under date of December 10, 1957, Mr. Luckey 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 $29.90 costs. (Enclosure No. 6.)

By letter, dated December 13, 1957, the Executive Officer, DMEA Field Team, Region I, referred Mr. Luckey'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 $2,372.60. The Government contribution to exploration costs would be thus increased from $10,261.51, mentioned in the third paragraph of this letter, to $11,103.91. (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 9, 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. O. Mittendorf, Administrator, Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C.

Sincerely yours,

Solicitor

C.E. [illegible] 12/3/56

Copy to: DMEA Docket
Adm. Reading File, DMEA
DMEA Field Team, Reg. I (2)
J. L. Chambers, DMEA
R. P. Dwyer
R. W. Long
chron

Draft 12/27/57
CEFisher/ama

Hon. William A. Rogers
Attorney General
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-E998 (Docket DMEA-4263) 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 explorations for deposits of mercury as outlined in Exhibit "A" of the contract and amendments thereto; (b) the Government would pay the Operator for 75 percent of the accepted costs of the exploration work accomplished; and (c) under provision of Article 6(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 amounted to $13,682.00 with the Government's portion, on a 75 percent basis, being $10,261.51. 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 disclosed that, through March 12, 1957, the Operator had sold 144 flasks of mercury produced from the property subsequent to August 22, 1956, for $35,290.00 on which royalty, on the basis of 5 percent, was due the Government in the amount of $1,764.50. At that time the Operator's claim for exploration costs incurred during February, 1957, of which the Government's share amounted to $1,673.25, had not been paid. With the consent of the Operator, the latter amount was applied to the Government's claim for royalty 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, John D. Bardill, a representative of Defense Minerals Exploration Administration Field Team, Region I, was informed by the Operator that to that date a total of 366 flasks of mercury had been sold. In a letter dated July 18, 1957, the Field Team requested the Operator to pay royalty estimated as amounting to $2,810.75 (subject to audit) computed as due and unpaid on the sales to July 2, 1957, together

with any additional royalty due on production subsequent to that date. (Enclosure No. 3.)

The Operator has not performed any exploration work under the contract since July 15, 1957. On October 25, 1957, the Operator's attention was called to the default under the contract and a proposed Termination Agreement was sent to him for signature. This proposed Termination Agreement has not been returned by the Operator to date. (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 this royalty obligation of the Operator, and requested that he take action 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 royalty audit, The royalty due on the value of these 255 flasks was estimated as amounting to $3,123.75 which, added to the $91.25 remaining unpaid on the 144 flasks included in the audit, produced an estimated amount of $3,215.00 royalty due and unpaid. (Enclosure No. 5.)

Under date of December 10, 1957, Mr. Luckey 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. in the amount of $8,110.74, plus interest in the amount of $202.76 and

$29.96 costs. By letter dated December 13, 1957, the Field Team, Region I, referred Mr. Luckey's letter to 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 $842.40 if claim for reimbursement were filed by the Operator. Application of this amount to the royalty account would reduce the amount presently due to the Government to $2,372.60. The Government contribution to exploration costs would be thus increased from $10,261.51 mentioned in the third paragraph of this letter to $11,103.91. (Enclosures Nos. 6 and 7.)

On December 23, 1957, DMEA received from John F. Joyce, Referee in Bankruptcy, United States Court House, New York, N. Y., a copy of a Notice to Creditors in the matter of Mercury & 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 9, 1958, at 11 A. M. (Enclosure No. 8.)

In a letter dated December 27, 1957, the Administrator, DMEA, demanded payment of the royalty 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, 1956. (Enclosure No. 9.) A copy of the subordination document is included with Enclosure No. 1.

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. O. Mittendorf, Administrator, Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C.

Solicitor

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

CERTIFIED MAIL

DEC 27 1957

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. Ida-F998

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

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

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

DEC 23 1957

Memorandum

To: Administrator, BMEA
Attention: W. S. Martin

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. BMEA-4263 (Mercury), Mercury and Chemicals Corp., Contract No. I4m-5996

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 against 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

[illegible] not have before us any information [illegible] 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

HCRubin/emd
Copy to: Solicitor's Docket (2)
DMRA Docket
W. S. Martin
J. L. Chambers
R. P. Dwyer
H. C. Rubin
chron.

EXTRA COPY
DMEA
RECEIVED

DATE	INITIALS	CODE
12/16	CCW	100
		800

arg to 400

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.

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.

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, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

Enclosures

cc: USBM (2)
USBM (AD)

United States Department of Justice

UNITED STATES ATTORNEY
DISTRICT OF OREGON
UNITED STATES COURTHOUSE
PORTLAND 7, OREGON

December 10, 1957

[illegible] Agnew
Executive Officer
[illegible] Team Region I
[illegible] Department of the Interior
Defense Minerals Exploration
Administration
[illegible] 57 Howard Street
[illegible] Washington

EXTRA COPY
DMEA
RECEIVED DEC 16 1957

DATE	INITIALS	CODE

Dear Sir:

In re: Your Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

[illegible] 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. [illegible] 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.[illegible] costs.

A writ of attachment was issued on September [illegible], 1957. An execution was issued on September 17, 1957 and as of November [illegible], 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 [illegible] over the judgment debtor. The contract giving rise to the government's claim for royalties is not of record and it would appear the [illegible] is, at least as to those holding prior judgments, a general [illegible]

[illegible] your agency believe that it is to the advantage of the government [illegible] claim to judgment to protect a priority against subsequent [illegible] by other creditors, it is our belief that you should cause [illegible] be referred to the Department of Justice in Washington, D C, [illegible] this office be authorized to institute such a civil action [illegible] necessary. On the other hand, if you are advised that the [illegible] not have sufficient distainable assets to meet the judgment [illegible] against it with any surplus for the government interest, [illegible] that the claim is uncollectable as far as the Mercury and [illegible] is concerned and [illegible] proceedings would be [illegible] because ineffectual.

[illegible] attention, however, to Provision [illegible] Article 6 of the contract, [illegible] to provide notice to purchasers, requiring the operator to [illegible] of the government's claim to royalty [illegible] purchaser of the [illegible] and directing that the operator shall [illegible] and direct such [illegible] to pay the royalty directly to the [illegible] and to furnish the [illegible] with copies of the [illegible] as this contract [illegible] would, it does not appear that [illegible] would be on constructive [illegible] government's claim, however, if your agency has indication that [illegible] actual notice to purchasers involved, [illegible] contract provision, [illegible] that perhaps the government may have a right of recovery [illegible] for the portions of the royalties for which they would [illegible] obligated. If, however, a government agency was the purchaser, [illegible] that this provision would be of no help in this instance.

[illegible] would appreciate additional facts and advice from your office.

Respectfully,

[illegible]
United States [illegible]

[illegible]ington 25, D C

EXTRA COPY
DMEA
RECEIVED
DATE | INITIALS | CODE

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.

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.

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, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

Enclosures

cc: USBM (2)
USBM (AD)

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
No. 157 Howard Street
Spokane 4, Washington

EXTRA COPY
DMEA
RECEIVED DEC 16 1957

DATE	INITIALS	CODE

Dear Sir:

In re: Your Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corp.
Black Butte Mine
Lane County, Oregon
Contract No. Ida-8998

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.

If your agency believes that it is to the advantage of the government [illegible] this claim to judgment to protect a priority against subsequent [illegible] filings by other creditors, it is our belief that you should cause [illegible] to be referred to the Department of Justice in Washington, D C, [illegible] that this office be authorized to institute such a civil action [illegible] necessary. On the other hand, if you are convinced that the [illegible] would not have sufficient distrainable assets to meet the judgment [illegible] against it with any overplus for the government interest, [illegible] that the claim is uncollectible as far as the Mercury and [illegible] company is concerned and conclude [illegible] such proceedings would be [illegible] ineffectual.

[illegible] however, [illegible] of the contract, [illegible] the operator to [illegible] purchaser of the [illegible] directing that the operator [illegible] authorize and direct [illegible] the royalty directly to the [illegible] and to furnish the [illegible] of the settlement [illegible] inasmuch as this contract [illegible] would be on constructive [illegible] agency has indication that [illegible] contract provision, [illegible] that perhaps the [illegible] a right of recovery [illegible] for the portions of the [illegible] for which they would [illegible] obligated. If, however, a [illegible] agency was the purchaser, [illegible] that this provision would be of no help in this instance.

[illegible] appreciate additional [illegible] from your office.

Very [illegible]

C. E. [illegible]
United States Attorney

Washington 25, D C

So. 157 Howard Street
Spokane 4, Washington

800

November 7, 1957

Mr. C. E. Luckey
United States Attorney
United States 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:

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)

EXTRA COPY
DMEA
RECEIVED OCT 31 1957

DATE	INITIALS	CODE
		800

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-2998

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

OCT 18 1957

INTERIOR

DMEA

XXXXXXXXXXXXXXXXXXXXX

14X1401(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

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

Fisher ——

See telegram 10/23/57 to Weissenborn, and ltr to Opr, transmitting Term. Agree.

