BUREAU OF MINERALS EXPLORATION
COMPTROLLER ADMINISTRATION AND AUDIT DIVISION

ORIGINAL FILE COPY
O. M. E.
JAN 13 1959
DATE | INITIALS | CODE

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Daybreak Uranium, Inc.
12707 E. Valleyway
Opportunity, Washington

pertaining to Exploration Project Contract No. Ide-31263, Docket No. DMMA-4958, dated June 11, 1958, including Amendment No. 1, and a Termination Agreement dated November 7, 1958, for the months of July 1958 to October 1958, inclusive, covering a project for the exploration of Uranium, on property known as the Lowley Lease, located in Stevens County, Washington.

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 reasons given on the attachment to this report.

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

Total cost as billed by the Contractor		$16,439.67
Exceptions (Schedule attached):		
By Finance Officer	$1,586.50	
Less: Reinstatement by OME Auditor	455.91	1,130.59
Total accepted cost (Summary attached)		$15,308.48

The contract calls for 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Seven Thousand Five Hundred Fifty Four and 24/100 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	$7,554.24
Amount paid to date	6,[illegible]
Balance due Operator	$1,[illegible]

George Mavor

November 30, 1958

George Mavor, OME Auditor

Reasons for a Report of Review in lieu of a final audit

Idm-81803 Bayfreak Uranium, Inc. [redacted]-4958

(a) the monthly Reports were supported by documentary proof of the costs incurred under the terms of the contract, and of the total accepted costs, a major portion ($12,372.16) covered percussion drilling, diamond drilling, bulldozing etc., performed at unit rates under independent contracts and the balance ($2,736.32) represents other reimbursable costs; and

(b) the administrative cost to the Government of an audit would be excessive in relation to the estimated amount of possible disallowances thereunder.

	MF-104 7/8/58 to 8/6/58 Stage I		MF-104 8/7/58 to 10/31/58 Stage II		Total
	Claimed	Disallowed	Claimed	Disallowed	Disallowance
(1) Independent Contracts					
Diamond Drilling					
R. S. McClintock Co. Inv. 10/29/58 $308.40 covers drilling footage of incompleted holes as follows:					
Footage originally contemplated 3,500 ft.					
Less: Hole D-12 159 ft.					
D-13 146 ft.					
D- 5 322 ft.					
D- 6 370 ft.					
D-14 134 ft.					
D-19 313 ft. 1,444 ft.					
Total incomplete drilling footage 2,056 ft.					
Disallowed 2,056 ft. at .15¢ = $308.40	$	$	$ 308.40	$ 308.40	$ 308.40
Cost of drilling footage of incompleted holes, not in contract.					
Bulldozing					
Operator's statement shows cost of operating company owned D-8 caterpillar for Stage I 39 hrs. at $10.217 $398.46					
Repairs 265.15					
Total cost 39 hrs. at $17.02 663.61					
Operator claimed 39 hr. at $16.00 624.00					
Certifying Officer allowed estimated cost of bulldozing Stage I 30 hrs at $16.00 480.00					
Disallowed $144.00	$ 624.00	$ 144.00			$ 144.00
Only the unit cost of $16.00 an hour is a maximum, therefore the 39 hrs at $16.00 = $624.00, as claimed by Operator is allowable.					
Amount reinstated by this review		(144.00)			(144.00)

			MF-104 7/8/58 to 8/6/58 Stage I Claimed	MF-104 7/8/58 to 8/6/58 Stage I Disallowed	MF-104 8/7/58 to 10/31/58 Stage II Claimed	MF-104 8/7/58 to 10/31/58 Stage II Disallowed	Total Disallowance
Transporting Bulldozer							
M. L. Wellman invoices show cost of moving D-8 cat ripper and blade in and out of project.							
Inv. 7-8-58 Stage I moving in	$226.60						
Inv. 8-11-58 Stage II moving out	226.60	$453.20					
Amendment No. 1 of Contract allowed a maximum rate of $0.35 for hundred pounds to transport a 16 ton bulldozer a distance of 69 miles, or $112.00 for one way, and allowed by Certifying Officer as follows:							
Stage I per contract	$112.00						
Stage II per contract	112.00	$224.00					
Disallowed		$229.20	$ 226.60	$ 114.60	$ 226.60	$ 114.60	$ 229.20
Note: Bulldozer weighed 16 tons; Mileage was 69 miles each way							
(2) Labor and Supervision							
Supervision - Salary H. W. Norman Supervisor							
P/R 7/8/58 to 8/6/58 shows earnings $634.37 Stage I Operator Claimed		$700.00					
P/R 8/7/58 to 10/31/58 shows earnings $1,763.49 Stage II Operator Claimed		1,763.49					
		$2,463.49					
"Allowable Maximum" per contract Stage I	$ 600.00						
"Allowable Maximum per contract Stage II	1,200.00	1,800.00					
Disallowance		$ 663.49	$ 700.00	$ 100.00	$1,763.49	$ 563.49	$ 663.49

	MP-104 7/8/58 to 8/6/58 Stage I Claimed	Disallowed	MP-104 8/7/58 to 10/31/58 Stage II Claimed	Disallowed	Total Disallowance
(3) Operating Mat'ls and Supplies					
Core Boxes purchased from Love Box Co., Wichita, Kan.					
Inv. 8/29/58 160 Core Boxes at .90¢ $144.00					
F. P. Freight 24.19					
Stage II $168.19					
Terms were 2% 10 days, Net 30 days 1% cash discount - $1.68 not taken by Operator, deleted by Certifying Officer.			$ 1.68	$ 1.68	$ 1.68
(4) Operating Equipment					
Depreciation					
Operator's statement shows cost of operating company owned 4 Wheel Drive Station Wagon as follows:					
Cost of Vehicle $3,872.36					
Depreciation over 4 years 968.09/year					
Average use 250 days/year					

	Daily Rate
Depreciation	$ 3.872
Insurance at $152.57/yr.	.610
Interest on Investment at 6%	.232
Property Tax $055	.221
Repairs at $400.00/yr.	1.600
Tires at $250.00/yr.	1.000
Total Daily Rate	$ 7.537

			MF-104 7/8/58 to 8/6/58 Stage I		MF-104 8/7/58 to 10/31/58 Stage II		Total
			Claimed	Disallowed	Claimed	Disallowed	Disallowance
Stage I 21 days at $7.53		$ 158.13					
Operator claimed 21 days at $5.00		105.00					
Stage II							
OPerator claimed 37 days at $7,527		278.50					
Total claimed		$ 383.50					
Certifying Officer made disallowance on the cost of the 4 Wheel Drive Station Wagon, depreciated on a 5 year basis							
Stage I 21 days at $3.07	$ 64.50						
Stage II 37 days at 3.07	113.59	178.09					
Disallowance		$ 205.41	$ 105.00	$ 40.50	$ 278.50	$ 164.91	$ 205.41
The contract allows the Operator to use its own equipment at unit costs per hour or day, not exceeding the contract figures, therefore the following adjustment is made by this Review, in order to reflect the allowable costs of operating the 4 Wheel Drive Station Wagon.							
"allowable maximum"							
Stage I 21 days at $5.00		$ 105.00					
Stage II 37 days at $5.00		185.00					
		$ 290.00					
Less: Amount allowed set forth above							
Stage I 21 days at $3.07	$ 64.50						
Stage II 37 days at $3.07	113.59	178.09					
Amount reinstated by this review		$ 111.91		(40.50)		(71.41)	(111.91)

			MF-104 7/8/58 to 8/6/58 Stage I Claimed	MF-104 7/8/58 to 8/6/58 Stage I Disallowed	MF-104 8/7/58 to 10/31/58 Stage II Claimed	MF-104 8/7/58 to 10/31/58 Stage II Disallowed	Total Disallowance
(7) Miscellaneous							
Payroll Taxes Stage I, claimed by Operator and computed as follows:							
E. W. Herman 7/8/58 to 8/6/58							
$634.67 at 5.25% F/R tax	$33.32						
164 hrs. at $0.116 Liab. Ins.	19.02	$ 52.34					
E. A. Collins 7/8/58 to 8/6/58							
$268.52 at 5.25% F/R tax	$14.10						
97hrs. at $0.116 Liab. Ins.	11.26	25.36					
Total Stage I		$ 77.70					
Claimed by Operator		$ 91.71					
Payroll Taxes and Liab. Insur. should have been:							
E. W. Herman 7/8/58 to 8/6/58							
$600.00 at 5.25% F/R tax.	$31.50						
164 hrs. at $0.116 Liab. Ins.	19.02						
E. A. Collins 7/8/58 to 8/6/58							
$161.54 at 5.25% F/R tax.	8.50						
97 hrs. at $0.116 Liab. Ins.	11.25	70.27					
Disallowance Stage I		$ 21.44	$ 91.71	$ 21.44	$	$	$ 21.44
Payroll Taxes Stage II, claimed by Operator and computed as follows:							
E. W. Herman 8/7/58 to 10/31/58							
(Earned $1,763.49) F/R Tax	$ -0-						
447 hrs. at $0.116 Liab. Ins.	51.86						
E. A. Collins 8/7/58 to 8/31/58							
$23.54 at 2.25% F/R Tax	.54						
8 hrs. at $0.116 Liab. Ins.	.92						
Claimed by Operator		$ 53.32					

Schedule of Exceptions

Idp-E-1203 | Bayfront Uranium, Inc. | BURA-1958

			MF-104 7/8/58 to 8/6/58 Stage I Claimed	Stage I Disallowed	MF- 104 8/7/58 to 10/31/58 Stage II Claimed	Stage II Disallowed	Total Disallowance
P/R Taxes and Lieb. Insur. should have been:							
E. W. Norman 8/7/58 to 8/8/58							
(earned $1,200.00) P/R Tax	$ -0-						
336 hrs. at $0.116 Lieb. Insur.	38.98						
E. A. Collins 8/7/58 to 8/31/58							
$23.84 at 2.25% P/R Tax	.54						
8 hrs at $0.116 Lieb. Insur.	.92	40.44					
Disallowance Stage II		$12.88			$ 53.32	$ 12.88	$ 12.88
Total Disallowance			$ 236.04			$1,094.59	$1,330.59

Deleted by Certifying Officer	$1,586.50
Operator's claim Increased by Review	255.91
Net Disallowance	$1,330.59

Summary of Accepted Costs

Idm-B-1203

Bayhawk Drilling, Inc.

