MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Griswold	500
5/22	Talbert	800
	Selfridge	120
5/23	Jordan	110
4.	Fumich	100
		220

MAY 23 1963

Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Gentlemen:

By the terms of the subject Exploration Project Contract, as amended, and the certification of discovery or development dated March 3, 1954, all minerals mined or produced from July 18, 1952, to July 18, 1962, were subject to the Government's royalty as set forth in said contract.

As the period during which production was subject to royalty has now expired, the Government according to its present records retains no claim or lien against the property subject to the contract or any future production therefrom. We, therefore, are closing our books and records on this contract. Your attention, however, is called to the provisions of the contract which require the Operator to keep and preserve certain records for the periods indicated.

Sincerely yours,

George Fumich, Jr.

Director

WRGriswold/mm
5/22/63
cc: Mrs. Elizabeth L. Wood
Mr. Clermont Loper
Director's Reading File
CA&A Division
Region III (2)
Docket
Code 500

43683

Grucoed
320

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

MAY 2 2 1963

Mrs. Elizabeth L. Wood
Oracle
Arizona

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Dear Mrs. Wood:

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

This correspondence relates to the Landlord's Subordination Agreement executed by you under the Defense Minerals Exploration Administration on February 20, 1952.

Sincerely yours,

George Turnick
Director

Enclosure

Returned by P.O. marked "Deceased Mar. '62."

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

MAY 2 2 1963

Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: IMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-2370

Gentlemen:

By the terms of the subject Exploration Project Contract, as amended, and the certification of discovery or development dated March 3, 1954, all minerals mined or produced from July 18, 1952, to July 18, 1962, were subject to the Government's royalty as set forth in said contract.

As the period during which production was subject to royalty has now expired, the Government according to its present records retains no claim or lien against the property subject to the contract or any future production therefrom. We, therefore, are closing our books and records on this contract. Your attention, however, is called to the provisions of the contract which require the Operator to keep and preserve certain records for the periods indicated.

Sincerely yours,

George Fumich, Jr.

Director

cc: Mrs. Elizabeth L. Wood

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Griswold	500
5/22	Talbot	800
	Selfridge	120
5/23	Johnson	110
✓	Fumich	100
		220

MAY 23 1963

Mrs. Elizabeth L. Wood
Oracle
Arizona

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Dear Mrs. Wood:

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

This correspondence relates to the Landlord's Subordination Agreement executed by you under the Defense Minerals Exploration Administration on February 20, 1952.

Sincerely yours,

George Fumich, Jr.

Director

Enclosure

WRGriswold/mm
5/22/63
cc: Director's reading file
Region III (2)
Docket
Code 500

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Howell	500
5/23	Talbert	800
	Selfridge	120
5/23	Johnson	110
"	Fumich	100
5/23	JB	220

MAY 23 1963

Mr. Clermont Loper
Executive Vice President
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-2370

Dear Mr. Loper:

Please forgive our delay in replying to your kind letter of March 27 and thank you very much for the check you enclosed. Permit us, in turn, to express our very best wishes in behalf of your good self.

With reference to the Owner's Consent to Lien signed by the Y.M.C.A. of Tucson on July 14, 1952, we are enclosing a copy of a self-explanatory letter to the Operator under the contract.

Sincerely yours,

George Fumich, Jr.

Director

Enclosure

WRGriswold/mm
5/23/63
cc: Director's Reading File
Region III (2)
Docket
Code 500
Mrs. Tom Callas, General Delivery, Florence, Ariz.

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	[illegible]	500
5/23	[illegible]	800
	[illegible]	120
5/23	[illegible]	110
5/23	[illegible]	100
5/23	[illegible]	220

MAY 23 1963

Mrs. Tom Callas
General Delivery
Florence, Arizona

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Dear Mrs. Callas:

For your information we are enclosing a copy of our letter to Mr. Loper which shows that he has paid the Government royalty due on the tungsten which you have stored in your basement, as per your February 1961 letter to us.

Sincerely yours,

George Fumich, Jr.

Director

Enclosure

WRGriswold/mm
5/23/63
cc: Director's Reading File
Region III (2)
Docket
Code 500

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
	Arnold	500
9/22	Talbert	800
		120
		110
		100
		220

Mr. Clermont Loper
Executive Vice President
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Dear Mr. Loper:

Please forgive our delay in replying to your kind letter of March 27 and thank you very much for the check you enclosed. Permit us, in turn, to express our very best wishes in behalf of your good self.

Sincerely yours,

With reference to the Omnibus Amendment to the agreement by the YMCA of Tucson on July 14, 1952, we are sending a copy of a self-explanatory letter to Mr. Loper with the contract.

Director

Enclosure

WRGriswold/mm
5/22/63
cc: Director's Reading File
Region III (2)
Docket
Code 500

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
		220

April 2, 1963

Memorandum

To: Chief, Fiscal Section
Division of Administrative Services
Office of the Secretary

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

Subject: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Enclosed for deposit to the subject DMEA account under symbol 14X4401 as a royalty receipt is a March 27, 1963, check no. 5947 drawn in the amount of $14.00 by the Young Men's Christian Association, Tucson, Arizona, on the South Arizona Bank & Trust Co., Tucson, Arizona.

This check is in payment of the Government's royalty on the estimated value of a small lot (300 pounds, average assay 52% WO_3) of tungsten concentrates remaining unsold for a number of years.

Enclosure

EDTalbert/ama 4-2-63

cc:
Docket
Director's Reading File
CA & A Division
Region III (2) (w/cy of inc. ltr.)

43683

PAYEE: DETACH THIS STATEMENT BEFORE DEPOSITING CHECK

PERIOD ENDING	GROSS	FED. W.H.	SOC. SEC.	ST. W.H.	U.C.C.	GR. INS.	RETIREMENT	CR. UNION		NET PAY

EMPLOYEE: THIS IS A STATEMENT OF YOUR EARNINGS AND DEDUCTIONS FOR THE PERIOD INDICATED. KEEP THIS FOR YOUR PERMANENT RECORD.

DESCRIPTION	AMOUNT	ACC'T. NO.
Government Royalty - Morning Star claim Nikas Mining Company	14.00	921

Ⓟs

GIFTS AND BEQUESTS MAKE PERMANENT THE WORK OF THE YOUNG MEN'S CHRISTIAN ASSOCIATION

5947

YOUNG MEN'S CHRISTIAN ASSOCIATION
P. O. BOX 5874
516 NORTH FIFTH AVE TUCSON, ARIZONA

YOUNG MEN'S CHRISTIAN ASSOCIATION

516 NORTH FIFTH AVENUE P. O. Box 5874 TUCSON, ARIZONA

OFFICIAL COPY
O. M. E
RECEIVED APR 1 1963
DATE

March 27, 1963

Mr. George Tumich, Jr.
Director
Office of Minerals Exploration
Department of Interior
Washington 25, D.C.

Dear Mr. Tumich:

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Your letter of March 14th is at hand and we, like yourselves, would like to close the account of the above unhappy situation. Therefore we are enclosing our check for $14.00 to cover the Government royalty due.

We do need to point out once more that we do not have this Tungsten, have never seen it in fact, and only have heard that it was stored by the now deceased Tom Callas in his cabin near Oracle. We have tried many times to reach the Widow Callas with no success.

You now may close your books, but we plan to keep checking here and some day yet may recover the Tungsten concentrate, if it does in fact still exist.

Our best wishes to you good people in the Department of Interior in any case.

Sincerely yours,

Clermont Loper

Clermont Loper
Executive Vice President

CL:jw
cc: Hugh M. Connors
Acting Field Officer, OME, Region III
Bldg. 20, Federal Center
Denver 25, Colorado

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
	Griswold	500
3/14	Talbert	800
	Lofgren	120
3/19	Johnson	110
3/21	Fumich	100
		220

Mr. Clermont D. Loper
General Secretary
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

MAR 1 4 1963

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Dear Mr. Loper:

Concerning the matter of royalty due the Government, we have had nothing from you since your December 3, 1962, letter. We would very much like to close our books on this item if it is at all possible to do so. In our September 12, 1962, letter we stated that the Government royalty due was calculated at $17.62. However, since the present tungsten market is in a depressed condition, we can revise our figure downward to $14.00. Hence, if you can let us have your check for such sum, we shall be able to close the account.

Sincerely yours,

George Fumich, Jr.

Director

WRGriswold/mm
3/13/63
cc: Director's Reading File
Region III (2)
Docket
Code 500

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
		~~220~~
		120
		~~110~~
		100
		220

March 13, 1963

Memorandum to the File

From: Chief, Division of Minerals

Subject: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

As of this date, American tungsten concentrate, 65% grade, is quoted $16 - $20 per unit (quotation nominal).

We may therefore safely assume that a 52% product would not bring a price of over $14 per unit; hence we would have 52% x $14 = $728 per ton times 800 pounds = $291.20 x 5% royalty = $14.56, lets say $14.00.

W. R. Griswold

W. R. Griswold

3/4/63 — Range - $16 - $20 per unit in 65% concentrate. Usually a penalty for each % below 65%, and also for impurities in excess of certain percentages. Consequently, material of this type and grade would probably have a market value of about $14.00, if it could be sold.
TEJ

8623

YOUNG MEN'S CHRISTIAN ASSOCIATION

516 NORTH FIFTH AVENUE P. O. Box 5874 TUCSON, ARIZONA

December 3, 1962

Mr. Frank E. Johnson
Acting Director
Office of Minerals Exploration
United States Dept. of the Interior
Washington 25, D. C.

Re: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Dear Mr. Johnson:

We have been able to learn that Mrs. Tom Callas has still in her possession (stored in a basement) the small lot (800 pounds, average assay 52% WO_3) of tungsten concentrate. We have not been able to locate Mrs. Callas, although we have learned she is living in the Florence area and receives mail there occasionally marked "General Delivery". We have hesitated breaking into this storage area and securing this concentrate although a portion of it does belong to you as representative of the United States and ourselves as owners of the property.

Please be advised we will continue to be alert to this situation and seek to resolve this long past due problem.

Sincerely yours,

Clermont Loper

Clermont Loper
Executive Vice President

cc: Hugh M. Cannons, OME
Denver Office, U. S. Dept. of Interior
Building 20
Denver Federal Center
Denver, Colorado

CL:jw

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 7 1962

DATE		
12/7		800
		~~120~~
	Returned	500
12/11	~~Halt~~ S.F.H.	~~500~~

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E.
RECEIVED OCT 29 1962

DATE	INITIALS	CODE
10/29		800
10/29		100
10/29		110
		120
		500
10/31		500
		220

October 26, 1962

Memorandum

To: George C. Selfridge, Chief
Division of Field Operations, OME
Washington 25, D. C.

From: T. M. Romslo, Mining Engineer

Subject: DMEA-2356 (Tungsten)
Contract Idm-E370
Nikas Mining Company
(Morning Star Mine)
Pinal County, Arizona
FINAL INSPECTION OF THE CERTIFIED PROJECT

This is concerned principally with the royalty problem discussed in Mr. Frank E. Johnson's letter of September 12, 1962 to Mr. Claremont D. Loper, General Secretary, Y.M.C.A., Tucson, Arizona.

Mr. Loper, whom I visited at Tucson October 13, 1962, told me the Government can expect the royalty payment to be made shortly. A second attempt to contact Mrs Callas will be made next week. If successful, and she cannot be persuaded to make the payment, the Y.M.C.A. will obtain possession of the concentrate, by court order if necessary, and pay the royalty due. The payment, if made by the Y.M.C.A., will be either the proposed amount, or the actual amount due if the concentrate is marketed.

On October 15, 1962 I visited the Morning Star mine, and found no evidence of recent activity. I also, visited the vacant Callas home in Oracle and, through the basement window saw what appeared to be the sacked concentrate in question. Since Mr. Loper was trying to locate the concentrate, I informed him about my findings.

T. M. Romslo

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/12	HCH	500
9/12	Talbot	800
"	on leave	120
		110
9/12	on leave	100
		220

Mr. Clermont D. Loper, General Secretary
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

SEP 12 1962

Re: DMRA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Dear Mr. Loper:

We thank you for the information in your reply to our July 26, 1962, "Request for Information on Certified Project under Royalty Agreement", and are very sorry to hear of the death of Mrs. E. L. Wood, co-owner of the subject property.

It will be appreciated if you will ascertain from Mrs. Tom Callas whether any disposition has been made of the small lot (800 pounds, average assay 52% WO_3) of tungsten concentrate stored in the basement of her home.

If the concentrate has not been sold, it would be to Mrs. Callas' interest, as well as that of the Y.M.C.A., owner of the property, to pay the Government's royalty, estimated at present low market prices for tungsten concentrate as $17.68.

In the event that the royalty is paid, the Government will be in a position to release its lien on the property and any production therefrom, and close its books on this contract, which will be advantageous to Mrs. Callas, representative of the Operator, also the Y.M.C.A., owner of the property.

Sincerely yours,

(signed) FRANK E. JOHNSON

ACTING Director

SPHolt/ama 9-12-62

cc:
Docket
Director's Reading File
CA & A Division
Region III (2)
Code 500

43683

DMEA-2356
Nikas Mining Co.

Present value of 800 lbs.
Conf. 9.11.62

800 lbs. @ 52% WO_3

52%
.4 ton ✓
20.8 units WO_3
17.00 /unit, as per E+M.J. Metal & min. Market 9.6.62
145.6
2.8
353.600
.05
17.680 Royalty @ 05%

S.P.H.
9/11/62

OFFICIAL FILE COPY
O. M. E
RECEIVED OCT 25 1961

DATE	INITIALS	CODE
10/25	[illegible]	800
"	[illegible]	500
"	Hoet S.P.H	5000
		220

Building 20 - Federal Center
Denver 25, Colorado

October 23, 1961

Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: Docket DMEA-2356 (Tungsten)
Contract Idm E370
Nikas Mining Company
(Morning Star mine)
Pinal County, Arizona

Gentlemen:

Enclosed is a copy of the Report of Royalty Review on the subject contract dated October 19, 1961 covering the period December 2, 1956, through October 16, 1961.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

Enclosure
HMC/lm
cc Chief, Division of Field Operations, OME
E. D. Talbert, Acting Chief
Contract Administration and Audit Division
Royalty Corres. E381
Chron

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/19	gad	220

OCT 19 1961

Memorandum

To: Acting Field Officer, Region III

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

Subject: DMEA-2356 (Tungsten)
Nikar Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

The original and two copies of a Report of Royalty Review covering the subject contract are attached. If you concur in the facts stated therein, please make the following distribution:

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

As evidence of your concurrence, a copy of your letter transmitting the copy of the report to the Operator should be furnished this Division. If for any reason you do not concur, the original and both copies of the report should be returned to this Division with your comments.

Attachments

EDTalbert/ama
October 19, 1961

Copy to: Docket
Director's Reading File
CA & A Division
Mr. Rothrock

43683

OFFICIAL FILE COPY

Date	Surname	Code
		220

OCT 5 1961

Memorandum

To: Acting Field Officer, Region III

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

Subject: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

This Division is preparing a Report of Royalty Review on the subject contract. Accordingly, your submission of an original and one copy of MME Form 22, Check Sheet of Examining Engineer, will be appreciated.

It appears that this project has been inactive since December 1956. If this is so, please make an appropriate statement under item 8 of MME Form 22.

EDTalbert/ama
October 5, 1961

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

43683

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 27 1961

DATE	INITIALS	
2/27	gad	200
2/27	[illegible]	800
"	~~Hoch~~ S.P.H.	500
		225

February 21, 1961

Memorandum

To: George C. Selfridge, Chief
Division of Field Operations, OME
Washington 25, D.C.

From: Hugh M. Connors, Acting Field Officer, OME, Region III

Subject: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

In response to your memorandum of October 11, 1960 on the subject contract, attached are the original and one copy of a letter from Mrs. Tom Callas in reply to my letter to her dated February 14, 1961.

Hugh M. Connors

Hugh M. Connors

Attachments

(2)

Florence Colo.
Feb. 15, 1961

OFFICIAL FILE COPY
O. M. E
RECEIVED FEB 27 1961
DATE | INITIAL
DEPARTMENT OF THE INTERIOR

Mr. Hugh M. Connors
Denver Colo.

E 370

Dear Sir
in regards to the Mexican Coins
that they are still stored in my
basement. I have tried to dis-
pose of them but the Market
absolutely is too low. Mr. C. W.
Jones of Bishop Calif contacted
me to want a few months and
he thought he could help me
dispose of them. I have them
under padlock. So if there
is anything with them I will
~~[illegible]~~ let you know
right away.

Yours truly
Mrs. Tom Callas

P.S. I'm staying in Florence for
the winter So my new address
is Florence Colorado

Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E
RECEIVED FEB 16 1961
DATE
2/16
2/16
2/18
Coe
210
800
500
220

February 14, 1961

Mrs. Tom Callas
General Delivery
Florence, Arizona

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mrs. Callas:

Will you please advise what disposition has been made of the tungsten concentrates which were stored in your basement.

