OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Washington office pertaining to Contract Idm-E667, Docket DMEA-3288 (copper), dated April 2, 1954, with

Kathleen Margaret Mining Company
544½ Second Avenue
Fairbanks, Alaska
and its assignee
Alaska Copper Mines, Inc.
P. O. Box 3365
Seattle 14, Washington

for the purpose of determining the amount of royalty payable to the U. S. Government on sales of minerals from property referred to as the Albertson-Pettyjohn Copper Prospect and the Kathleen Margaret Claims located in the Talkeetna Mining District, Alaska, during the period January 1, 1955, through December 31, 1961.

In accordance with the Termination Agreement and Annex IV of the contract, royalty is payable on all minerals produced from the land described in Article 2 of the contract for a period of 12 years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. A Report of Review dated July 1, 1957, indicated accepted costs under the exploration contract amounting to $35,511.10 with the Government's contribution on a 50 percent basis being $17,755.55.

The status of the project, the scope of review, and the reasons therefor are stated on page 2.

This review established no sales subject to the Government's royalty subsequent to the period covered by a prior Royalty Audit Certificate which found the sales subject to the Government's royalty through December 31, 1954, to be $1,124.29. The royalty account as of December 31, 1954, was:

Total Royalty Payable	$56.21
Total Royalty Paid	-0-
Balance of Royalty Due	$56.21

As of December 31, 1961, the royalty account of this project was found to be:

Total Royalty Payable	$56.21
Total Royalty Paid	56.21
Balance of Royalty Due	$ -0-

E. D. Talbert

February 6, 1962

E. D. Talbert, OME Auditor

Idm-E667 Alaska Copper Mines, Inc., Assignee DMEA-3288

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

At the time this exploration project contract was executed the Operator, a partnership consisting of Fred S. Pettyjohn, Jr., and Everett O. Albertson, was in possession of the property (Kathleen Margaret Claims Nos. 1 through 9) by virtue of location notices filed during August 1953. On April 12, 1954, the partners, as individuals and as the K-M Copper Mining Company, leased the property with option to purchase to the Alaska Copper Mines, Inc. Assignment of the contract to the lessee, without releasing the lessor from the terms thereof, was approved by the Government on June 9, 1954. The lessee and assignee is a wholly-owned subsidiary of the Alaska Freight Lines, Inc., 415 Walker Street, Seattle, Washington.

Exploration work under the contract was terminated effective January 1, 1955, under a Termination Agreement dated October 26, 1956. This agreement provides that the Operator, as principal if the producer and as surety if not the producer, shall pay a royalty under the same conditions as if a certification of discovery or development had been made.

The prior Royalty Audit Report and Certificate disclosed only a single September 1954 shipment of production, a bulk sample, during the exploration period. The $56.21 in royalty thereon was collected during April 1957 by offset in settlement of the Operator's final claim for exploration costs.

During 1956 the assignee terminated its lease and option with the assignor. Thereafter, the assignor-partnership organized the MacLaren River Copper Corporation.

The property under this contract subsequently was included in Contract Idm-E1093, Docket DMEA-4738, MacLaren River Copper Corporation, Box 1292, Fairbanks, Alaska, executed on May 29, 1957. The latter contract acknowledges the Government's rights under this prior contract and, without releasing the Operator under this prior contract, provides for repayment under the latter contract of the Government's contribution under both contracts.

In a February 21, 1958, letter (progress report for December 1957) the Operator under the latter contract, over signature of F. S. Pettyjohn, Jr., as general manager, stated 180 tons containing 4.46% copper, .11 oz./ton gold, and .41 oz./ton silver and 190 tons containing 1.03% copper had been stockpiled. However, a November 28, 1958, letter over the signature of Everett O. Albertson, as president, states that only 30 tons of shipping ore were stockpiled and

a reply by Genevieve I. Bannister, secretary-treasurer, to an August 3, 1960, MME Form 63, Request for Information, specifies that the stockpile contains only 30 tons of high-grade ore.

/The following statement was part of an item, probably based on a stock promotion program fostered by Mr. Pettyjohn, which appeared on page 2 of the November 19, 1957, issue of the Anchorage Daily News:

> "As a result the Owners of the mine have been able to go into high grading well in advance of actual operation. Copper ore averaging 30 per cent is shipped in barrels to the smelter. Meanwhile, the Operators are stockpiling ore at the rate of 40 tons a day."/

The Acting Field Officer, Region I, after consultation with E. W. Parsons, a Bureau of Mines engineer, who visited the property on May 17, 1958, has determined that it is reasonable to accept Miss Bannister's and Mr. Albertson's statements and that Mr. Pettyjohn's estimate was an exaggeration.

Under date of September 15, 1961, the MacLaren River Copper Company /sic/ entered into an agreement to sell sixteen mining claims, including the mine under this contract, to Tom Slick, National Bank of Commerce Building, San Antonio, Texas. This agreement provides that the seller will pay the Government's royalty on any production.

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

(1) The only sale of production from the property under the contract was covered by the prior Royalty Audit Certificate; and

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

MME Form 22
Dec. 60

DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

CHECK SHEET OF EXAMINING ENGINEER

Operator's Name and Address
Mr. Robert B. Hicks, President
Transworld Resources Corporation
9107 Wilshire Boulevard, Suite 603
Beverly Hills, California

Contract No.	Docket No.
Idm-E657 & Idm-E103	DMEA-3288 & DMEA-4738 (Copper)

Prepared by (Signature)	Date
Donald R. MacLaren	2/ 1/62

Yes	No	
		1. (a) Does the Operator stockpile ore subject to royalty repayment?
		(b) If so, is segregation and identification procedure adequate?
		2. (a) Does the Operator commingle production subject to DMEA or OME royalties with exempt production?
		(b) If so, is the allocation of the commingled production equitable?
		3. (a) Does the Operator stockpile mine or mill rejects (low grade ore, tailing, middlings, etc.) that may have potential value within the royalty payment period?
		(b) If so, are adequate records maintained on such material to protect the Government's interest?
		4. Are the assay controls in effect adequate?
		5. Does the manner of disposing of production give the Government its fair royalty returns?
		6. Do your periodic examinations of operations indicate the Operator is properly reporting his production of ores subject to DMEA or OME royalties?
		7. Does the Operator buy from or sell to other Operators?
		*8. Current status of property. (Check one).
☐		Operating.
☐		Inactive.
☐		Abandoned.
		Date of last production if not operating.

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

According to a letter dated Jan. 30, 1962, from J. A. Herdlick, U.S. Bureau of Mines, Chief, Alaska Office of Mineral Resources, Region I, the Kathleen and Margaret Claims have been leased to Tom Slick, Transworld Resources Corp. and that there was no known production during 1961.

84861-60

No. 157 Howard Street
Spokane 4, Washington
December 13, 1960

EXTRA COPY
O. M. E.
RECEIVED DEC
DATE
800

Memorandum

To: Chief, Division of Field Operations

From: Acting Field Officer, Region I

Subject: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-B667
and
DMEA-4758 (Copper)
Maclaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-K1095

Enclosed are three Thermofax copies each of a letter dated December 8, 1960, from Robert B. Hicks of Transworld Resources Corporation, an authorization from the Maclaren River Copper Corporation to give Transworld a copy of the DMEA contract, and my reply to Mr. Hicks.

To copy all the material requested by Mr. Hicks would be not only time consuming but rather costly. I suggest that he be sent a copy of the contract, the amendment, Notice of Default, and the Report of Review as a start, and that he be told that he can see the file in this office and make copies of any additional information which he may wish.

I have twice requested Maclaren River for a copy of the lease to Transworld or Tom Slick and am enclosing three copies of my third request.

D. R. Maclaren

Enclosures

cc: CPF
Director
Econ. Geol.
MLPM

No. 157 Howard Street
Spokane 4, Washington
December 13, 1960

Air Mail

Mr. Robert B. Hicks
Transworld Resources Corporation
417 South Hill Street, Room 1256
Los Angeles 13, California

Re: DMSA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-R667
and
DMSA-4738 (Copper)
Maclaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-R1093

Dear Mr. Hicks:

This office is not authorized to furnish the information requested in your letter of December 8, 1960. Therefore, I am forwarding your letter and the authorization from the Maclaren River Copper Corporation to our Washington office for their consideration and reply.

Sincerely yours,

D. R. Maclaren
Acting Field Officer, OME
Region I

cc: OME(3) w/cys incoming
CPF
Director
Econ. Geol.
MPM

TRANSWORLD

Resources CORPORATION

417 South Hill Street Room 1256
Los Angeles 13, California
Madison 5-7514

2600 National Bank of Commerce Bldg.
San Antonio, Texas
Capitol 7-5081

Plant
Box 8 Hesperia, California

Los Angeles
December 8, 1960

Office of Minerals Exploration
157 Howard Street
Spokane 4, Washington

Dear Sirs:

Recently our Company completed a lease purchase agreement with the Maclaren River Copper Corporation.

The officers of the corporation informed us that a D.M.E.A. loan for the Kathleen-Margaret claims had been granted but that it had been cancelled by the D.M.E.A. due to non-conformance to the contract by the Maclaren River Copper Corporation.

The data regarding this loan is almost completely absent from the Maclaren River Copper Corporation files. We need copies of all correspondence; including the loan application with maps, reports and assays as well as all other pertinent data between the Maclaren River Copper Corporation and the D.M.E.A.

Enclosed herewith is an authorization from the Maclaren River Copper Corporation, signed by the president and secretary, for the D.M.E.A. to furnish the data requested to Transworld Resources Corporation.

Please advise us as soon as possible if you can have the information copied and mailed to us.

Very truly yours,

/s/ Robert B. Hicks

Robert B. Hicks

RECEIVED
DEC 1960
air mail

RBH:en
encl.
cc: Maclaren River Copper Corp.
John D. Shaw

800

So. 157 Howard Street
Spokane 4, Washington
December 13, 1960

Air Mail

Miss Genevieve I. Bannister
Secretary-Treasurer
MacLaren River Copper Corp.
P. O. Box 1292
Fairbanks, Alaska

Re: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667
and
DMEA-4738 (Copper)
MacLaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E1093

Dear Miss Bannister:

We have just received a letter from Robert B. Hicks of Transworld Resources Corporation in which he states: "Recently our Company completed a lease-purchase agreement with the MacLaren River Copper Corporation."

In accordance with Article 2(e) of the contract, will you please send us two copies of the lease-purchase agreement.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

cc: OME(3)
Director
Econ. Geol.
B&PM
CPP

FEB 6 - 1962

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-3288 (Copper)
Alaska Copper Mines, Inc., Assignee
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667
and
DMEA-4738 (Copper)
MacLaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E1095

The original and one copy each of Reports of Royalty Review covering the subject contracts are enclosed. If you concur in the facts stated therein, please make the following distribution:

(a) Original of each to the Fiscal Section, Division of Administrative Services, Office of the Secretary, Department of the Interior, Washington 25, D. C.; and
(b) One copy of each for your files.

These Reports of Royalty Review are made for record purposes only; therefore, no copies for the Operators are provided.

As evidence of your concurrence, copies of your memoranda transmitting the original reports to the Fiscal Section should be furnished this Division. If for any reason you do not concur, all copies of the reports should be returned to this Division with your comments.

Enclosures

EDTalbert/ama 2-6-62

cc:
Docket
Director's Reading File
CA & A Division - Idm-E667
Mr. Rothrock

JAN 16 1962

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667
and
DMEA-4738 (Copper)
MacLaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna District, Alaska
Contract Idm-E1093

This Division is preparing a Report of Royalty Review on each of the subject contracts. Accordingly, your submission of an original and three copies of a joint MME Form 22, Check Sheet of Examining Engineer, will be appreciated.

The files indicate that the only production to date from the claims under these contracts consisted of a bulk sample shipped in 1954 and a small stockpile accumulated from drift work during the latter part of 1957. The stockpile was the subject of correspondence during a period of August to November 1960.

Please confirm or correct the foregoing by an appropriate statement under item 8 of MME Form 22.

EDTalbert/ama 1-16-62

cc:
Docket
Director's Reading File
CA & A Division - Idm-E667

CAA Div. ONE

RECEIVED FEB
DATE | INITIALS

8 OL

No. 157 Howard Street
Spokane 4, Washington
February 16, 1962

Memorandum

To: Chief, Fiscal Section, Division of Administrative Services, Office of the Secretary, Washington, D. C.

From: Acting Field Officer, ONE, Region I

Subject: DMEA-3286 (Copper)
Kathleen Margaret Mining Company
544½ Second Avenue
Fairbanks, Alaska
and its assignee
Alaska Copper Mines, Inc.
P. O. Box 3365
Seattle 14, Washington
Contract Idm-2667

There is enclosed a Report of Royalty Review dated February 6, 1962, for the purpose of determining the amount of royalty payable to the U. S. Government on sales of minerals from property referred to as the Alberton-Petyjohn Copper Prospect and the Kathleen Margaret Claims located in the Talkeetna Mining District, Alaska, during the period January 1, 1955, through December 31, 1961.

This Report of Royalty Review is for record purposes only and no copy has been provided for the Operator.

D. R. MacLaren

Enclosure

MLSmelser:mls
cc: CAADiv., ONE
ONE; CPF
Reading copies to:
Nolan
Hobbs
Guild

We the undersigned, President and Secretary of MaClaren River Copper Corporation, hereby certify that the Directors of said corporation at a regular meeting thereof authorized the O. M. E. officials at Spokane, Washington to deliver copies of all documents, reports, assays and all other pertinent data respecting the copper mine of said corporation to Tom Sligh of National Bank of Commerce, San Antonio, Texas or to Transworld Resources, Inc. of Hesperia, California.

In witness whereof we have hereunto set our hands and the official seal of said corporation this 15th day of November, 1960.

/S/ W. F. Brandkowski
President

/S/ Genevieve D. Bannister
Secretary

RECEIVED
DEC 9 1960
U.S.G.S.

OFFICIAL FILE COPY
O. M. E.
RECEIVED NOV 14 1960

DATE	INITIALS	
		800

So. 157 Howard Street
Spokane 4, Washington
November 9, 1960

Air Mail

Miss Genevieve I. Bannister
Secretary-Treasurer
MacLaren River Copper Corp.
P. O. Box 1292
Fairbanks, Alaska

Re: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667
and
DMEA-4738 (Copper)
MacLaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E1093

Dear Miss Bannister:

Thank you for returning the Request for Information and your note on the back of the form.

When it is executed, we would appreciate receiving two copies of the lease to Tom Slick, in accordance with the terms of Article 2(c) of the contract. The Government's right to royalty, which is provided for by a pseudo-certification in Article 10(b) and Amendment No. 1, continues until May 29, 1968.

We would also appreciate knowing the grade of the 30 tons on the stockpile.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

cc: CAAA Div.
OME(2)
DRF
CPF
Hobbs

OFFICIAL FILE COPY
O. M. E.
RECEIVED NOV 14 1960

DATE	INITIALS	CODE
		800

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
So. 157 Howard Street
Spokane 4, Washington
November 9, 1960

Air Mail

Memorandum

To: E. D. Talbert, Acting Chief
Contract Administration and Audit Division

From: Acting Field Officer, Region I

Subject: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667
and
DMEA-4738 (Copper)
MacLaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E1093

In further reference to your memorandum of August 3, 1960, MME Form 63, Request for Information, which we mailed to the MacLaren River Copper Corporation September 19, 1960, has just been returned. The form, signed by Genevieve I. Bannister, Secretary-Treasurer, indicates a change of address to Box 1292, Fairbanks, Alaska.

Under item 1 appears the statement: "Lease to Tom Slick, San Antonio, Texas, nearing completion." I will write to Miss Bannister requesting that she send us a copy of the lease when it is completed.

Item 2(A) states that no ore has been shipped since October 1957, which date I had inserted. Item 2(B) states that the stockpile contains 30 tons of high-grade ore, no concentrates and no "other." On the back of the form Miss Bannister has written:

> "I do not know who was responsible for the large estimate on the stockpiled ore, but exaggeration was a weakness of Mr. Pettyjohn. However we have had estimates made by several reliable mining men, and in their opinion 30 tons of stockpiled ore meets their figures. Since the canyon below is well covered with ore and mineral I believe erosion may have been responsible for some loss."