Talbot

DMEA FORM 6 REFERENCE SLIP

REV. 12-56 DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO:	INITIALS	DATE
1. SOLICITOR'S DCKT. RM. 6038		10/22
2. MR. DWYER - RM. 7343		
3.		
4.		
5.		

INTERIOR DEPT.
OCT 22 1957
SOLICITOR

FROM: W. S. MARTIN

FOR: Check items for action desired

____ Action ____ Reply for signature of ____

____ Approval ____ Investigate ____ Surname

____ Comment ____ Recommendations ____ Signature

____ Conference ____ Rewrite ____ File

____ Instructions ____ Your information

REMARKS:

PLEASE CONSIDER DRAFT AND WIRE.
RECOMMENDATION FOR TERMINATION WITH
PSEUDO-CERTIFICATION SUITS ME.

RECEIVED

OCT 23 1957

WSM

ASSOC. SOLICITOR
MINERAL RESOURCES

-DUP. SEC., WASH., D.C. M8278

RECEIVED
OCT 16 1957
ASSOC. SOLICITOR
MINERAL RESOURCES

DRAFT 10/15/57
CH[illegible]sher/wb

Hon. Herbert Brownell, Jr.
Attorney General
Washington 25, D. C.

Dear Mr. Attorney General:

On August 22, 1956, the Mercury and Chemicals Corporation, a Delaware Corporation, of Black Butte, Oregon, entered into Defense Minerals Exploration Project Contract Idm-E998 (Docket No. DMEA-4263) 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 Corporation (hereinafter referred to as the Operator) would conduct explorations for deposits of mercury as outlined in Exhibit "A" of the contract and amendments thereto; (b) the Government would pay the Operator for 75 percent of the accepted costs of the exploration work accomplished (estimated to total $62,340.00); and (c) under provision of Article 6 (b) (1), 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.)

Behind this should be a memorandum [illegible] because we are in process of certifying [illegible] 10/18/57

By Amendment No. 2 the period for completion of the exploration work was extended to May 22, 1958. No exploration work has been performed under the contract subsequent to February 1957, at which time the accepted costs amounted to $13,682.00 with the Government's portion, on 75 percent basis, amounting to $10,261.51. The exploration work contemplated by the contract has not been completed and the Operator, ~~has not rendered~~ therefore is unable to render a sufficient the final report, ~~to this date~~.

MF-500

DMEA-4263

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 10/15/57

REFERRED TO:

1. Mr. R. P. Dwyer
2.
3.
4.

RECEIVED
OCT 16 1957

FOR: ASSOC. SOLICITOR
MINERAL RESOURCES

DMEA 4263
INTERIOR DEPT.
OCT 15 1957
SOLICITOR

Action

- Approval
- Comment
- Conference
- Consideration
- Filing
- Instructions
- Investigation
- Initials
- Mailing
- Previous correspondence
- Recommendation
- Record of
- Referring to
- Reply for signature of
- Rewriting
- Signature
- Suggestions
- Your information

REMARKS: Our office is preparing a checklist and would send them in. I thought we might have a few days by working on a better review.

Check (X) before the items needing attention.

J. L. Chambers
Initials of sender.

GPO 16—63815-1

2:30 P.M.

Mr. Johnson -

Mr. Rubin said he had just spoken with Mr. Fishar and Mr. Talbert about this docket in connection with the question of default, and ~~and~~ he would like your views on whether they should introduce the question of getting our money back.

Said you could call him when you have had the opportunity to review the docket.

Beulah

Mr. Kronzale

Discuss - Re

Cert. Tenn. - Default

Claim for old gas, oil and royalties.

An audit of the Operator's sales accounts and records disclosed that, through March 11, 1957, the Operator had sold 144 flasks of mercury produced from the property for $35,290.00 on which royalty, on basis of 5 percent, was due to the Government in the amount of $1,764.50. At that time the Operator's claim for exploration costs incurred during February 1957, of which the Government's share amounted to $1,673.25, has not been paid. With the consent of the Operator, the latter amount was applied to the Government's claim for royalty leaving a balance due of $91.25. In letter dated April 25, 1957, request was made for payment of the latter amount. (Enclosure No. 2.)

On July 2, 1957, John D. Bardill, a representative of Defense Minerals Exploration Administration Field Team, Region I, was informed by the Operator that to that date a total of 366 flasks of mercury had been sold. In letter dated July 18, 1957, the Field Team requested the Operator to pay royalty estimated as amounting to $2,810.75 (subject to audit) computed as due and unpaid on the sales to July 2, 1957, together with additional royalty due on production since the latter date. (Enclosure No. 3.)

Should we say for how much? WSG That 2810.75 was an estimated amount subject to audit

We have been informed that the mine was closed down on August 15, 1957; the Operator has lost its lease; the Operator's manager has resigned and is attempting to form a new corporation to lease the mine; the Operator owes back taxes; and a writ of attachment for $8,110.74 plus 6% interest has been posted at the mine by a local hardware company attaching all of the surface equipment on the property.

It is requested that your department take such action as you deem appropriate to recover the amount of $2,810.75 together with any royalty due the Government on production and sales subsequent to July 2, 1957.

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. O. Mittendorf, Administrator, Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C.

Solicitor

EXCERPT FROM REGION I REPORT TO THE BUREAU OF MINES

REPORTING PERIOD: AUGUST 15 - SEPTEMBER 15, 1957

E998 DMEA-4263 (mercury) - Mercury & Chemicals Corporation
Black Butte Mine
Lane County, Oregon

No work covered by the contract was performed during the reporting period. On August 15, 1957 the mine was closed down. The lessor of the property stated that Mercury & Chemicals Corp. have lost their lease. The manager has resigned and is attempting to form a new corporation to lease the mine. He stated that Mercury & Chemicals Corp. owe a large amount in back taxes. A "Writ of Attachment for $8,110.74 plus 6% interest," was posted at the mine by a local hardware company attaching all the surface equipment on the property.

About $2,800 in unpaid royalties is due the Government.

Copy made 10/15/57
CEF

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-1263 (Mercury)
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Ida-2998

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

APPROVED:

Frank D. Lamb

Member, Bureau of Mines

W. P. Williams

Member, Geological Survey

Copy to: Docket
Admr. Reading File
Operating Committee
Mr. Mote, USBM
Mr. Killsgaard, USGS
Mr. Chambers

CEFisher/wb
October 14, 1957

For Certificate of Deposit No. 412, dated July 17, 1957, giving royalty payment of $1,673.25, see E-152.

1201 N. Division St.
Spokane 2, Washington

July 18, 1957

EXPLOR. DIV. DMEA
RECEIVED
DATE
7-29-57
810

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. D. Sample, Acting Member
U. S. Geological Survey

cc: DMEA (2)
USGS (2)
USBM (AD)
Turner

EXTRA COPY
DMEA
RECEIVED APR 29 1957
DATE | INITIALS | CODE
8.00

No. 157 Howard Street
Spokane 1, Washington

April 25, 1957

Mr. Richard W. Fischer, President
Mercury and Chemical Corporation
Black Butte, Oregon

Re: Docket No. DMEA-126 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. ida-[illegible]

Dear Mr. Fischer:

In accordance with your telephone instructions, we are applying the sum of $1,673.25 due you from your February 1957 voucher to the unpaid royalty of $1,764.50. According to the Royalty Audit Report and Certificate dated March 25, 1957 (copy of which is enclosed), this leaves an unpaid balance of $91.25. This balance should be paid as soon as possible.

By Field Team, Region 1, Mt. Inst.

W. H. Weissenborn, Exec. Officer
U. S. Geological Survey

Wing O. Agnew, Member
U. S. Bureau of Mines

Enclosure

cc: DMEA (3)
USBM (2)
Certifying Officer
Turner
CTF
Alvord

No. 157 Howard Street
Spokane 4, Washington

April 24, 1957

EXTRA COPY
D M & A
RECEIVED APR 29 1957
DATE | INITIALS | FILE
800

MEMORANDUM

To: The Files

From: D. N. Maclaren

Subject: Royalty due from Mercury and Chemicals Corporation, Black Butte Mine, Lane County, Oregon, Docket No. IM - 26) (Mercury), Contract No. 4m-yxi

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. N. Maclaren

cc: DMA (3)
USGM (2)
Certifying Officer
CT
Alvord
Turner

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 20 1959

DATE	INITIALS	CODE

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. IMEA-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

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-9[illegible] (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

March 25, 1957

C. A. Turner, Auditor

DMEA
RECEIVED [illegible] 29 1957

DATE	IN	CODE

OFFICIAL FILE 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-3998, 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 F. 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 NF-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.