The Government has a royalty interest in these tungsten concestrates and under Article 9 (b) of the Contract, the Government requests payment of royalty at the rate of 5% of the gross value and we estimate the royalty due to be $25.48.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

HMC/lm
cc Chief, Division of Field Operations, OME
with (2) copies of Clermont Loper's note on letter 2/8/61
Royalty Corres E370
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

February 3, 1961

Clermont D. Loper
General Secretary
Young Men's Christian Association
315 North Fifth Avenue
P. O. Box 5074
Tucson, Arizona

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mr. Loper:

Will you please give me the address of Mrs. Tom Callas.

Enclosed is a self-addressed franked envelope for your convenience.

Yours very truly,

Hugh M. Connors
Acting Field Officer, OME
Region III

Enclosure

Mrs. Tom Callas
General Delivery
Florence
Arizona

This is all we have at present
CD Loper

OFFICIAL FILE COPY
O. M. E
RECEIVED FEB 13 1961

DATE	INITIALS	CODE
2-13	gad	VVO
2/14	[illegible]	800
"	[illegible]	500
		220

Building 20 - Federal Center
Denver 25, Colorado

February 8, 1961

Clermont D. Loper
General Secretary
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mr. Loper:

Will you please give me the address of Mrs. Tom Callas.

Enclosed is a self-addressed franked envelope for your convenience.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer, OME
Region III

Enclosure
HMC/lm
cc Chief, Division of Field Operations, OME
Royalty Corres E370
Chron

Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 29 1960

DATE	INITIALS	CODE
12/29	coc	210
12/29	[illegible]	800
"	Hall	500
		220

December 27, 1960

Clermont D. Loper
General Secretary
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mr. Loper:

I have had no reply to my letter to you dated November 22, 1960 and I am wondering if you have had the opportunity to see Mrs. Callas.

We are very desirous of closing out the matter of stored concentrates under this contract and we will greatly appreciate any help you can give us.

May you have a Happy and Prosperous New Year.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer
OME, Region III

HMC/lm
cc Chief, Division of Field Operations (2)
Royalty Corres. E370
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado

OFFICIAL FILE COPY
O. M. E
RECEIVED DEC 1 1960

DATE	INITIALS	
12-1	gad	1120
12/1	[illegible]	800
12/2	~~Hugh~~ S.T.H.	~~500~~
		220

November 28, 1960

Memorandum

To: George C. Selfridge, Chief
Division of Field Operations, OME
Washington 25, D. C.

From: Hugh M. Connors, Acting Field Officer, OME, Region III

Subject: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

DMEA-4041 (Uranium)
American Leduc Uranium Corporation
Outlaw, et al., Claims
Mesa County, Colorado
Contract Idm-E969

DMEA-4730 (Uranium)
D & J Uranium & Exploration Co.
Bonita, et al., Claims
Saguache County, Colorado
Idm-E1121

This has further reference to your memoranda dated November 22, 1960 on the subject dockets.

Fortunately, last week I was able to handle correspondence on the subject dockets, but I am still behind on the work which accumulated during my five weeks absence.

Hugh M. Connors

Hugh M. Connors

OFFICIAL FILE COPY
O. M. E
RECEIVED NOV 28 1960

DATE	INITIALS	CODE
11-28	gad	220
11/28	[illegible]	800
11/28	[illegible]	500
		220

Building 20 - Federal Center
Denver 25, Colorado

November 22, 1960

Clermont D. Loper
General Secretary
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mr. Loper:

We would like to close out the matter of stored concentrate under the captioned contract. Under Article 9(b) of the contract the Government requests payment of royalty at the rate of 5 percent of the gross value of the concentrate stored at the home of Mrs. Callas.

It is estimated that the concentrate in question weighed about 800 pounds and contains approximately 52 percent WO_3. At the recent quotation, $24.50 per unit of WO_3 for domestic scheelite, the value of the concentrate would be $509.60, and the royalty due the Government, at 5 percent of gross value, would be $25.48.

It appears that now would be a good time for Mrs. Callas to turn these concentrates into cash and pay the Government the amount of royalty due. We wish to thank you for your past interest in this matter and we will appreciate any help you can give Mrs. Callas in selling the stored tungsten concentrates.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer
OME, Region III

HMC/lm
cc: Chief, Division of Field Operations (2)
Royalty Corres. E370
Chron

Docket

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
11/22	Holt	500
	Turin	500
	Fisher	800
11/22	[illegible]	130
"	Johnson	110
11/22	gad	220

NOV 22 1960

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

Please advise whether you have been able to contact Mrs. Callas or Mr. Loper, as requested in our memorandum of October 11, 1960, regarding royalty on stored tungsten concentrate from the property mentioned above.

/s/ George C. Selfridge (245)

SPHolt:kb - 11-22-60
cc: Docket
Director's reading file
Code 500
Chron.

43683

DMEA-2356

Nikas Mining Co.

800 lbs. @ 52% WO_3

52 %

.4 Ton

20.8 Units

$24.52 per unit, average

E+M.J. 10/6/60

1040

83

416

509.60 = Gross Value

.05 5%

25.48 = Royalty

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/10	Holt	500
	Munns	500
10/10	Talbitt	800
10/11	GGS	120
11	Johnson	110
10/11	Gard	220

OCT 11 1960

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E370

As we would like to close out the matter of stored concentrate under the cited contract, it will be appreciated if you will get in touch with Mrs. Callas, either directly or through Mr. Loper, as noted in your letter of May 26, 1960, to Clermont D. Loper, and Mr. Loper's reply of July 5, 1960, and state that under Article 9(b) of the contract the Government requests payment of royalty at the rate of 5 percent of the gross value of the concentrate stored at the home of Mrs. Callas.

It is estimated that the concentrate in question weighs about 800 pounds and contains about 52 percent WO_3. At a recent quotation, $24.50 per unit of WO_3 for domestic scheelite, the value of the concentrate would be $509.60, and the royalty due the Government at 5 percent of gross value would be $25.48.

/s/ George C. Selfridge

(2/2)

SPHolt/gla
10-10-60
cc to: Director's Reading File
Review Committee
CA&A Division
Docket
Chron
Code 500

43683

Building 20 - Federal Center
Denver 25, Colorado

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

DATE	INITIALS	CODE
7-14	gad	110
7/14	(illegible)	800
"	Hartley	500
		225

July 11, 1960

Clermont D. Loper
General Secretary
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 5874
Tucson, Arizona

Re: Docket No. DMEA-25666 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mr. Loper:

Thank you for your letter of July 5, 1960 regarding the tungsten concentrates held by Mrs. Tom Callas.

We will appreciate it very much if you will advise us promptly when the concentrates are sold.

Yours very truly,

Original signed by

Hugh M. Connors
Acting Field Officer
OME, Region III

HMC/lm
cc: Chief, Division of Field Operations (2)
Corres. E 370
Chron

YOUNG MEN'S CHRISTIAN ASSOCIATION

516 NORTH FIFTH AVENUE P. O. Box 5874 TUCSON, ARIZONA

OFFICIAL FILE COPY
O. M. E.
RECEIVED JUL 11 1960

DATE	INITIALS	CODE
7-14	gad	VVO
		800
		500

OME
DEPARTMENT OF THE INTERIOR
JUL 7 1960
REGION III
DENVER, COLORADO

July 5, 1960

Mr. J. W. Townsend, Executive Officer
Field Team, Region III
United States Department of Interior
Building 20 - Federal Center
Denver 25, Colorado

Re: Docket No. DMEA-25666(Tungsten
Contract No. Bm-E370
Nihas Mining Company
(Morning Star claim, Morning
Star mine)
Pinal County, Arizona

Dear Mr. Townsend:

We have talked to Mrs. Tom Callas, widow of Tom Callas, former lessee, and she does have concentrates stored in her basement that she has been trying to sell. It has been difficult to make her understand that a royalty must be paid the Government and Mrs. Wood but we think we finally got this across to her. We will keep in touch with this situation and let you know what final disposition is made of the concentrates and try and see that both our Government and Mrs. Wood receive their royalties.

Yours very truly,

Clermont D. Loper
General Secretary

cdl:cjl

cc - Mrs. E. L. Wood
C. S. Hawkins

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 31 1960

DATE	INITIALS	CODE
5-31	gad	VVO
5/31	[illegible]	800
6-1	[illegible]	500
		225

Building 20 - Federal Center
Denver 25, Colorado

May 26, 1960

Mr. Clarmont D. Leper
General Secretary
Young Men's Christian Association
P. O. Box 5874
Tucson, Arizona

Re: Docket No. [illegible]-2356 (Tungsten)
Contract No. [illegible]-2379
Nikus Mining Co.
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mr. Leper:

Your letter of April 11, 1960 regarding the late Tom Callas stated that your camp director would contact Mrs. Callas upon her return to Tucson and determine what disposition was made of the tungsten concentrates produced from the captioned property and stored at the home of Tom Callas, former lessee.

If you have been able to question Mrs. Callas concerning this matter, will you please advise.

Very truly yours,

Original signed by

Hugh M. Conners
Acting Field Officer
OMM, Region III

HMC/lm
cc: Chief Division of Field Operations (2)
Royalty Corres. E370
Chron

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
5/20	Holt	500
5/20	Mr Dissmore on leave	500
5/23	Taffet	800
5/23	Selfridge	220
5/23	Gadd	220
		500

MAY 23 1960

Memorandum

To: Acting Field Officer, OME, Region III

From: Chief, Division of Field Operations

Subject: DMEA 2356 (Tungsten)
Nikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract Idm-E370

If no further reply has been received from Mr. Loper, as noted in his letter to you of April 11, 1960, concerning the disposition of tungsten concentrates produced from the cited property and stored at the home of Tom Callas, since deceased, please ask Mr. Loper whether he has yet been able to question Mrs. Callas concerning this matter.

/s/ George C. Selfridge

(GCS)

SPHolt:kb - May 20, 1960
cc to: Director's reading file
Review Committee
CA&A Division
Code 500
Docket
Chron.

Tungsten [illegible]

43683

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 11 1960

DATE	INITIALS	CODE
4-11	gad	VVO
4/11	[illegible]	800
4/12	[illegible]	500
		225

XXXXXXXXXXXXXXXXXXXXXXX
Building 20 - Federal Center
Denver 25, Colorado

April 7, 1960

Mr. Clement Loper
General Secretary
Y.M.C.A.
Tucson, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Co.
(Morning Star claim, Morning Star mine)
Pinal County, Arizona

Dear Mr. Loper:

Please advise, as requested in my letter to you of February 19, 1960, what disposition has been made of the concentrates that we understand were produced from the property and stored at the home of Tom Callas, a former lessee.

Very truly yours,

Original signed by

J. W. Townsend
Executive Officer, OME
Field Team, Region III

TMR/bjo

cc: Chm. Op. Comm. (2)
Royalty corres. E370
Semiannual E370
Chron.

YOUNG MEN'S CHRISTIAN ASSOCIATION

516 NORTH FIFTH AVENUE P. O. Box 5874

TUCSON, ARIZONA

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 18 1960

DATE	INITIALS	CODE
4-18	gad	220
4/18	gad	800
4/19	[illegible]	500
	S.H.H.	225

April 11, 1960

OME
DEPARTMENT OF THE INTERIOR
APR 13 1960
REGION III
DENVER, COLORADO

Mr. J. W. Townsend, Executive Officer
Office of Minerals Exploration
U.S. Department of the Interior
Building 20 - Federal Center
Denver 25, Colorado

Dear Mr. Townsend:

I am sending this word along to let you know we haven't been able to find what disposition has been made of the concentrates yet for Tom Callas, the former lessee you wrote about, died of exposure or a heart attack in the Catalina Mountains around the first of the year. Mrs. Callas has been away and as soon as she returns, our Camp Director will be able to contact her and find out what happened to those concentrates and we'll advise you immediately.

Sincerely yours,

C. D. Loper

Clermont D. Loper,
General Secretary

cdl:cjl

Docket # DMEA - 2356 (Tungsten)
CONTRACT No IDM - E370
NIKAS MINERAL Co.

4/13/60
Copies to
Chairman (2)
Semi-Ann Report

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 26 1960

DATE	INITIALS	CODE
2-26	gad	VVO
2/26	[illegible]	800
2/29	Hoet	500
		225

Building 20 - Federal Center
Denver 25, Colorado
February 19, 1960

Mr. Clemant Loper
General Secretary
Y. M. C. A.
Tucson, Arizona

Re: Docket No. ~~DMRA-25666~~ 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star claim, Morning Star mine)
Pinal County, Arizona

Dear Mr. Loper:

On our last inspection of the Morning Star mine, it was noted that an estimated 800 pounds of concentrates containing about 52 percent WO_3 that was produced from the property, were stored at the home of Mr. Callas, a former lessee.

Royalty is due the Government when these concentrates are sold. Will you please advise what disposition has been made of these concentrates.

Very truly yours,
Original signed by
J. W. TOWNSEND

J. W. Townsend
Executive Officer, OME
Field Team, Region III

TMR/mjs

cc: Chmn. Op. Comm (2)
Royalty Corres E-370
Semiannual E370
Chron

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 15 1960

DATE	INITIALS	CODE
2-15	gad	220
2/15	[illegible]	800
2/17	[illegible]	500
	S.P.F.	225
2356		

Building 20 - Federal Center
Denver 25, Colorado
February 11, 1960

Young Men's Christian Association
Tucson, Arizona

Re: Docket No. DMEA ~~2566~~ (Tungsten)
Contract No. ~~Ida-E270~~ E-370
Hikas Mining Company
(Morning Star claim, Morning Star mine)
Pinal County, Arizona

Gentlemen:

We have been informed that the land subordinated to the Government under the referenced contract has reverted to the owners by dissolution of the Hikas Mining Company and surrendering of their lease.

In reference to the Owner's Consent to Lien, signed by your association, pertaining to the land, and in reference to the "Certification by the United States of America of a Discovery or Development under a Exploration Project Contract", please indicate your answer to the following questions on one copy of this letter and return it promptly to this office in the self-addressed envelope enclosed for that purpose.

Very truly yours,

Original signed by

J. W. Townsend
Executive Officer, OME
Field Team, Region III

1. Has the property been sub-leased or any change made in ownership other than this office has been notified? Yes___ No___. If yes, please furnish details of the transaction on a separate sheet and include a true or signed copy of any instrument that was executed in conjunction with the matter.

2. Has there been production from the land subordinated under the referenced contract since January 1, 1959? Yes___ No___. If yes, and shipments made, who was the purchaser?_____

3. Is any of the following material stockpiled? Yes___ No___.

(a) Ore, Tons_____ Estimated grade_____
(b) Concentrates, lbs._____ Estimated grade_____
(c) Low grade ore, tons_____ Estimated grade_____
Place stockpiled_____

_____

Signed_____

Title _____ Date_____

cc: Mrs. Elizabeth L. Wood
Oracle, Arizona

JWT:ltm

cc: Chmn. Op. Comm.
Roy. Corres. E270
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
Building 20 - Federal Center
Denver 25, Colorado
January 27, 1960

OFFICIAL FILE COPY
O. M. E.
RECEIVED FEB 1 1960

DATE	INITIALS	CODE
2/1	RCW	225
"	EEP	800
"	Hart	500 S.P.H.
		225

Mikas Mining Company
239 North Church
Tucson, Arizona

Re: Docket No. MEA 2550 (Tungsten)
Contract No. Am-E370
(Morning Star mine)
Pinal County, Arizona

Gentlemen:

In reference to the "Certification by the United States of America of a Discovery or Development under an exploration Project Contract" and the instructions in the Washington Office letter of transmittal of the Certification on the captioned project, please indicate your answer to the following questions and return one copy of the questionnaire immediately to this office.

Very truly yours,
Original signed by

J. W. Townsend
Executive Officer, OME
Field Team, Region III

1. Has the property been sub-leased or any change made in ownership other than this office has been notified? Yes ___ No___. If yes, please furnish details of the transaction on a separate sheet and include a true or signed copy of any instrument that was executed in conjunction with the matter.

2. Has there been production from the land subordinated under the referenced contract since January 1, 1960 ? Yes___ No___. If yes, and shipments made, who was the purchaser?_____

3. Is any of the following material stockpiled? Yes___ No___.

(a) Ore, Tons_____ Estimated grade_____
(b) Concentrates, lbs._____ Estimated grade_____
(c) Low grade ore, tons_____ Estimated grade_____
Place stockpiled_____

Signed_____

Title_____ Date_____

TMR:ltm cc: Chmn. Op. Comm. Roy. Corres. E370 Chron.

NIKAS MINING COMPANY
239 North Church
Tucson, Arizona

OME
DEPARTMENT OF THE INTERIOR
DEC 4 1959
REGION III
DENVER, COLORADO
OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 7 1959

DATE	INITIALS	CODE
12-7	gad	220
12/7	[illegible]	800
12/8	[illegible] SPH	500
		275

December 2, 1959

Mr. J. W. Townsend
Executive Officer, OME
Field Team, Region III
U. S. Department of the Interior
Office of Minerals Exploration
Building 20 - Federal Center
Denver 25, Colorado

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star Mine)
Pinal County, Arizona

Dear Sir:

With reference to your letter of November 17, 1959 please be advised that this is the first I have heard of any tungsten concentrates being stored at the home of Mr. Callas.