In his letter of November 28, 1958, to the Executive Officer, Everett O. Albertson, then president, mentions: 30 tons of shipping ore. E. W. Parsons of the Bureau of Mines and E. M. MacKevett, Jr., of the Survey visited the property May 17, 1958. A statement in the last paragraph on page 2 of their report appears to support Miss Bannister's statement that " * * * exaggeration was a weakness of Mr. Pettyjohn"; they state:

> "Under the previous president, Fred S. Pettyjohn, there seems to have been a stock promotion program which included television advertising in which factual data were misrepresented to such an extent that Phil Holdsworth, Commissioner, Territorial Department of Mines, notified the company to be careful."

I have talked to Parsons to try and clear up the conflicting statements. He points out that his last visit to the property was about 2½ years ago, but as nearly as he can remember there was only one small stockpile of ore. While he is reluctant at this time distance to estimate how much ore might have been in the stockpile then, he doubts that it was much more than 30-40 tons. He also points out that the mine is 15 miles from the highway and can only be reached by weasel when the streams are frozen; that to ship profitably by truck would demand a much higher grade material than mine and drill hole samples indicate, unless the purpose of a shipment were to make mill tests.

In view of the foregoing, I believe it is reasonable to accept the statements of Miss Bannister and Mr. Albertson that the stockpile contains no more than 30 tons of "selected shipping ore" or "high grade" ore and that no shipments have been made. I also believe that Mr. Pettyjohn's estimate is most probably exaggerated. Before a computation of royalty due the Government is made, as provided in Article 6(d) of the contract, it will be necessary to determine the grade of the 30 tons. In my letter to Miss Bannister, I will request the grade.

D R MacLaren

D. R. MacLaren

EXTRA COPY O. M. E RECEIVED OCT 1960		
DATE	INITIALS	CODE
		Spec

So. 157 Howard Street
Spokane 4, Washington
October 14, 1960

Memorandum

To: E. D. Talbert, Acting Chief
Contract Administration and Audit Division

From: Acting Field Officer, Region I

Subject: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667
and
DMEA-4738 (Copper)
MacLaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E1093

In reference to your memorandum of August 3, 1960, regarding ore shipments from the subject property, a letter dated October 3, 1960, from Everett O. Albertson, formerly president of MacLaren River Copper Corporation, a copy of which was forwarded to you on October 4, 1960, states that there has been no ore shipped from the property. A letter dated October 12, 1960, from J. A. Herdlick, Chief, Alaska Office of Mineral Resources, Region I, U. S. Bureau of Mines, a copy of which is enclosed, confirms this statement.

Albertson says that the property is in process of being leased to Transworld Resources Corp., and Herdlick reports that it has been leased to Trans-World Enterprises. I will write Albertson again if I do not hear further by the end of the month and will keep you informed.

D. R. MacLaren

cc: OME(2) w/cys incoming
CPF
DRF

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION I

ALASKA OFFICE OF
MINERAL RESOURCES

EXTRA COPY
O. M. E
RECEIVED OCT 1960
DATE | INITIALS | CODE

P.O. BOX 2488
JUNEAU, ALASKA

October 12, 1960

Mr. D. K. MacLaren
Acting Field Officer, OME
Region I
South 157 Howard Street
Spokane 43, Wash.

Dear Mac:

Ray Maloney and Frank Thomas have reported on the following OME projects:

DeCourcey Mountain Mining Co. - No activity during 1960 but some work is planned after January 1, 1961.

Wren, Waske and White (Moneta Porcupine) (Red Top) - No activity; property said to have been taken over by Sunshine Mining Co.

MacLaren River Copper Corp. - Neither production nor shipment of ore since February 1958. Trans-World Enterprises (of which Tom Slick of the "Slick Oil" interests, San Antonio, Texas is the principal stockholder) has a lease on the property. Royalty is 10 percent on gross production. During the past summer an access road and a new airfield were constructed.

Earl K. Pilgrim - No production or development; Earl is presently engaged in constructing a road to the mine.

Alaska Metals - None of the officers of this concern could be contacted but the wife of one of them confirmed that there had been no production or activity since July 1959.

Tillicum Mining Co. Not contacted but no evidence or report of activity at Caamano Point prospect.

I think the above completes the reports on projects listed in your letter of August 17th.

RECEIVED
Via
OCT 13 1960.
Air Mail
U.S.G.S.
SPOKANE, WASH

No. 157 Howard Street
Spokane 4, Washington
October 14, 1960

Air Mail

Mr. J. A. Hardlick, Chief
Alaska Office of Mineral Resources
Region I
U. S. Bureau of Mines
P. O. Box 2688
Juneau, Alaska

Dear Jerry:

Again, many thanks for the report on the rest of the certified Alaska projects.

The project I am most concerned about is the Maclaren River Copper Corporation. Albertson wrote to Al February 21, 1958, stating that stockpiled outside the drift was 180 tons containing 4.46 percent copper, 0.11 ounce gold, and 0.41 ounce silver per ton, and 190 tons containing 1.05 percent copper. Then on November 28, 1958, he wrote Al again stating that "at this time we have 30 tons of selected shipping ore awaiting the trucks." Since then, we had heard nothing further, but as long as no shipment has been made, we have no royalty claim.

I hope I'll be seeing you at the Northwest Mining Convention in December.

Sincerely yours,

D. R. MacKenzie
Acting Field Officer, OMR
Region I

cc: OMR(3)
OMP
RMP

Your advice with respect to the foregoing matters will be sincerely appreciated. The information is needed for the preparation of a Report of Royalty Review indicating the current royalty status of these contracts.

CEFisher/ama
August 2, 1960

Copy to: Docket
Director's Reading File
CA & A Division - Idm-E1093

AUG 3 1960

Memorandum

To: Acting Field Officer, Region I

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

Subject: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667
and
DMEA-4738 (Copper)
MacLaren River Copper Corporation
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E1093

The Washington office files disclose that one shipment of production from this property was made in 1954 during the time exploration was being conducted under contract Idm-E667. According to my royalty audit report dated May 3, 1955, the manager of the project indicated that it was "a sorted sample, which was sent to the smelter primarily for bulk assay purposes". Royalty amounting to $56.21 applicable to the value of this sample lot was subsequently collected by offset against the Operator's final voucher. This is the only royalty received to date.

In a letter to Mr. Weissenborn dated February 21, 1958, F. S. Pettyjohn, Jr., General Manager, MacLaren River Copper Corporation, stated that 130 tons containing 4.46 percent copper, 0.11 oz./ton gold, and 0.41 oz./ton silver, and 190 tons containing 1.03 percent copper had been stockpiled from a drift. Apparently, little or no work has been done on the property since the diamond drilling under contract Idm-E1093, but our record is not clear on this point.

If this stockpiled ore or any other production from the property has been sold, the Government is entitled to a percentage royalty on the net proceeds. If the production has not been sold but remains in a stockpile, it appears that consideration should be given to computation of the royalty due to the Government as provided in Article 6(d) of contract Idm-E1093.

Original FILE COPY
O. M.
RECEIVED AUG 12 1960
DATE

800

No. 157 Howard Street
Spokane 4, Washington
August 10, 1960

REGISTERED--RETURN RECEIPT
AIR MAIL

Mr. Everett D. Albertson, President
MacLaren River Copper Corporation
P. O. Box 2058
Fairbanks, Alaska

Re: DMEA-3288 (Copper)
Alaska Copper Mines, Inc.
Kathleen Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E667

DMEA-4738 (Copper)
MacLaren River Copper Corp.
Kathleen-Margaret Claims
Talkeetna Mining District, Alaska
Contract Idm-E1093

Dear Mr. Albertson:

In reviewing our files on the subject DMEA dockets we note that in your letter dated February 21, 1958, addressed to A. E. Weissenborn you stated that 180 tons containing 4.46 percent copper, 0.11 oz./ton gold, and 0.41 oz./ton silver and that 190 tons containing 1.03 percent copper had been stockpiled outside the drift. In your letter of November 26, 1958, also to Mr. Weissenborn you state that "at this time we have 30 tons of selected shipping ore awaiting the trucks."

Will you please advise us whether this stockpiled ore or any other ore from the Kathleen-Margaret claims has been sold and if so what was the amount and grade of the ore sold and to whom was it sold.

Under Annex II of the contract the Government is entitled to a percentage royalty on the net proceeds of any ore sold from this property.

An early reply will be appreciated.

Sincerely yours,

D. R. MacLaren
Acting Field Officer, OME
Region I

cc: K. D. Walbert
Contract Admin. Audit Div., OME

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

REGION I

2688

OFFICE OF Assistant
REGIONAL DIRECTOR for Alaska

P. O. BOX 299[redacted]
JUNEAU, ALASKA

July 18, 1957

Memorandum

To: U. S. Department of the Interior
Defense Minerals Exploration Administration
Executive Officer, Region I, Northwest District
1201 North Division Street
Spokane, Washington
Attention: DMEA Fiscal Officer

From: DMEA Finance Officer, Juneau, Alaska

Subject: Contract Idm-E 667

Payment documents for this contract are being forwarded because of the royalty tie-in with the new Maclaren River Copper Corporation contract, Idm-E 1093.

The documents included are contract and voucher folders as follows:

1. Contract Idm-E 667: $20765.00

2. Vouchers paid folders:

Voucher No. DMEA 4	$ 4331.04
Voucher No. DMEA 7	1386.48
Voucher No. DMEA 13	11400.00
Voucher No. DMEA 56	638.03

Royalty payment:

By deduction from Voucher No. DMEA 56, $56.21

7/22 C

220
800

L. J. Wilcox

Copy to: Chief, Division of Administration, U. S. Bureau of Mines, Region I, Albany, Oregon
DMEA Contract Administration and Audits Division, Washington, D. C.
Maclaren River Copper Corporation, Box 4001, College, Alaska

See Operator's letter of February 21, 1958, in Contract E1093 regarding stock-piled ore.

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

FIRST ROYALTY AUDIT CERTIFICATE

I have examined the records and sales documents pertaining to the sale of copper and other minerals for the period of April 2, 1954, to December 31, 1954, by the:

Alaska Copper Mines, Inc.
P. O. Box 3365
Seattle 14, Washington

Assignees of the:

Kathleen Margaret Mining Company
544½ Second Avenue
Fairbanks, Alaska

produced from property known as the Albertson-Pettyjohn Copper Prospect (Kathleen Margaret Claims), located on the MacLaren River in the Talkeetna Mining District of the Territory of Alaska, under the terms of Exploration Project Contract No. Idm-E647, Docket No. DMEA-3288, dated April 2, 1954, including Amendments Nos. 1 and 2.

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

The audit disclosed total net sales of copper, gold and silver for this period to be $1,124.29, royalty on which is due the U. S. Government at the contract rate of 5 percent. The royalty due, paid and balance due are as follows:

Total Royalties Due	$56.21
Total Royalties Paid	-0-
Balance of Royalties Due	$56.21

E. D. Talbert
E. D. Talbert, Auditor

May 3, 1955

FIRST ROYALTY AUDIT REPORT

I INTRODUCTION

On May 2, 1955, an audit of royalty payments, applicable to production and sales during the period of April 2, 1954 to December 31, 1954, by the:

Alaska Copper Mines, Inc.
P. O. Box 3365
Seattle 14, Washington

Assignees of the:

Kathleen Margaret Mining Company
544½ Second Avenue
Fairbanks, Alaska

under Exploration Project Contract No. Idm-2667, Docket No. DMEA-3288, dated April 2, 1954, including Amendments Nos. 1 and 2, covering a project of exploration for copper on property known as the Albertson-Pettyjohn Prospect, located on the Maclaren River in the Talkeetna Mining District of the Territory of Alaska.

The pertinent accounting records and sales documents were in the custody of P. P. Barbey, Assistant Treasurer of the Alaska Freight Lines, Inc., 415 Walker Street, Seattle, Washington. The Alaska Copper Mines, Inc., is a wholly-owned subsidiary of the Alaska Freight Lines, Inc. Both Mr. Barbey and Don Zellweger, Manager of the project, were consulted during the audit, which was made concurrently with an interim audit of the costs claimed under the Exploration Project Contract. These costs are covered by an Interim Audit Report bearing the same date as this report.

II GENERAL INFORMATION

An interim audit of the exploration costs incurred under this contract, covering the project's operations for the period of April 2, 1954 to December 31, 1954, determined the acceptable costs to be $35,511.10 with the Government's 50 percent contractual participation amounting to $17,755.55. The Government, however, has paid to the Operator a total of only $17,117.52, leaving a balance due the Operator of $638.03 for the Government's participation in exploration costs through December 31, 1954. These findings are reported fully in an Interim Audit Report bearing the same date as this report.

No certificate of discovery or development has been issued, but Annex IV of the contract specifies that "The Operator * * * 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 time within which the Government may make such certification, or until the net total amount contributed by the Government without interest is fully repaid, whichever

occurs first; ****." This Annex IV was substituted for a prior Annex II by Amendment No. 2, dated March 30, 1955, but effective April 2, 1954. However, Annex II, which was a part of the original contract, also contained the quoted provision.

Accordingly, the Government is currently entitled to a royalty on all mineral production from the land described in Article 2 and set forth in Annex I of the contract as the Kathleen Margaret Nos. 1, 2, 3, 4, 5, 6, 7, 8, and 9 unpatented mining claims as recorded in the Talkeetna Recording Precinct, Talkeetna, Alaska.

As of the date of this audit the Operator had neither submitted copies of smelter returns or other sales documents nor paid any royalties to the Government.

III SCOPE OF AUDIT AND FINDINGS

This audit was for the purpose of determining if there had been any sales of production subject to royalty under the Exploration Project Contract. The extent of the audit and the findings follow.

A. Conference with Field Team

As a result of discussions with the Field Team and a review of the Executive Officer's and the Certifying Officer's files it was disclosed that the Field Team had knowledge of the shipment during September 1954, of about 15 tons of approximately 17 percent copper ore to the American Smelting & Refining Co. The Field Team was aware that the Operator had received $1,124.29 for this shipment, which was produced incidentally to the exploration work, but had not requested either copies of the smelter return or payment of the royalty due the Government.

By memorandum addressed to the Field Team under date of February 16, 1955, the Certifying Officer, L. J. Wilson, noted this shipment and requested advice as to whether or not royalty was due thereon. The reply was in the form of a copy of a memorandum dated March 7, 1955, addressed to the Executive Officer, S. H. Lorain, by a Mining Engineer, Robert L. Thomas. This memorandum furnished summary advice on the shipment but erroneously indicated that no royalty was due the Government because a certification of discovery or development had not been made.

Interim Reports covering visits to the project on August 20, October 8, October 28 and December 3, by members of the Field Team contained no indications of production from the property. The Field Team advised this auditor that no ore, other than this one shipment of what was considered a bulk sample, had been produced from the property.

B. Audit of Settlement Statements

The audit included a review of the Operator's files pertinent to the Exploration Project Contract. This review disclosed only the one

shipment of ore and the accounting records did not furnish any evidence of any other production, shipments or sales. Furthermore, Don Zellweger, the Manager of the project, advised this auditor that this was the only production made from the property and that it was actually "a sorted sample, which was sent to the smelter primarily for bulk assay purposes."

The single shipment, identified as Lot No. 2334, was covered by a settlement statement, dated October 12, 1954, issued by the Tacoma, Washington, plant of the American Smelting & Refining Company. An abstract of this settlement follows:

Gross Weight		32,027 lbs.			
Less: Containers		1,975 "	30,052 lbs.		
H_2O of 1%			301 "		29,751 lbs.
Contents:	1.085 oz. Gold	@ $34.9125			$ 37.88
	15.170 oz. Silver	@ .8525			12.93
	4,822 lbs. Copper	@ .2695			1,299.53
	Gross				1,350.34
Less:	Base Charge @ $13.85		$206.03		
	In bbls. @ $1.25 per ton		20.02		226.05
	Net				$1,124.29

Haulage, at the expense of the Operator, was by air to Cakona, truck to Anchorage, barge to Seattle and truck to Tacoma.

IV CONCLUSIONS

This audit has confirmed that the Operator did produce, ship and sell minerals from the land under the Exploration Project Contract and, accordingly, there is due the Government a royalty computed as follows:

Total Net Sales	$1,124.29
Royalty Due @ 5%	$ 56.21
Royalty Paid	-0-
Balance Due Government	$ 56.21

These findings were discussed with Don Zellweger, Manager of the project, at the conclusion of the audit.

E. D. Talbert

E. D. Talbert, Auditor

May 3, 1955

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

P. O. BOX 560
Juneau, Alaska.

May 20, 1955

Alaska Copper Mines, Inc.,
P.O. Box 3365,
Seattle 14, Washington.