C. A. Turner

March 25, 1957

C. A. Turner, Auditor

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 29 1957

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

Mr. Charles A. Turner
DMEA Auditor
1201 North Division Street
Spokane 2, Washington

Re: First Royalty Audit Report
Mercury and Chemicals Corp.
Idm-F99P, 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

CFFisher/wb
April 1, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
420 Custom House, 555 Battery Street
San Francisco 11, California

March 23, 1959

Certified Mail

Mrs. Dorothy F. Long
Authorized Certifying Officer
1201 N. Division Street
Spokane 2, Washington

Re: Docket No. DMEA-4263 (Mercury)
Mercury and Chemicals Corporation
Back Butte Mine
Lane County, Oregon
Contract No. Idm-E998

Dear Mrs. Long:

Reference is made to your letter dated February 25, 1959, in connection with audit of subject contract. Audit is now complete, and I am enclosing herewith one original and 3 copies of Report of Review for further distribution by you. The report was approved by the Washington Office March 20, 1959 and there is no ~~balance~~ Balance due the Operator. In accordance with letter dated February 17, 1959 from Mr. George C. Selfridge to Mr. A. E. Weissenborn, no copy of this Report of Review has to be sent to the Operator.

I am also enclosing the following material previously submitted by you.

1. Contract and Correspondence File
   Includes original contract, Annex I
   Exhibt "A", and Ammendment Nos. 1 and 2

2. Voucher File
   MF-104's and 104A's, with attachments

Sincerely yours,

(Signed) [illegible]

George Mavor, OME Auditor

Enclosures

Copy to: Jay L. Chambers

MAR 20 1959

Memorandum

To: George Mayer, GSC Auditor

From: Jay L. Chambers (Signed) J. L. Chambers
Contract Administration and Audit Division

Subject: Docket No. DMSA-1205 (Mercury)
Mercury and Chemicals Corporation
Contract No. Mm-2996

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 2 1959

DATE	INITIALS	CODE
		800

1201 N. 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. Ida-8998

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
   (MT-104's and 104A's, with attachments)

Sincerely yours,

Dorothy Long
Authorized Certifying Officer

Enclosures

cc: Mr. Chambers
OME (2)
USGS (2)
USBM (AD)

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAR 2 1959
DATE | INITIALS | CODE

1201 N. Division St.
Spokane 2, Washington

February 24, 1959

Mr. George Mayer, OMX Auditor
Room 420, Custom House
555 Battery Street
San Francisco 11, Calif.

Re: Docket No. ~~MMA-1263 (mercury)~~
Mercury and Chemicals Corporation
Black Butte Mine
Lane County, Oregon
Contract No. Idm-8998

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	1,200 ft.	416 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
OGM (2)
USGS (2)
USBM (AB)

Mr. A. E. Weissenborn
Executive Officer
OGC Field Team, Region I
South 157 Howard Street
Spokane 4, Washington

FEB 17 1959

Re: Docket No. [illegible] (Hayway)
Hayway and Chandler Corporation
Flank Butte Mine
Lane County, Oregon
Contract No. [illegible]

Dear Mr. Weissenborn:

By letter dated February 4, 1959, you ask if a unilateral termination ordering 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 Underwriter Syndicate under the Subordination Agreement.

Under the circumstances the exploration work under the contract is considered terminated as of February 26, 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

APPROVED:

H. G. Iverson
Member, Bureau of Mines

N. E. Nelson
Member, Geological Survey

cc: Docket
Director's Reading File
Operating Committee
TEKillingsord
JWPennington
Mr. Chambers
Mr. George Meyer

EDTalbert/GMoC
February 16, 1959

EXTRA COPY O. M. E. RECEIVED FEB 9 1959		
DATE	INITIALS	CODE
		880

So. 157 Howard Street
Spokane 4, Washington

February 4, 1959

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

Re: Docket No. EMEA-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.

Mb 75% of Assessment on D342.10.

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, Exec. Officer
U. S. Geological Survey

Wing G. Agnew, Member
U. S. Bureau of Mines

cc: USGM (2)
UBEM(AD)

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of February, 1957 Docket No. DMEA 4263 Contract No. Idm-E998
Operator's Name Mercury and Chemicals Corporation Minerals Mercury
Address Black Butte, Oregon
Contract Amount, $62,340.00 Government Participation: 75 % Amount, $46,755.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing	0.00	611.00	611.00		611.00	611.00
Crosscutting						
Drifting 82 feet	2132.00	8731.00	10863.00	2132.00	8731.00	10863.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs	0.00	1920.00	1920.00		1920.00	1920.00
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis	99.00	189.00	288.00	99.00	189.00	288.00
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	2231.00	11451.00	13682.00	2231.00	11451.00	13682.00

I certify that the above bill is correct and just and that payment therefor has not been received.
Date March 13, 1957 Payee Mercury & Chemicals Corp.
Per Richard C. Francis Title President

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

→ NOTE.—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.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 1673.25

Signature Timothy F. Lang
(Authorized Certifying Officer)

Date 7-5-57 Vou. No. 2002
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E 998 in accordance with the terms of the contract.

Signature /s/ John D. Bardill Title Metallurgist Date March 18, 1957

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ A. E. Weissenborn Title Executive Officer Date April 26, 1957

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of February 1957 Docket No. DMEA 4263 Contract No. Idm-B998
Operator's Name Mercury and Chemicals Corporation Minerals Mercury
Address Black Butte, Oregon

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting	1 ft.	2132.00	82	10863.00	417 ✓		1200	26.00
Crosscutting								
Raising	1 ft.						300	25.00
~~Shaft~~								
~~Winze~~ Bulldozing	1 hr	0.00	0	611.00	47 ✓		115.38	13.00
Drilling: Core Undergrd	1 ft.						1000	4.00
~~Chum~~ Surface	1 ft.						2000	6.00
Auger								
~~Stripping~~ Drift timbering	1 ft.						500	5.00
Trenching								
~~Test Pits~~ Assaying		99.00	33	288.00	96 ✓		300	3.00
Roads and Trails								
Total Distributed Costs		2231.00		11762.00				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs		0.00	0	1920.00		640 ft.		1,920.00
New Buildings, Improvements, etc.								820.00
Total Costs		2231.00		13682.00				

The undersigned company, and the official executing this certification on its behalf, hereby certify that the information contained in this report is correct and complete to the best of their knowledge and belief.

Date March 13, 1957 Operator Mercury & Chemicals Corp.

Per Richard P. Fogelsong Title President

→ NOTE.—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.

Remarks:

(Instructions on reverse)

(For Government use only)

/s/ John A. Bardill

RECEIVED

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 872894

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DMEA
RECEIVED JUL 12 1957

DATE	INITIALS	CODE

March 15, 1957

Mr. A. E. Weissenborn
U. S. Department of the Interior
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane, Washington

Ref: Docket No. DMEA-4265 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Ima-E[illegible]

NARRATIVE REPORT

Dear Mr. Weissenborn:

Attached hereto are:

1. A progress map which shows the extent of exploratory work on the 1100 level completed as of the end of February, 1957.

2. Form MF-104, Operator's Monthly Report and Voucher.

3. Form MF-104A, Operator's Unit Cost and Progress Report.

Exploratory work during February extended the drift on the 1100 level by 82 feet. Showings of cinnabar are now in evidence frequently. We are in a mineralized zone, but as yet we have located no distinct vein.

The assays are as follows:

Date	Sample No.	lbs. Hg/ton
February 1, 1957	77[illegible]	0.2
February 2, 1957	77[illegible]	3.0
February 2, 1957	7[illegible]0	1.1
February 2, 1957	7[illegible]2	0.6
February 4, 1957	7[illegible]4	0.6
February 5, 1957	7[illegible]5	2.[illegible]
February 5, 1957	7[illegible]	5.[illegible]

Date	Sample No.	Lbs. Hg/ton
February 6, 1957	793	1.4
February 7, 1957	794	1.2
February 7, 1957	796	0.8
February 8, 1957	799	12.1
February 9, 1957	801	1.0
February 11, 1957	805	2.6
February 12, 1957	808	2.4
February 13, 1957	809	5.7
February 14, 1957	812	3.4
February 15, 1957	817	1.2
February 16, 1957	818	0.8
February 16, 1957	821	0.2
February 18, 1957	822	0.3
February 19, 1957	826	0.3
February 19, 1957	828	0.2
February 20, 1957	833	0.2
February 20, 1957	835	3.1
February 20, 1957	837	0.9
February 20, 1957	838	0.7
February 21, 1957	842	3.7
February 21, 1957	845	1.6
February 22, 1957	849	1.5
February 22, 1957	851	3.0
February 22, 1957	853	1.0
February 23, 1957	854	0.6
February 23, 1957	859	1.1

Very truly yours,

MERCURY AND CHEMICALS CORPORATION

Richard P. Fischer

Richard P. Fischer
President

RPF:ma

Encls.

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of January, 1957 Docket No. DMEA-4263 Contract No. Idm-E998
Operator's Name Mercury & Chemicals Corp. Minerals Mercury
Address Black Butte, Oregon
Contract Amount, $ 62,340.00 Government Participation: 75% Amount, $ 46,755.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Short Form Contracts:						
Drilling						
Bulldozing	0.00	0.00	0.00	611.00	—0—	611.00
Crosscutting						
Drifting 120 feet	3120.00	5611.00	8731.00	3120.00	5611.00	8731.00
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs	0.00	1920.00	1920.00		1920.00	1920.00
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis	81.00	108.00	189.00	81.00	108.00	189.00
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	3201.00	7639.00	10840.00	3812.00	7639.00	11451.00

I certify that the above bill is correct and just and that payment therefor has not been received.