If such is the case please rest assured that the Government will receive royalty when the concentrates are sold.

Very truly yours,

NIKAS MINING COMPANY

J. Gekas mg

J. Gekas

JG/mg

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

DATE	INITIALS	CODE
11-20	gad	220
11/20	JWT	800
11/20	Hoeft	500
11/20	S.M.H.	225

Building 20 - Federal Center
Denver 25, Colorado
November 17, 1959

CERTIFIED MAIL

Mr. J. Gekas
Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star mine)
Pinal County, Arizona

Dear Mr. Gekas:

We have had no reply to our letter to you dated October 13, 1959, in which we inquired as to the disposition of the tungsten concentrates which were stored at the home of Mr. Callas.

Royalty is due the Government when these concentrates are sold. Will you please advise what disposition has been made of these concentrates.

Very truly yours,

Original signed by

J. W. Townsend
Executive Officer, OME
Field Team, Region III

HMC:ltm

cc: Chmn. Op. Comm. (2)
Roy. Corres. E370
Chron.

OFFICIAL FILE COPY O. M. E. RECEIVED OCT 15 1959		
DATE	INITIALS	CODE
10-15	[illegible]	2270
10/15	[illegible]	500
10/16	Holt	500
		225

Building 20 - Federal Center
Denver 25, Colorado

October 13, 1959

Mr. J. Gakas
Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: Docket No. DMEA 2356 (Tungsten)
Contract No. Idm-E370
Nikas Mining Company
(Morning Star mine)
Pinal County, Arizona

Dear Mr. Gakas:

On our last inspection of the Morning Star mine, it was noted that an estimated 800 pounds of concentrates containing about 52 percent WO_3, that were produced from the property, were stored at the home of Mr. Callas, a former lessee.

Royalty is due the Government when these concentrates are sold. Will you please advise what disposition has been made of these concentrates.

Very truly yours,

J. W. Townsend
Executive Officer, OME
Field Team, Region III

HMC:ltm

cc: Chmn. Op. Comm. (2)
Roy. Corres. E370
Semiannual E370
Chron.

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.
April 17, 1959

INTERIOR DEPT.
APR 20 1959
SOLICITOR

RECEIVED
APR 20 1959
ASSOC. SOLICITOR
MINERAL RESOURCES

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 22 1959

DATE	INITIALS	CODE
4/21	G	Sec
4/23	WSM	400

90-1-18-333

George W. Abbott, Esquire
Solicitor
Department of the Interior
Washington, D. C.

Dear Mr. Abbott:

This refers to the Government's claim against Nikas Mining Company, Tucson, Arizona, in the amount of $1,000.56, representing delinquent royalty payments due the United States pursuant to exploration project Contract No. [illegible]370. (Your reference: Bureau of Land Management.)

The United States Attorney at Tucson, Arizona, reports that on April 2, 1959, he received a payment of $100.00 on this indebtedness which he forwarded to the Department of the Interior, DMEA Field Team, Region III in Denver, Colorado. This payment leaves a balance due of $900.56. You will be advised when further payments are received.

Sincerely,

PERRY W. MORTON
Assistant Attorney General
Lands Division

By:

Robt. E. Mulroney
Chief, Trial Section

cite

OFFICIAL FILE COPY
O. M. B.
RECEIVED APR 13 1959

DATE		
4-13		
4/13	WSM	220 4 NO

Form No. USA-200
(Rev. 3-3-53)
Form approved by
Comp. Gen., U. S.

Receipt No. 62714

DEPARTMENT OF JUSTICE

Office of United States Attorney

Tucson District of ARIZONA

(CHECKS ACCEPTED SUBJECT TO COLLECTION)

Claim Against: NIKAS MINING COMPANY	U. S. Attorney's No. 6926
Amount Received: ONE HUNDRED and no/100 ($ 100.00)	From: John K. Mesch, Attorney at Law, Tucson, Arizona
Agency & File No.: USDI Docket No. DMSA 2356, Contract No. IBM-R370	Balance Now 400.56

Type Claim	Amt. of Claim	DJ File No.	
Unpaid royalties	$1,000.56	90-1-18-333	(X) Pre-judgment ( ) Judgment ( ) Compromise ( ) Paid in full (X) Partial Pay No. 7

Date Payment Received: April 2, 195[illegible]

By: [signature] Clerk for UNITED STATES ATTORNEY

Duplicate — With Remittance

WO-3 { 2 Chm's File ✓
1 Settlement Sheet File

OME/TUC

2357

December 23, 1958

Jeh

[illegible]-[illegible]
90-1-18-333

Extra Copy!
Rec'd Dec 30 1958
1/16 C 220
WSM 4.00

George W. Abbott, Esquire
Solicitor
Department of the Interior
Washington 25, D. C.

Dear Mr. Abbott:

This refers to the Government's claim against Hixon Mining Company, Tucson, Arizona, in the amount of $1,000.56, representing delinquent royalty payments due the United States pursuant to exploration project Contract No. IDM-E370. (Your reference: Bureau of Land Management.)

The United States Attorney at Tucson, Arizona, reports that he has received a check in the sum of $200.00 representing a partial payment of this indebtedness. This leaves a balance due of $500.56. You will be advised when further payments are received.

Sincerely,

PERRY W. MORTON
Assistant Attorney General
Lands Division

By:

Robt. E. Mulroney
Chief, Trial Section

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
4/4	Fisher	800
4/4	Chambers	800
"	Johnson	110
"	Whitenack	100
4/4	C	220
"		225

APR 4 1958

Mr. Jose del Castillo
Attorney and Counselor At Law
221 N. Church
Tucson 11, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. del Castillo:

This Administration has referred the matter of royalty due to the Government on value of production from Morning Star Mine referred to in your letter dated March 28, 1958, to the Attorney General of the United States for appropriate action. The amount of the Government's claim was determined by audit and covered all known production from the property during the period July 18, 1952, to December 1, 1956.

If further information is desired I suggest that you consult Jack D. H. Hays, United States Attorney, Tucson, Arizona, who is handling the matter for the Attorney General.

Sincerely yours,

Administrator

CEFisher/ama
April 4, 1958

Copy to: Docket
Admr. Reading File
Administrator
Mr. Chambers
Field Team, Region III (2)

8623

9-2

m+f
rec'd 4/3/5

JOSE DEL CASTILLO
ATTORNEY AND COUNSELOR AT LAW
221 N. Church
~~1015 NORTH PARK AVENUE~~
TUCSON 11, ARIZONA

March 28, 1958

The Administrator
Defense Minerals Exploration Adm.
United State Dept. of Interior
Washington 25, D.C.

Re: Docket No. DMEA 2356 - Tungsten
Nikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Sir:

Under an agreement, a sub-lease, between the Nikas Mining Company and Don Lieberman Enterprises, dated September 12, 1955, concerning the Morning Star mining claim in Pinal County, Arizona, sub-lessee shipped ores out of said mine up to the time the Nikas company closed out the sub-lessee early in May, 1955.

The Don Lieberman Enterprises had paid in due course, upon settlement sheets signed by the president of the mining company, royalties due under the said agreement for 10 shipment lots.

These royalties, according to the agreement referred to, were to be applied and paid out this wise: 5% to the Government based upon an exploration contract which the mining company had made with the Government; 5% to the owner of the mine, Mrs. Elizabeth Wood; and the rest to the mining company.

It has come to the attention of the Don Lieberman Enterprises that the Nikas Mining Company has not as yet paid you the Government the percentage provided for in the agreement. Since, under the sub-lease agreement, Don Lieberman Enterprises had worked the mine and shipped ores and received payments for the product, we would like to know the position of the Government regarding any claim, if any, due it out of the 10 shipment lots referred to in the second paragraph of this letter.

Respectfully yours,

JOSE DEL CASTILLO

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

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

DJ 90-1-18-333

February 28, 1958

INTERIOR DEPT.
MAR 3 - 1958
SOLICITOR

2356
rec'd 3/5/58

Elmer F. Bennett, Esquire
Solicitor
Department of the Interior
Washington, D. C.

Dear Mr. Bennett:

There is enclosed a copy of a letter dated February 18, 1958, from the United States Attorney at Tucson, Arizona, relative to a claim in the amount of $1,000.56 against the Nikas Mining Company of Tucson, Arizona. The claim is the result of a delinquency in royalty payments due the United States pursuant to Exploration Project Contract No. Idm-E370.

The United States Attorney has agreed to accept $50.00 a month towards the unpaid royalties until the amount due is paid in full.

Sincerely,

PERRY W. MORTON
Assistant Attorney General
Lands Division

By: Robt. E. Mulroney
Chief, Trial Section

Enclosure

RECEIVED
MAR 4 1958
ASSOC. SOLICITOR
MINERAL RESOURCES

Tucson, Arizona
February 18, 1958

Mr. Robert E. Mulroney
Chief, Trial Section,
Lands Division, US Dept. of Justice
Washington 25, D. C.

In re: Mikas Mining Company, No. 6926-Tucson.
Unpaid royalties due USA - $1,000.56.
Your reference: REM - FMN 90-1-18-333.

Dear Mr. Mulroney:

Please be advised that as of this date we received a check in the sum of $50.00 to be applied to the unpaid royalties in the above-entitled matter. It has been agreed that a payment in this amount will be made each month until the above matter is paid in full.

Respectfully,

JACK D. H. HAYS
United States Attorney

MAR:h

Mary Anne Reimann
Assistant U. S. Attorney

FILE COPY
Surname:
DMEA

Holser
Talbert
Martin
Johnson
Stelfredge
Hoffman

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

SEP 20 1957

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

Dear Mr. Attorney General:

There is submitted for appropriate action the matter of the Nikas Mining Company, a partnership composed of Tom D. Callas, A. Nikas, John Gekas, John Paulos, and Monte Seymour, whose current address is 239 North Church Street, Tucson, Arizona. The partnership and the United States entered into a minerals exploration project contract, administered by the Defense Minerals Exploration Administration of this Department. The contract is designated as Exploration Project Contract No. Idm-E370, Docket No. DMEA-2356, dated July 18, 1952, and has two amendments (hereinafter referred to as "the contract"). Work under the contract was terminated by an agreement executed June 30, 1953. (Enclosure No. 1.)

In general, the contract provided that: (a) the Nikas Mining Company (hereinafter referred to as "the Operator") should prosecute a project of exploration for tungsten as outlined in Exhibit "A" of the contract and the amendments thereto; (b) the Government would reimburse the Operator for 75 percent of the accepted costs of the exploration work; and (c), if the Government certified that a discovery or development resulted from the exploration work, the Operator or its successor in interest should pay a percentage royalty on all minerals produced from the land described in the contract for a period of ten years from the date of the contract, or until the amount contributed by the Government is repaid, whichever occurs first. The contract granted the Government a lien upon the Operator's interest in the land to secure payment of the Government's royalty. In addition, the Government's royalty is secured by contractual liens, on the landowner's interest in the land, executed on Government forms (a Landlord's Subordination Agreement and an Owner's Consent to Lien), which are attached to the contract.

The total of all sums paid to the Operator by the Government was $18,159.26. A certification of discovery or development was made on March 3, 1954. (Enclosure No. 2.)

An audit of the Operator's accounts for the period July 18, 1952, to December 1, 1956, disclosed that royalty had been paid to the Government in the amount of $2,136.70 and that additional royalty was due and unpaid for this period in the amount of $1,000.56. In a letter dated February 16, 1957, the Operator advised the Executive Officer, DMEA Field Team, Region III, Denver, Colorado, that upon receipt of monies due it from the milling company, a check in the amount of $1,000.56 would be forwarded. (Enclosure No. 3.)

Under date of June 12, 1957, the Administrator, Defense Minerals Exploration Administration, requested payment of the amount of royalty due. In a reply dated July 8, 1957, the Operator again acknowledged that the royalty was due to the Government and requested an extension of time in which to make the payment. (Enclosures Nos. 4 and 5.)

In a letter dated July 15, 1957, the Administrator advised the Operator that an additional thirty days would be allowed for payment and that if such payment was not received during that time the matter would be referred to the Attorney General of the United States for appropriate action. (Enclosure No. 6.) No reply has been received to such letter.

Accordingly, it is requested that you take such action as you deem appropriate to recover the amount of $1,000.56 due the Government.

The enclosures furnished with this letter are either photostats or copies of the original documents. If the United States Attorney who handles this case requires additional information, it may be requested of either W. H. King, Executive Officer, DMEA Field Team, Region III, 224 New Customhouse, Denver 2, Colorado, or C. O. Mittendorf, Administrator, Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C.

Sincerely yours,

Edmund J. Fritz

ACTING Solicitor

CEFisher/HCRubin/wb
September 13, 1957

Copy to: Solicitor's Docket
DMEA Docket
Enclosures 6

Admr. Reading File, DMEA
Field Team, Region III (2)
R. P. Dwyer
J. L. Chambers, DMEA
W. S. Martin, DMEA

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

224 New Customhouse
Denver 2, Colorado

August 28, 1957

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 2356 (Tungsten) Contract Idm-E370, Nikas Mining Company (Morning Star Mine) Pinal County, Arizona

By letter dated July 15, 1957, the Administrator, DMEA, advised the Operator that collective action to affect the payment of delinquent royalties would be deferred for 30 days.

To date, we have received no indication that the Operator has complied with the Administrator's request. If payment has been made to your office, please advise, otherwise, we believe that the matter should be referred to the Attorney General's office.

Our past experience with the Operator indicates that pressure must be applied before the desired results can be obtained.

E. N. Harshman

E. N. Harshman

OFFICIAL FILE COPY
DMEA
RECEIVED SEP 3 1957

DATE	INITIALS	CODE
9-3	C	220
		225

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
7/12	Fisher	800
7-12	Chambers	800
	Martin	400
		120
7/12	Stamper	110
18	McNeely	100
7/16	C	220
		225

JUL 15 1957

Mr. John Gekas
Nikas Mining Company
239 N. Church
Tucson, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Gekas:

Reference is made to your letter dated July 8, 1957, wherein you have requested an extension of time for the payment of royalty in the amount of $1,000.56 due to the Government on proceeds from sales of tungsten.

This Administration would prefer to effect collection of the amount without referring it to the Attorney General if such collection can be made within a period that is reasonable. Therefore, in view of your explanation, we shall defer taking such action for another thirty days and trust that your remittance of the above amount will be received by that date.

Sincerely yours,

C. O. Mittendorf (fw)

Administrator

CEFisher/JLChambers/ama
July 12, 1957

Copy to: Docket
Administrator
Admr. Reading File
Region III Field Team (2) with attachment
Mr. Chambers

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
6-11	Chambers	800
	Martin	400
	Chapman	400
		400
6/12	Selbredge	120
6/12	Johnson	110
12	Mottendorf	100
6/12	JWZD	220
		225

JUN 12 1957

Registered Mail
Return Receipt Requested

Mr. J. Gekas
Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Gekas:

In letter dated February 16, 1957, to Executive Officer, DMEA Field Team, Region III, you advised that upon receipt of monies from Lieberman Mills for ore milled you would forward a check for $1,000.56 covering royalty due to the Government on proceeds from sales of tungsten produced from Morning Star Mine prior to December 1, 1956. Such amount has not been received to date. It has been reported to this Administration that Lieberman Mills tendered payment on your production and that you refused to accept it.

This Administration is charged with the responsibility of enforcing the terms of exploration contracts, including the collection of all royalty due to the Government under the terms of the contracts. Therefore, unless the delinquent royalty is paid within thirty days from the date of this letter, I shall have no alternative but to refer the matter to the Attorney General of the United States for appropriate action.

Sincerely yours,

C. D. Mittendorf (for)

Administrator

CEFisher/JLChambers/wb
June 11, 1957

Copy to: Docket
Admr. Reading File
Region III Fld. Tm. (2(
Administrator
Mr. Chambers
Mr. Martin

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
224 New Customhouse
Denver 2, Colorado

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 27 1957

DATE	INITIALS	CODE
5/27	C	220
		800
		225

May 24, 1957

Memorandum

To: Chairman, Operating Committee, DMEA

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Royalty Payments, Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

By letters dated February 4, April 10 and May 9, 1957, respectively, the Operator was requested to submit a check for $1,000.56 in back royalties as established by First Royalty Audit dated December 12, 1956.

If the requested amount has not been received by your office, we recommend that action be started to protect the interests of the Government in this matter.

If you have received a check for this amount, will you please advise us of this fact.