[illegible]-4958

	Totals Cst. BF-104	Corrected Distribution	Disallowed by Audit	Accepted Costs Total	Stage I	Stage II
(1) Independent Contracts						
Percussion Drilling	$11,586.05	$ 2,472.70	$	$ 2,472.70	$2,472.70	$
Diamond Drilling		9,053.35	308.40	8,744.95		8,744.95
Bulldozing	930.51	930.51		930.51	604.00	326.51
Transportation of Bulldozer	453.20	453.20	229.20	224.00	112.00	112.00
(2) Labor and Supervision						
Supervision	2,463.49	2,463.49	663.49	1,800.00	600.00	1,200.00
Engineer's Helper	185.68	185.68		185.68	161.84	23.84
(3) Operating Mat'ls and Supplies						
Core Boxes	168.19	168.19	1.68	166.51	166.51	
Gasoline	157.84	157.84		157.84	50.61	106.63
Lube, Oil, etc.	16.90	16.90		16.90	5.50	11.40
Sample Sacks	1.28	1.28		1.28	1.28	
(4) Operating Equipment						
Rental - Operator's Station Wagon	383.50	383.50	93.50	290.00	105.00	185.00
(7) Miscellaneous						
Sampling and Analysis	8.00	8.00		8.00		8.00
Payroll Taxes	145.03	56.48	15.94	40.54	40.00	.54
Liability Insurance		88.55	18.38	70.17	30.27	39.90
Totals	$16,439.07	$16,939.07	$1,330.39	$15,608.68	$4,350.71	$10,738.77

EXTRA COPY O. M. E. RECEIVED JAN 26 1959		
DATE	INITIALS	CODE
		800

So. 157 Howard Street
Spokane 4, Washington

January 20, 1959

Daybreak Uranium, Inc.
12707 E. Valleyway
Opportunity, Washington

Re: Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington
Contract No. Idm-K1293

Gentlemen:

Enclosed for your information and files is a copy of a Report of Review dated November 30, 1958 covering an exploration project at the Lowley Lease during the period July 1958 to October 1958, inclusive.

The audit discloses that there is a balance of $1,127.96 due you. This amount will be scheduled for payment some time this week and you should have a check soon thereafter.

Sincerely yours,

A. H. Weissenborn
Executive Officer, OME
Field Team Region I

cc: OME (2)
USBM (2)
USBM(AD)

EXTRA COPY
O. M. E.
RECEIVED JAN 26 1959

DATE	INITIALS	CODE
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1801 N. Division St.
Spokane 2, Washington

January 19, 1959

Mrs. Dorothy Long, Certifying Officer
OME Field Team, Region I
1801 N. Division Street
Spokane 2, Washington

Re: Docket No. DMEA-4958 (uranium)
Daybreak Uranium, Inc.
Contract No. Idm-21203

Dear Mrs. Long:

The work completed under the contract was done to the satisfaction of the Government. The contract was terminated by mutual agreement on November 7, 1958, effective as of October 27, 1958. A final report evaluating the results of the exploration program has been presented by the Operator and accepted by the Executive Officer.

The Government has no interest in supplies or equipment purchased for use on the project.

A Certification of Discovery or Development will not be recommended.

A final Report of Review dated November 30, 1958 by OME Auditor George Meyer has been received.

As all contract requirements have been met, it is requested that final settlement of our account with the Operator be made.

Sincerely yours,

A. E. Weissenborn, Exec. Officer
OME Field Team, Region I

cc: OME (2)
USGS (2)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Rm 800 Custom House, 555 Battery Street
San Francisco 11, California

January 16, 1959

Certified Mail

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

Re: Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Contract No. IAm-K1203

Dear Mrs. Long:

Reference is made to your letter dated November 20, 1958, 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 your office. The report shows a balance due the Operator in amount of $1,127.96, and the report was approved by the Washington Office January 13, 1959.

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

1. Contract and Correspondence File (Includes Annex I, Exhibit "A", Amendment No. 1 and Termination Agreement).

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

Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor, OME Auditor

Enclosures:

Copy to: Jay L. Chambers

JAN 13 1959

Via Air Mail

Mr. George Mayor
OWF Auditor
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Contract No. Idm-F1203

Dear Mr. Mayor:

Your Report of Review covering the referenced project is acceptable and normal distribution is authorized.

In the future please date your reports of review as of the date of your signature. It is to be noted that this report of review is dated November 30 whereas it incorporates information contained in Mr. Weissenborn's January 5 letter.

Sincerely yours,

(Signed) E. D. Talbert

E. D. Talbert
Contract Administration
and Audit Division

EDTalbert/GMcC
January 13, 1959

cc: Docket
Director's Reading File
Mr. Chambers

MEMO

San Francisco, Cal.
January 9, 1959

Mr. Jay L. Chambers
Contract Administration and Audit Division
Office of Minerals Exploration
Washington 25, D. C.

RE: Docket No. OMEA-4958
Daybreak Uranium, Inc.
Contract No. Idm-E1203

OFFICIAL FILE COPY
O. M. E.
RECEIVED JAN 13 1959

DATE	INITIALS	CODE
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Dear Mr. Chambers:

Attached hereto are 3 copies of Report of Review for subject contract. This report has been revised in accordance with your letter dated December 8, 1958. The delay in not forwarding revised report at an earlier date was due to delay in getting reply to my letter dated December 11, 1958, to Mr. A. E. Weissenborn, which he answered January 5, 1959, copy of which was sent to your office.

Routing the report is now in order for your approval.

Sincerely yours

George Mavor
OME Auditor

Attachment

OFFICIAL FILE COPY
O. M. E.
RECEIVED JAN 7 1959

DATE	INITIALS	CODE
1/7	C	220
		800

1201 N. Division St.
Spokane 2, Washington

AIR MAIL

January 5, 1959

Mr. George Mavor
OME Auditor
420 Custom House
555 Battery Street
San Francisco 11, Calif.

Re: Docket No. DMEA-4958 (uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington

E 1203

Dear Mr. Mavor:

This is in reply to your letter of December 11, 1958 concerning the cost of dozer transportation from the Daybreak mine to the Lowley Lease, a distance of 69 miles, and return.

In his application for DMEA assistance, the Operator states "transportation of bulldozer from its present location to Lowley Lease, and return, would entail 138 miles. Beardmore Transfer Line, Inc. calculated the cost to be $429.54." Because this figure seemed to be a bit high, we telephoned Andrews Equipment Service and asked what they would charge for transporting a dozer weighing 16 tons a distance of 138 miles, 69 miles each way. They quoted us $0.35 per 100 lbs. each way, or $112.00 one way and $224.00 round trip. We used this quotation as a basis on which to establish a rate for our cost analysis. It was not a formal bid but an estimate made to us for our guidance in appraising the costs of the project. The use of the term "actual bid" in our letter of September 9, 1958 to George C. Selfridge was misleading; we should have said "informal telephone quotation made to the Field Team."

The price actually charged by Wellman was close to the bid by the Beardmore Transportation Company and we have no reason to doubt that it was the actual cost of doing the job. Since we try not to favor any particular operator over another, we did not inform Daybreak Uranium, Inc. of the Andrews Equipment Service quotation and we do not know whether Daybreak contacted Andrews. Daybreak Uranium has not been too "flush" and in general has been very careful in its expenditures. Possibly had Andrews Equipment Service been making a formal bid they might have found that there were factors that they did not consider in their informal quotation to us.

In any event, our disallowance was based not so much on our belief that the cost was out of line but on Amendment No. 1 of the contract which allows $0.35 a hundred pounds for transporting the bulldozer 69 miles. If your interpretation of Amendment No. 1 is that the rate is $0.35 per 100 pounds per mile, then the maximum has not been exceeded and we have no real objection to paying the $453.20 claimed. However, it was our understanding that the contract sets a rate of $0.35 a hundred pounds for 69 miles and therefore the transportation allowance of $112.00 each way is a maximum. On this basis the disallowance is valid.

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
OMB (2)
USBM (AD)
USGS (2)

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

480 Custom House
555 Battery Street
San Francisco 11, California

JAN 13 1959
1-15 C 220
800

January 5, 1959

Air Mail

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

Re: Docket No. IMMA-4958 (Uranium)
Daybreak Uranium, Inc.
Contract No. Idm-X1203
Loufey Lease
Stevens County, Washington

Dear Mr. Weissenborn:

Reference is made to my letter to you dated December 11, 1958, in connection with furnishing information on transportation costs of bulldozer, claimed by Operator under subject contract.

I would appreciate receiving a reply to the above mentioned letter, in order to submit the Report of Review to Washington for approval.

Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor, OME Auditor

Copy to: Jay L. Chambers
Dorothy F. Long

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

RECEIVED DEC 12 1958		
DATE	INITIALS	CODE
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December 11, 1958

Air Mail

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

Re: Docket No. IMMA-4958 (Uranium)
Daybreak Uranium, Inc.
Contract No. Idm-E1203
Lowley Lease
Stevens County, Washington

Dear Mr. Weissenborn:

A Report of Review has been prepared for subject contract, however the Washington Office has questioned the allowable cost for transportation of bulldozer which is set forth in Amendment No. 1 of the contract as follows:

"Transportation of a 16-ton bulldozer, 69 miles, at $0.35/100 pounds $112.00"

The above transportation item was an allowable cost, both in Stage I and Stage II of the contract.

In your letter dated September 9, 1958 to Mr. George C. Selfridge you state that the $112.00 was based on an actual bid by Andrews Equipment Service for transporting a dozer from the Daybreak mine to the Lowley Lease, a distance of 69 miles, and that the bid was at the rate of $0.35 per hundred pounds for 16 tons, or $112.00 for one way.

The transportation of the bulldozer was not performed by the Andrews Equipment Service but by M. L. Wellman at a total cost of $453.20 of which the Certifying Officer disallowed $229.20, and accounted for as follows:

W. L. Wellman			
Inv. 7-8-58	Stage I moving in	$226.60	
Inv. 8-11-58	Stage II moving out	226.60	$453.20
Allowed by Certifying Officer			
	Stage I moving in	112.00	
	Stage II moving out	112.00	224.00
Disallowance			$229.20

The contract as revised by Amendment No. 1, provides that only the rate of $0.35 a hundred pounds per mile is a maximum. Thus it would appear that the amount allowable is the Operator's actual cost not in excess of an amount computed on the basis of the dozer's weight, the reasonable and necessary mileage, and the maximum rate of $0.35/100 pounds.

It appears that the disallowance of $229.20 may be proper, not as an excess over an allowable maximum, but as an excess over the reasonable and necessary cost, when comparing W. L. Wellman charges of $453.20 against the bid cost of $224.00 by Andrews Equipment Service.

A review of this question together with an explanation as to why the Operator did not use the bidder's services will be appreciated.

Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor, OME Auditor

Copy to: Jay L. Chambers

Mr. Chambers

VIA AIR MAIL

DEC 8 1958

Mr. George Mayer
OME Auditor
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. OMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Contract No. Idm-E1203

Dear Mr. Mayer:

Your Report of Review on the referenced project is not acceptable and the Washington copies are returned herewith for revision after your further review and consideration.