Date Feb. 1, 1957 *Payee Mercury & Chemicals Corp.

Per Richard P. Fischer Title President

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

NOTE.—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.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 2859.00

Signature Dorothy F. Long
(Authorized Certifying Officer)

Date 2/13/57 Vou. No. 1940
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E 998 in accordance with the terms of the contract.

Signature /s/ John D. Bardill Title Metallurgist Date February 5, 1957

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ A. E. Weissenborn Title Exec. Officer Date February 6, 1957

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED FEB 18 1957 D.M.E.A.

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of January 195 7 Docket No. DMEA 4263 Contract No. Adm-E998
Operator's Name Mercury & Chemicals Corp. Minerals Mercury
Address Black Butte, Oregon

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting	1 ft.	3120.00	120	8731.00	336		1200	26.00
Crosscutting								
Raising	1 ft.						300	25.00
~~Shafts~~				614.00	47			
~~Bulldozing~~	1 hr.	0.00	0	0.00	0		115.38	13.00
Drilling: Core Underground	1 ft.						1000	4.00
~~Surface~~	1 ft.						000	6.00
Auger								
~~Drift~~ Timbering	1 ft.						500	5.00
Trenching								
~~Assaying~~		81.00	27	189.00	63		300	3.00
Roads and Trails								
Total Distributed Costs		3201.00		8920.00				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs		0.00	0	1920.00		640 ft.		$1,920.00
New Buildings, Improvements, etc.								820.00
Total Costs		3201.00		10840.00				$62,240.00

The undersigned company, and the official executing this certification on its behalf, hereby certify that the information contained in this report is correct and complete to the best of their knowledge and belief.

Date Feb. 1, 1957 Operator Mercury & Chemicals Corp.
Per Richard P. Fraiber Title President

Remarks:

NOTE.—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.

(Instructions on reverse)

(For Government use only)

/s/ John D. Bardill, Metallurgist

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 872894

RECEIVED
FEB 4 1957
U. S. G. S.
SPOKANE, WASH.

MERCURY AND CHEMICALS CORPORATION

1897 Riverview Street

Eugene, Oregon

RECEIVED FEB 1957
DATE | INITIALS | CODE

Mr. A. E. Weissenborn
U. S. Department of the Interior
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane, Washington

Ref: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

NARRATIVE REPORT

Dear Mr. Weissenborn:

Attached hereto are:

1. A progress map which shows the extent of exploratory work on the 1100 level completed as of the end of January, 1957.

2. Form MF-104-Operator's Monthly Report and Voucher.

3. Form MF-104A-Operator's Unit Cost and Progress Report.

Enclosed are the original and four copies of Amendment 1 to the contract, which are signed.

Exploratory work during January extended the drift on the 1100 level by 120 feet. Showings of cinnabar are now in evidence from time to time. It looks as if we are approaching ore bearing rock.

The assays are as follows:

Date	Sample No.	lbs. Hg/ton
January 1, 1957	670	0.4
" 2 "	673	0.3
" 3 "	676	0.2
" 3 "	677	0.3
" 4 "	675	0.3
" 7 "	683	0.3
" 8 "	689	0.2

Date	Sample No.	Lbs. Hg/ton
January 9, 1957	694	0.3
" 10 "	697	0.4
" 11 "	701	0.6
" 12 "	705	0.6
" 12 "	706	1.0
" 14 "	709	1.0
" 15 "	720	0.7
" 16 "	721	0.4
" 17 "	727	0.4
" 19 "	737	0.4
" 21 "	741	0.4
" 21 "	743	0.5
" 23 "	747	0.5
" 24 "	750	0.2
" 25 "	752	0.2
" 26 "	755	0.2
" 28 "	758	0.3
" 29 "	761	0.8
" 30 "	765	1.0
" 31 "	767	0.6

Very truly yours

MERCURY AND CHEMICALS CORPORATION

Richard P. Fischer

Richard P. Fischer
President

RPF:br

Encls.

QUINTUPLICATE

STANDARD FORM 201 (Formerly Cert. of Deposit, Form 1)
Promulgated Oct. 1949 by Treasury Dept., Fiscal Service

425 New U.S. Courthouse

LETTER OF TRANSMITTAL

Portland, Oregon

DEPOSIT NO.
14-23-020-380

$ 425.12

For credit of 420, Division of Disbursement, Portland, Oregon 1/25/57
(Name, title, and disbursing or identification symbol of accountable officer) (Date sent)

deposited with Federal Reserve Bank of San Francisco, Portland Branch Portland, Oregon
(Name and location of depositary)

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	E-998	$425.12

(Depositor will insert below his name, title, Department or Agency concerned, and his address)

Defense Minerals Exploration Administration
c/o U.S. Bureau of Mines
1201 N. Division St.
Spokane 2, Washington

TO ABOVE-NAMED BANK OR TO TREASURER U. S.:

Herewith you will receive the deposit described above. Please observe the distribution printed on each accompanying copy of Standard Form 201.

1/25/57
(Depositor)
Myrtle I. Purdy, Authorized Collector

DEPOSITARY WILL RETAIN THIS COPY

16—50686d-1 GPO

Check No. 1843 dated 1/23/57
Amount - $425.12
From: Mercury & Chemicals Corporation
Contract E998, Mercury & Chemicals Corp.
Refund of overpayment

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of December, 1956 Docket No. DMEA 4263 Contract No. Idm-E998
Operator's Name Mercury & Chemicals Corp. Minerals Mercury
Address Black Butte, Oregon
Contract Amount, $ 62,340.00 Government Participation: 75 % Amount, $ 46,755.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing	0.00	705.00	705.00		—0—	—0—
Crosscutting						
Drifting 85 feet	2210.00	3401.00	5611.00	2210.00	1700.50	5611.00
drifting paid on voucher		no 1913			1700.50	
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs	0.00	1920.00	1920.00		1920.00	1920.00
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis	57.00	51.00	108.00	57.00	51.00	108.00
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	2267.00	6077.00	8344.00	2267.00	5372.00	7639.00

RECEIVED JAN 24 1957 DMEA

I certify that the above bill is correct and just and that payment therefor has not been received.
Date Jan. 10, 1957 Payee Mercury & Chemicals Corp.
Per Robert P. Fuchs Title President.

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

NOTE.—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.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 1700 25

Signature M. P.
(Authorized Certifying Officer)

Date 1-18-57 Vou. No. 1925
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. E 998 in accordance with the terms of the contract.

Signature 151 John D. Pardill Title Metallurgist Date 1-14-57

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature 151 A. E. Weissenborn Title Exec Officer Date 1-15-57

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

RECEIVED JAN 24 1957 D.M.E.A.

Month of December 1956 Docket No. DMEA 4263 Contract No. 1a-2998
Operator's Name Mercury & Chemicals Corp. Minerals Mercury
Address Black Butte, Oregon

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting	1 ft	2210.00	85	5611.00	216		1200	26.00
Crosscutting								
Raising	1 ft.						300	25.00
Shafts								
xxxxBulldozing	1 hr.	0.00	0	~~705.00~~	~~47~~		100	15.00
Winzes								
Drilling: Core Undergrd	1 ft						1000	4.00
Churn xxx Surface	1 ft						2000	6.00
Auger								
Stripping								
xxxxxxDriftTimbering	1ft.						500	5.00
Trenching								
Test Pits								
xxxxxAssaying		57.00	19	108.00	36		300	3.00
Roads and Trails								
Total Distributed Costs		2267.00		6424.00				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs		0.00	0	1920.00		640 ft.		$1920.00
New Buildings, Improvements, etc.								820.00
Total Costs		2267.00		~~8344.00~~ 7639.00				

The undersigned company, and the official executing this certification on its behalf, hereby certify that the information contained in this report is correct and complete to the best of their knowledge and belief.

Remarks:

Date Jan. 10, 1957 Operator Mercury & Chemicals Corp.

Per Robert P. Fredrick Title President

→ NOTE.—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.

(Instructions on reverse)

(For Government use only)

/s/ John D Burdill

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 872894

January 10, 1957

RECEIVED
JAN 24 1957
D.M.E.A.

Mr. A. E. Weissenborn
U. S. Department of the Interior
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane, Washington

Ref: Docket No. DMEA-4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-E998

NARRATIVE REPORT

Dear Mr. Weissenborn:

Attached here to are:

1. A progress map which shows the extent of exploratory work on the 1100 level completed as of the end of December, 1956.

2. Form MF-104-Operator's Monthly Report and Voucher.

3. Form MF-104A-Operator's Unit Cost and Progress Report.

Exploratory work during December was restricted to drifting on the 1100 level toward the favorable area and sampling in the drift as it progressed. The drift was extended 85' during December. We expect to be in the mineralized zone, as inclated by prior diamond drilling, soon and can then start exploratory drilling. Nothing unusual was encountered during December.