E. N. Harshman

E. N. Harshman

OFFICIAL FILE COPY
D M E A
RECEIVED MAY 13 1957

DATE	INITIALS	CODE
5/13	C	
5/13	E.E.T.	220
		800
		~~[illegible]~~
		225

224 New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

May 9, 1957

Mr. J. Gekas
Nikas Mining Company
239 North Church
Tucson, Arizona

Re: Royalty Payments, Docket DMEA 2356 (Tungsten)
Contract Idm-E370, Nikas Mining Company
(Morning Star Mine), Pinal County, Arizona

Dear Mr. Gekas:

By letter dated February 4, 1957, you were requested to submit a check for $1,000.56 as payment of royalties due on production made prior to December 1, 1956. By letters dated February 4, 1957, and April 10, 1957, you were respectively requested to make payment of this amount of delinquent royalties.

No reply having been received from our last letter, we have no alternative unless this office has received your check for $1,000.56 by Wednesday, May 22, 1957, but to refer the matter to our Washington Office for whatever collective action is indicated.

We believe that we have given you a sufficient period of time in which to resolve your difficulties and to liquidate this long over-due obligation.

Very truly yours,

Original signed by
E. N. HARSHMAN

E. N. Harshman
Acting Executive Officer

MHM:

cc: Royalty File #370
Sec. Op. Comm. (2)
Storms
Marshall
Chron.

OFFICIAL FILE COPY
D M E A
RECEIVED APR 15 1957

DATE	INITIALS	CODE
4/15	C	220
4/16	E.F.	800
		225

224 New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

April 10, 1957

Mr. J. Gekas
Nikas Mining Company
239 North Church
Tucson, Arizona

Re: Royalty Payments, Docket DMEA 2356 (Tungsten)
Contract Idm-E370, Nikas Mining Company
(Morning Star Mine), Pinal County, Arizona

Dear Mr. Gekas:

You informed us by letter dated February 16, 1957 that you were awaiting payment from Lieberman Mills on production for which royalties are due the Government, and would submit a check for $1,000.56 upon receipt of such payments. We are informed that payments have been tendered on this production, but refused by you.

We trust that the matter has now been resolved. Accordingly, we make further request that you now submit your check for $1,000.56.

If the matter has not been resolved, please advise of its status by return mail.

Very truly yours,

Original signed by
J. W. TOWNSEND

J. W. Townsend
Alternate Acting Executive Officer,
DMEA Field Team, Region III

MHM/vj

cc: Royalty File #370
Sec. Opr. Comm. (2)
W. R. Storms
Marshall
Chron.

DMEA
DEPARTMENT OF THE INTERIOR
FEB 18 1957
REGION III
DENVER, COLORADO

239 North Church
Tucson, Arizona
February 16, 1957

U. S. Department of the Interior
224 New Customhouse
Denver 2, Colorado

Attention: Mr. W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Re: Royalty Payments, Docket DMEA 2356 (Tungsten)
Contract Idm-E370, Nikas Mining Company
(Morning Star Mine), Pinal County, Arizona

Gentlemen:

With reference to your letter of February 4 we are still awaiting monies from Leiberman Mills where we had our ore milled.

Upon receipt of these monies we shall forward your check for $1,000.56.

We would appreciate your bearing with us.

Very truly yours,

NIKAS MINING COMPANY

J. Gekas

J. Gekas

JG/mg

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 21 1957

DATE	INITIALS	CODE
2/21	C	220
2/25	EEF	800
		225

Cc: 3 C
Cordeiro
Pinal Ore Comm (2)
W R Stevens
Bradner

ROYALTY

OFFICIAL FILE COPY DMEA RECEIVED FEB 18		
DATE	INITIALS	CODE
2-18	C	220
2/19	[illegible]	800
		225

224 New Customhouse
Denver 2, Colorado

February 14, 1957

Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: Royalty Payments
Docket DMEA-2356 (Tungsten)
Contract No. Idm-E370
(Morning Star Mine)
Pinal County, Arizona

Gentlemen:

Enclosed is a photo copy of a certified letter dated February 4, 1957, which you received February 6; but for which we have received no reply.

We would appreciate your prompt attention to this matter.

Very truly yours,

Original signed by
W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosures

MHM:sh
cc: Royalty File E-370
Corres. File E-370
Sec. Op. Comm. (2)
W. R. Storms
Marshall
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.
224 New Customhouse
Denver 2, Colorado

February 12, 1957

OFFICIAL FILE COPY DMEA RECEIVED FEB 15 1957		
DATE	INITIALS	CODE
2-18	C	220
2/19		800
		225

Memorandum

To: W. R. Storms

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 2356 (Tungsten), Nikas Mining Company (Morning Star Mine), Pinal County, Arizona, Contract Idm-E370

Enclosed is a copy of a letter dated February 7, 1957 from the Chairman, Operating Committee, DMEA, which is self explanatory.

Mr. T. H. Brading, Auditor, DMEA, suggests the Operator be reminded of its obligation to maintain suitable production records regardless of sublease to other parties. The main deficiency in the past has been the fragmentary maintenance of milling records.

We suggest that one of the engineers from your office discuss the matter with the Operator with the idea of devising a suitable production record system.

Original signed by
W. M. TRAVER

W. M. Traver

MEM/vj

cc: Royalty File E370
Corres. File E370
Sec. Opr. Comm. (2)
Brading w/cy Chair. ltr
Marshall
Chron.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
2-5	Chambers	800
2/5	Martin	400
2/6	Selfridge	130
"	Johnson	110
"	Mattenberg	100
2-8	C	220

225

FEB 7 1957

Mr. W. H. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Traver:

The Contract Administration and Audit Division has reported that the records of production maintained by Nikas Mining Company, as Operator of the above-cited project, are inadequate for the auditors to do a proper job of calculating or determining production. Article 7 (d) of the contract with the Operator requires him to keep suitable records and accounts.

It may be that one of your engineers on his next visit to the project should discuss the matter with the Operator and probably offer suggestions for a simple system of recording the production figures of the mine.

If you need further information in regard to the records of this project, you may discuss the matter with T. H. Brading, auditor in your region.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

Frank D. Lamb

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

JIChambers/wb
February 5, 1957

Copy to: Docket
Admr. Reading File
Operating Committee
Mr. Holliday, USBM
Mr. Kiilsgaard, USGS
Mr. Brading
Mr. Chambers
Mr. Martin

8623

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

OFFICIAL FILE COPY DMEA RECEIVED FEB 7 1957		
DATE	INITIALS	CODE
2-8	C	220
2-8	G.E.P.	800
		225

224 New Customhouse
Denver 2, Colorado

CERTIFIED MAIL

February 4, 1957

Nikas Mining Company
239 North Church Street
Tucson, Arizona

Re: Royalty Payments, Docket DMEA 2356 (Tungsten)
Contract Idm-E370, Nikas Mining Company
(Morning Star Mine), Pinal County, Arizona

Gentlemen:

Our letter dated January 14, 1957, sent by Certified Mail, enclosed your copy of First Royalty Audit Report which discloses the fact that the Government is due royalties in the amount of $1,000.56 for the period July 18, 1952 to December 1, 1956.

Being informed, you are requested to immediately submit your check for $1,000.56, made payable to the Defense Minerals Exploration Administration. Checks are to be sent to the Executive Officer, DMEA Field Team, Region III, 224 New Customhouse, Denver 2, Colorado.

Very truly yours,

Original signed by
J. W. TOWNSEND

for W. M. Traver
Executive Officer, DMEA
Field Team, Region III

MHM/vj

cc: Royalty File E370
Corres. File E370
Sec. Opr. Comm. (2)
W. R. Storms
Marshall
Chron.

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

EXTRA COPY
D M E A
RECEIVED [illegible] 1957

DATE	INITIALS	CODE

January 31, 1957

Mr. J. L. Chambers, Chief
Contract Administration and Audit Division
Defense Minerals Exploration Administration
Interior Building
Washington 25, D. C.

Re: Royalty Audit
Nikas Mining Company
Idm-E370, DMEA 2356

Dear Mr. Chambers:

Reference is made to your letter of January 29, 1957, regarding subject audit report.

The recommendation regarding production records was intended to cover both Nikas and any new sub lessees. After all Nikas as Operator is responsible for royalties due to the Government under the contract, and it follows that he is responsible for production records as maintained both by Nikas Mining Company as Operator or any one to whom he sub leases the ground delineated in the contract.

Sincerely yours,

T. H. Brading
DMEA Auditor

THB:eh
cc: Subj. Idm-E370
Chron.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
1/7	Chambers	800
1-8	C	225

JAN 7 1957

Mr. T. H. Brading
DMEA Auditor
224 New Customhouse
Denver 2, Colorado

Re: Royalty Audit, Nikas Mining Company
Docket DMEA-2356, Contract Idm-E370

Dear Mr. Brading:

In your letter of December 31, 1956, you call my attention to two things which were in a previous letter and in a memorandum from the Iron and Ferro-Alloys Division in which we evidently had given you an erroneous reply. I had forgotten about the legal decision on the Arizona state taxes. It is not, according to that decision, a deduction.

On the matter of freight deduction you are also right. I had misunderstood the fact that Lieberman had paid the freight costs to himself.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/ama
January 7, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

R.C.L.

8623

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

Fisher

Mr. T. H. Brading
DMEA Auditor
224 New Customhouse
Denver 2, Colorado

DEC 27 1956

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Contract No. Idm-F370

Dear Mr. Brading:

Attached is a copy of a memorandum dated December 19, 1956, from W. S. Martin, Chief, Iron and Ferro-Alloys Division, regarding royalty due under the subject contract.

It is questionable whether the ore settlement sheet dated April 4, 1956, pertains to the concentrates sold to Salt Lake Tungsten Company as evidenced by their Settlement Sheet No. 2. I wonder whether it is important that such relationship be established if you are reasonably certain that all of the sales of ore by Nikas to Lieberman have been included in the royalty computation. Explanation of your reason for not allowing the deductions of $897.91 for freight charges and $56.31 for state taxes in the royalty computation should be supplied.

Your proposal to use 67.5 percent as the factor for allocating the amount of Settlement Sheet No. 3 subject to royalty is considered equitable even though some other factor might be developed if assay information were available. The amount of royalty involved is small and there seems to be no point in attempting to make a more precise allocation.

Release of First Royalty Audit Report and Certificate submitted with your letter dated December 13, 1956, is being withheld pending receipt of your comments regarding Mr. Martin's memorandum.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Attachment
CEFisher/ama
December 27, 1956

Copy to: Docket
Admr. Reading File
Mr. Martin
Mr. Chambers

400
DOCKET
SURNAME
McMahon
Keating

December 19, 1956

MEMORANDUM

To: Mr. Jay L. Chambers, Chief, Contract Administration and Audit Division, DMEA

From: Iron and Ferro-Alloys Division, DMEA

Subject: Bases for computing royalties on shipments of mill products to Salt Lake Tungsten Company
Docket No. DMEA 2356 - Tungsten
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

A review of the documents attached to W. H. Brading's letters of October 18 and November 29, 1956 raises questions respecting his proposed computations of royalties on shipments 2 and 3 to Salt Lake Tungsten Company by Don Lieberman Enterprises.

1. (a) Referring to Item 2 of Mr. Brading's November 29th letter and the attached ore settlement sheet by Don Lieberman Enterprises, it is noted that this ore was shipped during June and July 1955. Salt Lake Tungsten Company's Settlement Sheet No. 2, Lot 278, dated August 3, 1955, shows that the lot was sampled June 13, 1955. There could be no connection respecting the shipments treated at the two mills as an intermediate mill product from ore treated at Lieberman's mill in Tucson, Arizona during June and July 1955 could not be sampled June 13, 1955 at the Salt Lake Tungsten Company's mill in Salt Lake City, Utah. It appears then that the note on Lieberman's ore settlement sheet has reference to a previous settlement sheet from Salt Lake Tungsten Company.

(b) Lieberman sub-leased the Morning Star mine September 12, 1955 and the Nikas Mining Company is liable for royalty on the total amount received by Lieberman from ore mined at the Morning Star subsequent to that date, in whatever form disposed of. Prior to September 12, 1955 Nikas Mining Company is to pay royalty on the total amount it received for mine production sold to Lieberman and the charges for freight and assays appear to be legitimate deductions. Accordingly, it appears that the amount subject to royalty is $1,849.30 and not $2,803.52 as Mr. Brading proposes.

2. In reference to Item 3 of Mr. Brading's November 29th letter, his proposal to use 67.5 percent as the proportion of the value of commingled low grade mill products on the basis of tonnages of ores milled

from four mines, is an arbitrary method and is not closely related to the production facts. Such a method could be used only if agreeable to both parties. For Shipper's Lot No. 3, the percentage of low grade concentrates (an intermediate mill product referred to as a "middling product" or "middling") resulting from milling Morning Star ore could have been some other percentage of the total shipped. Only 33.885 tons of this material were derived from 874.77 tons of ore. As some ores are more amenable to treatment than others, mill data from experience with each type of ore could be the only dependable basis for determining ratios in a commingled mill product.

If such mill data are not available and a percentage distribution should be negotiated 67.5, or some other reasonable percentage, for Morning Star ore would be satisfactory to the Government.

W. S. Martin, Chief
Iron and Ferro-Alloys Division

ADMcMahon:am
cc to: Docket
Code 400
Adm. Read. File

cw

2356

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

November 5, 1956

Memorandum

To: Mr. Frank E. Johnson
Deputy Administrator

From: Jay L. Chambers, Chief
Contract Administration and Audit Division

Subject: Status of three projects.

A few days ago you talked to me about the status of (1) Nikas Mining Company, Docket No. DMEA-2356, Contract No. Idm-E370, (2) Idaho-Maryland Mines Corporation, Docket No. DMEA-3347, Contract No. Idm-E750, and (3) New Idria Mining and Chemical Company, Docket No. DMEA-2478, Contract No. Idm-E369, in regard to their royalty accounts.

In the case of the Nikas Mining Company, it is in the process of being audited.

I have written a letter to Mr. Never requesting him to inquire of the Idaho-Maryland Mines Corporation in San Francisco about the status of their royalty.

We have just received a little over $3,000.00 royalty check from New Idria Mining and Chemical Company.

JLChambers/wb
November 5, 1956

Copy to: Docket (3)
Admr. Reading File
Mr. Chambers

Docket copy
Surname: Talbert

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

OCT 26 1956

Mr. Charles F. Willis
Arizona Small Mine Operators Association
508 Title and Trust Building
Phoenix, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Charlie:

Your letter of October 24, 1956, advising of rumors relative to the referenced DMEA project is acknowledged with appreciation.

For your information, I have been aware for some time that possibly the Government was not receiving adequate royalty on the production from the Morning Star Mine and this matter has been the subject of considerable correspondence with both the operator under the contract, Nikas Mining Company, and the lessee, Don Lieberman Enterprises. The correspondence from Mr. Lieberman indicates that possibly the Government is not receiving adequate royalty and includes an offer of a minimum guarantee of $500.00 per month royalty for so long as the General Services Administration purchase program continues at $55.00 per unit, provided he is successful in obtaining a lease from Mrs. Wood and the YMCA, owners of the mining claim. The correspondence with Mr. Nikas, on the other hand, indicates his dissatisfaction with the settlement sheets from Don Lieberman Enterprises and requests an investigation.

In order to determine whether proper royalty payments have been made to the Government, the DMEA regional office in Denver was instructed recently to make arrangements with both Nikas and Lieberman for an audit of the records pertaining to production from the project property. It is my understanding that both parties have been cooperative and that the audit is now in process.

I wish to assure you that I most certainly do not consider your letter as butting into my affairs. Rather, I consider it a very courteous gesture on your part.

EDTalbert/wb
October 27, 1956

Sincerely yours,

C. O. Mittendorf

s/ Mitt

Administrator

Copy to: Docket
Admr. Reading File
Administrator
Mr. Martin
Mr. Chambers

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

Mr. Thomas H. Breding
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: Royalty Audit
Idm-F370, DMEA-2356
Nikas Mining Company

Dear Mr. Breding:

Your letter of October 18, 1956, raises three points as enumerated and discussed hereafter.

1. Was any DMEA ore contained in Settlement No. 1? So far as your audit has discovered there seems to be no evidence that DMEA has any interest in ore covered by Settlement No. 1. Lieberman's books, however, should disclose the source of the ore and you should find that out when you audit them.

2. On what basis should royalty be assessed for ore covered in Settlement No. 2? I think you have the right conclusion on this item; i. e., Nikas Mining Company sold the ore in ore form to Lieberman and therefore should pay the royalty on ore.