The schedule attached to your report indicates your concurrence with the Certifying Officer's disallowance of $144.00 for bulldozing in excess of the $480.00 "allowable maximum per contract", but under the provisions of this contract the $480.00 estimate is not a maximum. Only the unit cost of $16.00 an hour is a maximum. Accordingly, the entire amount of $624.00 claimed by the Operator for Stage I bulldozing appears to be allowable, provided the actual costs were at least $16.00 an hour and the 39 hours is accepted by the Executive Officer as being reasonable and necessary.

Your schedule also shows concurrence with the Certifying Officer's disallowance of $229.20 for transportation of the bulldozer in excess of the "allowable maximum" of $224.00 ($112.00 in each stage), but, in this case also, the estimated total amount for the item is not a maximum. The contract, as revised by Amendment No. 1, provides that only the rate of $.35 a hundred pounds per mile is a maximum. Thus, it would appear that the amount allowable is the Operator's actual cost not in excess of an amount computed on the basis of the dozer's weight, the reasonable and necessary mileage, and the maximum rate of $.35/100 pounds.

However, the Field Team's letter of September 9, 1958 to the Operating Committee states that the $112.00 estimate for one way transportation was an actual bid by Andrews Equipment Service. Thus it appears that your disallowance may be proper, not as an excess over an allowable maximum, but as an excess over the reasonable and necessary cost. Before a determination can be made it may be necessary for the Executive Officer to request the Operator to justify his failure to use the bidder's services.

In connection with both of the foregoing items it is suggested that you review Article 6 of the contract and the interpretation guide, which follows page 21 of the audit manual.

On page 2 of your schedule the amount of $1.68, previously disallowed by the Certifying Officer, is reinstated because "discount was not taken by the Operator". I cannot concur with this reinstatement. The amount of an offered discount, which an Operator failed to take advantage of, cannot be construed as a reasonable and necessary cost. In this connection reference should be made to the first paragraph on page 15 of the audit manual.

From page 3 of your schedule it appears that under Category (4) the Certifying Officer allowed only depreciation, whereas you are allowing as a unit rate the maximum of $5.00 a day. Allowable under the contract, as revised by Amendment No. 1, are all necessary actual costs (for example, depreciation and repairs), except for the gasoline, oil, and lubrication, provided under Category (3), but not in excess of $5.00 a day. Possibly further review, and certainly further explanation, is necessary.

The first disallowance listed on your schedule is for "uncompleted drilling footage". Presumably you mean drilling footage of incompleted holes. Clarification appears in order.

The factual portion, i.e., the 4th paragraph, of your report is not stated in accordance with instructions. Also, you have not included a summary as required in reviews of this nature. Please refer to the third and fifth indented paragraphs under (L) on page 71 of the audit manual.

From the condition of the forms MF-184 on file in this Division I know this must be a "messy" project to review. However, since none of the cost details appear in the Washington files it is most important that your report clearly state the audit findings.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers
Contract Administration
and Audit Division

Enclosures

EDTalbert/GMcC
December 8, 1958

cc: Docket
Director's Reading File
Mr. Chambers
Mr. Weissenborn (2)
Mrs. Dorothy Long

OFFICIAL FILE COPY O. M. E. RECEIVED NOV 24 1958		
DATE	INITIALS	CODE
11/24	C	220
		80e

1201 N. Division St.
Spokane 2, Washington

November 20, 1958

CERTIFIED MAIL

Mr. George Mavor, OME Auditor
Room 420, Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMMA-4958 (uranium)
Daybreak Uranium, Inc.
Lowley Lease
Contract No. Ism-X1203

Dear Mr. Mavor:

Enclosed herewith is a memorandum from the Field Team, Region I, requesting 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 Annex I, Exhibit "A", Amendment No. 1 and Termination Agreement).

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

The sum of $1,000 was withheld from the August 7- October 31, 1958 voucher, pending final audit.

Sincerely yours,

Dorothy F. Long
Authorized Certifying Officer

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

Chandler

EXTRA COPY
O. M. E.
RECEIVED NOV 24 1958

DATE	INITIALS	CODE

1261 N. Division St.
Spokane 2, Washington

November 18, 1958

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

Re: Docket No. DMEA-4958 (uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington
Contract No. Ydm-K1203

Dear Mr. Mavor:

The referenced contract was terminated by mutual agreement on November 7, 1958, effective as of October 27, 1958.

The number of units of work satisfactorily completed by the Operator and accepted by the Field Team are:

Stage I	Authorized	Completed
Independent contracts:		
Bulldozing	30 hrs.	39 hrs.
Transportation (dozer)	$112.00	$453.20
Percussion drilling:		
0 - 50 feet	750 ft.	750 ft.
50 - 100 feet	750 ft.	736 ft.
100 - 150 feet	540 ft.	248 ft.
150 - 200 feet	80 feet	60 ft.
Casing	300 ft.	none
Personal services:		
Supervision	1 mo.	1 mo.
Consultant	2 days	none
Engineer's aide	40 hrs.	97 hrs.
Materials and supplies:	$125.60	$57.39
Operating equipment:		
Jeep or pickup	25 days	21 days
Miscellaneous:	$417.00	$70.27

Stage II	Authorized	Completed
Independent contracts:		
Bulldozing	20 hrs.	30 hrs.
Transportation (dozer)	$112.00	none 1/
Core drilling:		
0 - 250 ft.	2,440 ft.	1,182 ft.
250 - 500 ft.	310 ft.	255 ft.
Standpipe	60 ft.	7 ft.
Reaming and landing casing, or cementing and redrilling	800 ft.	21 ft.
Landing casing	400 ft.	none 1/
Standby time	30 hrs.	8 hrs.
Personal services:		
Supervisor	2 mos.	2.52 mos.
Consultant	6 days	none 1/
Engineer's aide	10 days	1 day
Materials and supplies:	$527.57	$286.22
Operating equipment:		
Jeep or pickup	50 days	37 days
Miscellaneous:	$548.83	$ 53.32

1/ None invoiced.

The Operator's final engineering and geological report was received on November 6, 1958. This report meets the requirements of Article 7(e) of the contract.

A Certification of Discovery or Development is not recommended.

The total amount paid to date to the Operator is $6,426.28.

A Report of Review in lieu of a final audit is in order and requested.

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
OME (2)
USGS (2)
USBM (AD)

Standard Form No. 1034—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. .....

Bu. Vou. No. 2275

JAN 29 1959 O.M.E.

U. S. ..... (Department, Bureau, Establishment)

Voucher prepared at Spokane, Washington 1/23/59
(Give place and date)

THE UNITED STATES, Dr., Payee's Account No. Idx-R1203

To Daybreak Uranium, Inc.
(Payee)

E. 12707 Valleyway (Address) Opportunity (City) Washington (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.
	Aug. 7 - Oct. 31, 1958	Funds withheld under Voucher No. 2248, dated November 17, 1958, adjusted to audit.				1,127	96
PAYMENT: Complete ☐ Partial ☐ Final ☐		FINAL PAYMENT					
		Use continuation sheet(s) if necessary					
Shipped from	to	Weight	Government B/L No.		Total	1,127	96

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

(Sign original only)

Date ..... *Payee .....
(This certificate not required when a like certificate is made by payee on attached bill or bills)

Per ..... Title .....

(Payee must NOT use this space)

Differences .....

Account verified; correct for 1,127 96

(Signature or initials) D.L.

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

Pursuant to authority vested in me, I certify that this account is correct and proper for payment.

† Approved for $ .....

By .....

Title .....

SIGN ORIGINAL ONLY

† .....
(Authorized Certifying Officer)

Title .....

Date .....

THE REVERSE OF THIS FORM MUST BE EXECUTED WHEN PURCHASES ARE MADE OR SERVICES SECURED WITHOUT WRITTEN AGREEMENT IN ANY FORM

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 $..... } on Treasurer of the United States in favor of payee named above.
{ Cash, $....., on ....., 19..... } Payee .....
(Sign original only)

* 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.
† If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign on the line below "Approved for $.....", and over his official title.

Per .....

Title .....

16—22900-3

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.)

16—22900-2 ☆ U. S. GOVERNMENT PRINTING OFFICE : 1950—O-75806

EXTRA COPY
O. M. E.
RECEIVED JAN 29 1959

DATE	INITIALS	CODE
		800

1231 N. Division St.
Spokane 2, Washington

January 19, 1959

Mrs. Dorothy Long, Certifying Officer
OME Field Team, Region I
1231 N. Division Street
Spokane 2, Washington

Re: Docket No. DMEA-4958 (uranium)
Raphrank Uranium, Inc.
Contract No. IAm-8123

Dear Mrs. Long:

The work completed under the contract was done to the satisfaction of the Government. The contract was terminated by mutual agreement on November 7, 1958, effective as of October 27, 1958. A final report evaluating the results of the exploration program has been presented by the Operator and accepted by the Executive Officer.

The Government has no interest in supplies or equipment purchased for use on the project.

A Certification of Discovery or Development will not be recommended.

A Final Report of Review dated November 30, 1958 by OME Auditor George Meyer has been received.

As all contract requirements have been met, it is requested that final settlement of our account with the Operator be made.

Sincerely yours,

A. E. Weissenborn, Exec. Officer
OME Field Team, Region I

cc: OME (2)
USGS (2)
Contract Admin. & Audit Div. (2)
Docket

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED NOV 24 1958 O.M.E.

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of AUG. 7-OCT. 31, 1958 Docket No. DMEA 4958 Contract No. 101-6 1203
Operator's Name DAYDREAK URANIUM, INC. Minerals URANIUM
Address C. 12707 VALLEYWAY, OPPORTUNITY, WN.
Contract Amount, $28,946.00 Government Participation: 50% Amount, $14,473.00

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:						
Stage I Drilling (Percussion)	9063.35	2472.70	11,526.05		2472.70	2472.70
" I+II Bulldozing	305.51	624.00	930.51	786.51	—	786.51
" II Crosscutting Drifting (core)				8533.95	—	8533.95
" II Drifting Stockpiling				68.25	—	68.25
" I+II Transport Bulldozer Reclamation	—	453.20	453.20	28.75 224.00	—	28.75 224.00
" II Standby Time				64.00	—	64.00
(2) Labor and Supervision:						
Labor Engr's Helper	23.84	161.84	185.68	23.84	161.84	185.68
Supervision	1763.49	700.00	2463.49	1200.00	600.00	1800.00
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Stage II ~~Pipe~~ CORE BOXES	168.19	—	168.19	166.51	—	166.51
" I+II ~~Track~~ GASOLINE	106.63	50.61	157.24	152.24	—	157.24
" I+II LUBE, OIL, ETC.	11.40	5.50	16.90	16.90	—	16.90
" I SAMPLE SACKS	—	1.28	1.28		1.28	1.28
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation	278.50	105.00	383.50	178.09	—	178.09
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Stage I Sampling and Analysis	—	8.00	8.00	—	8.00	8.00
" I+II Payroll Taxes	53.32	91.71	145.03	54	40.00	40.54
" I+II Liability Insurance				39.90	30.27	70.17
(8) Contingencies (specify):						
TOTALS	11765.23	4673.84	16439.07	11538.48	3314.09	14852.57

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

Date 11-1-58 *Payee DAYDREAK URANIUM, INC.