Re: Docket No. DMEA-3288 (copper)
Alaska Copper Mines, Inc.

Gentlemen:

Enclosed herewith is a copy of "First Royalty Audit Certificate" and "First Royalty Audit Report" which were prepared by Mr. E. D. Talbert during his recent visit to Juneau and Anchorage.

If you object to any of the items or statements in these reports we will be happy to discuss the matter with our Contract and Audit Division in Washington.

Yours sincerely,

S. H. Lorain,
Executive Officer,
Alaska District,
Region I.

cc: Chambers
Wilcox

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

Alaska Copper Mines, Inc.
P. O. Box 3365, Seattle 14, Washington
assignee of the
Kathleen Margaret Mining Company
544½ Second Avenue, Fairbanks, Alaska

pertaining to Exploration Project Contract No. Idm-E667, DMEA No. 3288, including Amendment Nos. 1, 2, and 3, and a Termination Agreement dated October 26, 1956, for the period of April 2, 1954, to December 31, 1954, inclusive, covering a project for the exploration of copper on property, known as the Albertson-Pettyjohn Copper Prospect located on the McLaren River in the Talkeetna Mining District of the Territory of Alaska.

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

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

all of the costs incurred prior to the January 1, 1955, effective date of the Termination Agreement were covered by an Interim Audit Certificate and Report dated May 3, 1955, issued by this auditor.

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

Total cost as billed by Contractor		$36,705.60
Exceptions:		
Prior to this review	$1,194.50	
Herewith	-0-	1,194.50
Total Accepted Cost		$35,511.10

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Seventeen thousand seven hundred fifty-five and 55/100 Dollars

$17,755.55

is considered valid and proper, provided that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

E. D. Talbert, Auditor

July 1, 1957

1201 N. Division St.
Spokane 2, Washington

July 24, 1957

RECEIVED
JUL 27 1957
DMEA

Mr. L. J. Wilcox
Administrative Assistant
Bureau of Mines
Region I
P. O. Box 2688
Juneau, Alaska

Dear Mr. Wilcox:

In accordance with Mr. Jay L. Chambers letter of July 2, 1957, we are forwarding the original and one copy of each of the following Reports of Review:

Contract	Docket	Operator
Idm-E667	DMEA-3288	Alaska Copper Mines, Inc.
E668	3246	Hyder Mines, Incorporated
E857	3831	Moneta Porcupine Mines, Ltd.

We concur with the facts stated in these reports.

By Field Team, Region I

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

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

Enclosures

cc: DMEA (2)
USGS (2)
Mr. Jay L. Chambers

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

P. O. Box 2688
Juneau, Alaska

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June 28, 1957

Mr. Jay L. Chambers, Director,
Contract Admin. & Audit Division,
Defense Minerals Exploration Admin.,
Washington 25, D.C.

re: Docket DMEA 3288
Contract Idm-E667
Alaska Copper Mines, Inc.

Dear Mr. Chambers:

Preliminary to a Report of Review in lieu of a final audit, as suggested by your letter of June 10, 1957, pertinent data relative to the final phases of the subject contract are outlined as follows:

Termination Agreement:

The contract was terminated by mutual agreement dated October 26, 1956 (Washington office copies of the Termination Agreement were transmitted under date of June 10, 1957).

Final Report by Operator:

By letter dated April 1, 1957, the Operating Committee authorized the Field Team to accept the Operator's report of November 8, 1956 (and certain other data)as a final report.

Units of Work:

The units of work acceptably performed by the Operator and the total accepted cost thereof are set forth by Interim Audit Certificate dated May 3, 1955. No work was performed by the Operator subsequent to May 3, 1955. The Government has no interest in operating materials and supplies.

Sincerely yours,

J. A. Herdlick,
Acting Alternate Executive
Officer,
DMEA Field Team,
Alaska District.

cc: USGS
Wilcox

Mr. J. A. Hardlick
Acting Executive Officer
DMEA Field Team, Region I
Alaska District
P. O. Box 2688
Juneau, Alaska

Re: Docket DMEA-3288, Contract Idm-2667
Alaska Copper Mines, Inc.

Docket DMEA-3846, Contract Idm-2668
Ryder Mines, Inc.

Docket DMEA-3831, Contract Idm-2697
Puerto Porcupine Mines Limited

Dear Mr. Hardlick:

It appears from the reports of this Division that a Report of Review in lieu of a final audit is in order for each of the referenced terminated contracts. However, before such reports may be issued, it is required that this Division have a communication from you setting forth, for each of the projects, the information specified in my January 9, 1957, memorandum to all DMEA auditors, subject: Instructions on the Release of Audits and Reports of Review, copies of which were forwarded to the Field Team for compliance by the Operating Committee's letter of January 17, 1957.

Your cooperation in submitting the required communications would be appreciated.

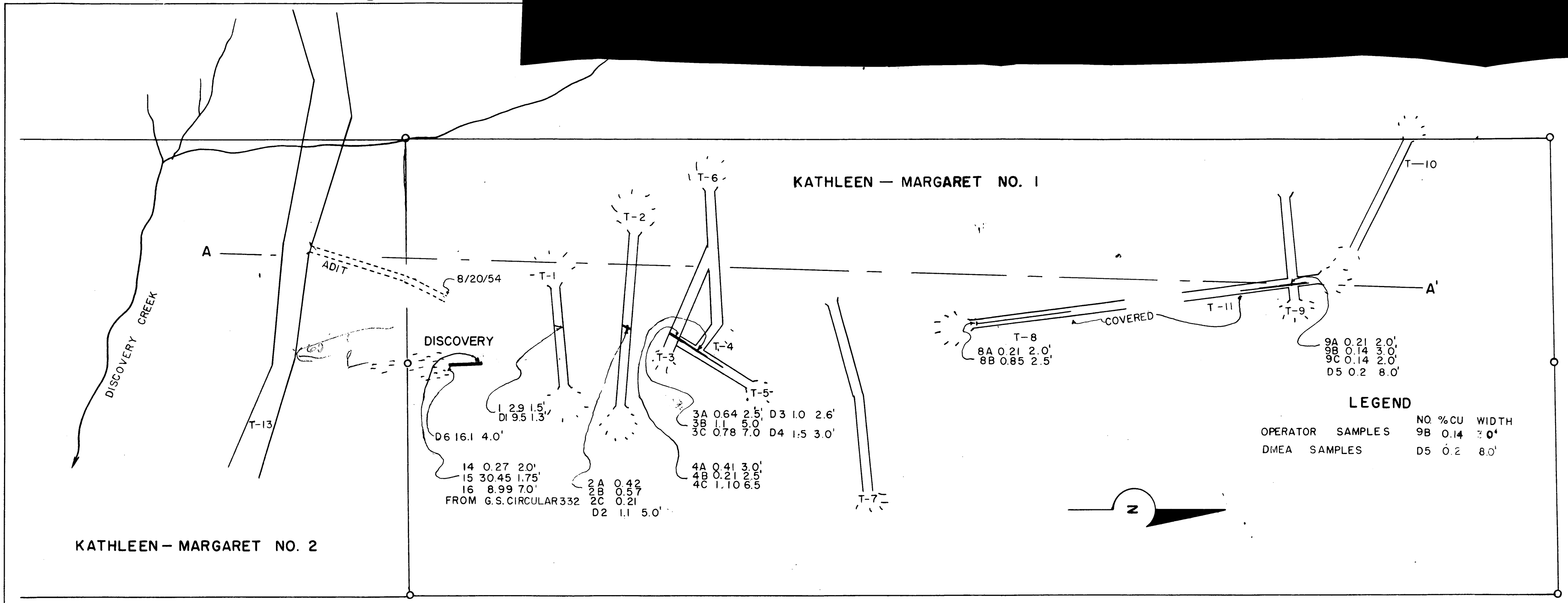
Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

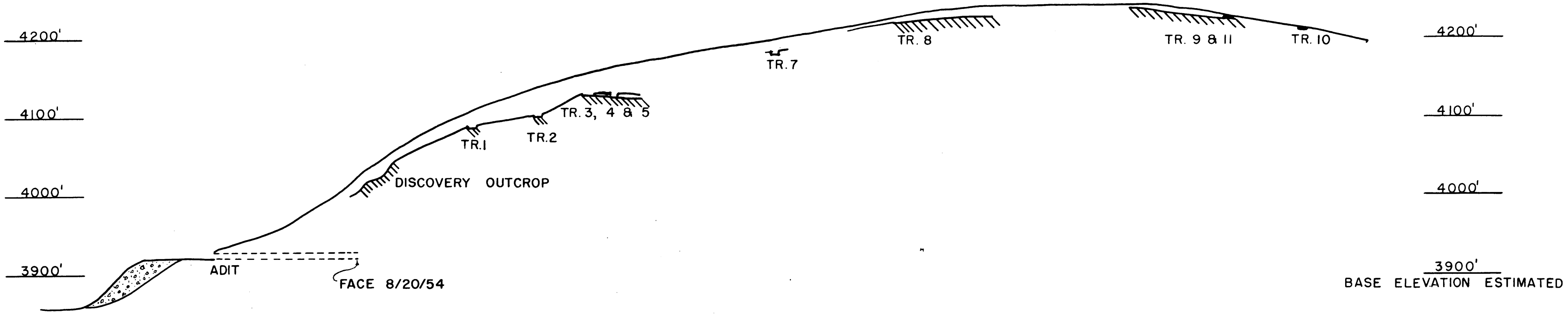
EDTalbert/vb
June 18, 1957

Copy to: Docket (3)
Admr. Reading File
L. J. Wilcox, Regr I, Alaska Dist.
Mr. Chambers



DOCKET NO. DMEA 3288 (COPPER) ALASKA COPPER MINES, INC. SCALE 1" = 100'

SKETCH MAP FROM BRUNTON & ANEROID SURVEY



VEIN OUTCROP PROJECTED TO SECTION

SCALE 1" = 100'

SECTION A—A'

DOCKET NO. DMEA - 3288 (COPPER), ALASKA COPPER MINES, INC.

SKETCH MAP FROM BRUNTON & ANEROID SURVEY

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

INTERIM AUDIT CERTIFICATE

I have examined the records and transactions of the:

Alaska Copper Mines, Inc.
P. O. Box 3365
Seattle 14, Washington

Assignees of the:

Kathleen Margaret Mining Company
544½ Second Avenue
Fairbanks, Alaska

pertaining to Exploration Project Contract No. Idm-E667, Docket No. DMEA-3288, dated April 2, 1954, including Amendments Nos. 1 and 2, covering a project for the exploration of copper on property known as Albertson-Pettyjohn Copper Prospect located on the MacLaren River in the Talkeetna Mining District of the Territory of Alaska, for the period of April 2, 1954 to December 31, 1954, inclusive.

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

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

Total cost as billed by contractor			$36,705.60
Exceptions (see Audit Report for details):			
Prior to this audit	$1,200.00		
During this audit	265.44	$1,465.44	
Less: Reinstatement		270.94	1,194.50
Total Accepted Cost			$35,511.10

The contract calls for a 50 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Seventeen thousand seven hundred fifty-five and 55/100 Dollars,

$17,755.55

is valid and proper.

This certificate is issued on the provision that the Regional Executive Officer, the Administrator, or other competent official has accepted or will accept the project as having otherwise met the terms of the contract.

E. D. Talbert

E. D. Talbert, Auditor

May 3, 1955

INTERIM AUDIT REPORT

I INTRODUCTION

On May 2, 1955, an interim audit (covering operations for the period of April 2, 1954 to December 31, 1954) was made of the records and accounts pertaining to Exploration Project Contract No. Idm-2667, Docket No. DMEA-3288, dated April 2, 1954, including Amendments Nos. 1 and 2, with the:

Alaska Copper Mines, Inc.
P. O. Box 3365
Seattle 14, Washington

to whom the contract had been assigned, with the approval of the Government, by the original contractor:

Kathleen Margaret Mining Company
544½ Second Avenue
Fairbanks, Alaska

This contract covers a project for the exploration of copper on property known as the Albertson-Pettyjohn Copper Prospect located on the MacLaren River in the Talkeetna Mining District of the Territory of Alaska.

Prior to the actual audit of the records, this auditor made a complete review and analysis on April 28, 1955, of the documentation submitted by the Operator in support of the Monthly Report and Voucher Forms MF-104 and retained in the fiscal files of the Bureau of Mines, Alaska District, Region I, near Douglas, Alaska.

The accounts and original records pertaining to this project were in the custody of P. P. Barbey, Assistant Treasurer of the Company, and were located in the offices of the Alaska Freight Lines, Inc., 415 Walker Street, Seattle, Washington. The Alaska Copper Mines, Inc., is a wholly-owned subsidiary of the Alaska Freight Lines, Inc. Both Mr. Barbey and Don Zellweger, Vice President and Manager, were consulted during the audit.

II GENERAL INFORMATION ON RECORDS

The major portion of the estimated costs of this contract are under a provision for contribution by the Government on the basis of agreed unit costs, as they accrue, for units of work actually performed. The major portion of the remainder of the estimates are under the category of independent contracts. Accordingly, it was not considered necessary for the purposes of this audit to examine the Operator's books of account, which are integrated with the parent Corporation's accounts.

The records examined during this audit consisted of the payrolls, payroll tax returns, freight bills, invoices and canceled checks. The files of these records were maintained in a very inadequate manner and, in the opinion of this auditor, did not fully satisfy the intent of Article 7 (d) of the contract that "The operator shall keep suitable records and accounts of operations, ..." Furthermore, all of the documentation submitted with the monthly Forms MF-104 was quite ambiguous and entirely insufficient as proof as costs incurred under the terms of the contract.

The major portion of the payments applicable to this project were made by checks signed by Don Zellweger and drawn on an account with the First National Bank of Fairbanks. Some few costs of operations were paid by checks signed by P. P. Barbey and drawn on an account with the Peoples National Bank of Washington in Seattle.

III SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs claimed in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher, for the period ending December 31, 1954. The findings follow:

(1a) Agreed Unit Costs:

Amendment No. 1, dated August 20, 1954, provides for the participation by the Government in a maximum of 600 feet of drifting and crosscutting at an agreed unit cost of $48.00 per feet for each unit of work actually performed. This 600 feet is exclusive of 187 feet performed prior to the date of the amendment without authorization or approval of the Government. The audit disclosed the following:

Claimed by Operator:			
120'	Crosscut	@ $48.00/ft.	$ 5,760.00
380'	Drift	@ $48.00/ft.	18,240.00
	Total Claimed		24,000.00
Disallowed by Certifying Officer:			
25'	Advance	@ $48.00/ft.	1,200.00
Acceptable Costs:			
475'	Crosscut/Drift	@ $48.00/ft.	$22,800.00

The disallowance by the Certifying Officer was made in accordance with a letter addressed to the Operator by Mr. S. N. Lorain, Executive Officer, DMEA Field Team, Region I, Alaska District, under date of January 7, 1955 and stating:

"Velikanje, Thorne and I have made independent map measurements but none of us can stretch the advance to more than 475 feet (after deducting 187 feet required by the contract); therefore we will adjust the current payments to that footage. Before the final settlement is made we will have to make a survey; any indicated adjustments can be made at that time."

The Certifying Officer's disallowances of 25 feet of advance is concurred with by this audit and costs based on 475 feet of advance are tentatively accepted subject to subsequent Field Team verification of the actual satisfactory performance thereof.

(1b) Independent Contracts:

The contract, as changed by Amendment No. 2, provides for a maximum of 569 hours at a maximum rate of $18.00 per hour for the use of one D-8 tractor-dozer in dosing trenches, hauling supplies, and performing road and air-strip work. The rate was to include all costs except freight. The Operator, however, did not procure this equipment by contract, but used two D-8 tractor-dozers which were the property of the parent Corporation, Alaska Freight Lines, Inc. Furthermore, the Cat-operators were carried on the Operator's payroll at various rates of $3.45/hour, $2.055/hour and $650/month. The situation was further complicated by the contemporary use of the equipment on work other than the DMEA project.

During the course of the audit it was found that:

(a) The Operator maintained a log of the bulldozer time and indicated therein the time used on the DMEA project;

(b) The rate per hour charged to the project was considerably less than the $25.00 per hour rate charged to others; and

(c) The actual costs of maintenance and operation, including mechanics and operators' wages, was apparently in excess of the rate of $18.00 per hour claimed.