3. On what basis should the Government royalty be calculated on ore covered on Settlement No. 3 and who should pay the royalty? It appears from evidence on hand that the Nikas Mining Company should pay the royalty on the ore basis as sold to Lieberman, because this transaction appears to have been completed when Nikas Mining Company was the Operator. This is not in agreement with your conclusion. Can it be that my conclusion is based upon incomplete facts? If so, write me further giving more complete information.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
October 24, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

AN ORGANIZATION INTERESTED IN THE PROBLEMS OF THOSE WHO OPERATE SMALL MINING PROPERTIES IN ARIZONA

ARIZONA SMALL MINE OPERATORS ASSOCIATION

OFFICE OF STATE SECRETARY
CHARLES F. WILLIS
508 TITLE AND TRUST BLDG.
PHOENIX, ARIZONA

COUNCILS

AGUILA
AJO
ALAMO
ARIVACA
BENSON
BISBEE
BOUSE
CASA GRANDE
CAVE CREEK
CHERRY
CHLORIDE
CLEATOR
CLIFTON
CONGRESS
CROWN KING
DOUGLAS
DUNCAN
ELLSWORTH
FLORENCE
GLOBE
HUACHUCA
KINGMAN
KIRKLAND
KLONDYKE
MAYER
MESA
MIAMI
MORENCI
MORRISTOWN
NOGALES
OATMAN
ORACLE
PARKER
PATAGONIA
PAYSON
PEARCE
PHOENIX
PRESCOTT
QUARTZSITE
QUIJOTOA
RAY
SAFFORD
SALOME
SELLS
SUNFLOWER
SUPERIOR
TEMPE
TOMBSTONE
TUCSON
VERDE
WICKENBURG
WILLCOX
WINKELMAN
YARNELL
YUMA

October 24, 1956

RECEIVED
OCT 26 1956

C. O. Mittendorf, Administrator
Defense Minerals Exploration Administration
Interior Building
Washington 25, D. C.

Dear Mitt:

We have been hearing some rumors relative to the Morning Star Mines at Oracle, Arizona which has a DMEA loan of $18,000. I thought possibly you would like these rumors passed along to you as you might desire to check into them because it would appear that the DMEA is not getting adequate repayment of that loan and there seems to be something fishy about the whole thing.

As we understand it the owner of the Morning Star Mines is Mrs. Elizabeth Wood. She has leased the mine to the Nickas Mining Company and the Nickas Mining Company has subleased the property to Don Lieberman of Oracle.

Lieberman claims that the payments he has been making on this sublease have not proportionately been going to Washington in payment of the loan and that the government should be getting their money back a lot faster than they have been.

It looks to me as though Lieberman, who owns and runs the milling plant where these tungsten ores have been concentrated, is having some difficulty with the Nickas mining company and yesterday I heard indirectly that his sublease has been canceled. Therefore, there is now no place that the ores of the Morning Star Mines can be concentrated.

Lieberman claims that if he is given a secure lease or sublease on the property he can guarantee to repay DMEA on that loan at the rate of $500 per month and that unless you are getting as much as that you are not getting what you should be getting.

The above was reported to me by one of the field engineers of the Arizona Department of Mineral Resources and I thought I should pass it along to you for an investigation or such use as you might wish to make of the information as I know that you are anxious to get these loans paid out expeditiously.

I do not believe there would be any difficulty in your getting Don Lieberman to come to Washington to give you the whole story.

I hope you will not regard this letter as butting into your affairs.

With kindest personal regards, I am

Very sincerely,

Charlie

Charles F. Willis

CFW:VSW

DM&a - 2356, Idm-E370
Govt. participation $18,159.26
Royalties rec'd. 2,136.70

Dmea 2356

September 25, 1956

MEMORANDUM

To: Frank E. Johnson, Deputy Administrator, DMEA

From: W. S. Martin, Chief, Iron and Ferro-Alloys Division

Subject: Items to be discussed informally with Field Teams Regions II and III

Region II

1. Obtain Ricker's views on work done on California nickel occurrences by engineers from Region I.

   Reconnaissance report on nickel deposits of southwest Oregon and Northwest California by Richard N. Appling, Jr. recommends exploration churn drilling on the Pine Flat and Diamond Flat nickel-bearing laterite deposits in Del Norte County, California. Field work was carried on successively by John R. Reynolds and Lewis G. Chichester, mining engineers, formerly with Bureau of Mines, Spokane Field Office, Region I, and the writer, Richard N. Appling, mining engineer, Bureau of Mines, of the same regional office. Application of Rare Metals Corp. of America to drill these deposits denied on basis of report prepared by Region II, Docket no. 4093

2. Discuss with Ricker mercury applications and requests for amendments wherein work proposed would probably be considered development if the principle mineral had a more regular habit than mercury deposits usually have.

3. Discuss unwatering of Union Hill shaft at Idaho Maryland Mining Company, DMEA Docket No. 3347.

Region III

1. Don Lieberman & Mikes, Docket No. 2356.

2. Geologist from Denver office (King from Tucson) handles Big Bend Mining, Inc., Docket No. 3776.

W. S. Martin

W. S. Martin, Chief
Iron & Ferro-Alloys Division

ADMcMahon/foc
9/25/56
cc: Dockets
Code 400
Admr. Read. File

DMEA
DEPARTMENT OF THE INTERIOR
SEP 26 1956
REGION III
DENVER, COLORADO

RECEIVED
OCT - 1 1956

September 24, 1956

Memorandum

To : W. M. Traver, Executive Officer, DMEA Field Trip

From : Superintendent, Southwest Experiment Station

Subject : Royalty, Docket DMEA-2356 (Tungsten) Contract Idm-8370, Nikas Mining Co. (Morning Star Mine), Pinal County, Ariz.

In regard to your air mail memorandum of September 17, concerning proposal for royalty payments by D. K. Lieberman on ore from the Morning Star mine, enclosed in a memorandum from T. M. Rosale.

Sorry that this was not taken care of sooner, but I was away from the office most of last week on official business.

Signed by Walter R. Storms

Walter R. Storms

CC W. M. Traver (8)
DMEA-2356
BF

WRStorms:frj

RECEIVED
OCT - 1 1956 DMEA
DEPARTMENT OF THE INTERIOR
SEP 26 1956
REGION III
DENVER, COLORADO

September 20, 1956

Memorandum

To : Walter R. Sterns, Superintendent, Southwest Experiment Station

From : T. M. Romzle, Mining Engineer, Tucson, Arizona

Subject : Docket DMEA-2356 (Tungsten) Contract Idm-K370, Nikas Mining Company (Morning Star Mine) Pinal County, Ariz.

Reference is made to W. M. Traver's letter to you of September 17, 1956.

Drading appointment - As verbally reported to you, I called Miss Sadie Stuart, Lieberman's secretary, August 21 and cancelled the appointment for August 28. Today I again phoned Miss Stuart and renewed the appointment for October 9, 1956. During the conversation she told me that Lieberman was aware of the cancellation of the first appointment.

Proposed royalty payments - I phoned Mr. Lieberman today and asked if the proposal would be withdrawn as a result of the default in the mining lease between his company and the Nikas Mining Company. (See copy of Lieberman's letter of September 14, 1956 to Mr. William Spaid that was forwarded by you to Denver September 17). He said the proposal was applicable provided his offer to the owners is accepted and a lease directly with the owners is obtained.

The offer of royalty payments of $3.00 a ton with a minimum of $500.00 per month appears to be attractive. It is doubtful that the mine will yield significant amounts of ore that contain more than 1 percent (1 unit) recoverable WO_3. At $55.00 a unit, royalty payment per ton of ore based on contract specifications would amount to $2.75 or $0.25 less than the proposed $3.00. Probabilities are that the average grade of ore would be less than 1 percent recoverable and payments under the proposed plan would exceed specified rates by more than 25 cents a ton.

CC W. M. Traver (Orig. & 3)
DMEA-2356
DF

TMRomzle:frj

On the above basis the proposed payments could be expected to be greater than those specified by the contract. However, I believe that the proposal loses its appeal when the difficulties and expenses to the Government of checking the operation are considered. An absolute check on the tonnage of ore produced would be necessary. Maintaining an inspector on the job or an engineer's survey of the workings at regular short intervals would be possible ways of checking the production. Either way would be expensive.

I believe that substitution of the proposed method of royalty payments for the contract's specified schedule should not be made, even though it might be allowable, because the change might not be to the Government's advantage.

Original signed by
T. M. Romslo

T. M. ROMSLO
Mining Engineer
Tucson, Arizona

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

224 New Customhouse
Denver 2, Colorado

AIR MAIL

September 17, 1956

Memorandum

To: W. R. Storms

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Ariz.

Enclosed is a photocopy of a letter dated September 14, 1956 from Mr. D. K. Lieberman making proposal for royalty payments to the Government. Please forward your recommendations relative to such a proposal to this office at your earliest convenience.

You will note in paragraph one of the letter, Mr. Lieberman mentions, "One of your auditors was supposed to have come in to check our books...we have not seen him as yet..."

Apparently Mr. Lieberman was not advised of the content of our teletype of August 20, 1956 to you which stated:

> "Brading will be unable to be in Tucson on twenty-eight as planned. Please make appointment with the Operator for a Tuesday in September after September fourth - Advise."

With further reference to our teletype of August 20, 1956, please advise us what steps have been taken to arrange for the requested appointment.

W. M. TRAVER

W. M. Traver

MHM/vj
cc: Royalty File E370
Corres. File E370
Sec. Opr. Comm. (2) w/cys D. K. Lieberman's ltr 9/14/56
T. H. Brading
Marshall
Chron.

DON LIEBERMAN ENTERPRISES

Phone 3-2568
1500 W. Ajo Way
P. O. Box 7066

Tucson, Arizona

DENVER, COLORADO

SEPT 14, 1956

TUCSON MOTOR REPLACEMENT

DON MINING COMPANY

MISSION PARK WATER CO.

RANCHO ARBOLES CANTADORES

FREEDOM HOMES, Inc.

ARIZONA MORTGAGE & TRUST CO.

Philadelphia Office:
225 S. 15th St.
Pen 5-2486

MR. J. W. TOWNSEND
EXECUTIVE OFFICER, DMEA
224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

RE: DMEA DOCKER 2356
NIKAS MINING CO
CONTRACT IDM-E370

DEAR SIR:

ONE OF YOUR AUDITORS WAS SUPPOSED TO HAVE COME IN TO CHECK OUR BOOKS WITH REGARD TO AMOUNT OF ROYALTY PAID OR STILL PAYABLE TO THE NIKAS MINING COMPANY UNDER OUR LEASE FOR THE MORNING STAR MINE. WE HAVE NOT SEEN HIM AS YET AND WE ARE UNCERTAIN OF DISPOSITION OF FUNDS STILL AVAILABLE FOR THE NIKAS MINING COMPANY.

WE HAVE MADE AN OFFER TO MRS. WOOD AND THE YMCA, AS OWNERS OF THE MINING CLAIM INVLOVED, TO OPERATE THE MINE DIRECTLY WITHOUT ANY INTERVENING LEASE FROM THE NIKAS MINING COMPANY. WE HAVE OFFERED TO GUARANTEE TO HER $3.00 PER TON ROYALTY ON ORE MILLED WITH A MINIMUM OF $500 PER MONTH, THE $500 TO START 60 DAYS AFTER SIGNING OF THE LEASE, BECAUSE IT WILL TAKE A MONTH TO GET THE EQUIPMENT BACK THERE AND THERE IS STILL A MONTHS OF DEAD WORK TO BE DONE THERE BEFORE ANY ORE CAN BE SHIPPED.

WE OFFER A SIMILIAR GUARANTEE TO THE GOVERNMENT ON ACCOUNT OF THEIR LOAN IF THE LOAN IS A LIEN ON ALL THE PRODUCTIONE FROM THE ENTIRE PROPERTY AND NOT FROM THE PART OF THE PROPERTY FOR WHICH THE WORK WAS DONE WITH GOVERNMENT MONEY. THE ORE IN THAT PART IS WORTHLESS. WHILE THE $500 IS A MINIMUM GUARANTEE FIGURE, IT IS CONSERVATIVELY ESTIMATED THAT OVER 300 TONS PER MONTH WOULD BE BROUGHT OUT AS A MINIMUM SO THESE FIGURES COULD, OF COURSE, RUN MUCH HIGHER. THE MINIMUM GUARANTEE COULD, OF COURSE, OPERATE ONLY SO LONG AS THE GOVERNMENT PURCHASE PROGRAM WAS CONTINUING AT $55.00 PER UNIT. PERHAPS AN AGREEMENT CAN BE WORKED OUT WHEREBY BOTH THE OWNER AND THE GOVERNMENT CAN GET THEIR SHARE OF THE MONEY AND GET IT RAPIDLY. THE GOVERNMENT WILL NEVER SEE ITS MONEY UNDER THE OLD SET UP BUT

DON LIEBERMAN ENTERPRISES

Phone 3-2568
1500 W. Ajo Way
P. O. Box 7066

Tucson, Arizona

IT WOULD HAVE A GOOD CHANCE OF RECOVERING A GOOD PORTION OF IT WITHIN THE NEXT YEAR UNDER OUR PROPOSED OPERATION.

WE WOULD APPRECIATE CONVERSING AS SOON AS POSSIBLE WITH YOUR FIELD MAN ON THE SUBJECT.

VERY TRULY YOURS

DON LIEBERMAN ENTERPRISES

BY D. K. LIEBERMAN

DKL/SLS

CC:

P.S. THE GUARANTEE TO THE GOVERNMENT IS OVER AND ABOVE ROYALTIES TO MRS. WOOD AND NOT IN PLACE THEREOF.

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

RECEIVED
AUG 13 1956

224 New Customhouse
Denver 2, Colorado

August 9, 1956

Memorandum

To: W. R. Storms

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty Audit, Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

In answer to your memorandum of August 6, 1956, Mr. Brading requests us to advise you that August 28, 1956 is the most convenient date for making the audit. Mr. Brading plans to arrive at Tucson the evening of August 27th.

W. M. TRAVER

W. M. Traver

MMM/vj

cc: Royalty File E370
Corres. File E370
Sec. Opr. Comm. (2)
Brading
Marshall
Chron.

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

224 New Customhouse
Denver 2, Colorado

August 7, 1956

Memorandum

To: W. R. Storms

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty Audit, Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

With reference to our memorandum of July 31, 1956, the DMEA auditors have requested that copies of smelter schedules under which tungsten concentrates were sold be obtained to facilitate the impending audit.

Our records indicate ore from the Morning Star mine have been sold in the form of low grade concentrates to United States Vanadium Company, Don Lieberman Enterprises and C. W. Jones, whose address is 106 South Warren Street, Bishop, California.

Please arrange to contact the proper parties and obtain their schedules at your earliest convenience.

W. M. TRAVER

W. M. Traver

MMM/vj

cc: Royalty File E370
Corres. File E370
Sec. Opr. Comm. (2)
Marshall
Chron.

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

RECEIVED
AUG 9 1956

224 New Customhouse
Denver 2, Colorado

AIR MAIL

August 6, 1956

Mr. R. H. Greenburg, Regional Comptroller
General Services Administration
49 4th Street
San Francisco 3, California

Re: Royalty payments, Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

Dear Mr. Greenburg:

Please disregard the request made in our letter dated August 2, 1956 relative to deduction of monies owed the Government from sales of production from the above subject property.

We have this date received a check from Nikas Mining Company for $798.44, which constitutes full payment of the amount you were requested to deduct.

Yours very truly,

W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

MHM/vj

cc: Royalty File E370
Correspondence File E370
Sec. Opr. Comm. (2)
Chair. Opr. Comm. (2)
W. R. Storms
Marshall
Chron.

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

RECEIVED
AUG - 6 1956

224 New Customhouse
Denver 2, Colorado

AIR MAIL

August 2, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Ariz.

Enclosed are copies of correspondence indicating the steps we have taken to comply with requests made in your letters of July 10, 1956 and July 27, 1956 relative to the above subject contract.

W. M. Traver

Enclosures:
1 Photocy of our ltr to T. H. Brading, dtd July 13, 1956. m+f
1 cy of our ltr to W. R. Storms, dtd July 31, 1956 m+f
cy of our ltr to R. H. Greenburg, dtd August 2, 1956 f

RECEIVED
AUG - 6 1956

224 New Customhouse
Denver 2, Colorado

July 13, 1956

Mr. T. H. Brading
Newhouse Hotel
Salt Lake City, Utah

Re: Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

Dear Mr. Brading:

We are enclosing a photocopy of a letter dated July 10, 1956 from the Chairman, Operating Committee, relative to the above subject contract, with the request you schedule a date for an on site audit subject to our arrangements with the Operator.

Yours very truly,

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosure

MHM/vj

cc: Royalty File E370
Sec. Opr. Comm (2)
W. R. Storms
Marshall
Chron.

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

RECEIVED
AUG - 6 1956

224 New Customhouse
Denver 2, Colorado

August 2, 1956

Mr. R. H. Greenburg, Regional Comptroller
General Services Administration
49 4th Street
San Francisco 3, California

Re: Royalty payments, Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

Dear Mr. Greenburg:

The Government through the Defense Minerals Exploration Administration has entered into an Exploration Project Contract with Nikas Mining Company, Contract Idm-E370. Under the terms of this contract, the Government reimburses the operator for its pro rata share of the costs of performing certain work described in the contract. In return, the operator as outlined in attached DMEA Order-1 Amended (Sec. 1c) agrees to pay the Government a royalty on all production sold from the property for a period of ten years from the date of the contract (July 18, 1952) or until the full amount of the Government's contribution (without interest) is paid.