Per Kae H. Sowers Title SECRETARY-TREASURER
KAE H. SOWERS

*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) Withheld $ 5769.24 1000.00 Pay - $4769.24

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

$ 4769.24

Signature Dorothy F. Long
(Authorized Certifying Officer)

Date 11/17/58 Vou. No. 2248
(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. E1202 in accordance with the terms of the contract.

Signature /S/ Eric G. Erickson Title Mining Engr. Date 11/10/58

APPROVAL BY ~~DMEA~~ ONE EXECUTIVE OFFICER OR ALTERNATE:

Signature /S/ A. E. Weissenborn Title Exec. Officer Date Nov. 14, 1958

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
NOV 24 1958
O.M.E.

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of AUG. 7-OCT. 1958 Docket No. DMEA 4050 Contract No. 10M-S-1203
Operator's Name DAYBREAK URANIUM, INC. Minerals URANIUM
Address R. 12707 VALLEYWAY, OPPORTUNITY, WA.

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								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core	Ft.	11,450.72	1444	11,458.72	1444	7.94	2700	8.43
Churn								
PERCUSSION ~~Rotary~~	Ft.	----	----	3,596.64	1794	2.00	2120	2.24
Stripping								
Trenching								
Test Pits								
Roads and Trails	Hr.	306.51	30	1,303.71	69	20.05	60	20.40
TOTAL DISTRIBUTED COSTS		11,757.23		16,439.07				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased		----						
Initial Rehabilitation and Repairs		----						
New Buildings, Improvements, etc.		----						
TOTAL COSTS		11760.23		16439.07				28,946.00

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 11/1/58 Operator DAYBREAK URANIUM, INC.

Per Kac H. Sowers Title SECRETARY-TREASURER
KAC H. SOWERS

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/ Eric G. Erickson, 11/10/58

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

DAYBREAK URANIUM, INC.

October 13, 1958

Field Team, Region I
Defense Minerals Exploration Administration
S. 157 Howard St.
Spokane 4, Wn.

RE: Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington

Gentlemen:

The above project will be completed on or about October 20, 1958. A progress report and voucher will not be submitted for the month of September but will be included in the final progress report. This procedure, if acceptable to the DMEA, will reduce our paper work considerably.

Very truly yours,

Daybreak Uranium, Inc.

[illegible]
President and Commissioner

J. W. "BILL" FOX
PRESIDENT

S. SMITH
VICE PRESIDENT

KAE H. BOWERS
SECY.-TREAS.

F. CAMPBELL
DIRECTOR

DAYBREAK URANIUM, INC.

12707 E. VALLEY WAY
OPPORTUNITY, WASH.
PHONE: WALNUT 6078

EXTRA COPY
DMEA
RECEIVED SEP 18 1958

DATE	INITIALS	CODE
9/18	RBM	100
		800

SEPTEMBER 3, 1958

FIELD TEAM, REGION I
DEFENSE MINERALS EXPLORATION ADMINISTRATION
S. 157 HOWARD STREET
SPOKANE 4, WASHINGTON

E-1203

RE: DOCKET NO. DMEA-4958 (URANIUM)
DAYBREAK URANIUM, INC.
LOWLEY LEASE
STEVENS COUNTY, WASHINGTON

GENTLEMEN:

FROM THE LAST REPORTING DATE (AUGUST 6, 1958) THROUGH AUGUST 31 THE PROJECT HAS BEEN VIRTUALLY IDLE. DIAMOND DRILLING EQUIPMENT HAS BEEN MOVED TO THE PROPERTY AND OPERATIONS WILL COMMENCE SEPTEMBER 2ND. THE SMALL LABOR AND SUPERVISION COSTS ACCRUED DURING THIS PERIOD WILL BE CLAIMED ON SEPTEMBER'S VOUCHER.

VERY TRULY YOURS,

DAYBREAK URANIUM, INC.

H. W. NORMAN
MGR. MINING AND EXPLORATION

HWN:MB

RECEIVED
SEP 5 1958
SPOKANE

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 JULY 8-AUG. 6, 1958 Docket No. DMEA 4958 Contract No. IDM-E1203
Operator's Name DAYBREAK URANIUM, INC. Minerals URANIUM
Address E. 12707 VALLEYWAY, OPPORTUNITY, WASH.
Contract Amount, $ 28,945.00 Government Participation: 50 % Amount, $ 14,473.00

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:						
Drilling	2472.70		2472.70	2472.70	—	2472.70
Bulldozing	624.00		624.00	—		—
Crosscutting						
Drifting						
TRANSPORTING BULLDOZER	453.20		453.20	—		—
(2) Labor and Supervision:						
~~Labor~~ Engr's Helper	161.84		161.84	161.84	—	161.84
Supervision	700.00		700.00	600.00	-	600.00
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
~~Track~~ GASOLINE	50.61		50.61	—		—
LUBE, OIL ETC.	5.50		5.50	—		—
SAMPLE SACKS	1.28		1.28	1.28	—	1.28
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation	105.00		105.00	—		—
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis	8.00		8.00	8.00	—	8.00
Payroll Taxes	91.71		91.71	40.00	-	40.00
Liability Insurance				30.27	-	30.27
(8) Contingencies (specify):						
TOTALS	4673.84		4673.84	3314.09	—	3314.09

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

Date 8/14/58 *Payee DAYBREAK URANIUM, INC.

Per Kae H. Sowers Title Sey. Tres.

*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:

$ 1657.04

Signature Dorothy F. Long
(Authorized Certifying Officer)

Date 9/4/58 Vou. No. 2216

(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. 61203 in accordance with the terms of the contract.

Signature /s/ Eric G. Erickson Title Mining Engr. Date 8/26/58

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature /s/ Wing G. Agnew Title Acting Exec. Date 9-4-58

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-194A
(April 1962)

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 JULY 8-AUG 6 8 Docket No. DMEA 4958 Contract No. IDM-E1203
Operator's Name DAYBREAK URANIUM, INC. Minerals URANIUM
Address E. 12707 VALLEYWAY, OPPORTUNITY, WASH.

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								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn		2472.70						
PERCUSSION ~~Auger~~	FT.	~~3596.64~~	1794	3596.64	1794	2.00	2120	2.24
Stripping								
Trenching								
Test Pits								
Roads and Trails	HR.	1077.20	39	1077.20	39	27.62	30	19.73
Assays	ea	8.00	2	8.00	2	4.00	75	4.00
TOTAL DISTRIBUTED COSTS		4673.84		4673.84				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		4673.84		4673.84				

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 8/14/58 Operator DAYBREAK URANIUM, INC.
Per Rae H. Sowers Title Sec. Treas

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/ Eric G. Erickson

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

[illegible] 14, 1960

TO: [illegible]
[illegible]
[illegible]

FROM: [illegible]
[illegible]
[illegible]

SUBJECT: Grant [illegible]
[illegible]
[illegible]
[illegible]

Modification of equipment was completed July 9, 1960 and [illegible] operations commenced immediately. Drilling equipment consisted of a [illegible]-[illegible]. At [illegible] depth [illegible] of 18 foot [illegible], powered by a [illegible] G.P.M. compressor. A two-man crew worked approximately 10 hours per day, 5 to 6 days per week and expected to complete the work in the allotted period.

Grant 1 of the exploration contract allows 18 holes, but to [illegible] 2100 feet of drilling. The 18 [illegible] holes [illegible], gives a total footage of 1700 feet [illegible]. Access roads and drill sites were prepared by a D-8 Caterpillar equipped with [illegible] blade and ripper. An allowance of 20 hours was allowed for [illegible] work; 30 hours were required.

The project was [illegible] by R. W. Brown and G. A. Collins during [illegible] holes.

Of the holes drilled 18 [illegible] [illegible] in the [illegible] Lake [illegible], which is [illegible] by a [illegible] [illegible]. Of these 18 holes No. 5 and No. 9 [illegible] [illegible] of [illegible] [illegible]. Averages from the best 4 foot interval of hole No. 5-3 assayed 0.[illegible] [illegible] and 0.[illegible] [illegible]. Averages from the best 4 foot interval of hole No. 5-9 assayed 0.[illegible] [illegible] and 0.[illegible] [illegible]. These and other holes [illegible] the [illegible] and [illegible].

In general it was [illegible] that a [illegible] [illegible] in the [illegible] [illegible] the [illegible] [illegible] and in [illegible]. The [illegible] drill holes completed in Grant 1 of this [illegible] were [illegible] to locate [illegible] the [illegible] [illegible] the [illegible] and [illegible], and the [illegible] [illegible] holes. As [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]. [illegible] of [illegible] the [illegible] [illegible] [illegible] 30-50 feet [illegible] [illegible] the [illegible] of [illegible] [illegible], and any [illegible] [illegible] [illegible] [illegible] to [illegible] [illegible] of [illegible] [illegible].

PROPOSED PLANS 2 ATTACHED, ESTIMATED TO INTERSECT THE PLANNED SHAFT ZONE APPROXIMATELY 100 FEET BELOW THE PRESENT WORKING LEVEL. THE INTERSECTION CROSS CUTS TO DATE DEMONSTRATE MINERALIZATION AS TO THICKNESS AND GRADE OF THE MINERALIZED ZONE ALREADY INDICATED.

PROGRESS ATTACHED THE EXPLORATORY AUDIT 6, 1980 AND SUBSEQUENT AND INDICATIVE ESTIMATES.

PLANS 2 OF THE EXPLORATION SUMMARY, CONSISTING OF A SUMMARY OF 6 DIAMOND DRILL HOLES WITH A COMBINED TOTAL DEPTH OF APPROXIMATELY 1000 FEET TO EXPENSES TO EXTENDED AS OF AUGUST 27, 1980.

H. N. Norman

H. N. NORMAN
PROJ. MANAGER AND EXPLORATION
DAVENSER CORPORATION, INC.

P. O. Box [illegible]

CERTIFICATE OF ASSAY

from

PETER MACK

ASSAYER AND CHEMIST

Daybreak Uranium

Vulcan, Kalo. [illegible]

MARKED	Gold oz. per ton	Silver oz. per ton	Lead %	Zinc %	Copper %	Iron %	[illegible] %	[illegible]
Lot-log Rec No. P-111								

Charges [illegible]

[illegible]

P. O. Box 808

Phone [illegible]

CERTIFICATE OF ASSAY

FROM

PETER MACK

ASSAYER AND CHEMIST

Daybreak Uranium, Inc

Wallace, Idaho, Aug. 12, 1956

MARKED	Gold ozs. per ton	Silver ozs. per ton	Lead %	Zinc %	Copper %	Iron %	Insol. %	U_3O_8 %	%
No. D-112								0.[illegible]	

Charges [illegible]

Sm 0 37 13

DMEA Field Team, Region I

September 4, 1958

DMEA Certifying Officer, Region I

Daybreak Uranium, Inc., Contract No. Idm-X1233
Monthly operating report for July 8-August 6, 1958

The subject monthly operating report has been processed and forwarded to the Disbursing Officer for payment.