This last finding could only be made as a result of a general observation of payroll, fuel, parts and other costs, since neither the Operator or the parent Corporation maintained cost accounts covering the operation of this equipment. As an example of the costs involved, there is quoted herewith an invoice dated May 31, 1954, from the Morrison-Knudsen Company, Inc., Anchorage, Alaska, and covering use of one of that Company's tractors in righting one of the Operator's tractor-dozers before the second was brought to the project site:

"Rental D-8 w/dozer 11 days @ $656.75/week	$1,032.02
Plus repairs:	
Mechanics 30 hrs.	121.46
Parts	399.56
15% on labor and parts	78.16
Total	$1,631.20"

The cited invoice covered only 5 hours actual time in use, and that, without an operator. Alaska Freight Lines, Inc., by letter dated September 14, 1954, addressed to the Morrison-Knudsen Company protested these charges and stated:

> "Whenever the Alaska Freight Lines rents its D-8 tractor the charge is $25.00 per hour used, and then only for short periods. This I feel is a fair rate and would certainly agree to such a charge."

Although the work was not done by independent contract and the actual costs incurred cannot be accurately ascertained, the rate of $18.00 claimed appears to be equitable. Furthermore, the Executive Officer of the DMEA Field Team has confirmed the satisfactory performance of the work. Accordingly, this audit has found the acceptable costs under this category to be as follows:

Claimed by Operator:				
Cat No. 1	338.3	hrs.	@ $18.00/hr.	$ 6,089.40
Cat No. 2	365.	"	"	6,570.00
Total	703.3	"	"	12,659.40
Less: Excess over "Allowable Maximum"	134.3	"	"	2,417.40
Net Total	569.	hrs.	@ $18.00/hr.	$10,242.00

(2) Labor and Supervision:

A detailed analysis and verification of the payrolls, the pertinent payroll tax returns, and the applicable canceled checks was made during this audit. In addition to the supervision and sampling wages properly chargeable under the contract and the cat-operators' wages included within the hourly rate for the use of the D-8 tractors under category (1b), the payrolls included the wages of a cook, a carpenter and labor applicable to work not under the DMEA contract.

Labor costs were determined by the audit to be acceptable as follows:

Reno Micheletti	144 hrs. regular		
	66½ " overtime	@ $2.055/hr.	$500.91
Joe Kelly	64 "	@ $750/mo. (or $3.125/hr.)	200.00
Total			$700.91

Supervision costs were found to be acceptable as follows:

Joe Kelley	168 hrs.	@ $750/mo. (or $3.125/hr.)	$525.00

Technical Services, acceptable by audit, were as follows:

Don Zellweger	2 hrs.	@ $750/mo. (or $3.125/hr.)	$ 6.25

The salary of Joe Kelly, as supervisor of the project, was prorated between DMEA and other operations on the basis of direct labor hours including the cat-operators' time. This proration resulted in an approximation of 75 percent for the month of June, 1954 and 60 percent for the month of July as the proper share of his salary chargeable to DMEA. However, the July charge includes his time as a sampler as well as a supervisor. The Operator duplicated the amount of the net supervision charge, i. e., $250.00, by including it under both labor and supervision. Accordingly, this audit has disallowed the $250.00 under Labor. An additional allowance by audit of $.91 has been made due to the Operator claiming Micheletti's wages in the amount of $500.00 rather than the correct $500.91 amount.

Actual Supervision costs allocated to the project were $812.50, consisting of 260 hours @ $750/mo. (the equivalent of $3.125/hr.). The Operator, however, has claimed in the "Totals to Date" on the December 1954 MF-104 only for the allowable maximum of $537.60, having concurred with prior disallowances by the Certifying Officer. Since the number of hours of Supervision stated in the contract is also an allowable maximum this audit has disallowed $12.60 under Supervision as the difference between the maximum rate of $3.20/hr. allowed by the contract and the rate of $3.125/hr. actually paid for the allowable maximum of 168 hours.

Don Zellweger's salary of $750.00 per month was actually paid by the parent company and not the operator. He spent two hours in surveying on the project and arbitrarily claimed $5.00/hr. as "a reasonable charge for his services." This audit has disallowed $6.25 as the difference between two hours @ $5.00/hr. claimed and the two hours @ $3.125/hr. actually paid by the Alaska Freight Lines, Inc.

(3) <u>Operating Materials & Supplies</u>;
(4) <u>Operating Equipment</u>;
(5) <u>Initial Rehabilitation & Repairs; and</u>
(6) <u>New Buildings, Improvements, etc.</u>:

None of these categories of cost are applicable to this contract.

(7) <u>Miscellaneous</u>:

The only estimates for this category included in the contract were for:

36 Assays @ $6/each	$216.00
Freight on D-8, Fairbanks to Paxson & return	750.00

No claim was made by the Operator for the cost of Assays. Investigation during the audit disclosed that the laboratory of the Bureau of Mines for Region I, Alaska District, had performed the assay work without cost to the Operator. A Chemical Laboratory Report No. 456, dated October 4, 1954, gives assays on 15 trench samples taken by the Operator. A Chemical Laboratory Report No. 455, bearing the same date, furnishes assay results on 5 trench samples and one outcrop sample taken by Mr. Thorne, Bureau of Mines Engineer.

The Operator's claimed "Totals to Date" on the December, 1954 MF-104 for Freight was $966.00, although he had originally claimed $618.47 for freight from Fairbanks to Paxson and $618.47 for the return freight, a total of $1,236.94. The Operator had reduced his claim in accordance with a letter dated October 4, 1954, addressed to him by the Certifying Officer, wherein it was stated:

> "Although the freight on cats, item 7, is specified as $750.00, the $966.00 has been approved inasmuch as no maximum allowance prevails and the contract includes $216.00 for assays."

The inadequate documents submitted by the Operator to support his original claims aggregating $1,236.94 erroneously stated that the amounts claimed covered two cats. While two cats were used on the project, the costs claimed were actually for the movement of only one cat. The audit disclosed that the $1,236.94 originally claimed was based on a freight bill which disclosed the following:

Weight of a D-8 Cat	30,923 lbs.
Published rate-Fairbanks to Paxson	$2.00 per 100 lbs.

Accordingly this audit has reinstated the amount of $270.94, which represents the difference between the amount of $966.00 allowed by the Certifying Officer and the amount of $1,236.94 determined by this audit to be the acceptable costs for freight.

Other Observations:

The assignment of this contract to the Alaska Copper Mines, Inc., by the Kathleen Margaret Mining Company resulted in a complete change in the anticipated means of performing the work and determining the costs incurred. It was not contemplated by the estimates of costs, included in the contractual "Exhibit A", that the bulldozing would be done other than by subcontract or that any of the work would be performed concurrently with other non-DMEA exploration work and thereby require an apportionment of costs. It appears that good administration would have required the proper amendment of the contract at the time of the assignment.

It was found during the audit that a sale of ore produced from the property under this Exploration Project Contract had been made by the Operator. However, the royalty due the Government (in the amount of $56.21) in accordance with the provisions of Annex IV to the contract has not been paid. This matter is more fully discussed in a First Royalty Audit Report bearing the same date as this audit report.

IV CONCLUSIONS AND RECOMMENDATIONS

The audit disclosed that all costs charged to this project, as adjusted by the disallowances and other audit adjustments and as itemized in the preceding section of this report, are reasonable and proper under the terms of the contract. The audit findings are summarized as follows:

	Totals Dec.31-1954	Corrected Distribution	Disallowed By Audit	Accepted Costs
(1a) Agreed Unit Costs:				
Crosscutting	$ 5,760.00)	$24,000.00	$1,200.00	$22,800.00
Drifting	18,240.00)			
(1b) Independent Contr.:				
Bulldozing	10,242.00	10,242.00	-0-	10,242.00
(2) Labor & Supv.:				
Labor	960.00	950.00	249.09	700.91
Supervision	537.60	537.60	12.60	525.00
Technical Serv.	-0-	10.00	3.75	6.25
(7) Miscellaneous:				
Freight on Tractor	966.00	966.00	-270.94	1,236.94
Totals	$36,705.60	$36,705.60	$1,194.50	$35,511.10

This contract contained several items of cost expressly designated as "allowable maximums". The status of these allowable maximums, after making adjustments in accordance with this audit, is as follows:

	Allowable Maximum	Acceptable Cost	Balance
Agreed Unit Costs:			
Drifting/Crosscutting	$28,800.00	$22,800.00	$6,000.00
Independent Contracts:			
Bulldozing	10,242.00	10,242.00	-0-
Labor & Supervision:			
Supervision	537.60	525.00	12.60
Surveying & Mapping	384.00	6.25	377.75

This audit has disclosed that the acceptable costs of this project through December 31, 1954, were $35,511.10, with the Government's 50 percent contractual participation being $17,755.55. Inasmuch as the Operator has been paid the sum of $17,117.52, a balance of $638.03 is due the Operator. However, it is recommended that, if the royalty due the Government in the amount of $56.21 is not received within a reasonable time, a deduction be made from the balance due the Operator and payment be effected in the net amount of $580.82 only, with appropriate book adjustments being made to properly reflect the royalty repayments and the accepted costs.

E. D. Talbert

E. D. Talbert, Auditor

May 3, 1955

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

P. O. Box 560
Juneau, Alaska

May 19, 1955

Alaska Copper Mines, Inc.,
P. O. Box 3365,
Seattle 14, Washington

Re: Docket No. DMFA-3288 (copper)
Alaska Copper Mines, Inc.

Gentlemen:

Enclosed herewith is a copy of an "Interim Audit Certificate" and an "Interim Audit Report" which were prepared by Mr. E. D. Talbert during his recent visit to Juneau and to your Seattle office.

If you object to any of the items or statements contained in these reports we will be happy to discuss the matter with our Contract and Audit Division in Washington.

Yours sincerely,

S. H. Lorain,
Executive Officer,
Alaska District,
Region I.

cc: Chambers
Wilcox

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

Wilcox

Budget Bureau No. 42-R1036.4
Approval expires 6-30-53.

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

Month of Final payment, Nov. 1955 Docket No. DMEA 3288 Contract No. Idm-E667
Operator's Name Alaska Copper Mines, Inc. Minerals Copper
Address P. O. Box 3365, Seattle 24, Washington
Contract Amount, $ 41530.00 Government Participation: 50 % Amount, $ 20765.00

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:						Per DMEA Audit 5/3/55
Drilling						
Bulldozing				-0-	10242.00	10242.00
Crosscutting						
Drifting				-0-	22800.00	22800.00
(2) Labor and Supervision:						
Labor				- 259.09	960.00	700.91
Supervision				- 12.60	537.60	525.00
Technical Services				+ 6.25		6.25
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
Freight on tractor				+ 270.94	966.00	1236.94
(8) Contingencies (specify):						
TOTALS				5.50	35505.60	35511.10

Liberian to Audit 5/3/55 $581.82

$580.82 retained

RECEIVED APR 25 1957 D.M.E.A.

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

Date _____ *Payee _____

Per _____ Title _____

*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: $2.75 plus $635.28 previously held back on 8/54 payment less $56.21 royalty due per audit or $ 581.82

Signature Lawrence J. Wilcox (Authorized Certifying Officer)
L. J. Wilcox

Date ~~11/14/55~~ 4/24/57 Vou. No. ~~DMEA 36~~ 56
(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. Idm-E667 in accordance with the terms of the contract.

Signature ..... Title Examining Officer Date 11/14/55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature ..... Title Executing Officer Date 11/14/55

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.

GPO 83-38476

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

P. O. Box 2688
Juneau, Alaska

April 26, 1957

OFFICIAL FILE COPY
DMEA
RECEIVED APR 29 1957

DATE	INITIALS	CODE
4/29	C	220
30	Com	100
		800

Memorandum

To: Operating Committee, Defense Minerals Exploration ~~Admin.~~, Department of the Interior, Washington 25, D.C.

From: Executive Officer, Alaska District, Region I.

Subject: Final payment, Docket No. DMEA-3288 (copper), Alaska Copper Mines, Inc., Contract No. Idm-E667.

Enclosed are two copies of form MF-104 which document the final payment to the subject company for contract No. Idm-E667 on the Maclaren River, or Kathleen-Margaret, copper deposit.

Your letter of April 1 gave us official permission to waive any further final reports from the Alaska Copper Mines, Inc.

A final report by the Field Team will not be attempted until a determination has been made regarding further continuance of the work by the new Maclaren River Copper Company.

S. H. Lorain

Enclosure-1

cc: Velikanje
Herdlick
Wilcox

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R1036.4
Approval expires 6-30-53.

Defense Minerals Administration
RECEIVED
FEB 17 1955

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of December, 1954 Docket No. DMEA 3288 Contract No. IDM-667
Operator's Name Alaska Copper Mines, Inc. Minerals Copper
Address P.O. Box 3365, Seattle 14, Washington
Contract Amount, $ 41,530.00 Government Participation: 50 % Amount, $ 12,000.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing					10242.00	10242.00
Crosscutting	120'	0	120'			
Drifting 475' @ 48.00	380'	0	380'	22800.00		22800.00
(2) Labor and Supervision:						
Labor					960.00	960.00
Supervision					537.60	537.60
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
Freight on cats						
Fbks & return					966.00	966.00
(8) Contingencies (specify):						
TOTALS	500 ft.	-	500 ft.	22,800.00	12,705.60	35,505.60

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

Date Jan. 4, 1955 *Payee Alaska Copper Mines, Inc.

Per Don Zellweger Title Exec. Vice President

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

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

(Instructions on reverse)

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

$ 11,400.00

Signature (Authorized Certifying Officer)
Lawrence J. Wilcox

Date 2/14/55 Vou. No. DMEA-13
(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. ..... in accordance with the terms of the contract.

Signature Robert L. Thorne Title Examining Engineer Date 2/14/55

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature R. S. Velikanje Title Acting Executive Officer Date 2/14/55

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.

GPO 83-38476

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED FEB 17 1955

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of December 1954 Docket No. DMEA 3288 Contract No. IDM-667

Operator's Name Alaska Copper Mines, Inc. Minerals Copper

Address P.O. Box 3365, Seattle 14, Washington

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting	ft.	18,240.00	380	18,240.00	380	$48.00	600	$24.00
Crosscutting		5,760.00	120	5,760.00	120	48.00		
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching	Trench	-	-	12,705.60	12	1,058.80	12	1,058.80
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$24,000.00	500	$36,705.60				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS		$24,000.00	500	$36,705.60				$41,530.00

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

REMARKS:

Date Jan. 4, 1955 Operator Alaska Copper Mines, Inc.

Per Don Zellweger Title Executive Vice President

Don Zellweger

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)

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 83-38475

-C-O-P-Y-

Alaska Freight [illegible]es, Inc.
Seattle Office: P.O. Box 3365, Seattle 14

January 4, 1955

Mr. S. H. Lorain, Executive Officer
Field Team, Region I
U.S. Defense Minerals Administration
P.O. Box 560
Juneau, Alaska

Dear Mr. Lorain:

With reference to your letter of December 31 we are attaching hereto our revised voucher in the amount of $12,000.00 covering drifting and crosscutting at the 3800' level. By now you have received the Van Dyke showing the progress as of the end of December and can account for the 500' that we are billing for by the attached voucher. To help explain this footage, I would advise that you refer to the Van Dyke and note that I have allowed 120' of crosscutting, 80' in one instance and 40' in another, both measurements being taken from the frog of No. 1 and No. 2 switches, respectively.

I have also measured the drifting starting from the No. 2 frog at the second switch to the present face. After deducting the 187' disallowed by the government, I arrived at a figure slightly over 500 net feet, but for convenience in billing I have made the voucher out for 500' even. If we are in error on the total footage accomplished, I believe it is due to my measuring in the crosscuts. Perhaps this will explain the total amount. At any rate, please feel free to allow a reasonable footage that you feel fair and correct my voucher accordingly. I mention this because I feel that we can complete the contract in an agreeable manner to both the government and ourselves next spring.

Since mailing the Van Dyke to you I have received assay reports on samples taken which I will give herewith for addition to the exploration drawing which you have already received.

Please note the 65' drill hole bearing south 25° east and at a slight incline of plus 12° at switch No. 1. Time and lack of steel prevented us from actually crosscutting the vein in this long drill hole. However, we did drill through a mineralized area on the west side of the vein which carried copper minerals, quartz and greenstone and assayed 1.3% copper, .2 oz. silver and nil gold through the area 50 to 61'. (This sample was a slosh sample for 10' of drilling.)