Don Lieberman Enterprises, P. O. Box 7066, Tuscon, Arizona, subleasing the subject property and legally bound to pay the Government royalty on all production from the Morning Star mine has been making sales of Tungsten concentrates to your San Francisco purchase depot. Don Lieberman, however, has not shown good faith in his royalty repayment provision and hence is in arrears in royalty payments by the amount of $798.44, subject to audit and revision.

Under a similar set of circumstances concerning a delinquent Manganese producer of Manganese in New Mexico, an agreement was made with the Regional Comptroller, GSA, Denver, Colorado, whereby, a portion of payment due the operator for each shipment is withheld and applied to the delinquent royalty account.

At the request of George C. Selfridge, Chairman, Operating Committee and in order to assure prompt payment of the Government's royalty, a formal request is made for your agency to withhold $798.44 DMEA royalties on the next shipment of Morning Star mine production bought of Don Lieberman Enterprises.

The amount is requested to be deducted from the next sales, because Lieberman's lease on the Morning Star mine expires September 12, 1956. If the frequency of sales is such as to permit the amount of royalty delinquency to be reduced to a lesser amount and prorated, such action is entirely satisfactory. Whatever amount you may see fit to deduct will be agreeable to us. We wish to secure as much of the royalties due as the short time remaining will permit.

Yours very truly,

W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosure

MMM/vj

cc: Royalty File E370
Corres. File E370
Chairman, Oper. Comm. (2)
Sec. Opr. Comm. (2)
W. R. Storms
Marshall
Chron.

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

RECEIVED
AUG - 6 1956

224 New Customhouse
Denver 2, Colorado

AIR MAIL

August 2, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Ariz.

Enclosed are copies of correspondence indicating the steps we have taken to comply with requests made in your letters of July 10, 1956 and July 27, 1956 relative to the above subject contract.

W. M. TRAVER

W. M. Traver

Enclosures:
Photocy of our ltr to T. E. Brading, dtd July 13, 1956
cy of our ltr to W. R. Storms, dtd July 31, 1956
cy of our ltr to R. H. Greenburg, dtd August 2, 1956

MHM/vj

cc: Royalty File E370
Corres. File E370
W. R. Storms
Marshall
Chron.

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

RECEIVED
AUG - 3 1956

224 New Customhouse
Denver 2, Colorado

July 31, 1956

Memorandum

To: W. R. Storms

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty Audit, Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

We request you contact Mr. D. K. Lieberman and seek to arrange for an on site royalty audit of the records of Don Lieberman Enterprises, covering sales of concentrates milled from ores mined at the Morning Star mine.

In view of our experience with the subject Operator and Don Lieberman Enterprises, it is desirable to make arrangements for the audit when an engineer can accompany the DMEA auditor.

Please keep us advised of what steps you take to comply with this request.

W. M. TRAVER

W. M. Traver

MEM/vj

cc: Royalty File E370
Correspondence File E370
Chairman, Opr. Comm.
Sec. Opr. Comm. (2)
Breding
Marshall
Chron.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION 140
WASHINGTON 25, D. C.

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Customhouse Building
Denver 2, Colorado

JUL 27 1956

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Traver:

Reference is made to the Nikas Mining Company's letter of June 14, 1956, to you, reviewing the settlement sheets given them by Don Lieberman Enterprises. Supporting the tabulation in that letter, the photocopies of G.S.A. settlement sheets transmitted with your memorandum of July 10, 1956, have been received.

The sum of the three sales of concentrates by Don Lieberman Enterprises to G.S.A. amounts to $15,968.87. In accordance with our letters of December 5, 1955, and January 16, 1956, to Nikas and Lieberman, respectively, the royalty due on these three lots is $798.44. The above-referenced letter indicates that Don Lieberman Enterprises had on hand 8,700 lbs. of unsold concentrate which would have an estimated value of approximately $12,000.00 and upon which Government royalty would be about $600.00.

In the light of our experience with the subject Operator and Don Lieberman Enterprises and because Lieberman's lease on the Morning Star Mine expires September 12, 1956, it would appear that the most effective way to assure prompt payment of the Government's royalty would be through a settlement deduction by G.S.A. on concentrates (originating from ore of the Morning Star Mine) sold by Don Lieberman Enterprises. Accordingly, it is requested that you attempt to make such an arrangement with the Regional Office of G.S.A. at San Francisco, California.

ADMcMahon/HCRubin/wog
July 25, 1956

Sincerely yours,

George G. Sellinger (Eyes)
Chairman, Operating Committee

Copy to: DMEA Docket
Admin. Reading File
T.H.Kiilsgaard, USGS
R.Holliday/Rm 3517
W.S.Martin (2)
R.P.Dwyer
H.C.Rubin
Pending
Chron.
Operating Committee

Approved:

P. F. Yogos (Eyes)
Member, Bureau of Mines

N. E. Nelson (Eyes)
Member, Geological Survey

P.S. - Please advise us what steps you have taken to comply with our related letter of July 10, 1956.

Portin
Sawyer
McMahon
Martin
Champion
Selfridge
Hoffman
Mitchenoy

R.C.H.

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

140

Rubin
Sheinger
McMahon
Martin
Chamberlin
Jones
Nelson
Selfridge
Hyldman

Mr. A. Nikas, President
Nikas Mining Company
239 North Church
Tucson, Airzona

JUL 2 7 1956

Re: Docket No. DMEA-2356 (Tungsten)
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-H370

Dear Mr. Nikas:

This is with reference to your letter of June 14, 1956, to Mr. W. M. Traver, Executive Officer, DMEA Field Team, Region III, reviewing settlement data furnished you by Don Lieberman Enterprises on three lots of concentrates sold to the General Services Administration, and asking the Government to make a thorough investigation of the situation because of alleged discrepancies in computing the amounts of concentrates sold.

You indicate that you are unable to investigate the alleged discrepancies in the production figures reported to you by Don Lieberman Enterprises. However, it appears that your lease agreement with that company specifies a procedure for weighing ore and grants you the right to inspect pertinent records. Therefore, there is apparently no justification for calling upon the Government to intervene in any dispute you may have with Don Lieberman Enterprises.

In our letter to you of December 5, 1955, and by a copy of our letter of January 16, 1956, to Mr. D. K. Lieberman, you were advised of the proper basis for computing royalty under the subject contract. Accordingly, on the three lots of concentrates sold by Don Lieberman Enterprises to the General Services Administration for $15,968.87 the Government's royalty amounts to five percent of this sum or $798.44. Please forward your check in this amount to the Executive Officer, DMEA Field Team, Region III, 224 New Customhouse, Denver 2, Colorado. If the Government finds in its study of this case that other sales of ore or concentrates are involved, it naturally will look to you for additional royalty.

Sincerely yours,

G. O. Mittendorf (for)
Administrator

ADMcMahon/HCRubin/wog
Copy to: DMEA Docket
Administrator's Reading File
Operating Com.
T.H.Kiilsgaard, USGS
R.Holliday/Rm 3517
W.S.Martin (2)
~~G.C.Selfridge~~
R.P.Dwyer
H.C.Rubin
Pending
Chron.

Field Team, Region III

R.C.S.

400

McMahon
Chapman
Talbut

July 17, 1956

MEMORANDUM

To: Associate Solicitor
Division of Mineral Resources

From: Iron and Ferro-Alloys Division, DMEA

Subject: Preparation of letters concerning collection of royalty
Docket No. DMEA-2356, Tungsten
Nikas Mining Company
Morning Star Mine
Pinal County, Nevada
Contract No. Idm-E370

Transmitted herewith are rough drafts of two letters, regarding royalty matters on the subject contract, for your use in preparing the final drafts.

Thos. L. Chapman, Acting Chief
Iron and Ferro-Alloys Division

Attachments

cc: Docket

Code 400

ADMcMahon/ls
7/17/56

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

RECEIVED
JUL 18 1956

224 New Customhouse
Denver 2, Colorado

July 13, 1956

Mr. T. N. Brading
Newhouse Hotel
Salt Lake City, Utah

Re: Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star Mine), Pinal County, Arizona

Dear Mr. Brading:

We are enclosing a photocopy of a letter dated July 10, 1956 from the Chairman, Operating Committee, relative to the above subject contract, with the request you schedule a date for an on site audit subject to our arrangements with the Operator.

Yours very truly,

W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosure

MHM/vj

cc: Royalty File E370
Sec. Opr. Comm (2)
W. R. Storms
Marshall
Chron.

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

RECEIVED
JUL 12 1956

224 New Customhouse
Denver 2, Colorado

July 10, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star mine), Pinal County, Arizona

Enclosed are photocopies of settlement sheets submitted per our request of June 20, 1956 to Mr. A. Nikas. The settlement sheets indicate Don Lieberman Enterprise continues to act as buyer instead of lesee, and in so doing, the royalty status remains as it was at the date the situation was originally brought to your attention.

In further reference to our letter of June 20, 1956, Mr. Nikas was informed that upon receipt of settlement sheets, his request for an investigation of discrepencies in production would be referred to your office for consideration and reply. We therefore request your office to reply to the request by Mr. Nikas and advise this office of your decision.

No attempt will be made to collect royalty on Morning Star production until we receive your instructions.

W. M. Traver

W. M. Traver

Enclosures

CW

DOCKET
SURNAME
McMahon
Chapman
Talbut
Selfridge
Johnson
Mortensen

400

JUL 10 1956

Mr. W. M. Traver
Executive Officer
DMEA Field Team, Region III
224 New Customhouse
Denver 2, Colorado

Re: Docket No. DMEA 2356 - Tungsten
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Traver:

With reference to your inquiry of June 22, 1956, relative to the subject contract, it is believed that a royalty audit of the records of Don Lieberman Enterprises, covering sales of concentrates milled from ores mined at the Morning Star Mine, is the only means by which the proper basis for computing the Government's royalty can be determined.

We would, therefore, appreciate your contacting Mr. D. K. Lieberman in the interest of arranging such an audit. If he has no objection to an audit, it may be wise to have an engineer accompany the auditor for an examination of the milling operation and proration of values in the event mill products of ores from two or more sources are commingled.

Should Mr. Lieberman deny permission to make the necessary examination of his records, please advise immediately.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

/s/ Robert W. Geehan

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

ADMcMahon/foc 7/9/56
cc to: Docket
Code 400
Code 800
Admr. Read. File
Oper. Comm.
FT. REG. III
Messrs. R. W. Holliday, USBM
T. H. Kiilsgaard, USGS

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

RECEIVED
JUN 25 1956

224 New Customhouse
Denver 2, Colorado

June 22, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company (Morning Star mine), Pinal County, Ariz.

This is to inquire as to what further action has been taken relative to the above subject contract since our personal talk on May 22, 1956 in this office.

W. M. Traver

W. M. Traver

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

RECEIVED
JUN 22 1956

June 20, 1956

224 New Customhouse
Denver 2, Colorado

Mr. A. Nikas, President
Nikas Mining Company
239 North Church
Tucson, Arizona

Re: Royalty Payments, Docket DMEA 2356
(Tungsten) Contract Idm-E370, Nikas
Mining Company (Morning Star Mine),
Pinal County, Arizona

Dear Mr. Nikas:

We have received your letter of June 14, 1956, but the three settlement sheets stated to be enclosed were omitted. You are requested to submit these settlement sheets to this office at which time your request for an investigation will be referred to our Washington Office for consideration and reply.

Very truly yours,

W. M. TRAVER

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

MHM:ab

cc: Roy. File E370
Sec. Op. Comm. (2) w/encl. (2)
W. R. Storms w/encl.
Marshall
Chren.

NIKAS MINING COMPANY
239 North Church
Tucson, Arizona

JUN 18 1956
BUREAU OF MINES
Denver, Colorado

June 14, 1956

Mr. W. M. Traver, Executive Officer
D.M.E.A. Field Team, Region 3
224 New Custom House
Denver 2, Colorado

RECEIVED
JUN 22 1956

Dear Mr. Traver:

Enclosed herewith are the last three Settlement Sheets that we have received from the Don Lieberman Enterprises, which are reported as follows:

	Tons Milled	Concentrate Recovered	Sold for
1st Sheet	398	2,100 lbs	$ 3,484.93
2nd Sheet	217	2,200 lbs	3,339.56
3rd Sheet	465	4,656 lbs	9,144.38
Total	1030	8,956	$15 968 87

We checked the total tonage brought into the mill, and according to the weight records given us by Don Lieberman Enterprises the total tonage was 1779.16. They advise us that they have on hand approximately another 8,700 lbs. of concentrate. According to their own figures this 8,700 lbs. of concentrate came from milling a total of 699.16 tons.

Analysising the figures that they have already submitted, on the first load they claim a recovery of approximately $9.00 per ton. On the second one about $15.00 per ton, and on the 3rd one about $20.00 per ton. Estimating the rate of the last 699 tons it appears that it would run somewhat over $20.00 per ton.

Naturally, until we get the final settlement sheets from Don Lieberman Enterprises, we cannot submit a final settlement to you, and we feel that the reports made by them show such a large discrepancy (which we unfortunately are unable to investigate) that we would like to have your office intervene and make a thorough investigation of the situation. We feel sure that a comprehensive analysis of the figures submitted to you will tend to make such an investigation desireable.

As soon as we receive all of the other statements from Don Lieberman Enterprises we shall accept their remittance under protest so we shall be able to settle with you in full.

Very truly yours,

NIKAS MINING COMPANY

A. Nikas

A. Nikas, President

mg
Encls.

Royalty File E 370

DOCKET
SURNAME
400 Chapman
Martin
Champion
Selfridge
Johnson
Mitterdorf

APR 13 1956

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Custom House
Denver 2, Colorado

Re: Docket No. DMEA 2356 - Tungsten
Mikes Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Traver:

Reference is made to your teletype of March 26, 1956, concerning royalties due on the above noted project.

Please refer to our letter of January 16 to Mr. Don K. Lieberman which states definitely that royalty settlements shall be made on the value of concentrates sold. Don Lieberman Enterprises as lessee of the Morning Star mine is the Operator of the property; it concentrates the ores in its own mill and sells the concentrates, and accordingly royalties should be paid on the value of the concentrates sold. Hence we see no reason for revising our letters of January 16 and March 21, 1956.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (GCS)

APPROVED:

J. W. Pennington (GCS)
Member, Bureau of Mines

N. E. Nelson (GCS)
Member, Geological Survey

TLChapman:foc / 4/11/56
cc to: Docket
Code 400
Admr. Read. File
Operating Comm.
FT. REG. III
R. W. Holliday, USBM
T. H. Kiilsgaard, USGS

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

224 New Customhouse
Denver 2, Colorado

March 26, 1956

Memorandum

To: W. R. Storms

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, (Morning Star Tungsten Mine, Old Hat Mining District), Pinal County, Arizona

In order that your files for the subject contract will be complete we enclose a copy of the Washington Office letter to the operator dated March 21, 1956 and a copy of our teletype sent this date regarding the subject.

W. M. TRAVER

W. M. Traver

Enclosures

RDB/vj

cc: Royalty File E370 w/copy ltr
Sec. Opr. Comm. (2)
Chron.

Chairman Operating Committee
DMEA

RECEIVED
MAR 26 1956

DN 235 BUR MINES 3-26-56 8-43

CHAIRMAN, OPERATING COMMITTEE, DMEA RUSH RUSH

REUR MARCH 21, 1956 LETTER TO OPERATOR DMEA DOCKET 2356 NIKAS MINING CO. CONTRACT IDM-E370. BASED ON SETTLEMENT SHEETS SUBMITTED NO ADDITIONAL ROYALTY DUE UNLESS YOU DETERMINE SETTLEMENT TO BE ON A CONCENTRATE SALE BASIS BY DON K LIEBERMAN AS DISCUSSED IN OUR MEMO OF JAN 29,1956. SUGGEST REVISED LETTER TO OPERATOR. PLEASE ADVISE.

W M TRAVER
DATE IN LAST LINE JAN 20, 1956

Denver, Colorado

MAR 26 11 16 AM '56

BUREAU OF MINES
MAIL ROOM
WASHINGTON D. C.

400-2356- MAR 21 1956

Post Office Department

OFFICIAL BUSINESS

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

POSTMARK OF DELIVERING OFFICE

TUCSON ARIZ MAR 26 1956

Return to Department of the Interior
Defense Minerals Exploration Adm.
Washington 25, D. C.
(NAME OF SENDER)

Street and Number,
or Post Office Box,

REGISTERED ARTICLE

No. 598333

INSURED PARCEL

No.

WASHINGTON, D. C.

DELIVERING EMPLOYEE

☐ Deliver ONLY to addressee

☐ Show address where delivered

Received from the Postmaster the Registered or Insured Article, the number of which appears on the face of this return receipt.