We are withholding payment on the following items pending a letter to Washington for clarification:

Item	Amount Claimed
Bulldozing	$624.00
Transporting bulldozer	453.20
Jeep Depreciation	105.00

Supervision has been paid at the authorized contract amount of $6[illegible] per month rather than the $700.00 per month claimed by the Operator.

Dorothy F. Long

cc: DMEA (2)
USGS (2)
Contract Admin. & Audit Div. (2)
EGE
AD

EXTRA COPY O. M. E. RECEIVED MAY 25 1959		
DATE	INITIALS	CODE
		800

So. 157 Howard Street
Spokane 4, Washington

May 21, 1959

Miss Betty Gronning
Surety Department
Hartford Fire Insurance Company Group
711 Dexter Horton Building
Seattle 4, Washington

Re: Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington
Contract No. 1dm-K1203

Dear Miss Gronning:

In reply to your letter of May 19, 1959, we refer you to a letter dated May 6, 1959 from Frank E. Johnson, Acting Director, Office of Minerals Exploration, Washington, D. C., to Mr. Gerald L. Perry, Attorney in Fact, Hartford Accident and Indemnity Co., at your Seattle address, in which Mr. Johnson states: "In the absence of certification, the Government retains no claim against the bonding company that assumed the responsibility for performance under the contract." This notice that the Government retains no claim against the bonding company is effective May 6, 1959.

We hope this is the information you desire.

Sincerely yours,

A. E. Weissenborn
Executive Officer, OME
Field Team Region I

cc: OME (2) w/2 cys incoming
USBM (2) "
USBM(AD) w/1 cy "

DEPA
POSEY
FORNIA
SCO 20 CA

May 19, 1959

RECEIVED MAY
DATE | INITIALS

United States Dept. of Interior
Bureau Minerals Exploration Administration
1337 Howard Street
Spokane 4, Washington

Gentlemen:

Re: Bond No. 3093784 - Docket No. DMEA 4956 (Uranium)
DAYBREAK URANIUM, INC. Lowley Lease, Stevens County, Wash.

We have been advised by our agent that the captioned bond, which was executed with an effective date of June 11, 1958 in the amount of $14,673.00, is no longer needed.

We shall appreciate your giving us a letter authorizing termination of our liability under the captioned bond as of some current date, or as of anniversary date of bond, June 11, 1959.

Thank you.

Yours very truly,

Betty Gronning
Surety Department

35743

YEAR IN AND YEAR OUT, YOU'LL

MAY 6 1959

Daybreak Uranium, Inc.
13207 E. Valleyway
Opportunity, Washington

Re: Docket No. DMEA-[illegible] (Uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington
Contract No. Idm-E1309

Gentlemen:

Reference is made to your terminated exploration contract with the Government.

We sincerely regret that the work performed did not result in a certification of discovery or development under the provisions of the contract. In the absence of such certification, the Government retains no claim or lien against the property subject to the contract or any future production therefrom. We, therefore, are closing our books and records on this project. Your attention, however, is called to the provisions of the contract which require the operator to keep and preserve certain records for the period indicated.

We appreciate your interest and participation in the DMEA exploration program which has now been superseded by the Office of Minerals Exploration program.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

Copies to:
Mr. William Lowley
Hartford Accident & Indemnity Co.

HNMurphy/fe-5/4/59
cc: Docket
Dir. Read. File
Div. of Contract Adm. & Audits
HNMurphy (2)
OME Field Team, Reg. I (2)
Chron.
~~F.E. Johnson~~ ~~[illegible]gaard~~

MAY 6 [illegible]

[illegible]

(signed) FRANK E. JOHNSON

[illegible]

MAY 6 1959

Mr. Donald L. Perry
Attorney in Fact
Maryland Casualty & Indemnity Co.
[illegible] Dexter Horton Building
Seattle, Washington

Re: Contract No. [illegible] (Terminated)
Sagebrush Timesaver, Inc.
Lacing Lands
Pierce County, Washington
Contractor No. [illegible]

Dear Mr. Perry:

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

The property as set forth in the statement is covered by your Performance Bond, executed June 12, 1958, under the captioned name and contract number.

In the absence of certification, the Government retains no claim against the bonding company that exceed the responsibility for performance under the contract.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

Enclosure

JMMurphy/fw-5/4/59
cc: Director
Mr Reed, File
~~[illegible]~~
~~E.D.Jacobs, Wor 3600~~
~~F.K.Shirley-Sh. 6221~~
Field Term, Reg. I (2)
Audit Div.
F.Murphy (2)
Chron.

MAY 0 1955

MAY 6 1959

Mr. William Lemley
Wellpinit, Washington

Re: Docket No. DRA-4953 (Grantee)
Dupbrook Uranium, Inc.
Lemley Lease
Stevens County, Washington
Contract No. Ida-8203

Dear Mr. Lemley:

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

This correspondence relates to the Consent to Lien and Subordination Agreement signed by you on June 10, 1958.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

Enclosure

FMMurphy/fw-5/6/59

cc: Docket
Dir.Read.File
~~Operating Committee~~
ORE Field Team, Reg. I (2)
F.H.Lamb, Rm. 3608
T.H.Killgaard, Rm. 5224
F.E.Johnson
F.Murphy (2)
Chron.
Contract Adm.&Audit Div.

Audit's copy

OFFICIAL FILE COPY
O. M. E.
NOV 24 1958
COPY
800

TERMINATION AGREEMENT

It is agreed this 7th day of November, 1958, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government," and Daybreak Uranium, Inc., hereinafter called the "Operator," parties to that certain Exploration Project Contract No. 1dn-21203, Docket No. DMEA-4958, dated June 11, 1958, as amended, hereinafter called the "Contract," that:

1. Effective October 27, 1958, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government shall not contribute to the cost of any work performed after October 27, 1958.

3. The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including the rendering of the final report and final account.

4. All rights of the Government respecting certification of discovery or development, percentage royalty and liens to secure the payment thereof, reports (including preservation of Operator's records), accounts, audits, and the right to recover any overpayment, are hereby preserved.

5. The Operator hereby releases and agrees to save the Government harmless from all claims and demands under or arising out of said Contract, except as otherwise provided in this Termination Agreement.

IN WITNESS WHEREOF, these parties have executed this agreement as of the day and year first above written.

THE UNITED STATES OF AMERICA

By Frank E. Johnson
ACTING Director, Office of Minerals Exploration

DAYBREAK URANIUM, INC.

By Kae H. Sowers

Title Sec. Treas.

Audit's copy

OFFICIAL FILE COPY
RECEIVED 1958
800

EXPLORATION PROJECT CONTRACT
DAYBREAK URANIUM, INC.
DOCKET NO. DMEA-4958

AMENDMENT NO. 1

It is agreed this 24th day of September, 1958, between the United States of America, acting through the Department of the Interior, Office of Minerals Exploration, hereinafter called the "Government", and Daybreak Uranium, Inc., hereinafter called the "Operator", that Exploration Project Contract No. Idm-E1203 (Docket No. DMEA-4958), dated June 11, 1958, hereinafter called the "Contract", is amended, effective June 11, 1958, as follows:

1. In Exhibit "A" under Estimated Costs of the Project, the second item under Category (1) Independent Contracts in Stage I and Stage II, is revised to read:

"Transportation of a 16-ton bulldozer, 69 miles, @ $0.35/100 pounds $112.00".

2. The following sentence is added to footnote 1/, page 6 of Exhibit "A":

"The unit cost per hour for bulldozing and the unit cost per day for jeep or pickup transportation, includes the cost of the operator and all other necessary costs that are not specifically provided for under the Estimated Costs of the Project."

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

Executed in quintuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By P. Mittendorf
Director, Office of Minerals Exploration

DAYBREAK URANIUM, INC.

By Kae H. Sowers

Title Sec-Treas.

EXTRA COPY
O. M. E.
RECEIVED OCT 13 1958

DATE	INITIALS	CODE
		800

So. 157 Howard Street
Spokane 4, Washington

October 8, 1958

Mr. H. W. Norman, Geologist
Daybreak Uranium, Inc.
12707 E. Valleyway
Opportunity, Washington

Re: Work Authorization
Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Loudey Lease
Stevens County, Washington
Contract No. Ida-[illegible]

Dear Mr. Norman:

During an office conference with A. E. Weissenborn, D. H. MacLaren, and R. D. Sample, you described the poor results obtained in diamond drill holes 12, 13, and 14 and requested that authorization be given to omit drilling diamond drill hole 15 and to drill a diamond drill hole near the location of D 19 as shown on the map accompanying your application. You estimated that the granite contact at this point might be between 475 and 530 feet deep.

Because hole L-2 showed ore and diamond drill hole 5 was somewhat encouraging, you are authorized to omit drilling hole 15 and to diamond drill a vertical hole not less than 100 feet east of hole 5 to a depth not to exceed 550 feet.

By Field Team Region I

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

Donald H. MacLaren, Acting Member
U. S. Geological Survey

cc:

OME (3) ✓
USGS (2)
USGS(AD)
Sample

EXTRA COPY
D M E A

REGISTRATION		58
DATE		CODE
		80-0

So. 157 Howard Street
Spokane 4, Washington

September 3, 1958

Mr. H. W. Norman, Geologist
Daybreak Uranium, Inc.
12707 E. Valleyway
Opportunity, Washington

Re: Work authorization (correction)
Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington
Contract No. Idm-E1203

Dear Mr. Norman:

In our letter of August 11, 1958, we authorized diamond drilling six holes designated on the application map as DDH's 5, 6, 12, 13, 14, and 16. The designation of hole 16 is in error. The holes authorized should have been DDH's 5, 6, 12, 13, 14, and 15.

By Field Team Region I

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

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

cc: DMEA (3)
USBM (2)
USBM(AD)
Sample

1201 North Division Street
September 9, 1958

800

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

Re: Docket No. DMEA-4958 (Uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington
Contract No. Idm-21203

Dear Mr. Selfridge:

In processing the Operator's July 1958 voucher, there is some uncertainty concerning method of reimbursement on two items in the contract. These are (1) Bulldozing at $16 per hour under Independent Contracts, and (2) a Jeep at $5 per day under Operating Equipment. Footnote (1) gives the Operator the option of using its own equipment at the unit costs per hour, or day, not exceeding the contract figures. The Operator is using its own dozer and jeep.