-C-O-P-Y-

Sample No. 2 was taken for about the first 20' of the long drill hole parallel to the drift and inclining 18° at the extreme northern end of the drift. This sample showed nil gold, silver and copper. However, I feel that nil on the copper is a laboratory error as I did see by visual inspection some minute particles of chalcopyrite. I would venture a guess that this actually should have shown .25% copper which, incidentally, is considered nil so far as Alaska Copper Mines is concerned.

I made some channel samples in the raise which were not essential at the time, but may be of interest to you. Starting from the crosscutting at 20' a 3' channel sample revealed a trace of gold, .2 oz. of silver and .35% copper. At 80' a 4' channel revealed nil gold and silver and .94% copper. At 125' a 10' channel revealed nil gold, .24 oz. silver and .71% copper. An 18" channel at 125' revealed .02 oz. gold, .16 oz. silver and 4.61% copper. A 4' channel at 125' revealed .04 oz. gold, .85 oz. silver and 3.44% copper.

At the No. 2 switch where we crosscut the vein a second time, a grab sample of 100 pounds taken from ore cars and reduced by cone and quartering five times produced an assay of .12 gold, .42 oz. silver and 4.84% copper. It now appears to me, however, that this was an enriched area, the extent of which is still undetermined.

Referring back to the long drill hole at the No. 1 switch, I would advise that 18' more would crosscut the vein entirely as we had just hit it when we were forced to shut the operation down. My present plans now are to extend this hole at the first opportunity. From the sampling done to date, I would conservatively estimate that we have between 4,000 and 6,000 tons of millable ore, but I am afraid this cannot be used as an influence in deciding our future plans on this property. I will keep you advised accordingly.

Very truly yours,

ALASKA COPPER MINES, INC.

/s/ Don Zellweger
Don Zellweger
Vice President

DZ:rc
Enc.

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R1036.4
Approval expires 6-30-55.

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of JULY, 1954 Docket No. DMEA 3288 Contract No. IDM 667
Operator's Name Alaska Copper Mines, Inc. (Assignee) Minerals Copper
Address POB 3365, Seattle 14, Washington
Contract Amount, $ 12,730.00 Government Participation: 50 % Amount, $ 6,365.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing	3,258.00	7506.00	10,764.00	2736.00	7506.00	10242.00
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	960.00	None	960.00	960.00	-o-	960.00
Supervision	250.00	562.50	812.50	-o-	537.60	537.60
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
Freight on 2 cats Fairbanks to mine & return				347.53	618.47	966.00
(8) Contingencies (specify): Accrued freight expense for 2 Cats. Mine to Fairbanks	618.47	618.47	1,236.94			
TOTALS	5,086.47	8,686.97	13,773.44	4043.53	8662.07	12705.60

I certify that the above bill is correct and just and that payment therefor has not been received.
Date Aug 10, 1954 *Payee Alaska Copper Mines, Inc.
Per Don Zellweger Title Vice President

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

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

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of: $2021.76 less 10% of gov't. participation or $635.28
$ 1,386.48
Signature [illegible] (Authorized Certifying Officer)
Date 10/8/54 Vou. No. DMEA #7
(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. ..... in accordance with the terms of the contract.

Signature ..... Title ..... Date .....

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: Executive Officer Alaska Field Team Region I

Signature ..... Title ..... Date .....

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.

GPO 83-38476

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.1
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of July 1954 Docket No. DMEA 3288 Contract No. IDM 667

Operator's Name Alaska Copper Mines, Inc.(Assignee) Minerals Copper

Address POB 3365, Seattle 14, Washington

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								
Auger								
Stripping								
Trenching (1)	Trench	5,086.47	3	13,773.44	12	1,147.78	12	1,060.80
Test Pits								
Roads and Trails								
Total Distributed Costs		5,086.47		13,773.44				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		5,086.47		13,773.44				

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 Aug 10, 1954 Operator Alaska Copper Mines, Inc.

Per D. M. Bellweger Title Vice President

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

Remarks: It will be noted that the actual costs shown above, exceeds the amounts authorized in contract. However, it is not the intent of this company to ask for more than authorized by contract, but merely to show the actual costs necessary to complete same.

(Instructions on reverse)

(For Government use only)

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 83-38475

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

P. O. Box 560
Juneau, Alaska

December 23, 1954

Memorandum

To: Operating Committee, Defense Minerals Exploration Admin., Department of the Interior, Washington 25, D. C.

From: Executive Officer, Region I

Subject: Operators report
Docket No. DMEA-3288 (copper)
Alaska Copper Mines Inc. (assignee)

Enclosed herewith are 2 copies each of MF-104, form MF-104A, and the operators "narrative" report for the month of July 1954. These reports were very slow in reaching us, consequently payment has been withheld for some time. Although this contract has been extended by an amendment we are still withholding ten percent of the government contribution,

S. H. Lorain, Executive Officer
Field Team, Region I

Encl: 1 (in dup)

cc: USGS - Velikanje

FORM AFL 205 - SKINNER

ALASKA FREIGHT LINES, INC.

23 August 1954

C O P Y

Executive Office
D.M.E.A. Region #1
Post Office Box 560
Juneau, Alaska

Dear Sirs:

We are enclosing herewith the original and four (4) copies of report and voucher for month of July 1954, which completes our part of D.M.E.A. Contract #IDM 667, Docket # DMEA 3288, Phase I. It will be noted that the total expense exceeds that amount authorized by D.M.E.A. It is consequently understood that although these actual costs are shown, they will not increase the amount due by authority of D.M.E.A. 3288 unless such an increase is volunteered by the D.M.E.A. Office.

All samples taken as shown in the attached diagram have been shipped under separate cover for assay by the U.S. Bureau of Mines, Juneau office. As field team inspection has now been completed, we respectively request early consideration by D.M.E.A. on Phase II application to Docket # 3288, submitted in our transmittal dated June 7, 1954.

Very truly yours,

ALASKA COPPER MINES, INC.

DON ZELLMEGER
Executive Vice President

Encls.

ALASKA COPPER MINES, INC. PROGRESS REPORT FOR JULY 1954

Phase I to DMSA Contract #3288 was completed in July, however heavy rains during the last week of July and first few days of August damaged much of surface work by caving and mud filling. Five trenchs had to be cleaned a second time in order to expose the area for Field Team examination which was completed August 20, 1954.

Fifteen open cuts were made in all, two of which are not shown on Diagram of Surface work because they are located outside Claim Number K.A. 1 west of west-side line of K.A. #1. No mineralization was found in either of these two cuts. With reference to attached diagram of surface work, the following information gives additional description of work done.

CUT NO	LENGTH OF CUT	AVERAGE DEPTH OF CUT	SAMPLE NO.
1	100 ft	4.5 ft	#1
2	80 ft	3.5 ft	#2
3	100 ft	3.0 ft	#3A, 3B, 3C
4	30 ft	2.5 ft	#4A, 4B, 4C
5	100 ft	2.5 ft	None
6	165 ft	2.5 ft	None
7	240 ft	2.0 ft	None
8	180 ft	3.25ft	#8A, 8B
9	110 ft	2.5 ft	#9A, 9B, 9C
10	150 ft	1.5 ft	None
11	130 ft	3.5 ft	None
12	40 ft	1.5 ft	None
13 (Adit Bench)	380 ft	9 ft	None

SAMPLING INFORMATION

SAMPLE NO.		
#1	#1 Cut	18" channel cut across 12" vein of quartz, Bornite, Chalcopyrite and Malachite and 3" on both sides of vein in altered country rock
#2	# 2 Cut	6' channel cut across broken quartz approximately 5 ft wide showing extreme leaching and 1 ft altered footwall on west side of vein.
#3	#3 Cut	14.5' channel, gouge, quartz vein and altered country rock. Entire area shows leaching
	3A	Sample 30" gouge and crushed quartz in west side of out crop.
	3B	Sample 5' oxidized vein material
	3C	Sample 7' solid quartz 3' barran and 4' showing copper minerals.
#4	#4 Cut	12' channel gouge, quartz vein and altered country rock showing leaching and oxidation.

	4A	Sample 3' altered footwall on west side of vein containing Veinlets of mineralized Calcite.
	4B	Sample 2½' of crushed quartz vein
	4C	Sample 6½' of crushed quartz vein and altered country rock.
#8	#8 Cut	4½' channel across oxidized vein and altered country rock. Leaching very evident.
	8A	Sample 2' of altered country rock west side of vein.
	8B	Sample 2½' fractured vein and altered country rock east side of vein.
#9	#9 Cut	7' channel across altered footwall, gouge and hanging wall. No visible mineralization due to oxidation and leaching.
	9A	Sample 2' of altered footwall west side of vein
	9B	Sample 3' oxidized gouge (possible vein)
	9C	Sample 2' altered hanging wall

All sample cutting is noted on diagram attached. All veins appear nearly vertical and all except that in #1 cut show a great deal leaching and oxidation.

No strong leads were exposed by #13 Adit Bench cut however, Copper mineral was often found in Calcite Veinlets of altered country rock. Faulting is definitely noted along this cut which may be cause of lack of vein extension south of main discovery out crop. A portal site was located as indicated, and work was begun on Adit bearing N-13°-E. If the exposed surface veins continue down to this elevation they should be intersected by 220 - 250 ft of adit.

ALASKA COPPER MINES, INC.

Don Zellweger
DON ZELLWEGER
Executive Vice-President

FORM AFL 205 - SKINNER

ALASKA FREIGHT LINES, INC.

C O P Y

5 August 1954

Alaska Freight Lines, Inc.
Post Office Box 3365
Seattle 14, Washington
ATTN: Mr. P. P. Barbey

Dear Sir:

In compliance with our agreement, the Alaska Copper Mines, Inc. submits herewith the following operating hours on the rental equipment taken from recorders on A.F.L. D-8 tractors during July 1954:

D-8 Cat. No. 1

172.3 hours - by driver Pittenger

D-8 Cat. No. 2

114 hours - by driver Sumsalt

Total hours operated: - 286.3 hours

Note: Of the total hours indicated above, 181 hours applies on open cut work authorized in D.M.P.A. Contract Docket No. 3288.

Very truly yours,

ALASKA COPPER MINES, INC.

DON ZELLMEGER
Executive Vice President

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

Budget Bureau No. 42-R1036.4
Approval expires 6-30-53.

Received
OCT 22 1954

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

Month of June, 1954 Docket No. DMEA 3208 Contract No. MM 667
Operator's Name Alaska Copper Mines, Inc., Assignee Minerals Copper
Address P.O. Box 3365, Seattle 1, Washington
Contract Amount, $12,730.00 Government Participation: 50 % Amount, $6,365.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing	7,506.00	None	7,506.00	7,506.00	—	7,506.00
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision	562.50	None	562.50	537.60	—	537.60
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
Freight on 2 D-8 Cats, Fairbanks to Paxsons				618.47	—	618.47
(8) Contingencies (specify): Freight on 2 D-8 Cats, Fairbanks to Paxsons	618.47	None	618.47			
TOTALS			8,686.97	8,662.07	—	8,662.07

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

Date July 15, 1954 Payee Alaska Copper Mines, Inc.

Per Don Zillweger Title Vice President

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

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

(Instructions on reverse)

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

$ 4,331.04

Signature Lawrence J. Wilcox
(Authorized Certifying Officer)
Lawrence J. Wilcox

Date 8/24/54 Vou. No. [illegible]-4

(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. Idm-E667 in accordance with the terms of the contract.

Signature ..... Title Regional Director Date 8/24/54

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: Executive Officer Alaska Field Team Region I

Signature ..... Title ..... Date 8/24/54

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.

GPO 83-38476

Form MT-104A
(April 1952)

Budget Bureau No. 42-R1151
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of JUNE 195 4 Docket No. DMEA 3288 Contract No. IDM-667

Operator's Name ALASKA COPPER MINES, INC. (ASSIGNEE) Minerals COPPER

Address POB 3365, SEATTLE 14, WASHINGTON

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								
Auger								
Stripping								
Trenching	1-TRENCH	$8,686.97	9	$8,686.97	9	$965.22	12	$1,060.83
Test Pits								
Roads and Trails								
Total Distributed Costs		$8,686.97						Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		$8,686.97		$8,686.97				$12,730.00

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

Date JULY 15, 1954 Operator ALASKA COPPER MINES, INC.

Per DON ZELLWEGER Title VICE PRESIDENT

Remarks: FREIGHT CHARGES IN THE AMOUNT OF $618.47 ARE INCLUDED IN TOTAL COSTS ABOVE, AS WELL AS $562.50 SUPERVISION EXPENSE. BALANCE OF COST APPLIES TO 417 HOURS OF RENTAL @ $18.00 PER HOUR FOR D-8 CAT.

→ 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)

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.

RECEIVED
AUG 20 1954
BUREAU OF MINES
JUNEAU, ALASKA

GPO 83-38475

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

P. O. Box 560
Juneau, Alaska

OCT 22 1954

October 19, 1954

Memorandum:

To: Operating Committee, DMEA

From: Executive Officer, Field Team Region I

Subject: Operator's Monthly Report Docket No. DMEA-3288 (copper)
Alaska Copper Mines, Inc., assignee

Enclosed are two copies each of MF-104 and MF-104A for the month of June 1954.

The progress report and application for an amended contract was forwarded to your office on September 3 but, so far as we have been informed, no action has yet been taken on it.

S. H. Lorain, Executive Officer
Field Team, Region I

Encls: 2

cc: USGS

Governments Copy

OFFICIAL FILE COPY
D M E A
RECEIVED JUN 13 1957

DATE	INITIALS	CODE

TERMINATION AGREEMENT

It is agreed this 26th day of October, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Alaska Copper Mines, Inc., Assignee of Kathleen Margaret Mining Company, a partnership composed of Fred S. Pettyjohn, Jr. and Everett O. Albertson, hereinafter called the "Operator," parties to that certain Exploration Project Contract IDM-667 (sometimes referred to as Idm-E667), Docket No. DMEA-3288, dated April 2, 1954, as amended, hereinafter called the "Contract," that:

1. Effective January 1, 1955, 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 contribute to allowable costs incurred prior to said effective date; and shall contribute to allowable costs incurred or to be incurred beginning with said effective date in performing winding-up and settlement actions provided for in the Contract, including (a) the preservation and disposal of property to the cost of which the Government has contributed, and (b) the making and rendering of reports and accounts.

3. Any work or operations prosecuted or costs incurred by the Operator beginning with said effective date, except as otherwise provided in this termination agreement, shall be for the sole account of the Operator without contribution by the Government.

4. The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including (a) the disposal of any facilities, buildings, fixtures, equipment, or other items to the cost of which the Government has contributed; and (b) the rendering of the final report and final account.

5. 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 the royalty on minerals mined or produced until April 2, 1966, said royalty payment to be in the same manner and amount and subject to the same conditions provided in the Contract, as if certification of discovery or development had been made, such certification being hereby waived by the Operator.

6. All rights of the Government under the Contract with respect to records, audits, and recovery of any overpayment are preserved.

7. The Operator hereby releases and agrees to save the Government harmless from all claims or 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 C O Mittendorf
Administrator, Defense Minerals
Exploration Administration

ALASKA COPPER MINES, INC., Assignee

By Don Kellaway

Title Exe. V. Pres.

FORM AFL 205

ALASKA FREIGHT LINES, INC.

Seattle, Washington
June 6, 1957

J. A. Herdlick - Acting Executive Office
Alaska District Region I of U. S. Dept. of Interior
P.O. Box 2688
Juneau, Alaska

REF: Docket # DMFA-3288 (copper)
Alaska Copper Mines Inc.
Contract # IDM-F667

Dear Mr. Herdlick:

Attached herewith please find original and four copies of termination agreement transmitted for signature by us with your letter of June 4, 1957. Please be advised, however, that we have executed the agreement under assumption that it is strictly a form type termination agreement and that the Government will not expect reimbursement of any kind from funds realized from disposal of property belonging to the operator as indicates in paragraph two and four of said agreement.

Our reason for this stand may better be explained by reference to Mr. E. D. Talbert's Interim Audit Certificate of May 3, 1955, where Mr. Talbert states that none of the following catagories of cost are applicable to our contract.

Operating material and supplies.
Operating equipment.
Initial rehabilitation and repairs.
New building and improvement, etc.

In view of the above and considering the fact you are about to enter into a contract for further exploration work on the same property, we cannot foresee any physical demands to wind up this settlement that might be required by the terms of such a termination agreement.

Very truly yours,

ALASKA COPPER MINES, IN C.