The assays are as follows:

Date	Sample No.	lbs. Hg/ton
December 1, 1956	574	0.5
December 3, 1956	580	0.4
December 4, 1956	584	0.2
December 5, 1956	586	0.4
December 6, 1956	587	0.2
December 7, 1956	590	0.4
December 8, 1956	592	0.7
December 10, 1956	595	0.8
December 12, 1956	607	0.6
December 13, 1956	613	0.5
December 15, 1956	620	0.3

Date	Sample No.	lbs. Hg/Ton
December 19, 1956	632	0.4
December 20, 1956	636	0.3
December 21, 1956	640	0.4
December 22, 1956	643	0.2
December 26, 1956	651	0.3
December 28, 1956	660	0.3
December 29, 1956	664	0.2
December 31, 1956	667	0.4

Very truly yours,

MERCURY AND CHEMICALS CORPORATION

Richard P. Fischer

Richard P. Fischer
President

RPF:ma

Encls.

Standard Form No. 1034a—Revised
Form prescribed by
Comptroller General, U. S.
September 7, 1950
(Gen. Reg. No. 51, Supp. No. 11)

PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL

D. O. Vou. No. U

Bu. Vou. No. 1913

U. S. _____
(Department, bureau, or establishment)

Voucher prepared at Spokane 12/21/56
(Give place and date)

THE UNITED STATES, Dr., Payee's Account No. Idm-E998

To Mercury & Chemicals Corporation
(Payee)

1897 Riverside St., Eugene, Oregon
(Address) (City) (State)

PAID BY
(For use of Paying Office)

No. and Date of Order	Date of Delivery or Service	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary) Discount Terms	QUANTITY	UNIT PRICE Cost	UNIT PRICE Per	AMOUNT Dollars	AMOUNT Cts.
	November 1956	Balance of payment for drifting due operator which was withheld when payment was made on the Nov. MF-104 December 11, 1956, Voucher No. 1908.				1,700.50	
PAYMENT: Complete ☐ Partial ☐ Final ☐		Use continuation sheet(s) if necessary					

Shipped from to Weight Government B/L No. Total

(Payee must NOT use this space) 1,700.50

Differences

Account verified; correct for

(Signature or initials) M.&P. 1,700.50

Contract No. Date Req. No. Date Invoice Rec'd.

1,700.50

MEMORANDUM

RECEIVED DEC 26 1956 G.M.C.A.

ACCOUNTING CLASSIFICATION (For completion by Administrative Office)

Appropriation, limitation, or project symbol	Appropriation title	Limit'n. or Proj't. Amount	Appropriation Amount

Allotment symbol	Amount	Obligations liquidated	COST ACCOUNT Symbol	COST ACCOUNT Amount	OBJECTIVE CLASSIFICATION Symbol	OBJECTIVE CLASSIFICATION Amount

Paid by { Check No. _____ dated _____, 19____, for $_____ / Cash, $_____, on _____, 19____. } on Treasurer of the United States in favor of payee named above.

16—22900a-2

METHOD OF OR ABSENCE OF ADVERTISING

METHOD OF ADVERTISING

1. Advertising in newspapers Yes ☐ No ☐.
2. (*a*) Advertising by circular letters sent to ..... dealers.
   (*b*) And by notices posted in public places Yes ☐ No ☐.

   (If notices were not posted in addition to advertising by circular letters sent to dealers, explanation of such omission must be made below.)

ABSENCE OF ADVERTISING

3. Without advertising, under an exigency of the service which existed prior to the order and would not admit of the delay incident to advertising.
4. Without advertising in accordance with .....
5. Without advertising, it being impracticable to secure competition because of .....

.....

.....

.....

.....

(Here state in detail the nature of the exigency or circumstances under which the securing of competition was impracticable under 3 and 4)

NOTE.—The above form "Method of or Absence of Advertising" is to be used when purchases are made or services secured under proper authority without written agreement in any form. In case of a written agreement (formal contract, proposal, and acceptance, or less formal agreement) Standard Form No. 1036—Revised should be used for abstracting the method of or absence of advertising and award of contract. (See General Regulations No. 51, as amended.)

☆ U. S. GOVERNMENT PRINTING OFFICE : 1950 O—75805

16—22000a-2

Form MF-104 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of November 6, 1956 Docket No. DMEA 4263 Contract No. Jan-5990

Operator's Name Mercury & Chemicals Corp. Minerals Mercury

Address Black Butte, Oregon

Contract Amount, $ 62,540.00 Government Participation: 75 % Amount, $ 46,755.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:		0.00				
Drilling 47 hrs.	705.00	0.00	705.00			
Bulldozing		0.00		-0-	-0-	-0-
Crosscutting 131 feet	341.00	0.00	341.00			
Drifting				1700.50	-0-	1700.50
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation	1920.00	0.00	1920.00			
(5) Initial Rehabilitation and Repairs				1920.00	-0-	1920.00
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment	51.00	0.00	51.00			
Sampling and Analysis				51.00	-0-	51.00
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	6077.00	0.00	6077.00	3671.50	-0-	3671.50

RECEIVED DEC 7 1956

I certify that the above bill is correct and just and that payment therefor has not been received.

Date Dec 7, 1956 *Payee Mercury & Chemicals Corp.

Per Richard P. Fosdal Title President

*When a voucher is signed or receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary," or "Treasurer," as the case may be.

NOTE.—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.

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:

$ 2753 63

Signature MGP
(Authorized Certifying Officer)

Date 12-11-56 Vou. No. 1908

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. 6998 in accordance with the terms of the contract.

Signature /S/ Stephen W Zoldok Title Mining Engr. Date 12-10-56

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature /S/ Wing G. Agnew Title Acting Exec. Date 12-11-56

MONTHLY REPORT OF OPERATOR

The Operator (Contractor) of an exploration project is required to make a monthly report to the Government through the Regional Executive Officer. This report consists of three parts as follows:

(a) *Form MF-104—Operator's Monthly Report and Voucher.*—This form details expenditures and constitutes a voucher for reimbursing the Operator for the Government's share of costs;

(b) *Form MF-104A—Operator's Unit Cost and Progress Report.*—This is a statistical report of expenditures which shows costs for the various types of operation; and

(c) *Narrative.*—A concise narrative description of progress made, results accomplished, and any unusual difficulties encountered must be furnished as an attachment to this Report and Voucher. Wherever possible, the narrative is to be illustrated with maps or sketches showing formations penetrated and location and assays of samples taken as well as advances in workings. In the case of diamond drilling or churn drilling, the location and inclination of holes is to be shown on a map; logs and assays also are to be submitted.

The Monthly Report of Operator should be prepared in an original and four copies all of which must be sent to the Executive Officer of the Region not later than the 15th of the month following.

Preparation of Form MF-104—Operator's Monthly Report and Voucher.—All the applicable spaces in Form MF-104 should be filled in by the Operator, and the Operator or his agent should sign the certification in the lower left corner of the form.

The items of costs are arranged in the order they appear in Article 6 (a) of Form MF-200 (Revised February 1952), however, this form is readily adaptable for use in reporting activities under other contract forms.

Under Item (1) delete words "Short Form" if the contract is a sub-contract under Form MF-200; and delete word "Independent" if the contract reported is on Form MF-200 (A). Also, report work paid for on a unit basis under contract Form MF-200 as though it were performed under an independent contract.

Under Item (2) include labor, supervision and technical services incurred for the exploratory operations. Do not include labor, supervision and technical services used for work performed under items (5) and (6).

Under Item (3) include the costs of material and supplies used in the project other than that used under items (5) and (6).

Under Item (4) appear the three types of operating equipment expenditures, that is, rental, purchase and depreciation. The expenditures made for renting equipment belonging to a third party will be reported under "Rental". The amount paid or duly obligated for payment for the purchase of equipment will be reported under "Purchase". The amount of expenditures due the Operator to reimburse him for depreciation of equipment owned will be reported under "Depreciation".

Item (5) comprises costs of labor, supervision, technical services, materials, etc., which are used in the initial rehabilitation and repair of existing buildings, installations, fixtures, and equipment. These costs, therefore, should not be reported under items (2) and (3).

Item (6) includes the labor, supervision, technical services, materials, etc., used in the installation or construction of new buildings, fixed improvements, etc., necessary for the project. These costs, therefore, should not be reported under items (2) and (3).

Item (7) covers miscellaneous types of expenditure such as payroll taxes, liability insurance, workmen's compensation insurance, repairs to equipment and sampling and analysis. Only that part of payroll taxes, liability insurance and workmen's compensation which are paid by the operator should be reported under item (7). The share paid by the employee as a payroll deduction is to be included under item (2) as labor costs.

Item (8) includes any unforeseen costs not included in the other seven categories.

The original of Form MF-104 when submitted for reimbursable expenses incurred under contract Form MF-200 must be supported by original documentation or by certified copies of purchase orders, payrolls or transcripts of payrolls, unless such documentation has been waived by the Regional Executive Officer. This certification may be stated thus, "Certified True Copy (or Transcript)", followed by appropriate signature. If the Executive Officer of the Region determines that a contract under Form MF-200 should have an "on-site" audit, that is, a Government auditor should make an audit of the Operator's books and records of account, the Operator need not support his monthly voucher with original or certified documents except in cases of equipment purchases whose individual costs exceed $50.00. In these cases the original or a certified copy of the purchase order or invoice should be attached to the Monthly Voucher. N. B.—Only the *original* of Form MF-104 is required to be documented. The four copies of Form MF-104 are not to be thus supported.