We wish to know if reimbursement for the dozer and jeep is to be on the basis of hourly and daily depreciation, respectively, plus operator, fuel, etc., or if we are to consider the $16 per hour for the dozer and $5 per day for the jeep as unit costs. If these two pieces of equipment are to be depreciated, then there obviously will be complications, particularly in the case of the dozer when it would be on a stand-by basis.

In view of the small number of units involved we would prefer to have both the dozer and the jeep on an agreed unit cost basis without increasing the unit cost or dollar totals for these items. This would apply to both stages. The Operator is using a D-8 series 2-U dozer. Current rental in this area is normally $18.60 per hour without operator or fuel.

Another point that came up was transportation of a bulldozer. The contract authorizes transportation for 320 miles at $0.35 per mile, not to exceed $112.00. The distance transported amounts to 69 miles; the maximum we could pay would be $24.15 one way. This obviously is unrealistic and is based on a misunderstanding of the examining engineer's report. The $112.00 recommended

for dozer transportation in the Field Examination Report was an actual bid by Andrews Equipment Service for transporting a dozer from the Daybreak mine to the Lowley Lease, a distance of 69 miles. The bid is at the rate of $0.35 per hundred pounds for 16 tons, or $112.00 for one way.

We recommend that an appropriate amendment be written, placing the dozer and jeep on a unit cost basis and authorizing dozer transportation at $112.00.

By Field Team, Region I

A. E. Weissenborn, Exec. Officer
U. S. Geological Survey

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

cc: USGS (2)
AD

MME Form 14
Sept. 1958

Contract No. Idm-E) 1203
~~14-23~~)

Docket No. DMEA) 4958
~~MME~~)

Date of Action 1/30/59

DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

Terminated contract

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: Daybreak Uranium, Inc.
12707 E Valleyway
Opportunity, Washington

Date of Contract	Region	State	Commodity
June 11, 1958	I	Washington	Uranium
	Reserve		Obligation
Prior Amount	0		14,473.00
Increase	0		0
Decrease	0		~~6,918.76~~
Revised Amount	0		7,554.24

Remarks:

cc: 800
210

43244

DMEA Form 14

Contract No. Idm-E 1203

Docket No. 4958

DEPARTMENT OF THE INTERIOR

Executed contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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
June 11, 1958	I	Washington	Uranium

Name and Address of Operator: Daybreak Uranium, Inc.
12707 E Valleyway
Opportunity, Washington

	Reserve	Obligation
Prior Amount	14,473.00	0
Increase	0	14,473.00
Decrease	14,473.00	0
Revised Amount	0	14,473.00

Remarks:

ALLEN S. DAKAN
(Name)

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

Date delivered to Bureau of Mines, Washington 6/30/58

22845

Audit's copy

FILE COPY
DMEA
RECEIVED JUN 30 1958

DATE	INITIALS	CODE

MF-200
(Revised June 1954)

Docket No. DMEA 1958

Commodity Uranium

Contract No. Idm-E 1203

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT[1]

It is agreed this 18 JUN 1958 day of ....., 195...., between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and [2] Daybreak Uranium, Inc., a State of Washington corporation, whose mailing address is 12707 E. Valleyway, Opportunity, Washington, hereinafter called the "Operator," as follows:

ARTICLE 1. *This contract* is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF-200), the attached Exhibit "A," Annex I, and map Plate 3.

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

ARTICLE 2. *Operator's property rights.*—(a) The land which is the subject of this contract (hereinafter called "the land") is in the State of Washington, County of Stevens, and is described in Annex I.[3]

(b) The Operator represents and undertakes that:

(1) The Operator is the [4] Lessee of [5] See Annex I in the land, in possession and entitled to possession for all of the purposes of this contract, under and by virtue of a [6] See Annex I, [7] ....recorded in Book ....., page ....., official records of said County; and

(2) The Operator's right, title, or interest (whether as owner, lessee, or otherwise) is subject only to the following claims, liens, or encumbrances: Interests of Spokane Indian Tribe

(c) 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

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] Insert name, and if an organization, its nature (corporation and place of incorporation, partnership with names of partners, etc.).
[3] State on a separate sheet marked "Annex I" the legal description or enough to identify the property, particularly excluding any areas from which the production is not to be subject to the Government's percentage royalty.
[4] Insert "owner," "lessee," "contract purchaser," "locator," etc.
[5] Insert "the entire interest," "the mineral rights," "an undivided one-third," etc.
[6] Insert "deed," "lease," "contract," "location notice," "patent," etc.
[7] If not recorded, so indicate by inserting "un."

of the land (lessor, seller, optionor, etc.), are attached, as follows: See Annex I

(d) 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. Until the lapse of the time within which the Government may make a certification of discovery or development without any such certification having been made, and after any such certification has been made, 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. If the Government makes no certification of discovery or development within the time limited in Article 8, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 8(b)(1).

ARTICLE 3. *The exploration project.*—The project is a search for indicated or undeveloped deposits of Uranium. The work to be performed is described in Exhibit "A." The Operator on or before JUL 20 1958 shall commence the work, and on or before December 1, 1958 (unless the Operator's obligation to prosecute the work is terminated—see Article 10) shall either have completed the work or shall have incurred allowable costs (see Article 6) in a sum not less than the estimated total allowable cost set forth in Exhibit "A," except as otherwise provided in Exhibit "A" with respect to stages of work. See Article 13.

ARTICLE 4. *Performance of the work.*—(a) *Operator's responsibility.*—The work shall be performed with reasonable diligence, efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for liability insurance covering employment; and with suitable and adequate equipment, facilities, materials, supplies, and labor, to bring it to completion within the time fixed.

(b) *Independent contracts.*—To the extent that the allowable costs are estimated in Exhibit "A" with express reference to performance by independent contractors on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations), the work may be so performed; but if the reference in Exhibit "A" to any such independent contract requires the Government's approval thereof, payments under such contract will not be allowable costs unless the Government gives its written approval of the contract. Any such independent contract shall refer to some specific and identifiable part of the work, and shall be subject to all of the pertinent terms and conditions of this exploration contract; but the Government shall not be considered a party thereto, and its rights under this contract, including the right to terminate its contributions, shall not be affected thereby. Regardless of the provisions of any such independent contract and regardless of the Government's approval thereof, the Government will participate in payments to the independent contractor only on account of work performed in accordance with the provisions of this exploration project contract, and only to the extent that the Government deems the unit prices for the work under the independent contract to be reasonable.

(c) *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 a 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 5. *Contribution by the Government.*—The estimated total allowable cost of the project, set forth in Exhibit "A," is the sum of $ 29,946.00
The Government shall contribute 50 percent of the allowable costs as they are incurred in a total sum not in excess of $ 14,973.00 : *Provided,* That until the Operator has rendered to the Government his final report, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last

voucher or vouchers such sums as it sees fit not in excess of 10 percent of the estimated total cost of the work or not in excess of the amount of the Government's contribution to the cost of property which is or may become subject to disposal as provided in Article 9(c), whichever is greater. The Government will make its contribution on the basis of the monthly vouchers referred to in Article 7(b), but all payments by the Government are provisional only, subject to audit, until the account between the Operator and the Government is finally audited and settled. "Costs incurred" mean costs that have been paid or have become due and payable, or that in the opinion of the Government have become an obligation. The Government may make payments directly to independent contractors and suppliers for the account of the Operator rather than to the Operator.

ARTICLE 6. *Estimated costs.*—(a) *Categories of costs.*—The allowable costs of the work to which the Government shall contribute are limited to those that are direct, reasonable, necessary, and that are estimated in Exhibit "A" by categories as specified in this article. If any category or subcategory is omitted from the estimate of costs, or if the word "none" is annexed to the listing thereof, costs under such category or subcategory are not allowable. Any excess over any estimate which is indicated as the maximum of any category, subcategory, or item, either as to requirement or related cost, and any excess over the estimated total allowable cost of the work, shall not be allowable. Any excess over the estimate of any category, subcategory, or item, either as to requirement or related cost, not indicated as a maximum shall be allowable within the limit of the estimated total allowable cost of the work. To the extent that excesses over maximums other than the estimated total allowable cost of the work may be necessary for the performance of the work, the Operator shall incur such excesses for his own account without contribution by the Government; but except for any such necessary excesses in categories, subcategories, or items thereunder the Operator is not obligated to incur more than his agreed percentage of the estimated, total allowable cost of the work.

To the extent specified in this article or in Exhibit "A" the following categories, subcategories, and elements thereof are maximums; but if not so specified either here or in Exhibit "A" they are not maximums, and may be exceeded within the limit of the estimated total allowable cost of the work:

CATEGORY (1)—INDEPENDENT CONTRACTS.—Work to be performed under independent contracts (see Article 4(b)). The estimated total amount of this category and the estimated cost of each unit of work for performance under an independent contract are maximums.

CATEGORY (2)—PERSONAL SERVICES.

Subcategory (a)—Supervision.—All elements of this subcategory (number of supervisors, periods of employment, rates of pay, and total) are maximums.

Subcategory (b)—Technical services.—All elements of this subcategory (number of technicians, periods of employment, rates of pay, and total) are maximums.

Subcategory (c)—Labor.

CATEGORY (3)—OPERATING MATERIALS AND SUPPLIES.—Includes such items as drill bits and steel, explosives, fuel, pipe, power, small tools costing less than $50 each, timber, track.

CATEGORY (4)—OPERATING EQUIPMENT.

Subcategory (a)—Rental.—The number of each object to be rented [6 mine cars, 1 truck], the rate of rental [$100 per month, $5 per hour], and the total of this subcategory are maximums.

Subcategory (b)—Purchases.—The estimated total of this subcategory is a maximum.

Subcategory (c)—Depreciation.—All elements of this subcategory (time periods, rate of depreciation, and subcategory total) are maximums.

CATEGORY (5)—INITIAL REHABILITATION AND REPAIRS.—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

Subcategory (a)—Initial rehabilitation and repairs of existing buildings, fixtures, and installations (exclusive of mine workings).—The estimated total of this subcategory is a maximum.

Subcategory (b)—Initial rehabilitation and repairs of operating equipment.—The estimated total of this subcategory is a maximum.

CATEGORY (6)—NEW BUILDINGS, FIXTURES, AND INSTALLATIONS (EXCLUSIVE OF MINE WORKINGS).—Estimates under this category include all requirements and related costs, such as labor, materials and supplies, and supervision at a rate not higher than provided for in Category (2), and shall not be duplicated under any other category. The estimated total of this category is a maximum.

CATEGORY (7)—MISCELLANEOUS.—Repairs and maintenance (other than initial) of operating equipment, analytical work, prints and other reproductions, accounting, Operator's share of payroll taxes, liability insurance covering employment, travel, communications, and any other items of requirement or cost that do not fall within any of the first 6 categories.

THE ESTIMATED TOTAL ALLOWABLE COST of the work is a maximum.