Don Zellweger
Executive Vice President

DZ;jd

C O P Y

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.
P. O. Box 2688
Juneau, Alaska

ORIGINAL COPY
D M E A
RECEIVED
DATE | CODE

June 4, 1957

Mr. Don Zellweger,
Executive Vice-President,
Alaska Copper Mines, Inc.,
P. O. Box 3665,
Seattle 24, Washington.

re: Docket No. DMEA-3288 (copper)
Alaska Copper Mines, Inc.,
Contract No. Idm-E667

Dear Mr. Zellweger:

A "Termination Agreement" on the above contract has been held by this office pending a decision by the new company as to what additional work (if any) they might wish to do under the old contract.

The present operator has proposed a new drilling program and a new contract has been submitted for his approval. Before the new contract can be signed by the present operator it is necessary that the enclosed "Termination Agreement" be executed by Alaska Copper Mines Inc., therefore it will be appreciated if you will sign all copies of the enclosed "Agreement", retain the "Operator's" copy and return the others to this office.

Yours sincerely,

J. A. Hardlick

J. A. Hardlick,
Acting Executive Officer,
Alaska District,
Region I.

cc: Operating Committee
Fred S. Pettyjohn Jr.
Velikanje

Government's copy

RECEIVED
APR 9 - 1956

EXPLORATION PROJECT CONTRACT
ALASKA COPPER MINES, INC., Assignee
DOCKET NO. DMEA-3288

AMENDMENT NO. 3

It is agreed this 21st day of March, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Alaska Copper Mines, Inc., Assignee, that Exploration Project Contract Idm-E667 (Docket No. DMEA-3288), dated April 2, 1954, as amended, is further amended effective January 1, 1955, as follows:

1. (a) Work under the Contract shall be suspended during the period beginning January 1, 1955, and ending not later than June 1, 1956.

(b) No costs incurred by the Operator during the period of suspension shall be allowable for contribution by the Government, and the Government shall not contribute to any costs of rehabilitation or repair which, in its opinion, would not have occurred if there had been no suspension of the work.

(c) The Operator at its own cost and expense, without contribution by the Government, during the period of suspension shall preserve and protect the project work and any property in which the Government has an interest.

2. The time fixed for completion of the work in Article 3 of the Contract is extended from "fifteen (15) months" to "three (3) years" from the date of the contract.

3. In Annex IV to Amendment No. 2, the maximum period for the payment of the Government's royalty is extended from "ten years" to "twelve years" from the date of the contract, or until April 2, 1966.

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

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O. Meitendorf
Administrator, Defense Minerals
Exploration Administration

ALASKA COPPER MINES, INC.,
ASSIGNEE

By Don Zellweger
Eric K. Ades

Government Copy

EXPLORATION PROJECT CONTRACT
ALASKA COPPER MINES, INC., ASSIGNEE
DOCKET NO. DMEA-3288

AMENDMENT NO. 2

It is agreed this 30th day of March, 1955, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Alaska Copper Mines, Inc., Assignee, that Contract Idm-E667 (Docket No. DMEA-3288), dated April 2, 1954, as amended, is further amended effective April 2, 1954, as follows:

1. In Exhibit "A":

(a) Under the Description of the Work, delete the second sentence of the first paragraph and substitute the following:

> Twelve surface trenches shall be excavated, with D-6 or D-8 tractor-dozer, across the outcrop of the vein at, roughly, 100 foot intervals, as shown on the attached map, Figure 2, attached hereto, entitled "Diagram of Proposed Adit and Trenches, Albertson-Pettyjohn Copper Prospect, MacLaren River, Alaska . . . October 1953." The tractor-dozer shall be used also for road work, hauling of fuel and supplies, and for work on the air strip. To the extent that the Government considers reasonable, the time of transportation of the tractor-dozer to and from the site of the project work and for delays are allowable costs of the contract.

(b) Under Independent Contracts, delete "D-7 tractor-dozer" and substitute "D-8 tractor-dozer."

2. Annex II attached to the contract is deleted, and Annex IV, attached hereto and made a part hereof is substituted for the royalty provisions of Article 9 of the contract.

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

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals
Exploration Administration

ALASKA COPPER MINES, INC.

By _____
Exec. Vice Pres.

JUSTIFICATION FOR AMENDMENT NO. 2

In preparing the contract, the costs of bulldozer-tractor were estimated on the basis of the number of hours required to transport a D-6 or D-7 machine to the project and return, to clear road, to haul fuel and supplies, to trench, to work on the air strip, and unforeseen delays. As trenching was the main item of bulldozer-tractor work only trenching was described in Exhibit "A" of the contract although all the hours estimated for the other incidental work were included under the estimate of costs. The Operator used a D-8 bulldozer-tractor to do the work.

Accordingly, the purpose of the amendment is to express the true intent of the parties at the time when the contract was executed, by adding incidental items of bulldozer-tractor work to the Description of the Work in Exhibit "A" and to allow the use of a D-8 bulldozer-tractor at no added cost.

ANNEX IV

The following provisions are in lieu of Article 9:

Repayment by Operator.--a. Certification.--If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, 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, for a period of ten years from the date of the contract, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

c. Basis for computation.--The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight paid by the buyer to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling or assaying, or transportation, performed or paid by the

* The word "land" refers to the land described in Article 2 of the Contract.

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 raw 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 thereof 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 ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) 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 ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

f. 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.

g. 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.

h. 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 mining or production operations.

i. 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.

March 16, 1955

Memorandum

To: Acting Assistant Solicitor, Defense Minerals

From: Chief, Base Metals Division

Subject: Docket No. DMEA-3268, Alaska Copper Mines Inc., Kathleen Margaret Claims, Talkeetna Mining District, Alaska, Contract No. Idm-5667, Copper.

We have been advised by the Contract Administration and Audit Division that a technical error exists in Exhibit "A" of the cited contract.

In the application, the Operator cited the need of using a dozer-tractor for excavating trenches across the vein outcrop.

In delineating the estimated necessary "rental hours" which would be required, the Operator listed as follows for a D6 tractor:

60 miles of road clearing	60 Hrs.
Return to end of construction	15 "
Hauling fuel and supplies	15 "
Return of tractor at end of contract	30 "
Trenching time	375 "
Delays and unforeseen	120 "
Work on airstrip	25 "
Total	640 Hrs

(Another item of 75 hours was listed which was disallowed)

The Operator stated that if a D7 tractor was used instead of a D6, the hourly rate would be greater but the number of hours correspondingly less.

In the preparation of this contract, under "Description of the Work", we cited the use of a dozer-tractor for trenching, since trenching was the prime purpose of the project, other jobs to be performed by the dozer being merely necessary incidentals. However, the Contract Administration and Audit Division now advises us that we were in error, that in our Work Description we should have noted the necessity for doing the other jobs also. They state that without such recitation they cannot pay for tractor-dozer hours other than actual trenching.

Therefore, will you please prepare an amendment to Exhibit "A" of the contract which will add the following sentence to the first paragraph:

> "The tractor-dozer will also be used for road work, hauling of fuel and supplies, and work on airstrip, with allowances for delays and for tractor return".

It so happened that the Operator actually used a D8 tractor-dozer, instead of a D7, so will you please also amend the "Independent Contracts" to allow a D8 tractor-dozer, 569 hours at $18.00.

W. R. Griswold

W. R. Griswold

WRG/er

Copy to: Docket
Region I, Alaska District (2)
Base Metals
Mr. J. Chambers
Chron.

Government's copy

EXPLORATION PROJECT CONTRACT
ALASKA COPPER MINES, INC.
DOCKET NO. DMEA-3288

AMENDMENT NO. 1

It is agreed this 20th day of August, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Alaska Copper Mines, Inc., Assignee, that Contract Idm-E667 (Docket No. DMEA-3288), dated April 2, 1954, is amended effective April 2, 1954, as follows:

1. In Exhibit "A":

(a) Under "Description of the Work," add the following additional work:

Additional Work

Drift and/or crosscut on the vein from the adit tunnel level for not to exceed 600 feet. The drift shall be timbered as necessary and shall be not less than 5 feet by 7 feet in the clear of timber. (187 feet of crosscut or drift which was driven prior to the date of this amendment is not included.)

(b) Under "Estimated Costs of the Project," add prior to the total at end, the following:

Agreed Unit Cost

The Government will contribute to the costs of the "additional work" (drifting) on the basis of the agreed unit cost set forth below, as the cost accrues, in lieu of the actual costs set forth in Article 6 of the contract form. The agreed unit cost includes all costs of the drifting. The drifting may be performed by independent contractors without reference to the provisions relating to independent contracts and contractors in Articles 4(a) and (b) and 6(a)(1) of the contract form.

600 feet of drifting @ $48.00/ft.	$28,800.00

(c) Under "Estimated Costs of the Project," delete the totals "$12,730.00" and "$6,365.00", and substitute the totals "$41,530.00" and "$20,765.00," respectively.

2. In Article 3 of the contract, delete the period "six (6) months," and substitute the period "fifteen (15) months."

3. In Article 8 of the contract, delete the figures "6,365.00" and "12,730.00", and substitute the figures "20,765.00" and "41,530.00," respectively.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By O O Mitterdorf
Administrator, Defense Minerals
Exploration Administration

ALASKA COPPER MINES, INC.

By D M Kellweger
Executive Vice Pres.

Government's Copy

ASSIGNMENT OF CONTRACT

WHEREAS, Fred S. Pettyjohn, Jr. and Everett O. Albertson, partners, doing business as Kathleen Margaret Mining Company, entered into Exploration Project Contract Idm-E667 (Docket No. DMEA-3288), dated April 2, 1954, hereinafter called the "Contract"; and

WHEREAS, Fred S. Pettyjohn, Jr. and Everett O. Albertson (hereinafter called "Assignors"), own the land which is the subject of the Contract, and by an instrument dated April 12, 1954, leased the land to Alaska Copper Mines, Inc., an Alaska corporation, hereinafter called the "Assignee"; and

WHEREAS, the Assignors desire to transfer their interest in the Contract to the Assignee;

NOW THEREFORE, the Assignors, in consideration of the sum of One Dollar ($1.00) and other good and valuable consideration received from the Assignee, do hereby assign, transfer, and convey to the Assignee all of their right, title, and interest in the Contract. The Assignors jointly and severally agree to release and hereby release the Government from any and all claims, past, present, or future, arising out of the Contract.

This assignment is subject to the written acceptance by the Assignee of the terms, provisions, and conditions of the Contract, and to the written consent of the Government.

Dated this 9th day of June, 1954.

Fred S. Pettyjohn Jr.
(Fred S. Pettyjohn, Jr.)

Everett O. Albertson
(Everett O. Albertson)

ASSIGNEE'S ACCEPTANCE

The Assignee, Alaska Copper Mines, Inc., hereby accepts the above assignment and agrees to be bound by the terms, provisions, and conditions of the Contract.

Dated this 9th day of June, 1954.

ALASKA COPPER MINES, INC.

By Wm Zellweger V.P.

GOVERNMENT'S CONSENT

The Government, this 9th day of June, 1954, hereby consents to the above assignment without releasing Fred S. Pettyjohn, Jr. and Everett O. Albertson from any of the terms, provisions, and conditions of the Contract.

THE UNITED STATES OF AMERICA

By C O Mittendorf
Administrator, Defense
Minerals Exploration
Administration

MF-203
(Revised July 1, 1954)

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the ~~XXXXXXX~~ Territory of Alaska, ~~XXXXXXXX~~ Talkeetna Mining District, described as follows:1/ 9 unpatented lode mining claims recorded at Talkeetna Precinct Kathleen Margaret No. 1, 2, 3, 4, 5, 6, 7, 8 and 9 - Recorded in Volume #19 on Pages 313, 314, 315, 316 and 317 in September of 1953,

which is the subject of a proposed exploration project contract, hereinafter called the "contract", between the United States of America, hereinafter called the "Government", and

2/ Kathleen Margaret Mining Co., a partnership composed of Fred S. Pettyjohn and Everett O. Albertson and assigned to Alaska Copper Mines, Inc. as operator and lease holder,

hereinafter called the "Operator"; and

WHEREAS, under the provisions of said contract the Government is entitled to a percentage royalty on production and to other rights and equities which do or may conflict with or be adverse to the rights of the undersigned:

NOW THEREFORE, the undersigned, in consideration of said contract and as an inducement to the Government to enter into same, undertakes and agrees as follows:

1. The Government's equity in and right to dismantle, sever, take possession of, and remove and dispose of facilities, buildings, fixtures, equipment, or other items as provided in the contract or any amendment thereof shall prevail over and be prior and superior to any conflicting or adverse rights of the undersigned, and the Government is authorized to enter upon the land for such purposes.

2. To secure the payment to the Government of the percentage royalty on production3/ provided for under the terms of said exploration project contract or any amendment thereof there is hereby granted to the Government a lien upon the land above referred to and upon any production of minerals therefrom until said royalty is fully paid or ten years have elapsed from the date of the contract, whichever occurs first.

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

2/ Insert the name of the Operator as it will appear in the exploration project contract.

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

(OVER)

3. The undersigned shall commit no act nor assert any claim that may contravene or conflict with the lien, claim, or rights of the Government under the provisions of said contract. This agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the undersigned.

4. Changes and added provisions DMEA Contract Docket No. 3288 assigned to Alaska Copper Mines, Inc. (Operator) by authority of U. S. Government's Consent dated 9 June 1954.

Dated this 10th day of November, 1954.

Everett O. Albertson [Seal]

Fred S. Pettyjohn [Seal]

[Seal]

Witness to E. O. Albertson signature

Don Ullmayer

Paul Zimmwalt

T. S. Benson

Witness to Fred S. Pettyjohn Jr.

Arthur J. Sexauer

Don Ullmayer

EXPLORATION PROJECT CONTRACT
KATHLEEN MARGARET MINING COMPANY
DOCKET NO. DMEA-3288

ANNEX I

The land referred to in Article 2 of the contract form consists of the following 9 unpatented mining claims whose location notices are recorded, as below indicated, with the Recorder of Talkeetna Precinct, Territory of Alaska, as shown on map, Figure 1, entitled "Sketch Map of Claims, Albertson-Pettyjohn Copper Prospect, MacLaren River, Alaska, . . . September, 1953," attached hereto and made a part of this contract.

Claim			Volume	Page
Kathleen	Margaret	No. 1	19	313
"	"	No. 2	19	313
"	"	No. 3	19	313
"	"	No. 4	19	314
"	"	No. 5	19	315
"	"	No. 6	19	315
"	"	No. 7	19	316
"	"	No. 8	19	316
"	"	No. 9	19	317

EXPLORATION PROJECT CONTRACT
KATHLEEN MARGARET MINING COMPANY
DOCKET NO. DMEA-3288

ANNEX II

The following provisions are substituted for Article 9 of the contract form:

ARTICLE 9. Repayment by Operator.—a. Certification.—If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered the final report and final account, 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, for a period of ten years from the date of the contract, or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

c. Basis for computation.—The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight paid by the buyer to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling 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 raw 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 thereof 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 ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) 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 ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

f. 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.

g. 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.

h. 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 mining or production operations.

i. 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.

EXPLORATION PROJECT CONTRACT
KATHLEEN MARGARET MINING COMPANY
DOCKET NO. DMEA-3288

ANNEX III

The following provisions are substituted for Article 10 of the contract form:

ARTICLE 10. Assignment, transfer, or loss of Operator's interest.—Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder. 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 work described in the contract is fully performed, and until the time within which the Government may make a certification of discovery or development has lapsed without any such certification having been made, and after 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 the written consent of the Government, unless the Government's contribution has been fully repaid. If the Government makes no certification of discovery or development within the time limited in Article 9, it shall thereafter have no claim against the land or any production therefrom except for any production referred to in Article 9b(1).

EXPLORATION PROJECT CONTRACT
KATHLEEN MARGARET MINING COMPANY
DOCKET NO. DMEA-3288

EXHIBIT "A"

Description of the Work

The purpose of the project is to explore for copper ores. Twelve surface trenches shall be excavated, with D-6 or D-7 tractor-dozer, across the outcrop of the vein at, roughly, 100-foot intervals, as shown on the attached map, Figure 2, attached hereto, entitled "Diagram of Proposed Adit and Trenches, Albertson-Pettyjohn Copper Prospect, MacLaren River, Alaska, . . . October 1953." The trenches shall be trenched to bedrock properly to expose the vein, and shall be carefully hand-cleaned and channel-sampled, and the samples assayed.

A map shall be prepared showing locations of the trenches and the assays noted thereon.