Form MF-104 submitted for reimbursement under fixed price contracts on Form MF-200 (A), however, are not required to be supported by documentation of any kind. The Operator will submit his claim under item (1) of Form MF-104 by deleting as stated above the word "Independent" and by showing the number of feet or other units immediately after the appropriate descriptive word, such as, drilling, bulldozing, crosscutting, drifting, etc., and giving the "Monthly Total" amount due. "Totals Previously Reported", and "Totals to Date" columns should also be filled in.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

RECEIVED
DEC 17 1956
D.M.E.A.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of November 1956 Docket No. DMEA 4263 Contract No. 1dn-1990
Operator's Name Mercury & Chemicals Corp. Minerals Mercury
Address Black Butte, Oregon

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting	1 ft.	$4401.00	131	$4401.00	131		1200	26.00
Crosscutting	1 ft.							
Raising	1 ft.						500	25.00
~~Shaft~~								
~~Winzes~~ Bulldozing	1 hr.	705.00	47	705.00	47		100	15.00
Drilling: Core Underground	1 ft.						1000	4.00
~~Churn~~ Surface	1 ft.						2000	6.00
Auger								
~~Stopping~~ Drift Timbering	1 ft.						500	3.00
Trenching								
~~Trenches~~ Assaying	1 assay	51.00	17	51.00	17		300	3.00
Roads and Trails								
Total Distributed Costs		$4,157.00		$4,157.00				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs		$1920.00	640 ft	$1920.00		640 ft.		$1920.00
New Buildings, Improvements, etc.								$20.00
Total Costs		$6,077.00		$6077.00				

The undersigned company, and the official executing this certification on its behalf, hereby certify that the information contained in this report is correct and complete to the best of their knowledge and belief.

Date Dec. 7, 1956 Operator Mercury & Chemicals Corp.

Per Richard P. Leeches Title President

NOTE.—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.

Remarks:

(Instructions on reverse)

(For Government use only)

/s/ Stephen H. Zoldok

INSTRUCTIONS

Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better determine the progress of the project; and (2) to furnish more permanent information on mining costs for future use. The more important phases of operation on which permanent information is desired have been outlined in the form. There are blank lines, however, for those unusual phases which may need to be reported for a particular project. It will be necessary for the Operator to distribute his costs among the applicable phases reported with the exception of three items the costs of which are not to be distributed by the Operator. These three items are: "Operating Equipment Purchased", "Initial Rehabilitation and Repairs", and "New Buildings, Improvements, etc." The reason for not distributing these items on a monthly basis is doubtless clear to the Operator, since such distribution might well overstate the cost for any one month or period short of the entire contract period.

Form MF-104A has been designed to tie in with Form MF-104 for both monthly and cumulative costs. The "Total Costs" on Form MF-104A for each month should equal the monthly "Total Costs" as reported on Form MF-104. This is also true of the "Total Costs To Date".

In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active for the month. Such distributions should be made on the basis of time spent on the various phases, on man days of labor charged to such phases, or on some other equitable basis. "Operating Equipment", "Initial Rehabilitation and Repairs", and "New Buildings Improvements, etc.", will be distributed to the several phases of the project by the Washington Office of DMEA at the close of the project if determined necessary. The last two columns headed "Authorized by Contract" will be filled in by the Operator if such information is found in the contract. This information is usually a part of Exhibit "A" of the contract. A space for remarks has been provided for the use of the Operator to call attention to any unusual circumstances causing excessive or disproportionate unit costs.

GPO 872894

December 7, 1956

RECEIVED DEC 17 1956 DMEA

Mr. A. E. Weissenborn
U. S. Department of the Interior
Defense Minerals Exploration Administration
South 157 Howard Street
Spokane, Washington

Ref: Docket No. DMEA- 4263 (Mercury)
Black Butte Mine
Lane County, Oregon
Contract No. Idm-2998

NARRATIVE REPORT

Dear Mr. Weissenborn:

Attached hereto are:

1. A progress map which shows the extent of exploratory work on the 1100 level completed as of the end of November, 1956.

2. Form MF-104-Operators Monthly Report and Voucher.

3. Form MF-104A-Operator's Unit Cost and Progress Report.

Work started on the program about November 1st and has progressed well. The rehabilitation on the 1100 level has been completed. The drift, as shown on the map, has been extended 131 feet. We have been in a mineralized zone throughout and have taken samples regularly. The assays are as follows:

Date	Sample No.	lbs. Hg/Ton
November 1st	506	1.3
November 2nd	508	1.0
November 3rd	510	1.1
November 5th	511	0.7
November 8th	518	0.4
November 10th	520	0.4
November 12th	521	0.5
November 13th	524	0.6
November 14th	526	0.9
November 16th	529	0.6
November 19th	538	1.4

Date	Sample No.	lbs. Hg/Ton
November 23rd	548	0.6
November 24th	553	0.5
November 26th	554	0.2
November 27th	565	0.3
November 29th	569	0.6
November 30th	572	0.4

There has been nothing unusual encountered. The ground drills well and stands well. No timbering has been needed.

Very truly yours,

MERCURY AND CHEMICALS CORPORATION

Richard P. Fischer

Richard P. Fischer
President

RPF:mc

Encls.

DMEA Field Team, Region I, NW Dist. December 12, 1956

DMEA Certifying Officer, Region I

Docket No. DMEA 4263, Contract No. Idm-E998. 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)
Wash. 2
JDB
AD

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

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-8998, 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

DATED: JAN 7 1958

By C. Mitterdorf
Administrator, Defense Minerals
Exploration Administration

SPHOLT:foo 1-6-58
cc to: Docket
Code 110
400
800
Admr. R. File
Oper. Chem.
FT. REC. I
Messrs: F. D. Lamb, USBM

cc to: Messrs. J. W. Pennington, USBM
T. H. Killsgaard, USGS
C. A. Fredell, GSA
Finance Officer

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

JAN 7 1958

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

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 extebded period, please notify the Executive Officer at 6 month intervals that no production has been made, when that is the case.

Sincerely yours,

C. O. Mittendorf

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: Code 110
400
Admr. R. File
Oper. Comm.

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

JAN 7 1958

Mr. Daniel J. Mills, President
Quicksilver Syndicate
Black Butte, Oregon

Re: Docket No. DMEA 4263 - Mercury
Mercury and Chemicals Corporation
Black Butte mine
Lane County, Oregon
Contract No. Ids-E998

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. Mittendorf

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

GOVERNMENT 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. Fischel, Pres.

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 27 1957

DATE	INITIALS	CODE
		800

13

12

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

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 27 1957

DATE	INITIALS	CODE

Government's Copy

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 7 1957

DATE	INITIALS	CODE
2-8	C	220
		800

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 O Mittendorf
Administrator, Defense Minerals Exploration Administration

MERCURY & CHEMICALS CORP.

By Robert P. Finch

EXTRA COPY
D M E A
RECEIVED

DATE	INITIALS	CODE

xxxxxxxxxxxxxxxxxx
So. 157 Howard Street
Spokane 4, Washington

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-8998

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. S. Weissenborn
Executive Officer, DMEA
Field Team, Region I, NW District

Enclosures

cc: Finance Office
DMEM (2)
Alvord

12

MME Form 14
Sept. 1958

Contract No. Idm-E) 998
14-23)

Docket No. DMEA) 4263
MME)

Date of Action 3/24/59
Terminated Contract

DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

OBLIGATION DOCUMENT

To: Chief, Accounts Section, Finance Branch, Bureau of Mines

From: Director, Division of Operations Control and Statistics

Please enter the amounts shown below on the accounts of the Office of Minerals Exploration.

Name and Address of Contractor:

Mercury & Chemicals Corp.
Black Butte, Oregon

Date of Contract	Region	State	Commodity
August 22, 1956	I	Oregon	Mercury

	Reserve	Obligation
Prior Amount	0	46,755.00
Increase	0	0
Decrease	0	36,493.49
Revised Amount	0	10,261.51

Remarks:

cc: 800
210

43244

Contract No. Idm-E 698

Docket No. 5263

DEPARTMENT OF THE INTERIOR

Executed contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO: Chief, Finance Section, Budget and Finance Branch, Bureau of Mines

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
August 22, 1956	I NW	Oregon	Mercury

Name and Address of Operator: Mercury & Chemicals Corp.
Black Butte, Oregon

	Reserve	Obligation
Prior Amount	$46,755.00	0
Increase	-	$46,755.00
Decrease	46,755.00	0
Revised Amount	-	$46,755.00

Remarks:

Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Name)
(Title)

Date Delivered to Bureau of Mines, Washington 11/13/56

98963

Government's copy

MF-200A
(Rev. April 1956)

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

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

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

AUG 2 2 1956

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 & 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 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 $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

MERCURY AND CHEMICALS CORP.
(Operator)

By C. Mittendorf
Administrator, Defense Minerals
Exploration Administration

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]

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

5

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.