(b) *Nonallowable costs.*—The following costs are not allowable for contribution by the Government:

(1) *Costs of the land,* such as rental, depreciation, depletion, or other cost of acquiring, owning, or holding possession;

(2) *Indirect costs,* such as general overhead, corporate management, interest, taxes (other than payroll and sales taxes), insurance (other than liability insurance covering employment), damages to persons, damages to property (other than necessary repairs or replacements of equipment or other property used in the work);

(3) *Previous work* performed or costs incurred before the date of this contract; and

(4) *Deferred payments.*—Any costs incurred by the Operator under any rental-purchase agreement, installment-purchase agreement, or any agreement for the purchase of goods under the provisions of which payment of the full purchase price is deferred more than 90 days from the delivery of the goods; unless the purchase agreement is approved by the Government in writing.

(c) *Reductions in costs.*—The Operator shall account for and give the Government credit for any incidental benefits, credits, or money received in the ordinary course of business in prosecuting the work (as by salvage or sale of materials or equipment, furnishing of room or board, furnishing of power or services to third persons, rebates or discounts on purchases, etc.), in the same ratio in which the Government contributes to costs; and such amounts shall be treated as a reduction in costs incurred so that they are available for use within the limit of the original estimated total cost. This provision does not apply to receipts from production which are subject to the Government's percentage royalty under the provisions of Article 9.

ARTICLE 7. *Reports, accounts, audits.*—(a) *Operator's records.*—The Operator shall keep suitable records and accounts of the 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. If the Government elects to audit said records and accounts relating to the exploration work by certified public accountant, it may do so as a cost of the work to which the Operator shall contribute. 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 any pertinent books, documents, papers, and records of the Operator. All of the Operator's vouchers and records and accounts relating thereto and the Government's payments thereof remain subject to adjustment until final audit by the Government. If work under this contract is carried on in conjunction with any other operations, or if labor, supervision, services, materials, supplies, equipment, facilities, or other requirements for carrying on the work are also used in connection with other operations, the costs shall be segregated and accounted for on a basis and by methods and accounts that are satisfactory to and approved by the Government.

(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 detailed costs incurred during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and 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 related costs incurred.

(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 8. *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 a sufficient final report and final account (see Article 7) has been rendered, 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, 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, within 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 or 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) applied to the crude ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

(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 therof in the form in which and at the time when 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 9. *Interests in purchased property.*—(a) *Title and ownership.*—All costs under this contract shall be incurred by the Operator in the Operator's own name and for the Operator's own account; but any property acquired to the cost of which the Government contributes shall belong to the Operator and the Government jointly in proportion to their respective contributions, although title thereto shall be taken in the name of the Operator.

(b) *Preservation of property.*—Until the final disposal of any property in which the Government has an interest the Operator shall preserve and protect same for the best interest of the Government, any reasonable and necessary costs thereof to be treated as an allowable cost of the project. After the completion of the work or termination of the Government's obligation to contribute, or when such property is not in use for or needed for the work, the Operator shall neither use it without the written consent of the Government nor without paying a reasonable rental to be fixed by the Government for its interest.

(c) *Disposal of property.*—Upon the completion of the work or termination of the Government's obligation to contribute to costs, or when the property is no longer needed for the work, the Operator shall promptly dispose of salable or salvageable property in which the Government has an interest for the joint account of the Government and the Operator, either by return to the vendor, by sale to others, or purchase by the Operator or the Government at a price at least as high as could be obtained from others, unless the Government in writing waives its interest in any such property. Without advance approval of the sales price by the Government the Operator shall not sell at any price any item of property the cost of which was more than $500, and shall not sell at less than 25 percent of the purchase price any item of property which cost $500 or less. The Government, in lieu of approving the sales price for any such item, may itself purchase the item at the best price which the Operator is able to obtain or himself cares to give. Property remaining upon any termination of the work shall be considered in groups or categories (such as drill steel, or explosives, or pipe, or rails), and if the original cost of the remaining unexpended portion of any such group or category is less than $50, the Government waives its interest therein. If necessary to accomplish the disposal of any item the Operator shall dismantle and sever it from the land, the cost thereof to be treated as a cost of the project.

(d) *Default of the Operator re disposal.*—If within 90 days after the completion of the work or termination of the Government's obligation to contribute to costs, or after the property is no longer needed for the work, or after such further time as the Government may in writing allow, the Operator has failed to sell or otherwise liquidate or dispose of any property in which the Government has an interest, the Government, at any time prior to final settlement under the contract, may pursue one of the following two courses: (1) the Government, by written notice to the Operator, may place upon such property what in its opinion is a fair valuation thereof, not in excess of the cost less 1.66 percent per month from the

date such property was purchased under this contract to the termination of said 90-day period; and such property shall thereupon be considered and accounted for as having been purchased by the Operator at the valuation so fixed by the Government; or (2) the Government may enter and take possession of such property wherever it may be found, and remove and dispose of it for the joint account of the parties.

ARTICLE 10. *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: (1) the Government shall be free of all obligation to contribute to costs not then incurred other than such as may be allowable under the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) 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.

(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: (1) the Government shall be relieved of all obligation to contribute to costs not incurred when the notice was given, other than such as may be allowable by the provisions of the contract as necessary and incidental to winding up, reporting, and accounting; and (2) 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 remedy provided for the Government in this paragraph "(b)" is in addition to any other remedy provided in this contract, and in addition to any other remedy the law may provide for breach of contract.

(c) The giving of any notice by the Government under the provisions of this Article 10 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and such rights shall be fully preserved.

ARTICLE 11. *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 his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 12. *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 13. *Changes and added provisions.*—

(a) Substitute a comma for the period at the end of Article 9, and add the words "except as otherwise provided in Exhibit 'A' with respect to stages of work."

(b) In the last sentence of Article 11(c), the words "Article 6" are substituted for the words "Article 9."

(c) Categories (5) and (6) of Article 6 are deleted.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. Mittendorf
Administrator, Defense Minerals
Exploration Administration

JUN 25 1958

[illegible], INC.
(Operator)

By Rae H. Sowers

[illegible] Sec. Treas

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

.....

[CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE 16—70017-1

35485

EXPLORATION PROJECT CONTRACT
DAYBREAK URANIUM, INC.
DOCKET NO. DMEA-4958

ANNEX I

The land referred to in Article 2 of the Contract is situate in the Spokane Indian Reservation, Stevens County, Washington, and consists of 160 acres, more or less, in the SW¼ of sec. 13, T. 27 N., R. 37 E., W.M., excluding the lands therein held or controlled by the U. S. Bureau of Reclamation. In general, the excluded land adjoins the Frank D. Roosevelt Lake and lies below an elevation of 1,310 feet.

The land was leased to William Lowley by the U. S. Department of the Interior, Bureau of Indian Affairs, by a Mining Lease dated December 12, 1955, Contract No. 14-20-503-144. This lease was assigned to the Operator under an Assignment of Mining Lease, dated May 2, 1956, approved on July 6, 1956, by Don C. Foster, Area Director, Bureau of Indian Affairs.

The attached Surety Company's Performance Bond in the sum of $14,473.00 is accepted by the Government in lieu of the Consent to Lien of the Spokane Indian Tribe.

MF-205
(Combines and supercedes MF-202 and MF-203)
June 1956

Government's Use Only
EXPLORATION PROJECT CONTRACT
Operator Daybreak Uranium, Inc.
Docket No. DMEA- 4958
Contract No. Idm-E 1203
Contract Date 6/11/58

CONSENT TO LIEN
and
SUBORDINATION AGREEMENT 1/

To the United States of America:

Referring to that certain land in the County of STEVENS, State of WASHINGTON, described as follows: 2/

SW¼, Sec. 13, T.27N., R. 37E, WILLAMETTE MERIDIAN

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.)

NO ENCUMBRANCES EXCEPT SUBJECT TO TERMS AND CONDITIONS OF THE MINERAL LEASE FROM THE DEPARTMENT OF INTERIOR--BUREAU OF INDIAN AFFAIRS, A COPY OF WHICH IS ATTACHED TO THIS APPLICATION.

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

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

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

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

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

Dated this 10TH day of JUNE, 1958.

James W. Fox [Seal] OPPORTUNITY, WASHINGTON [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

_____ [Seal] _____ [Address]

Wm Lowley [Seal] Wellpinit Inc. [Address]

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

Kae H. Sowers

[Corporate Seal]

EXPLORATION PROJECT CONTRACT
DAYBREAK URANIUM, INC.
DOCKET NO. DMEA-4958

EXHIBIT "A"

Description of the Work

General Provisions

The object of this project is to explore for deposits of uranium ore by percussion wagon drilling and diamond core drilling along the contact zone of a quartzite unit of a metasediment sequence, probably Precambrian in age, and Loon Lake granite of Cretaceous age.

The approximate locations and inclinations of the drill holes are shown on the map, Plate - 3, entitled "Proposed Program, Lowley Lease. . .", attached hereto and made part hereof.

In wagon drilling, samples of the cuttings of all holes shall be taken at not more than 5-foot intervals and tested for radioactivity. Cutting samples showing significant radioactivity shall be split, one-half of each such sample shall be analyzed chemically for its U_3O_8 content, and the remainder of such sample shall be stored in a suitable container properly identified as to drill hole number and the depth interval that the sample represents.

In core drilling all core shall be tested for radioactivity. Sections of core showing significant radioactivity shall be split, one-half of the split core shall be analyzed chemically for its U_3O_8 content, and the remainder shall be stored with the unmineralized portions of the core, in boxes properly identified as to hole number and with markers placed in the core sections to indicate the depth represented.

Not to exceed 75 samples shall be analyzed for U_3O_8

content under each stage of work. The Operator may dispose of the stored core and cuttings only after approval by the Government.

Core and cuttings recovered from the drill holes shall be logged geologically, and the holes shall be probed radiometrically as soon as possible after completion. Records of such logging and probing, together with the assay certificates of the core and cuttings samples, shall be submitted with the Operator's monthly progress report. The monthly report shall also include a map or sketch showing the location of all holes drilled during the reporting period.

The Government will not participate in the cost of a hole that is closer than 200 feet to an outer boundary of the land, that is incompleted (unless the Government is of the opinion that the ground has been sufficiently tested without completion), or that cannot be probed with standard radiometric testing equipment.

The Operator shall provide a full-time supervisor and such other technical services and labor as are required to complete the project work. The drilling shall be performed on the basis of two machine shifts per day.

All bulldozer work shall be performed with a D-8 dozer or an equivalent unit of any other make.

The locations, directions, inclinations, and extent of all work are subject to Government approval.

The work is divided into two stages. The Operator shall perform all the work in Stage I, and as much of Stage II as is approved in advance in writing by the Government. Stage II will not be initiated unless the Stage I drilling has indicated the presence of a strong structure containing uranium-bearing material of such grade that would warrant exploration at depth.