Estimated Costs of the Project
(*Indicates allowable maximum)

1. Independent contracts

Either a D-6 tractor-dozer, 640 hrs.* @ $16.00/hr.* or a D-7 tractor-dozer, 569 hrs.* @ $18.00/hr.* is allowed. The unit price includes all costs of the bulldozing work.	$10,242.00*

2. Labor, supervision, and consultants

Labor for hand-cleaning trenches and channel sampling, 200 hrs. @ $3.00/hr.	600.00
Surveying and mapping	384.00*
Supervision, 168 hrs.* @ $3.20/hr.*	537.60*

3. Operating materials and supplies

None

4. Operating equipment

None

5. Rehabilitation and repairs

None

6. New buildings, improvements, installations

None

7. Miscellaneous

Freight on tractor, Fairbanks to Paxson and return	$750.00	
36 Assays @ $6.00/ea.	216.00	

8. Contingencies

None

Total Estimated Costs (rounded to)	$12,730.00
Government Participation @ 50%	$6,365.00

DMEA Form 14

Contract No. Idm-E 667

Docket No. 3288

DEPARTMENT OF THE INTERIOR

Terminated 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
April 2, 1954	I	Alaska	Copper

Name and Address of Operator: Kathleen Margaret Mining Co.
Talkeena Precinct, Alaska

	Reserve	Obligation
Prior Amount	0	20,765.00
Increase	0	0
Decrease	0	3,009.45
Revised Amount	0	17,755.55

Remarks:

ALLEN S. DAKAN
(Name)

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

Date Delivered to Bureau of Mines, Washington 7/29/57

16416

Docket No. ~~DMEA - 3288~~

Commodity Copper

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

Please enter on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program, the following contract, or amendment to contract.

Contract No. Idm-E 667

Date of [redacted] Amendment: April 2, 1954

Name and Address of Operator:
Kathleen Margaret Mining Co.,
Talkeena Precint, Alaska

Amount of Government participation ____ $20,765.00

Percent of Government participation 50 %

Region: 1 State: Alaska

Note: This document establishes the obligation shown above and cancels the previous obligation of $ 6,365.00

E H Talbot
(Name)
for J. L. Chambers
Chief, Contract Administration and Audit Division
(Title)

Date Delivered to Bureau of Mines, Washington. 1/4/55

54458

Docket No. DMEA - 3288

Commodity Copper

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

Please enter on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program, the following contract, or amendment to contract.

Contract No. Idm-E 667

Date of Contract ~~xxxxxxxxxxxx~~ April 2, 1954

Name and Address of Operator:
Kathleen Margaret Mining Co.
Talkeena Precint, Alaska

Amount of Government participation $ 6,365.00

Percent of Government participation 50 %

Region: 1 State: Alaska

J. L. Chambers (Name)
Chief Contract Administration and Audit Division

(Title)

Date Delivered to Bureau of Mines, Washington. 4/2/54

54458

MF-200
(June 1951)
(Revised Feb. 1952)

DOCKET NO. DMEA 3288

COMMODITY Copper

IDM # 667 Government's Copy

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

EXPLORATION PROJECT CONTRACT[1]

IT IS AGREED this 2 day of April, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Kathleen Margaret Mining Company, a partnership composed of Fred S. Pettyjohn, Jr., and Everett O. Albertson, 544-1/2 Second Avenue Fairbanks, Alaska as set forth in Annexes I, II, & III, attached hereto and made a part hereof, and as follows: hereinafter called the "Operator," ~~as follows~~:

ARTICLE 1. *Authority for contract.*—This agreement is entered into under the authority of the Defense Production Act of 1950, as amended, pursuant to DMEA Order 1 entitled "Government Aid in Defense Exploration Projects."

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the ~~State of~~ Territory of Alaska, ~~County of~~ Talkeetna Mining District, described as ~~follows~~[3] set forth in Annex I, hereinafter called "the land,"

the Operator represents and undertakes:[4]

(*a*) That the Operator is the owner, in possession and entitled to possession, and that the property is subject only to the following claims, liens, or encumbrances as to each of which the subordination agreement of the holder is attached:

None

(*b*) ~~That the Operator is a lessee, in possession and entitled to possession, and the Owner's Consent to Lien is attached.~~

The Operator shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of the exploration project without any allowance for the use, rental value, depreciation, depletion, or other cost of acquiring, owning, or holding possession thereof.

ARTICLE 3. *Exploration project.*—The Operator, within 60 days from the date of this contract shall commence work on a project of exploration for[5] Copper in or upon the described land; and shall bring the project to completion within a period of six (6) months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided.

ARTICLE 4. *Performance of the work.*—(*a*) *Operator's responsibility.* The work shall be performed efficiently, expertly, in a workmanlike manner, in accordance with good mining standards and State regulations for health and safety and for workmens' compensation and employers' liability insurance, with suitable and adequate equipment, materials, and labor, to bring the project to completion within the time fixed. To the extent specified in Exhibit "A," attached hereto, the work may be performed by independent contractor or contractors; and work not specified in Exhibit "A" for performance by independent contractor may nevertheless be so performed upon amendment of Exhibit "A," as agreed to by the parties, to state the work to be so performed and the estimated unit costs thereof, as provided hereafter.

(*b*) *Independent contracts.*—Any independent contract for the performance of work shall be on a unit-price basis (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved), or on some basis that will indicate the amount due for work performed at any stage of the work to be performed under such independent contract. The Government shall not be nor be considered to be a party to any such independent contract, and the Government's right to terminate the exploration project contract under any of its provisions shall not in any manner be affected by reason of any such independent contract. If the reference in Exhibit "A" to any such independent contract states that the Government's approval thereof is required, the Government may refuse to participate in the cost thereof unless and until it has given its written approval of the independent contract.

(*c*) *Government may inspect.*—The Government shall have the right to enter and observe and inspect the work at all reasonable times, and the Operator shall provide the Government with all available means for doing so. The Government may consult with and advise the Operator on all phases of the work.

ARTICLE 5. *Estimated costs of the project.*—A statement of the estimated cost of the project is set forth in Exhibit "A," attached hereto. Except insofar as any item of requirement or the estimated cost thereof set forth in Exhibit "A" is there or elsewhere designated as an "allowable maximum," such items of requirement and of related cost are estimates only, and may be exceeded to the extent that the Government may from time to time approve for the most economic and beneficial performance of the work within the limitation of the total aggregate estimate of costs. The Government's approval of any such excess over the estimate for an item of requirement or related cost will be signified by its approval and payment of any invoice or voucher for payment which expressly calls attention to such excess. Items expressly designated in Exhibit "A" or elsewhere as "allowable maximum," and the total aggregate estimated cost are limitations, and any excess therein will be for the sole account of the Operator in which the Government will not participate.

ARTICLE 6. *Allowable costs of the project.*—(*a*) The costs of the project in which the Government will participate are limited to the following:

(1) *Independent contracts.*—Payments to independent contractors under independent contracts listed in Exhibit "A." The estimated cost of any work to be performed under an independent contract is or shall be included in the estimate of costs in Exhibit "A" in terms of the estimated numbers of units of work to be performed, the estimated amount to be paid per unit, and the estimated total amount to be paid to the independent contractor, and such estimates shall be allowable maximums above which the Government will not contribute. Regardless of the provisions of any such independent contract, the Government will participate in the payments to the independent contractor only on account of work actually performed and that conforms with the provisions of the 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 and necessary. No such independent contract shall have the effect of increasing the estimated total cost of the exploration project contract nor the maximum amount which the Government will pay as provided in the exploration project contract.

(2) *Labor, supervision, consultants.*—Labor, supervision and technical services (including engineering and geological consultants), a schedule of which is included in the estimate of costs set forth in Exhibit "A." The requirements and related estimated costs for supervision and technical services are allowable maximums.

(3) *Operating materials and supplies.*—Necessary materials and supplies including items of equipment costing less than $50.00 each, and power, water, and fuel, a schedule of which is included in the estimate of costs in Exhibit "A."

(4) *Operating equipment.*—Any operating equipment to be rented or purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or the allowable depreciation, as the case may be, a schedule of which is included in Exhibit "A." Any items listed as owned and to be furnished by the Operator, and related ~~initial~~ allowable depreciation, are allowable maximums.

(5) *Rehabilitation and repairs.*—Any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator and to be devoted to the purposes of the exploration contract, a schedule of which is included in the estimate of costs set forth in Exhibit "A." These items are allowable maximums.

(6) *New buildings, improvements, installations.*—Any necessary buildings, fixed improvements, or installations to be purchased, installed, or constructed for the purposes of the exploration work, with the estimated cost of each, a schedule of which is included in the estimate of costs in Exhibit "A." All of these items are allowable maximums.

(7) *Miscellaneous.*—Repairs to and maintenance of operating equipment (not including initial rehabilitation or repairs of the Operator's equipment), analytical work, accounting, workmen's compensation and employers' liability insurance and payroll taxes.

(8) *Contingencies.*—Such other necessary, reasonable direct costs of performing the exploration work, within the limit of the total aggregate estimate of costs, whether or not included in any schedule of costs in Exhibit "A," as may be approved by the Government in the course of the work, as indicated by its approval and payment of

U. S. GOVERNMENT PRINTING OFFICE 16—66328-1

(*b*) The Government's payments in all cases will be based on actual, necessary costs (including contract unit prices) incurred not in excess of any "allowable maximum," and not in excess of the fixed percentage of the total aggregate estimated cost. Costs will be considered to be incurred only as they are or become due and payable.

(*c*) No items of general overhead, corporate management, interest, taxes (other than payroll and sales taxes) or any other indirect costs, or work performed or costs incurred before the date of this contract, shall be allowed as costs of the project in which the Government will participate.

ARTICLE 7. *Reports, accounts, audits.*—(*a*) *Progress reports.* The Operators shall provide the Government with monthly reports of work performed and costs (including contract unit prices) incurred under the contract, in quintuplicate (five copies), upon forms provided by the Government. These progress reports shall be certified by the Operator, and shall constitute both the Operator's invoice of costs incurred on the project during the period covered by the report and his voucher for repayment by the Government, unless the Government requires the use of a standard voucher form with invoice attached. Progress reports shall include surface and/or underground engineering-geological maps or sketches showing the progress of the exploration, with assay-reports on samples taken concurrently with the advance in mineralized ground.

(*b*) *Final report.*—Upon completion of the exploration work or termination of the contract the Operator shall provide the Government with an adequate geological and engineering report, in quintuplicate (five copies), including an estimate of ore reserves resulting from the exploration work.

(*c*) Compliance with requirements.—If, in the opinion of the Government, any of the Operator's reports are insufficient or incomplete, the Government may procure the making or completion of such reports and attachments as an expense of the exploration work; and the Government may withhold approval and payment of any vouchers depending upon insufficient or incomplete reports.

(*d*) *Accounts and audits.*—The Operator shall keep suitable records and accounts of operations, which the Government may inspect and audit at any time. The Government may at any time require an audit of the Operator's records and accounts by a certified public accountant, the cost thereof to be treated as a cost of the project. The Operator shall keep and preserve said records and accounts for at least 3 years after the completion of the project or the termination of this contract. Upon the completion of the project or termination of the contract the Operator shall render a final account as provided in Article 12.

ARTICLE 8. *Payments by the Government.*—(*a*) The Government will pay 50 percent of the allowable costs incurred, as they accrue, in an aggregate total amount not in excess of $6,365.00, which is 50 percent of $12,730.00, the agreed, estimated total cost of the project in which the Government will participate; *Provided,* that until the Operator's final report and final accounting have been rendered to the Government, 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 ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract.

(*b*) The Government may make any payment or payments direct to independent contractors and to suppliers, for the account of the Operator, rather than to the Operator.

ARTICLE 9. *Repayment by Operator.*—(*a*) If, at any time, the Government considers that a discovery or a development from which production may be made has resulted from the exploration work, the Government, at any time not later than 6 months after the Operator has rendered the required final report and final account, may so certify in writing to the Operator. The certification shall describe broadly or indicate the nature of the discovery or development. In the event of such certification, any minerals mined or produced from the land described in Article 2 within 10 years from the date of this contract, including any mined or produced before the certification, shall be subject to a percentage royalty which the Operator or his successor in interest shall pay to the Government, upon the net smelter returns, the net concentrator returns, or other net amounts realized from the sale or other disposition of any such production, in whatever form disposed of, including ore, concentrates, or metal, until the total amount contributed by the Government, without interest, is fully repaid, or said 10 years have elapsed, whichever occurs first, as follows:

(1) One and one-half (1½) percent of any such net amounts not in excess of eight dollars ($8.00) per ton.

(2) One and one-half (1½) percent of any such net amounts, plus one-half (½) percent of such net amounts for each additional full fifty cents ($0.50) by which such net amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such net amounts.

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

(*b*) As here used, "net smelter returns," "net concentrator returns," and "other net amounts realized from the sale or other disposition," mean gross revenue from sales; or if not sold, the market value of the material after it is mined in the form in which and the place where it is held. In the case of integrated operations in which the material is not disposed of as such, these terms mean what is or would be gross income from mining operations for percentage depletion purposes in income-tax determination.

(*c*) To secure the payment of its percentage royalty, the Government shall have and is hereby granted a lien upon the land described in Article 2 and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

(*d*) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations. See Annex II substituted for Article 9.

ARTICLE 10. *Assignment, transfer, or loss of Operator's interest.*—Without the written consent of the Government, the Operator shall not assign or otherwise transfer or hypothecate this contract or any rights thereunder. The Operator shall not make any voluntary nor permit any involuntary transfer or conveyance of the Operator's rights in the land described in Article 2, without making suitable provision for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof; *Provided,* that mere failure by the Operator to maintain the Operator's rights in the land, without any consideration running to the Operator other than relief from the cost of maintaining such rights (as by surrender of a leasehold, failure to perform assessment work, or failure to exercise an option), coupled with complete abandonment by the Operator of all interest in or operations on the land for a period of 10 years from the date of this contract, shall not constitute such a transfer or conveyance. Should the Operator make or permit any transfer or conveyance in violation of this provision, the Operator shall be and remain liable for payment to the Government of the same amounts, at the same times, as would have been paid under the terms of the percentage royalty on production. If for any reason the net smelter returns, net concentrator returns, or other net amounts realized from the sale or other disposition of such production are not available as a means of measuring the amount of the Operator's liability, the amount thereof shall be estimated as well as may be, and in the event of dispute as to such estimates, the determination thereof by the Administrator of Defense Minerals Exploration Administration or by his successor shall be final and binding upon the Operator. See Annex III, substituted for Article 10.

ARTICLE 11. *Title to and disposition of property.*—All facilities, buildings, fixtures, equipment, or other items costing more than $50.00 each, paid for or purchased with funds contributed jointly by the Operator and the Government, although title may be taken in the name of the Operator, shall belong to the Operator and the Government jointly, in proportion to their respective contributions, and upon the completion of the work or the termination of the contract shall be disposed of promptly by the Operator 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 at a price at least as high as could otherwise be obtained, as may appear to be for the best interest of the Government, unless the Government, in writing, waives its interest in any such item. If necessary to accomplish such disposition, the Operator shall dismantle, sever from the land, and remove any such item, the cost thereof to be for the joint account of the parties in proportion to their respective interests. If the Operator, within 90 days after the receipt of written notice from the Government, fails, neglects, or refuses to dispose of such property, the Government may itself enter upon the land, take possession of, and remove and dispose of any such property as above provided.

ARTICLE 12. *Termination and completion.*—The Government may, at any time, by written notice to the Operator, terminate this contract: (*a*) If the Operator fails to provide his share of the money necessary to prosecute operations pursuant to the terms of the contract; (*b*) if the Operator, in the opinion of the Government, fails to prosecute operations pursuant to the terms of the contract; or (*c*) if in the opinion of the Government, operations up to the time of the notice have not indicated the probability of making any worth while discovery and in the opinion of the Government further operations are not justified. Upon the completion of the project or any termination of the contract the Operator shall dispose of any remaining materials, supplies, facilities, buildings, fixtures, and equipment in which the Government has an interest, for the joint account of the Operator and the Government in the proportion of their respective interests; shall render to the Government a full and final accounting of his operations under the contract and his expenditures of money; and shall pay to the Government its pro rata share of any money remaining.