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NOV 13 1956
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EXPLORATION PROJECT CONTRACT
MERCURY & 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 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) Bulldoze (D-8 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.

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

For Government's Use Only
EXP[redacted]TION PROJECT CONTRACT
Operator Mercury and Chemicals Corp.
Docket No. DMEA-4263
Contract No. Idm-E
Contract Date

RECEIVED
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 ~~xxxxxxxx~~: 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.

9 9

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.____")

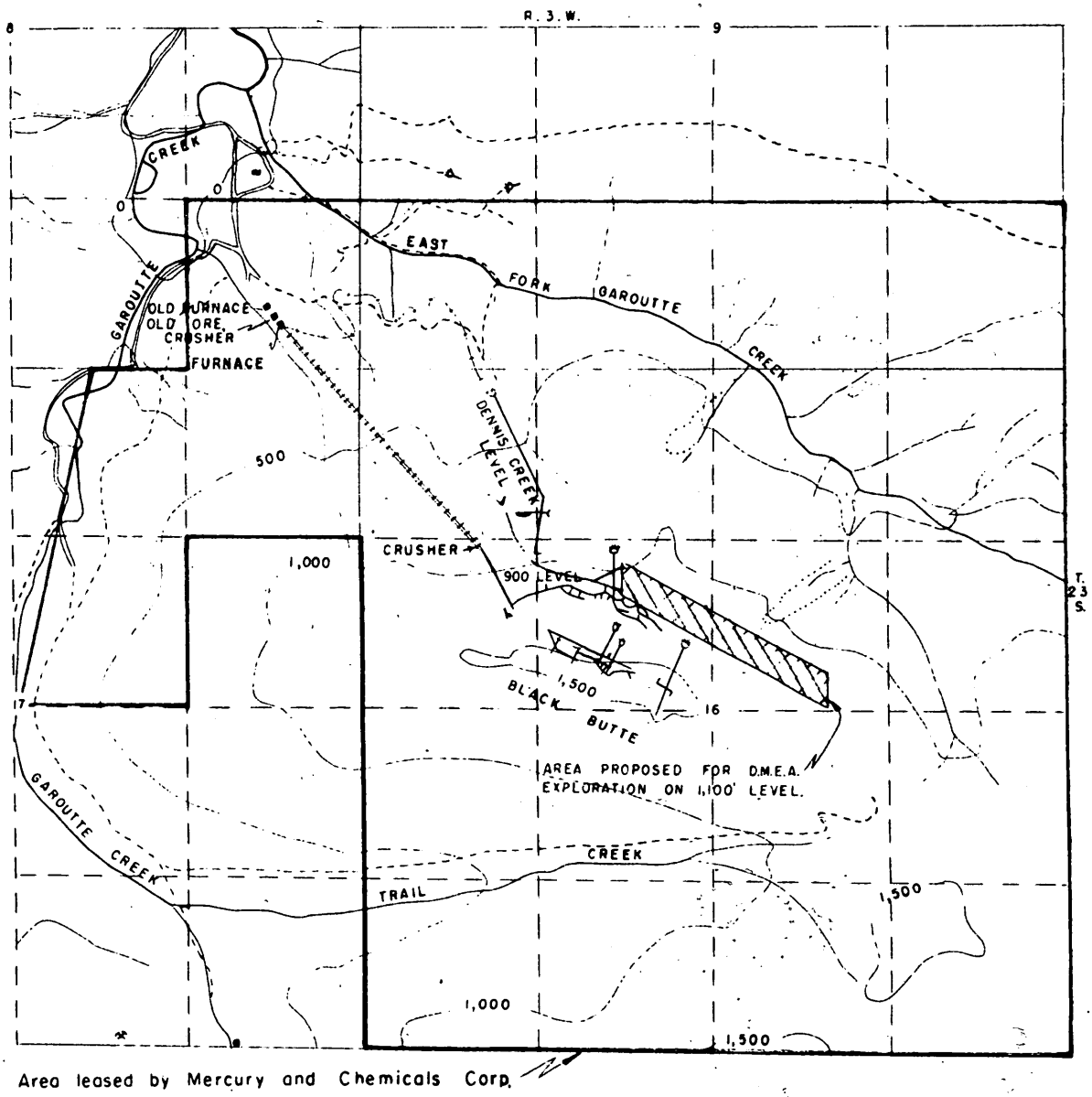
Dated this 30 day of August, 1956.

QUICKSILVER SYNDICATE	[XXXX]	Blackbutte, Oregon	[Address]
By Daniel J. Mills	[XXXX]		[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.



500 0 2,000 FEET

CONTOUR INTERVAL 500 FEET

(ARBITRARY DATUM)

FIGURE 1 - TOPOGRAPHIC MAP OF BLACKBUTTE MINE AND VICINITY

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

xxxxxxxxxxxxxxx
So. 157 Howard Street
Spokane 4, Washington

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

November [illegible], 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. [illegible]-3998

Dear Mr. Selfridge:

Enclosed are the Government, Docket, and Division copies of this contract which have been signed by Mr. Richard F. 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. [illegible] Weissenborn
Executive Officer, DMEA Field Team
Region I, Northwest District

Enclosures
cc: Finance Office
USGS (2)
Alvord

Contract No. Idm-E 998

Docket No. 4263

DEPARTMENT OF THE INTERIOR

Approved contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

TO: Chief, Finance Section, Budget and Finance Branch, Bureau of Mines

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
August 22, 1956	I NW	Oregon	Mercury

Name and Address of Operator: Mercury & Chemicals Corp.
Black Butte, Oregon

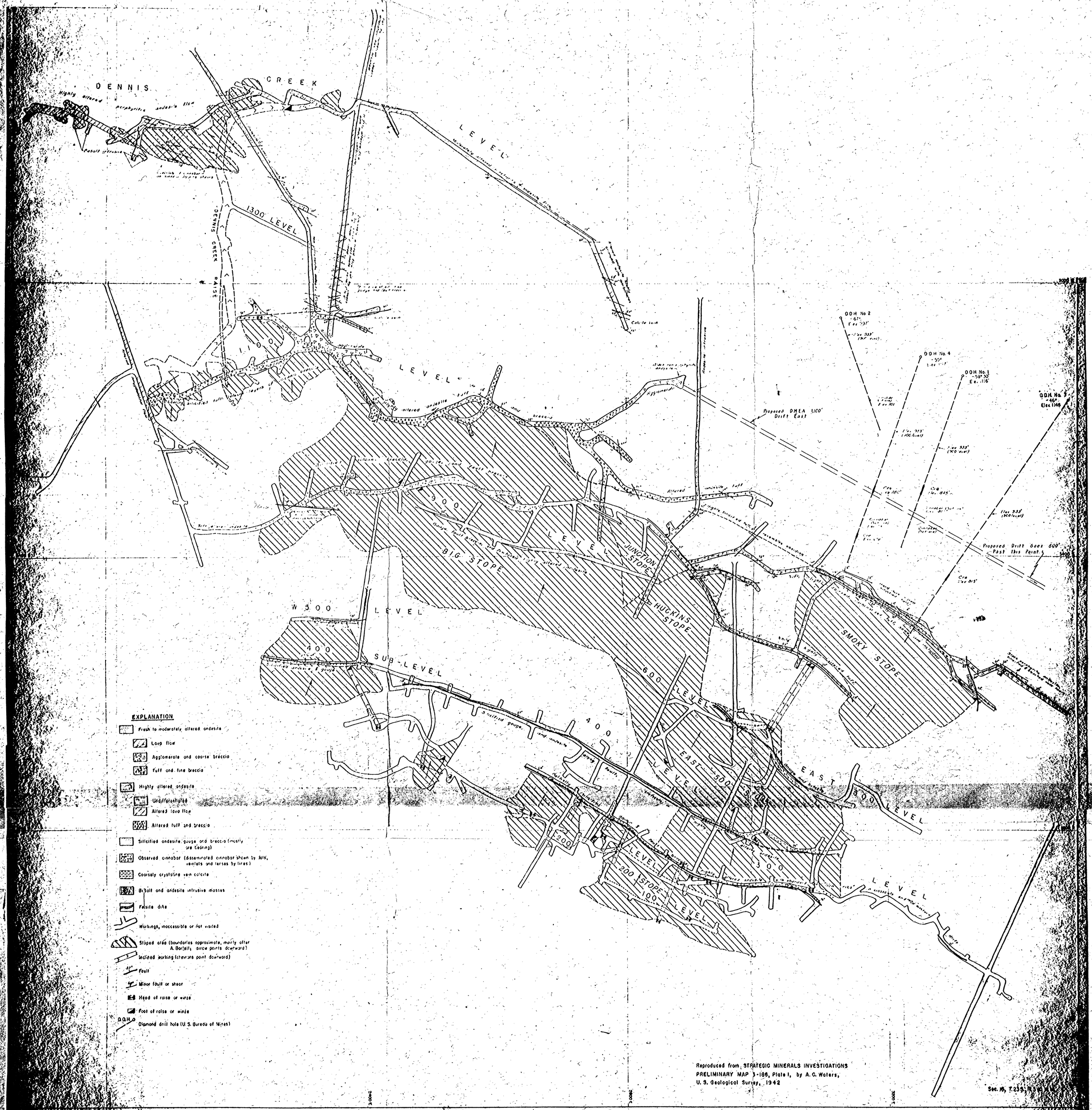
	Reserve	Obligation
Prior Amount	0	0
Increase	$46,755.00	0
Decrease	0	0
Revised Amount	$46,755.00	0