1 Nikas Manning 6

(Signature or name of addressee)

2 Mary Goodman

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery 3-26 19 56

TUCSON MAR 26 4 30PM 1956

Form 3811
Rev. 4-54

U. S. GOVERNMENT PRINTING OFFICE 16—12421-3

Docket
Martin
McMahon
Chambers
Selfridge
RFJones

Registered Mail
Return Receipt Requested

MAR 21 1956

Nikas Mining Company
239 North Church Avenue
Tucson, Arizona

Re: Docket No. DMEA-2356, Tungsten
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-X370

Gentlemen:

Reference is made to our letter to you of January 16, 1956, enclosing copy of our letter of same date to Mr. D. H. Lieberman, concerning royalty settlements on ore shipments from the captioned property. Reference is also made to our letter to you of December 5, 1955, on the same subject, and to which we have received no reply.

It is not in the interest of the Government to delay indefinitely collection of the royalties due. Therefore, unless we receive from you by April 16, 1956, an acceptable proposal for settlement, we may be obliged to turn the matter over to the Attorney General for collection.

Sincerely yours,

C. O. Mittenzwei

Administrator

Copy to:
(1) Mr. D. K. Lieberman, Tucson, Arizona
(2) Mrs. Elizabeth L. Wood, Oracle, Arizona
(3) Y.M.C.A., Tucson, Arizona

cc: Docket
Code 400
Code 800
Oper. Comm.
Adm. Read. File
FT, Region 3
T. Kiilsgaard, USGS
R. W. Holliday, USBM

TLChapman/ls
3/20/56

3/8/56

Mr. Martin:

On 1/16/56 we wrote Lieberman his responsibility re royalty payments, explaining he can't deduct transportation costs, etc., and that our Govt. lien precedes his lien.

Nikas has not replied to our 12/5 and 1/16 letters. FT also in mid-January (1/20/56) asked us if they could accept the royalty payments made to date by Lieberman as okay.

Seems neither Nikas or Lieberman expect to answer, so a follow-up is needed to get action.

ls

MAKE A HAT

Martin

Suggest sending contract to legal with a few notes — i.e.,

1) Ask for legal comment in light of remarks in letter

Should we:

2) Avoid hassle with writer + stand on our rights under contract with Nikas?

3) Re: State our position to Lieberman? Do we have any legal claim against him?

4) Yield to the Lieberman position? — i.e.

a) Nikas marketing are in place & whatever he receives is "gross revenue"?

b) Bad precedent — because it acquiesces to an arrangement which is tantamount to considering "gross revenue" the figure which is net of all operating costs.

5) My recollection this contract long since Terminated & certified

a) Nikas not obliged to get Govt approval of assignment or sublease after termination (could abandon maybe, but has not!)

b) Nikas, however, obligated to protect govt rights to royalty. Presume Nikas could "give away" the ore if he chose — but presume he would still be liable for royalty on basis of its end value.

~~[illegible]~~ These thoughts come to mind. You might have better ones

M

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

RECEIVED
MAR - 8 1956

224 New Customhouse
Denver 2, Colorado

March 2, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Please advise whether or not you have received an answer to your letters of December 5, 1955 and January 16, 1956 to the Nikas Mining Company regarding the payment of royalties due the Government under DMEA Contract Idm-E370. These letters were referred to in your letter of January 26, 1956 addressed to this office.

W. M. Traver

W. M. Traver

DOCKET
SURNAME
McMahon
Martin
Talbert
Selfridge
Lieberman
Mattendorf

400

JAN 26 1956

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
22h New Customhouse Building
Denver 2, Colorado

Re: Docket No. DMEA 2356 - Tungsten
Mikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-8370

Dear Mr. Traver:

Enclosed are two copies of Mr. Lieberman's letter dated December 23, 1955, as requested in your memorandum of January 20, 1956, concerning the subject contract.

Our letters of December 5, 1955, and January 16, 1956, to Mikas Mining Company remain unanswered. Possibly when Mr. Lieberman replies to our letter of January 16 some agreeable arrangement may be reached whereby Government royalties will be calculated on the basis of concentrate sales by Don Lieberman Enterprises.

In the meantime it is requested that you delay writing Mikas Mining Company regarding royalty payments and settlement sheets, as proposed in your memorandum of January 16, 1956, until we are able to give you more definite instructions.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (JHB)

Enclosure

APPROVED:

/s/ Robert W. Goehom (JHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (JHB)
Member, Geological Survey

ADMcMahon/foc
1-25-56
cc to: Docket
Code 400
Adm. Read. File
Operating Comm.
Messrs. Holliday, USBM
Kiilsgaard, USGS

R.C.S.

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

RECEIVED
JAN 23 1956

224 New Customhouse
Denver 2, Colorado

January 20, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

We have received the two field office copies of C. O. Mittendorf's letter of January 16, 1955 to Mr. D. K. Lieberman concerning the correct basis on which DMEA royalties are to be computed. Please furnish two copies or photostats of Mr. Lieberman's December 23rd letter referred to in order that our royalty file for Contract Idm-E370 will be complete.

At this time we are in need of a apecific ruling on the method to be used to determine royalty due for ore produced under the sub-lease agreement held by Don K. Lieberman on the subject property.

A short chronology of recent royalty payment correspondence for Contract Idm-E370 is warranted at this time as a check to insure that your files are complete. A listing of DMEA Region III material which covers the period under consideration follows:

Sept. 12, 1955 - Property was sub-leased to D. K. Lieberman, an individual doing business as Don K. Lieberman Enterprises on September 12, 1955 for a one-year period. (DMEA royalty provisions incorporated therein are contrary to specified Government requirements.)

Sept. 30, 1955 - Region III office was informed of above sub-lease by memorandum from W. R. Storms

Oct. 4, 1955 - Don Lieberman was informed of DMEA royalty provisions and furnished a copy of DMEA Order 1, Amended.

Oct. 7, 1955 - Don Lieberman explained the royalty provisions of sub-contract of Sept. 12, 1955 and asks for our approval. (Copies of Don Lieberman's letter were furnished to the Washington Office by our memorandum of October 20, 1955.)

October 11, 1955 - We requested two copies of Don Lieberman's sub-lease and informed him that royalty must be computed as per provisions of DMEA Order 1, Amended.

October 19, 1955 - Requested copies of sub-lease furnished by Sadie Lee Stuart, Office Manager for Don Lieberman Enterprises.

October 24, 1955 - DMEA Region III's position in the matter of royalty computation under this sub-lease agreement; the complications which must be considered; and a request for a ruling by Washington Office personnel were discussed in our memorandum to you.

December 5, 1955 - Both Nikas Mining Company and Don Lieberman Enterprises were informed that haulage and treatment charges were not allowable deductions in computing the Government's royalty. A demand was also made that the Nikas Mining Company pay delinquent royalties due the Government. No mention was made in either letter as to whether or not the Government's royalty was to be calculated on the basis of G.S.A. settlement sheets or those from other actual purchasers or whether settlement sheets prepared by Don Lieberman Enterprises would be acceptable as a basis for the Government's royalty. (We assumed that the Washington Office personnel did not wish to be committed on this decision which may make a considerable difference in the amount of royalty due. A request for corrected copies of settlement sheets submitted by Don Lieberman Enterprises was made on this assumption.)

December 7, 1955 - Walter R. Storms was requested to obtain the corrected settlement sheets referred to above. We also notified you that the delinquent royalty payment of $68.76 was received.

January 16, 1956 - Revised copies of settlement sheets were received which are still not acceptable. We asked advice of the Washington Office regarding royalty payments to date. Washington Office personnel on this same date answered a letter of protest by D. K. Lieberman informing him that he was not the buyer of the ore but actually the seller, and stating that royalty payments to the Government are to be on gross revenue of the sale of concentrates.

We again call your attention to the similarity between this contract and DMEA Contract Idm-E54, Cold Spring Tungsten, Inc., and ask for a specific ruling as to whether we should demand actual sale settlement sheets furnished to Don Lieberman Enterprises by G.S.A. or other buyers or whether the settlement sheets furnished to the Nikas Mining Company and prepared by D. K. Lieberman can be accepted.

Production sold by D. K. Lieberman is in all probability composed of both Nikas ore and other ore owned by Lieberman; therefore, a proration of the sale to determine the Government's royalty may be necessary.

Royalty payments to date and those anticipated from this property in the future are minor in amount, hardly worthy of warranting the time and correspondence required to date. We believe in this case that our recommendations forwarded to you January 16, 1956 may be advisable. Please thoroughly review this matter and furnish your decisions to us at an early date. We do believe that a letter to the Nikas Mining Company signed by C. O. Mittendorf would prove most effective.

W. M. Traver

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

RECEIVED
JAN 18 1956

224 New Customhouse
Denver 2, Colorado

January 16, 1956

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

In compliance with our memorandum to Walter R. Storms dated December 7, 1955, T. M. Romslo has obtained revised copies of settlement sheets from personnel of the Don Lieberman Enterprises for recent shipments made from the Morning Star Tungsten Mine.

These revised copies for four different shipments are alleged to be corrected copies of ones submitted previously. They are still valueless for our records because of inacurracies. In each case a 1% moisture content is shown and correction to dry weight is actually made on a 10 percent basis. Don Lieberman has also furnished copies of his payment schedule which makes no mention of deductions; however, some deductions are shown on the original sheets and additional ones on the revised copies. Actually a total of $3,294.63 worth of deductions are shown on the original sheets and $3,376.99 on the revised ones, a difference of $82.36. Payment to the Nikas Mining Company is shown as a total of $12,683.56 on the original sheets and only $11,366.23 on the revised copies. This represents a payment differential to Nikas of $1,317.33.

Romslo states that copies furnished to the Nikas Mining Co. in support of their payment were identical to our original copies. Royalty has been paid on these shipments at 5.0 percent of the gross payment with only the assaying charges being considered as deductions.

We have also received the $68.76 delinquent royalties due from Nikas Mining Company which was the subject of considerable previous correspondence. To date we have obtained royalty payments amounting to $1,338.26 from mining operations under Contract Idm-E370, and we believe all production has been reported to the DMEA with the exception of a possible Lot No. 1 in the last numbering group (the first shipment removed by Don Lieberman under their active lease from Nikas Mining Co.).

Romslo makes the statement in his December 30, 1955 memorandum that the Nikas Mining Company has refused to accept the offered settlement for an additional lot of ore. We assume this to be the Lot No. 1 referred to above.

We ask for authority from you to inform the Nikas Mining Company that we accept royalty payments made to date as being acceptable. We believe the DMEA to be fully protected by this arrangement as the company is overpaid by a small amount (other deductions were not considered when they made payment.) The settlement sheets now in our files are worthless for audit purposes and we recommend that the requirement of a royalty audit on production reported to date be waived mainly because we cannot obtain suitable settlement sheets.

We propose to write to Nikas Mining Company demanding that they furnish suitable settlement sheets on all future production. Both Nikas Mining Company and Don Lieberman Enterprises (leasor and leasee) are very inefficient operators; therefore a firm stand on our royalty requirements would not be out of line and may save considerable correspondence at a later date.

Your comments concerning this situation and instructions as to procedure will be greatly appreciated, and we ask for your early reply.

One copy of Romslo's report is enclosed for your convenience with the two Washington office copies being furnished by our regular distribution.

W. M. Traver

W. M. Traver

JAN 3 1956

BUREAU OF MINES
Denver, Colorado

Box 4097
Tucson 5, Arizona

December 30, 1955

RECEIVED
JAN 18 1956

Memorandum

To : W. M. Traver, Executive Officer, DMEA Field Team Region III

From : Superintendent, Southwest Experiment Station

Subject : Royalty Payments, DMEA Contract Idm-K370, Docket DMEA-2356, Nikas Mining Co.'s Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Ariz.

In regard to E. N. Marshman's memorandum of December 7 about errors on settlement sheets for ore sold from the Morning Star mine, a memorandum by T. M. Romalo is attached. Don Lieberman Enterprises has a small tungsten concentrating plant in Tucson. It also leases the Morning Star mine from the Nikas Mining Co., mines the ore and trucks it to its mill in Tucson. The whole operation seems to be very inefficient. The girl who makes out the settlement sheets seems to know nothing about mining practices so many of the errors on the sheets are due to lack of knowledge. Romalo also states that the entire Lieberman operation seems to be run in a very "slip-shod" and inefficient manner.

Attached also are 4 Settlement Sheets which are supposed to be corrected copies.

Walter R. Storms

Walter R. Storms

CC W. M. Traver (8)
DMEA 2356
SF

WRStorms:fr j

Tucson, Arizona December 30, 1955

Memorandum

To : Walter R. Stearns, Superintendent, Southwest Experiment Station, Region III

From : T. M. Romale, Mining Engineer, Tucson, Ariz.

Subject : Royalty payments, RMEA Docket 2386 (Tungsten) Contract Dm-2370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Ariz.

Reference is made to R. N. Harshman's memorandum to you of December 7, 1955.

Attached are the requested 2 copies of the Ore Purchasing Schedule and corrected copies of the 4 settlement sheets. To obtain these data I first visited the office of Ben Lieberman Enterprises and requested that corrected copies of the sheets and other necessary data be submitted to this office as soon as possible. After waiting several days for the data, I found that the sheets on one of the lots was missing and that other errors had been made in the sheets for lot 3. Again there was several days delay, before we received the corrected and missing sheets.

Supplementary information that may be helpful in arriving at royalty payments due follows:

1. The settlement sheets used by the Nikas Mining Company for royalties paid are duplicates of those attached to Harshman's memorandum;

2. Ben Lieberman Enterprises reportedly is mining and trucking the ore to its mill at Tucson;

3. The penalties of lot 3 reportedly were applied on a shipment of concentrates that included 48,92 units from Morning Star ore.

4. The Nikas Mining Company has refused to accept the offered settlement on an additional lot of ore.

T. M. Romale
Mining Engineer
Southwest Experiment Station

CC W. M. Trauer (Orig. & 2)
RMEA-2386
MF

TMRomale :frj

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

140

Rubin
Dwyer
Martin
Selfridge
Yfelsman

JAN 16 1956

Nikas Mining Company
239 North Church Avenue
Tucson, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-R370

Gentlemen:

Attached hereto is a copy of a letter to Don Lieberman Enterprises, which is self-explanatory.

We are looking forward to a prompt reply from you to our letter dated December 5, 1955.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

HCRubin/emd

Copy to: DMEA Docket
Adm. R. File
Operating Comm.
T. H. Kiilsgaard, USGS
R. Holliday, B.M.
W. S. Martin
R. P. Dwyer
H. C. Rubin
Field Team, Reg. III (2)
chron.
pending

R.C.R.

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

140

Rutin
Lawyer
Montgomery
Selfridge
Hefferman

JAN 16 1956

Mr. D. K. Lieberman
Don Lieberman Enterprises
P. O. Box 7066
Tucson, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. IdM-E370

Dear Mr. Lieberman:

This will acknowledge receipt of your letter dated December 23, 1955, in response to my letter of December 5, 1955, informing you of the contents of my letter to the Nikas Mining Company concerning its obligation for the payment of royalty under the exploration project contract.

Your letter states that "We have no concern whatsoever with any contract between Nikas Mining Company and the Government ...." and also that "The gross revenue from sales derived by the Nikas Mining Company is the total gross amount we pay them regardless of how we arrive at it." Insofar as these statements apply to the Government's royalty, we do not agree with them. On the contrary, the exploration contract provides that the Government's royalty shall be based upon the "gross revenue from sales" (not an arbitrary gross figure); the Government's royalty is secured by a lien upon the land and upon any production of minerals therefrom; and your sublease from Nikas is subsequent in time and subordinate to the Government's liens. Therefore, it would seem that the subject contract is of some concern to you.

Your letter also states that the costs of trucking to the mill and milling charges may be deducted in computation of the gross sale price, as a standard practice in the mining industry. Please be assured that in drafting the royalty provisions of our contract forms the standard practices of the mining industry were carefully considered. In our view, as you are not the buyer of the ore in question but rather the producer-seller of the production and the costs in question are not costs of the buyer but rather the seller, they may not be deducted prior to computation of the Government's royalty.

RGS.

Accordingly, irrespective of the terms of your agreement with Nikas Mining Company as to the computation of royalty, the Government expects to receive the royalty due it based upon the gross revenue from sales of production in the form sold at the point of delivery to the buyer thereof, computed without the deductions in question for trucking and treatment. This conforms to the information given to the Nikas Mining Company in a letter dated December 5, 1955, and quoted in pertinent part to you in our letter of the same date.

Sincerely yours,

C. O. Mittendorf

Administrator

HCRubin/wog
January 11, 1956
Copies: Nikas Mining Company
DMEA Docket
Admin. Reading File
Operating Committee
T.H.Kiilsgaard, USGS
R.Holliday/3513
W.S.Martin
R.P.Dwyer
H.C.Rubin
Field Team, Region III (2)
Chron.
Pending

DON LIEBERMAN ENTERPRISES

Docket

Phone 3-2568
1500 W. Ajo Way
P. O. Box 7066

Tucson, Arizona

DECEMBER 23, 1955

TUCSON MOTOR REPLACEMENT

DON MINING COMPANY

MISSION PARK WATER CO.

RANCHO ARBOLES CANTADORES

FREEDOM HOMES, Inc.