Stage I

Bulldoze access roads and drill sites, and wagon drill not in excess of 15 holes, totaling not more than 2,120 feet of drilling.

at approximately the locations and inclinations shown on map, Plate - 3 to about the following depths:

Hole	Depth (feet)	Hole	Depth (feet)	Hole	Depth (feet)
1	130	6	140	11	120
2	110	7	160	15	150
3	120	8	140	16	160
4	120	9	130	17	180
5	140	10	140	19	180

Stage II

Bulldoze access roads and drill sites, and core drill not in excess of 10 holes, totaling not more than 2,750 feet, at approximately the locations and inclinations shown on map, Plate - 3, to about the following depths:

Hole	Depth (feet)	Hole	Depth (feet)
1	260	6	390
2	290	12	220
3	260	13	240
4	250	14	230
5	360	15	250

The locations of the Stage II drill holes, shown on Figure 3, are tentative and may be changed by mutual written agreement between the Government and the Operator. However, no hole drilled under Stage II shall be closer than 100 feet to any other hole drilled in this stage.

The holes shall be drilled by the wireline corebarrel method of BX size outside diameter yielding AX size core. However, holes may be finished with AX size standard coring equipment to avoid excessive reaming costs. Holes shall be cased ~~XXXXXXXX~~ or cemented and redrilled as necessary.

Estimated Costs of the Project

Actual Costs

Stage I

Category (1) Independent Contracts

Bulldozing, 1/ 30 hours @ $16/hr.	$480.00	
Transportation of bulldozer, 320 miles @ $0.35/mile	112.00	$592.00
Percussion (wagon) drilling:		
From 0.50 feet, 750 feet @ $1.25/ft.	937.50	
From 50-100 feet, 750 feet @ $1.40/ft.	1,050.00	
From 100-150 feet, 540 feet @ $1.60/ft.	864.00	
From 150-200 feet, 80 feet @ $1.80/ft.	144.00	
Casing, 300 feet @ $1.00/ft.	300.00	$3,295.50

Category (2) Personal Services

None except:		
(a) Supervisor, 1 month @ $600/mo.	$600.00	
(b) Consultant, 2 days @ $50/day	100.00	
(c) Engineer's helper, 5 days @ $17/day	85.00	785.00

Category (3) Operating Materials and Supplies

None except:		
Gasoline for jeep, 150 gallons @ $0.35/gal.	52.50	
Lubrication, oil, etc., for jeep	5.60	
150 sample sacks @ $0.45/each	67.50	125.60

Category (4) Operating Equipment

None except		
1 jeep 1/ or pickup 1/, 25 days @ $5/day	125.00	125.00

Categories (5) and (6)

None

Category (7) Miscellaneous

None except:		
Payroll taxes and insurance on $785.00 @ 14.9%	$117.00	
Chemical analyses for U_3O_8 content of 75 samples @ $4/sample	300.00	$417.00
Estimated Total Cost Stage I		$5,340.10

Stage II

Category (1) Independent Contracts

Bulldozing 1/, 20 hours @ $16/hr.	$320.00	
Transportation of bulldozer, 320 miles @ $0.35/mile	112.00	$432.00
Diamond drilling:		
From 0-250 feet, 2,440 feet @ $5.85/ft.	$14,274.00	
From 250-500 feet, 310 feet @ $6.35/ft.	1,968.50	
Standpipe, 60 feet, @ $9.75/ft.	585.00	
Reaming and landing casing, or cementing and drilling out, 800 feet @ $3.75/ft.	3,000.00	
Landing casing when reducing size of hole, 400 feet @ $0.50/ft.	200.00	
Standby time for probing, 20 hours @ $8/hr.	160.00	$20,187.50

Category (2) Personal Services

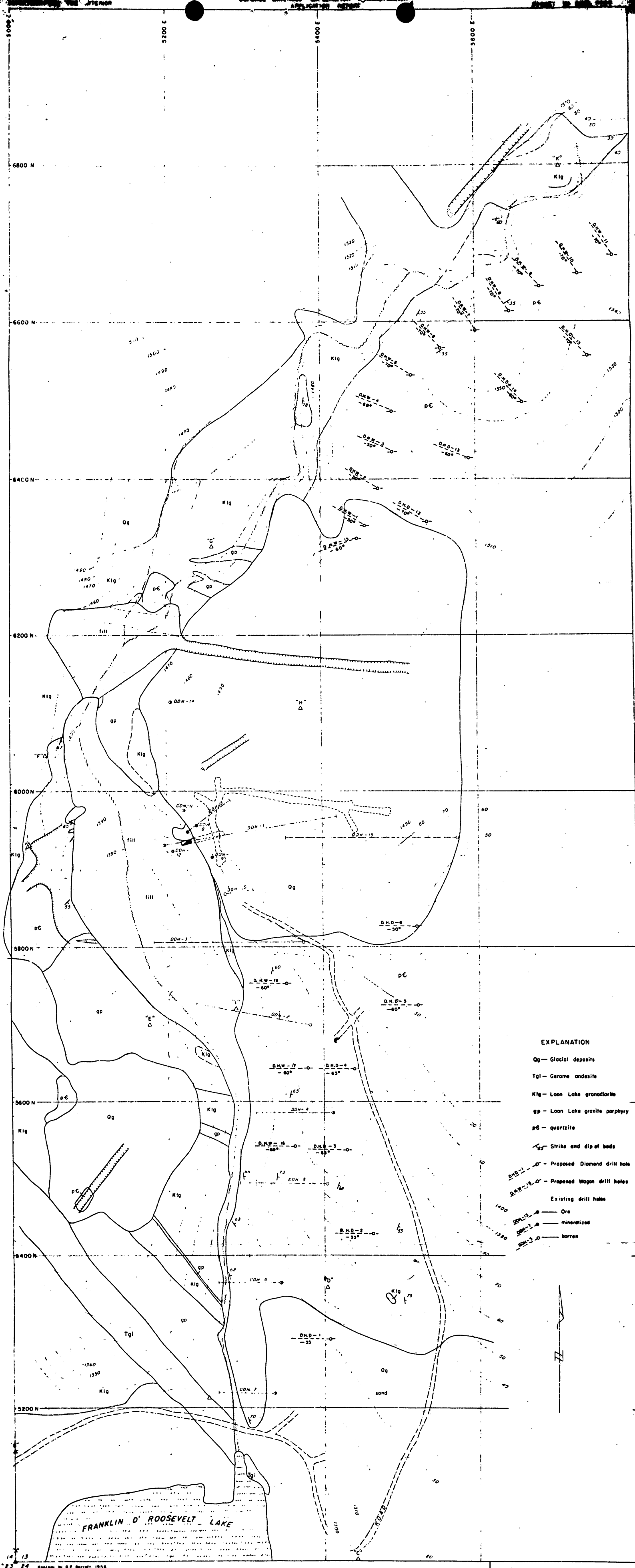
None except:		
(a) Supervisor, 2 months @ $600/mo.	$1,200.00	
(b) Consultant, 6 days @ $50/day	300.00	

(c) Engineer's helper, 10 days @ $17/day	$170.00	$1,670.00
Category (3) Operating Materials and Supplies		
None except:		
Gasoline for jeep, 250 gallons @ $0.35/Gal.	$87.50	
Lubrication, oil, etc., for jeep	15.00	
Wooden core boxes, 80 @ $5/each	400.00	
Probing equipment repairs	15.07	517.57
Category (4) Operating Equipment		
None except:		
1 jeep 1/ or pickup 1/ 50 days @ $5/day	$250.00	250.00
Categories (5) and (6)		
None		
Category (7) Miscellaneous		
None except:		
Payroll taxes and insurance on $1,670.00 @ 14.9 percent	$248.83	
Chemical analyses for U_3O_8 content of 75 samples @ $4/sample	300.00	548.83
Estimated Total Cost Stage II		$23,605.90

S U M M A R Y

Estimated Total Cost Stage I	$5,304.10	
Estimated Total Cost Stage II	$23,605.90	
Estimated Total Cost of Project		$28,946.00
Government Participation @ 50 percent		$14,473.00

1/ The Operator, at its option, may rent this equipment, or use its own, at unit costs per hour, or day, not exceeding the Contract figures.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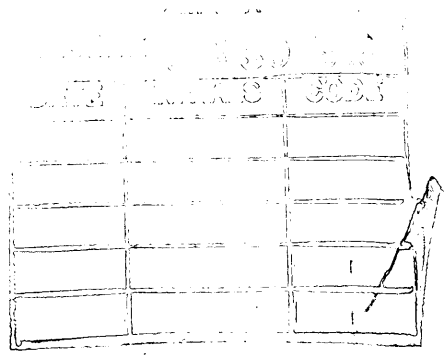
D.H.W-18
D.H.W-19
FRANKLIN D' ROOSEVELT LAKE
EXPLANATION
Qg — Glacial deposits
Tgi — Gerome andesite
Klg — Loon Lake granodiorite
gp — Loon Lake granite porphyry
pЄ — quartzite
Strike and dip of beds
Proposed Diamond drill hole
Proposed Wagon drill holes
Existing drill holes
Ore
mineralized
barren
Geology by G.E. Becraft, 1956
T 27 N
R 37 E
PROPOSED PROGRAM
LOWLEY LEASE
DAYBREAK URANIUM, INC
0 25 50 100 FEET
PLATE-3



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RECEIVED JUN 30 1958

DATE	INITIALS	CODE

EXTRA COPY
D M E A
RECEIVED JUN 30 1958

DATE	INITIALS	CODE

So. 157 Howard Street
Spokane 4, Washington

June 25, 1958

RECEIVED JUN 30 '58		
DATE		CODE
		800

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

Re: Docket No. DMEA-4950 (Uranium)
Daybreak Uranium, Inc.
Lowley Lease
Stevens County, Washington
Contract No. Idm-E1203

Dear Mr. Selfridge:

Enclosed are the Government and Audit copies of Contract Idm-E1203; the Performance Bond executed by Hartford Accident and Indemnity Co. in behalf of Daybreak Uranium, Inc. is attached to the Government copy. A Consent to Lien and Subordination Agreement signed by William Lowley has been attached to the contract also. The operator expects to commence work on or before July 20, 1958 and this date has been inserted in Article 3.

By copy of this letter, other copies of the contract are being distributed.

Sincerely yours,

Donald R. MacLaren
For: Wang G. Agnew
Acting Executive Officer
DMEA Field Team Region I

cc: USBM (2)
USBM(AD) w/cy contract.
Albee

DMEA Form 14

Contract No. Idm-E 1203

Docket No. 4958

Approved Contract

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

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
June 11, 1958	I	Washington	Uranium

Name and Address of Operator: Daybreak Uranium, Inc.
12707 E Valleyway
Opportunity, Washington

	Reserve	Obligation
Prior Amount	0	0
Increase	14,473.00	0
Decrease	0	0
Revised Amount	14,473.00	0

Remarks:

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

(Title)

Date delivered to Bureau of Mines, Washington 6/11/58

22845