Remarks:

(Name)
Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

Date Delivered to Bureau of Mines, Washington
8/22/56

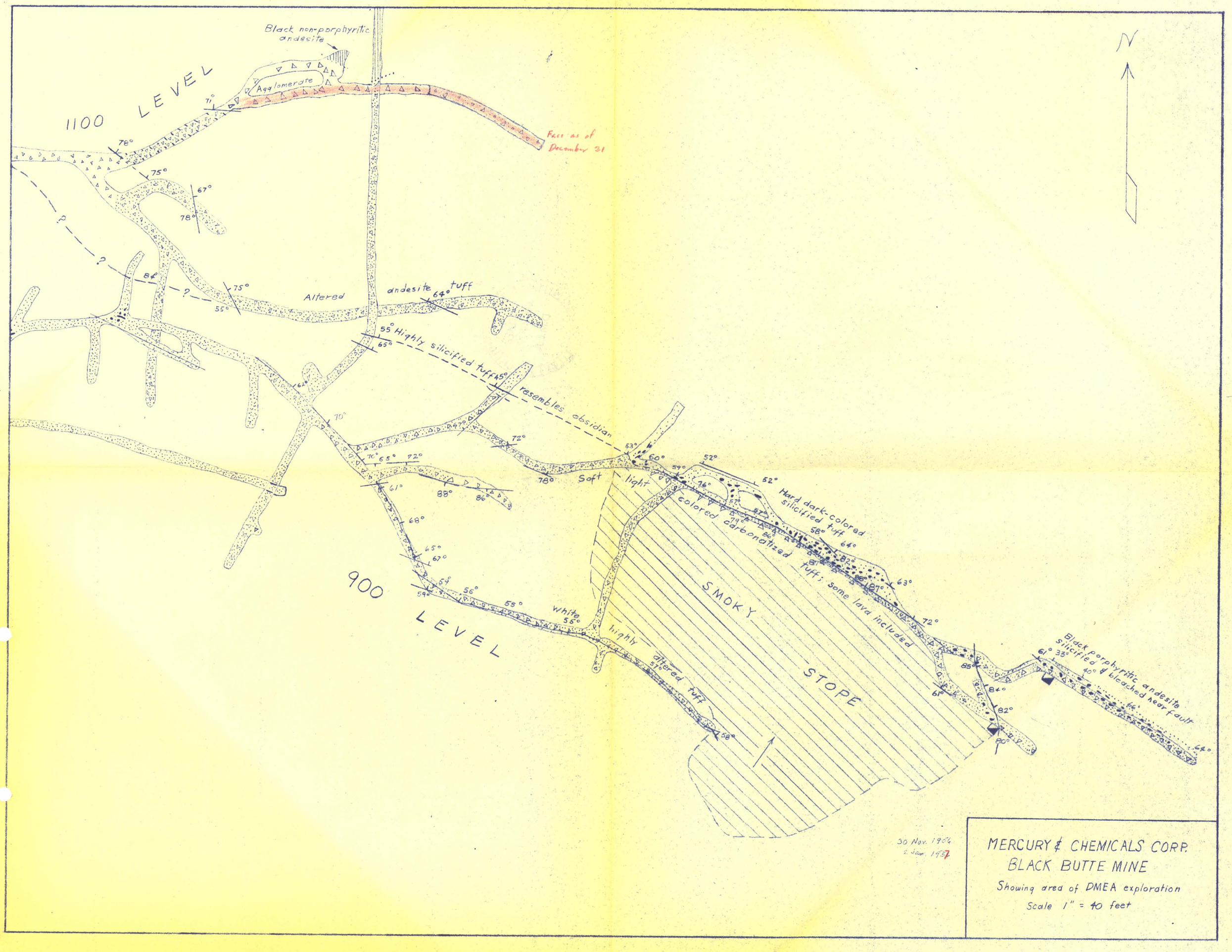
98963

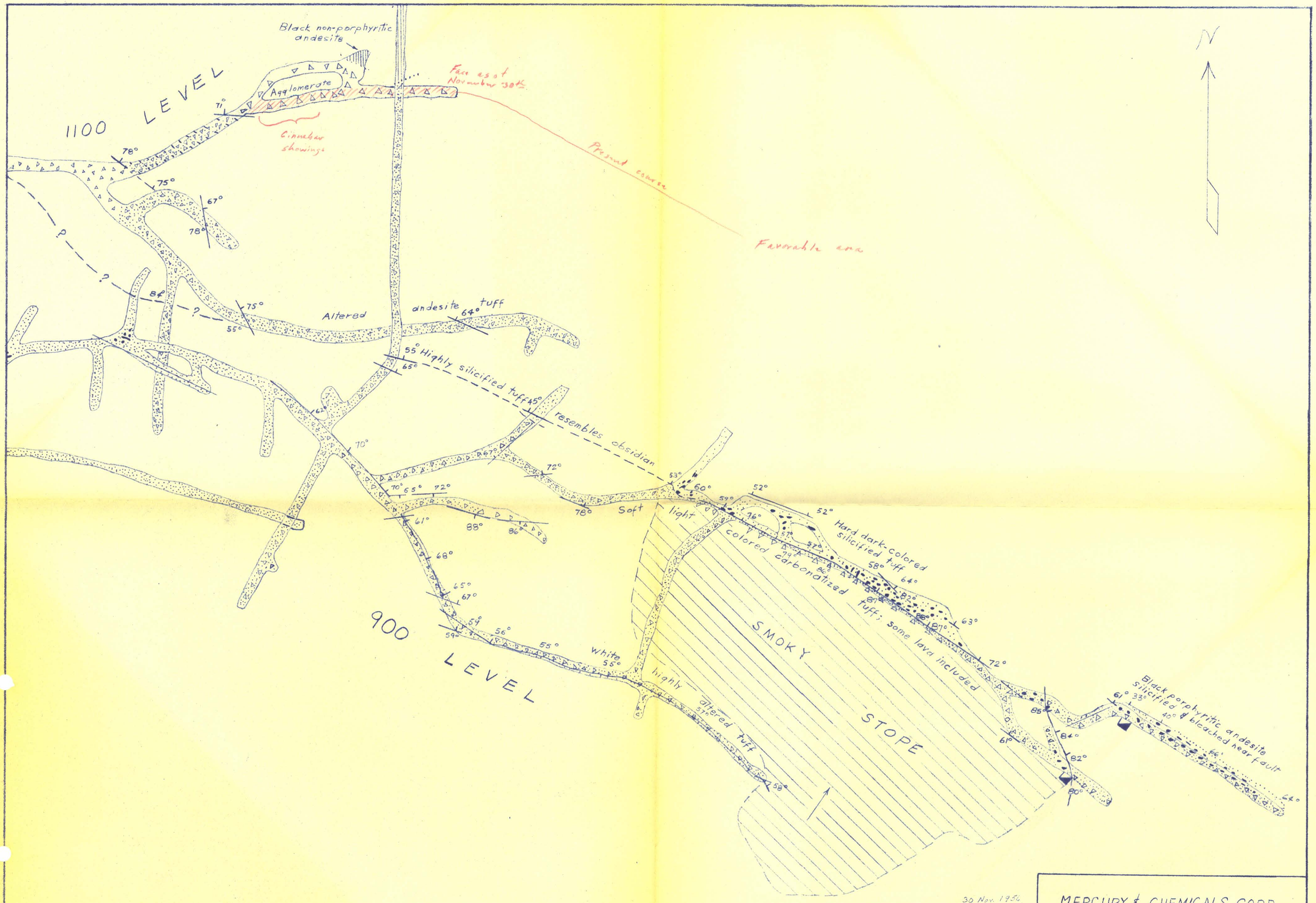


COMPOSITE GEOLOGIC MAP, BLACK BUTTE MINE, LANE COUNTY, OREGON

30 Nov. 1956
2 Jan. 1957
1 Feb 1957

MERCURY & CHEMICALS CORP.
BLACK BUTTE MINE
Showing area of DMEA exploration
Scale 1" = 40 feet


N
1100 LEVEL
Black non-porphyritic andesite
Agglomerate
Face as of December 31
Altered andesite tuff
Highly silicified tuff
resembles obsidian
Soft light colored carbonatized tuff; some lava included
Hard dark-colored silicified tuff
SMOKY STOPE
900 LEVEL
White
highly altered tuff
Black porphyritic andesite silicified & bleached near fault
30 Nov. 1954
2 Jan. 1957
MERCURY & CHEMICALS CORP.
BLACK BUTTE MINE
Showing area of DMEA exploration
Scale 1" = 40 feet



MERCURY & CHEMICALS CORP.
BLACK BUTTE MINE
Showing area of DMEA exploration
Scale 1" = 40 feet