ARTICLE 13. *Changes and added provisions.* ----------

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By [signature]
Administrator, Defense Minerals Exploration Administration

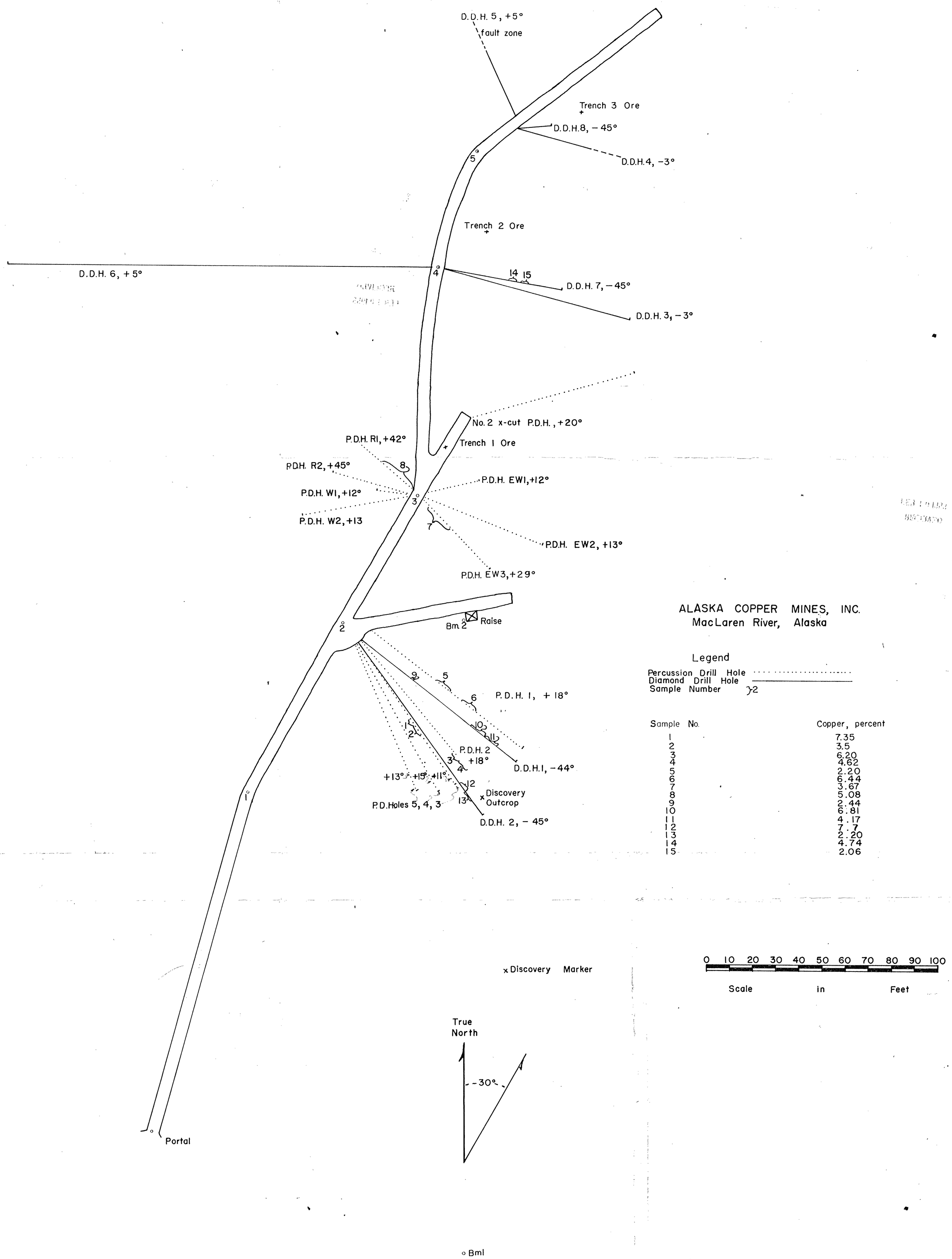
KATHLEEN MARGARET MINING COMPANY
(Operator)

By [signature] (Partner)

By [signature] (Partner)

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



Sample No.	Copper, percent
1	7.35
2	3.5
3	6.20
4	4.62
5	2.20
6	6.44
7	3.67
8	5.08
9	2.44
10	6.81
11	4.17
12	7.7
13	2.20
14	4.74
15	2.06

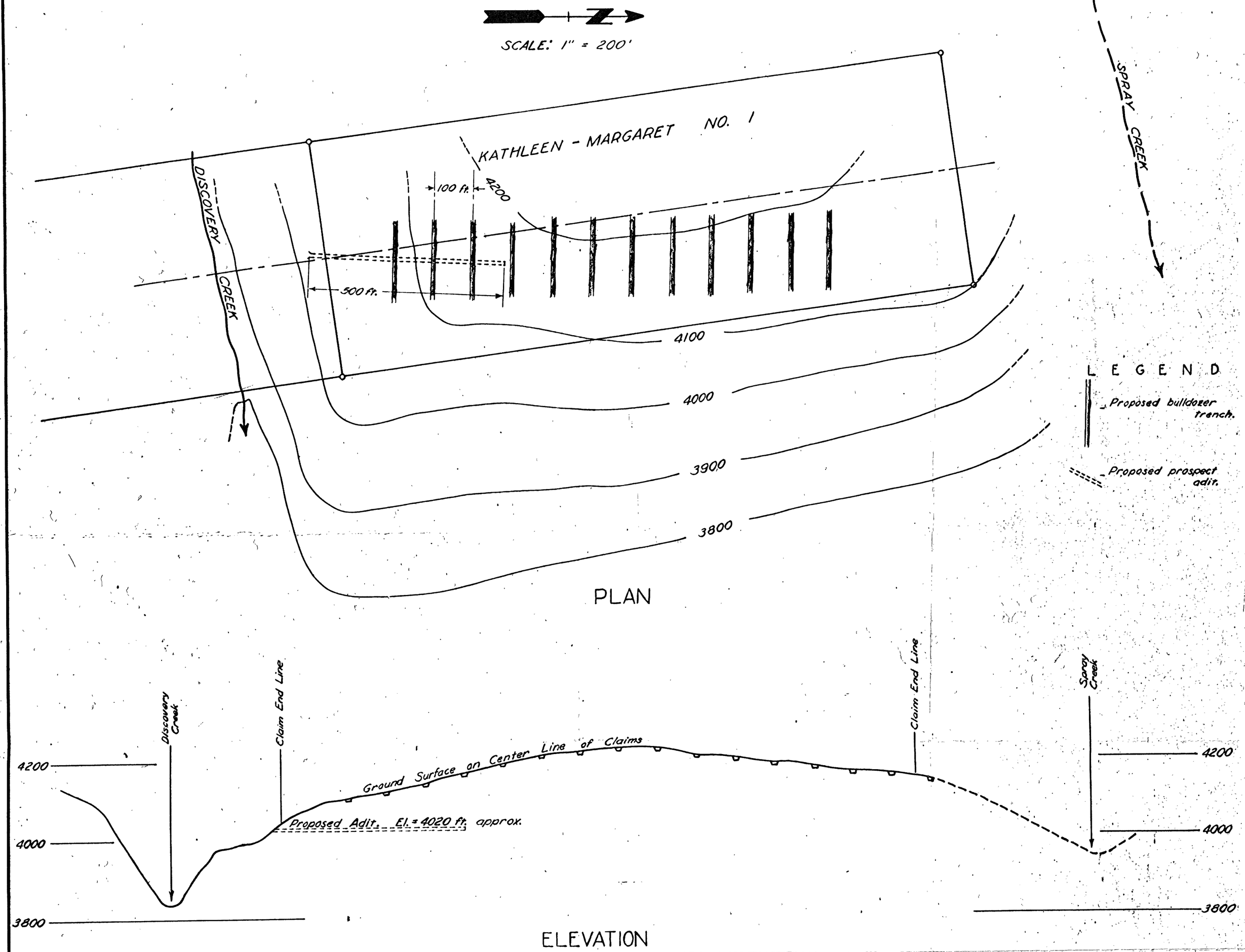
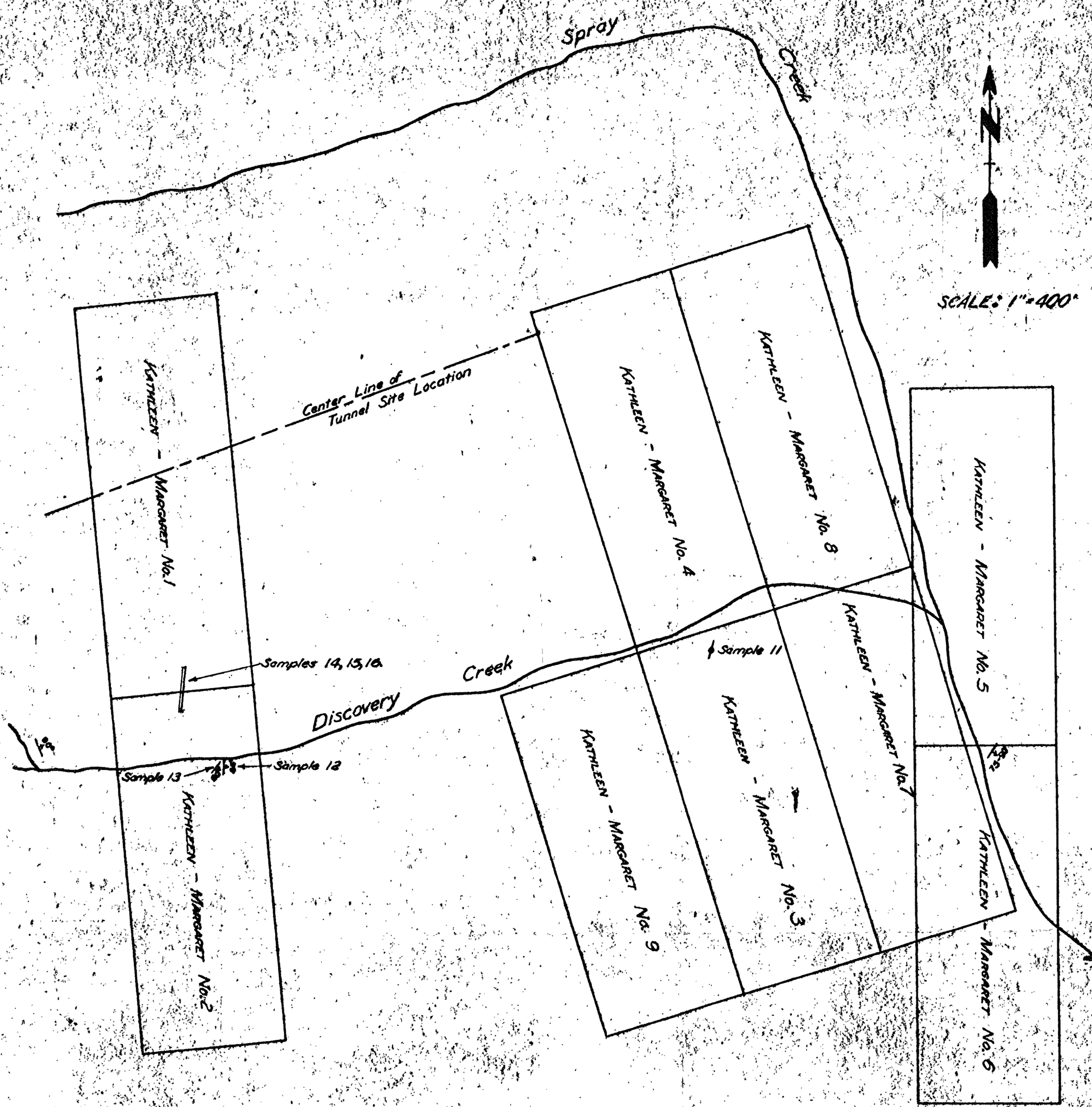


DIAGRAM OF PROPOSED ADIT AND TRENCHES
ALBERTSON-PETTYJOHN COPPER PROSPECT
MacLaren River, Alaska

Elevations by aneroid based on assumed elevation of 3100 ft for camp near foot of MacLaren Glacier. Surveyed by R.M. Chapman, U.S. Geological Survey, and R.H. Saunders, Alaska Terr. Dept. of Mines. Drawn by R.H. Saunders October 1953

Fig. 2 DMEA 3288



SKETCH MAP OF CLAIMS
ALBERTSON-PETTYJOHN COPPER PROSPECT
MacLaren River, Alaska

From compass survey by R.M. Chapman, U.S. Geological Survey, and R.H. Saunders, Alaska Terr. Dept. of Mines.
Drawn by R.H. Saunders

September, 1953

/ - Outcrop of copper-bearing vein.

Fig. 1 DMEA 3288

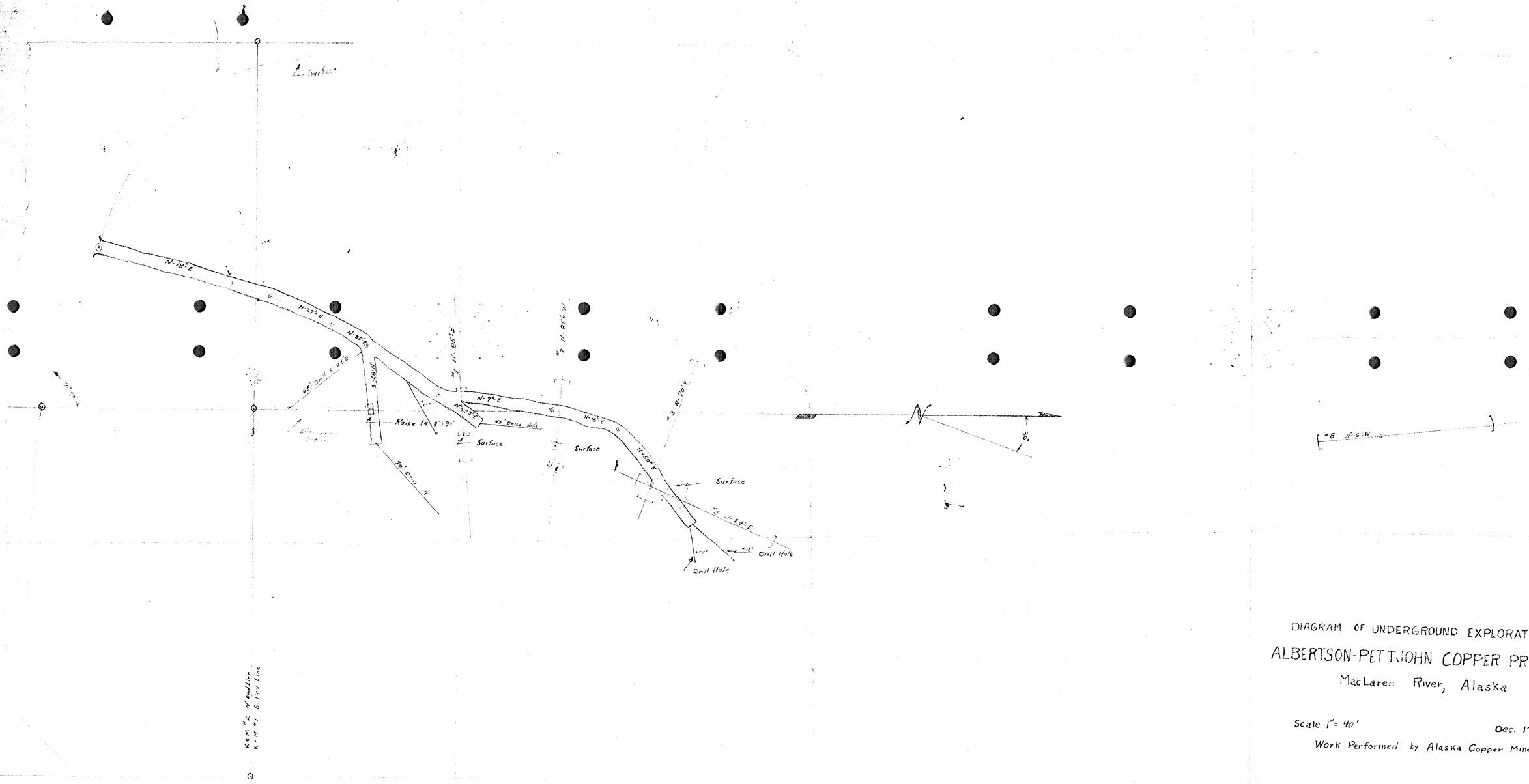


DIAGRAM OF UNDERGROUND EXPLORATION

ALBERTSON-PETTJOHN COPPER PROSPECT

MacLaren River, Alaska

Scale 1" = 40'

Dec. 17, 1954

Work Performed by Alaska Copper Mines, Inc.

D.Z