ARIZONA MORTGAGE & TRUST CO.

Philadelphia Office:
225 S. 15th St.
Pen 5-2486

UNITED STATES DEPT. OF INTERIOR
DEFENSE MINERALS EXPLORATION ADM.,
WASHINGTON 25, D. C.

RECEIVED
DEC 29 1955

DEAR MR. MITTENDORF:

RE: DOCKET NO. DMEA 2356 - WSM
TUNGSTEN NIKAS MINING COMPANY
MORNING STAR TUNGSTEN MINE
PINAL COUNTY, ARIZONA
CONTRACT NO. IDM-E370

WE REGRET THE DELAY IN ANSWER TO YOUT LETTER OF DECEMBER 5TH BUT THE WRITER HAS SPENT MOST OF HIS TIME SINCE THEN IN NOGALES, ARIZONA ON A HOUSING JOB.

WE HAVE NO CONEERN WHATSOEVER WITH ANY CONTRACT BETWEEN NIKAS MINING COMPANY AND THE GOVERNMENT. ACCORDING TO YOU, YOUR EXPLORATION CONTRACT PROVIDES THAT THE ROYALTY DUE THE GOVERNMENT IS FROM GROSS REVENUE FROM SALES. THE GROSS REVENUE FROM SALES DERIVED BY THE NIKAS MINING COMPANY IS THE TOTAL GROSS AMOUNT WE PAY THEM REGARDLESS OF HOW WE ARRIVE AT IT. ORE PERSA, IS COMPLETELY WORTHLESS AND NOT SALABLE ANYWHERE UNDER PRESENT CONDITIONS. PREVIOUSLY WE DID BUY ORE DIRECT FROM THEM BUT ITS GRADE AND RECOVERY WAS SUCH IN INCONSISTANCY THAT WE ABANDONED THE PRACTICE AND TOOK OVER OPERATION OF THE MINE BECAUSE OF THEIR INABILITY TO SEPARATE IT IN A MINER LIKE MANNER AND BECAUSE OF THE DIFFERENCES IN THEIR OWN CORPORATION. WHATEVER WE PAY THEM IS THEREFORE THEIR GROSS RETURN AND THAT IS BASED UPON 25% OF THE GROSS RETURNS THAT WE RECEIVE FROM WHATEVER SALES WE MAKE OF THE PRODUCE. IT SEEMS TO BE STANDARD PRACTICE IN THE MINING INDUSTRY THAT TRUCKING AND MILL CHARGES ARE DEDUCTED BEFORE THE CHECKS ARE MADE TO THE SELLER. IN THIS INSTANCE, WE ARE DOING THE MINING AND ABSORBING THE MINING COSTS AND TIMBERING AND ETC. WITHOUT WHICH THERE WOULD BE NO RETURN WHATSOEVER. THE MINE WAS LEFT IN SUCH A STATE THAT, IN ORDER TO FOLLOW THE MINE INSPECTOR'S ORDERS, IT REQUIRED AN EXPENSE OF $4000 SO FAR AND MORE TO COME, FOR TIMBERING AND SAFETY WORK.

Copy retained 400

ed 400

DON LIEBERMAN ENTERPRISES

Phone 3-2568
1500 W. Ajo Way
P. O. Box 7066

Tucson, Arizona

WE REALIZE THAT THIS DOES NOT CONCERN YOU BUT WE MERELY WISH TO POINT OUT THAT, IN VIEW OF THOSE COSTS AND MINING AND MILLING COSTS, AND WE REPEAT THAT NOBODY WILL BUY THE ORE OUTRIGHT, 25% IS AN UNUSUALLY HIGH ROYALTY. WE DO NOT WISH TO GET INVOLVED BETWEEN YOURSELVE AND THE NIKAS MINING COMPANY BUT OUR AGREEMENT IS SPECIFIC WITH THEM. WE FEEL THAT IF WE ARE PERMITTED TO CONTINUE ON OUR PRESENT PROGRAM THE GOVERNMENT STANDS A FAR BETTER CHANCE OF RECOVERING THE MONEY EXPENDED FOR EXPLORATION LOANS THAN ANY OTHER WAY BECAUSE WE ARE AFTER VOLUMN AND, WHEN THE WEATHER BREAKS SO OUR LINES DO NOT FREEZE ON US, WE WILL PROBABLY RUN AROUND THE CLOCK.

DUE TO CERTAIN CHANGES IN THE MILLING SETUP THE MILLING CHARGE WILL BE SHORTLY REDUCED AND THE REDUCTION WILL BE RETROACTIVE TO THE DATE OF THE STARTING OF OUR MINING OPERATION.

AT THE SAME TIME THIS LETTER IS BEING DICTATED, MR. STORMS OF THE U. S. BUREAU OF MINES IS BEING FURNISHED WITH PAST SETTLEMENT RECORDS WITH REGARD TO THE NIKAS MINING COMPANY.

PLEASE DO HOT HESITATE TO CALL UPON US FOR FURTHER INFORMATION THAT IS NECESSARY. THE WHOLE FUTURE OF THIS MINE AND PAYMENT OF EXPLORATION LOAN IS DEPENDENT UPON THE SPEED WITH WHICH WE CAN OPERATE BECAUSE IT SEEMS APPARENT THAT THE GOVERNMENT SUPPORTED TUNGSTEN PROGRAM WILL EXPIRE IN JULY AND ALL THE OPINION THAT YOU CAN GATHER IS, THAT, THIS BEING AN ELECTION YEAR, IT IS NOT LIKELY THAT ANY ATTEMPT WILL BE MADE TO RENEW IT IN FACE OF THE PRESIDENT'S POCKET VETO OF THE EXTENSION.

VERY TRULY YOURS

DON LIEBERMAN ENTERPRISES

D K Lieberman

BY D. K. LIEBERMAN sls

DKL/SLS

DICTATED BUT NOT READ.

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

RECEIVED
DEC - 8 1955

224 New Customhouse
Denver 2, Colorado

December 7, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Reference is made to our memoranda dated September 8, 1955, Octoaber 11, 1955 and October 24, 1955 concerning this same subject. We have received the long overdue royalty payment of $68.76, but action by the Washington office in the decision of the method for the calculation of the royalty payment to be made by Don Lieberman Enterprises is needed more than ever as royalty payments are now being made. For your convenience, we enclose two photo copies of our October 24th letter which explains the complicated nature of this operation.

We have requested W. R. Storms to obtain corrected copies of all settlement sheets from Don Lieberman for this operation, and your copies of our request complete with all attachments are here enclosed.

Royalty payment for Lot 2 and 3 by Don Lieberman was made on the basis of 5.0 percent of the gross value with no deductions being considered.

As we desire to remove this royalty account from its present state of confusion, any assistance you can give to obtain the Government's ruling in this case will be greatly appreciated.

E. N. Harshman

E. N. Harshman

Enclosure

Our letters of 12/5 to Lieberman + Nikas + F.T. crossed in the mail -- so no further reply to F.T. required, per ADMcM. 12/12/55.

RECEIVED
DEC - 8 1955

October 24, 1955

224 New Customhouse
Denver 2, Colorado

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

In reply to our letter to Don Lieberman dated October 11, 1955 we were furnished the requested two copies of the operating lease between Nikas Mining Company and Don Lieberman Enterprises. One copy of this sublease with transmittal letter is enclosed for the Washington office file.

Page 7 of this lease agreement makes provisions for DMEA royalty payments. Nikas Mining Company's intentions were right but this royalty repayment question becomes very complicated by the following facts which must be considered:

1. Don Lieberman Enterprises is to pay the DMEA royalty from the 25 percent withheld for the account of Nikas Mining Company from the net concentrate returns.

2. The "net concentrate returns" as defined on page 7 of this sublease is not in conformance with the DMEA interpretation of this term because the trucking and treatment charges specified as deductions will not be allowable if Don Lieberman sells to his own corporation and may not be allowable if sale is made to another ore-buyer.

3. Don Lieberman Enterprises will actually sell the concentrates at a higher price than the settlement sheets furnished to the Nikas Mining Company and the Government would indicate. This operation therefore becomes one similar in many respects to that of the Cold Spring Tungsten, Inc. (Contract Idm-E54) but with important differences because Don Lieberman is a sublessor and not the owner.

4. The type and grade of ore (approximately 1. % WO_3 as Scheelite) will undoubtedly require this type of closely integrated mining, milling, and concentrating operation to pay off. Any additional royalty hardships incurred by the Don Lieberman Enterprises may easily put their operation on a non-profit basis.

5. The method of computing DMEA royalty is definitely specified. No allowance is made for calculating the royalty payments due the Government by other methods; therefore, this office is bound to demand payment as provided for in DMEA Order-1 Amended.

6. If the Nikas Mining Company were paying the DMEA royalties instead of the Don Lieberman Enterprises the method of computing the Government's royalty payment would be substantially different.

As there is a question in this case as to just what the Government's interest in royalty payments may consist of---(the sale of concentrates from mine to Don Lieberman Enterprises or the later sale of concentrates from Don Lieberman Enterprises to G. S. A. or other concentrate buyers) we request and recommend that Washington office personnel review this question and formulate a letter to Don Lieberman outlining the official Government position regarding royalty payments under this sublease arrangement. The Nikas Mining Company should be furnished copies of your letter as well as this office.

In order to get our royalty payments started in the right manner, we request that this letter be sent as soon as possible.

W. M. Trever

Enclosures: Copy lease & photo copy of transmittal letter

RB:ab Berk.

cc: Royalty File E3/0 w/copy lease & orig. trans. ltr.,
W. R Storms
Berk.
Chron

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

RECEIVED
DEC - 8 1955

224 New Customhouse
Denver 2, Colorado

December 7, 1955

Memorandum

To: W. R. Storms

From: Acting Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Enclosed are one photo copy each of settlement sheets for Lot No. 1, April 25, 1955; Lot No. 2, May 9, 1955; Lot No. 2, June 21, 1955; Lot No. 3, September 13, 1955; and one photo copy of transmittal letter dated December 3, 1955 which accompanied the June 21 and September 13, 1955 settlement sheets.

The $472.49 mentioned in Mr. Tronolone's letter is a royalty payment computed on gross value as shown on the last two of the above settlement sheets. This amount is in error as no consideration was given to the charges which are allowable deductions in computing DMEA royalties. The amount of payment; however, is not the reason for this memorandum. As the method of royalty computation is now pending an official decision by Washington office personnel, please ignore the amount of the payment at this time.

The enclosed settlement sheets are entirely unsatifactory for audit purposes. Some do not show the name of the company to whom the ore was sold. Others supply this information by inference only. Wet weight, moisture, and assay values are not indicated on the sheets. The settlement value is shown but this may be entirely different than the ore assay. We note that the gross value is not computed to the same degree of accuracy in all cases. Where penalties are shown as on Lot No. 3, we are unable to follow the calculations at all. A review of these four settlement sheets will show the problems which we must face in arriving at the royalty payment justly due under this contract.

In the near future please assign an engineer from your office to contact Don Lieberman in an attempt to obtain corrected settlement sheets. Probably it would be a good idea to contact officials of the Nikas Mining Company beforehand to see if they were furnished the same type settlement sheets as ours. In one case, settlement sheets furnished

to us for the same lot number do not agree in all the values shown and we call your attention to Lot No. 2 which shows the date the operator was paid as being prior to the date of shipment. We believe errors and omissions are typographical mistakes and not intentional; however, they are so numerous that the value of these settlement sheets as a permanent record is questionable.

Also determine if there is a Lot No. 1 to be reported with the lasttwo settlement sheets. We must insist on being furnished corrected copies of the original settlement sheets pertaining to these and all future ore shipments from this property. Please also obtain two copies of Don Lieberman's payment schedule for our use in a royalty audit which is to be made in the near future.

This is a priority request and should be handled at your earliest convenience.

E. N. Harshman

E. N. Harshman

Enclosure

RDB/vj

cc: Royalty File E370
Sec. Opr. Comm. (2) w/attachments
Berkenkotter
Chron.

NIKAS MINING COMPANY
239 North Church Ave.
Tucson, Arizona

RECEIVED
DEC - 8 1955

December 3, 1955

United States Dept. of the Interior
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Attention: Mr. W. M. Traver

Re: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Dear Mr. Traver:

Enclosed herewith is a check in the amount of $541.25 which covers 5% royalties on Lot No. 2 and Lot No. 3, settlement sheets of which are also enclosed.

The 5% royalty on these lots amounts to $472.49. In addition to these royalties I am also including in the check $68.76, which is as per your request in your letter dated May 9, 1955.

I hope that you will find everything in order.

Yours very truly,

NIKAS MINING COMPANY

Victor J. Tronolone

Victor J. Tronolone

VJT/mg
Encls.

ORE ~~Concentrate~~ Settlement Sheet

RECEIVED DEC - 8 1955

Date JUNE 21, 1955 Shippers Lot No. 2 D.L.E. Lot No. 2

Shipper NIKAS MINING COMPANY

Shipped From ORACLE, ARIZONA Date JUNE 21, 1955

Sampled By _____ Date _____ Lot No. _____

Assayed By _____ Date _____ Report No. _____

Truck _____ Gross Lbs. _____ Tare Lbs. _____ Wet Wt. Lbs. _____

Assay 1.07 Moisture 1% Lbs. 107.04

Dry Weight Lbs. 105.97 TONS

Dry Tons 105.97 x Settlement Assay 1.07 Total Contained Units 105.97

SETTLEMENT

Contained Units 105.97 x 32.10 $ 3401.64 Gross Value

Less Deductions:

Losses

Sampling Charges

Refinery Charge

Freight Charges

Advances RENT ON COMPRESSOR 525.00

Assay Charges 4.25

PENALTIES	Percent		
Tin (Sn)		Molybdenum (Mo)	
Copper (Cu)		Phosphorus (P)	
Arsenic (As)		Sulphur (S)	
Antimony (Sb)		Manganese (Mn)	
Bismuth (Bi)		Lead (Pb)	
		Zinc (Zn)	

Less Applicable Taxes (State) $

" " " (Federal) $

Total Deductions $ 529.25

Net Settlement $ 2872.39

Date Paid: JUNE 16, 1955

Vo. No.

Concentrate Settlement Sheet

Date SEPT 13, 1955 Shippers Lot No. 3 Lot No. 3

Shipper NIKAS MINING COMPANY

Shipped From ORACLE, ARIZONA

Sampled By Date

Assayed By JACOBS ASSAY OFFICE

Truck Gross Lbs. Tare Lbs. 353280

Assay % Moisture

Dry Tons 176.64 x Settlement Assay 1.07 Total Contained Units 189.0048

SETTLEMENT

Contained Units 189.0048 x 32.00 = 6048.15 Gross Value

Less Deductions:

Losses	TAX ON LOT #1	109.44
	TAX ON LOT # 2	57.45
	FXX CREDIT DUE DLE LOT 1 &2	44.62
Sampling Charges		
Refinery Charge		
Freight Charges		
Advances	$2000.00	
Assay Charges	8.00	

PENALTIES	Percent		
Tin (Sn)		Molybdenum (Mo)	
Copper (Cu)		Phosphorus (P)	
Arsenic (As)		Sulphur (S) 2.19%	5.475
Antimony (Sb)		Manganese (Mn)	
Bismuth (Bi)		Lead (Pb) 1.30%	3.25
		Zinc (Zn) .05%	0.125
		TOTAL PENALTIES	432.91

Less Applicable Taxes (State) 2% $ 100.96

" " " (Federal) $

Total Deductions $ 2753.38

Net Settlement $ 3294.77

Date Paid: SEPTEMBER 13, 1955

Vo. No.: PA.Co 5016

RECEIVED
DEC - 8 1955

Date APRIL 25, 1955 1 1

Shipper TEXAS MINING COMPANY

Shipped From APRIL 1950

Sampled By

Assayed By JACOB'S ASSAY 4-21-55

Truck Wet Wt.

Assay Lbs.

Dry Tons 70.69 x Settlement Assay 2.28 Total Contained Units 159.60

SETTLEMENT

Contained Units 159.60 x $34.00 $ 5498.60 Gross Value

Less Deductions:

Losses

Sampling Charges

Refinery Charge

Freight Charges

Advances

Assay Charges 8.00

PENALTIES Percent

Tin (Sn).....

Copper (Cu).....

Arsenic (As).....

Antimony (Sb).....

Bismuth (Bi).....

Magnesium (Mg).....

Phosphorus (P).....

Sulphur (S).....

Manganese (Mn).....

Lead (Pb).....

Zinc (Zn).....

Less Applicable Taxes (State).....$

" " " (Federal).....$

Total Deductions $ 8.00

Net Settlement $ 5490.50

Date Paid: APRIL 25, 1955 DON LIEBERMAN ENTERPRISES

Vo. No.: 1598 & 1615

370

RECEIVED
DEC - 8 1955
DMEA
Date Rec'd

Concentrate Settlement Sh...

Date MAY 9, 1955 Shippers Lot No. D.L.E. Lot No.

MAY 13 1955
BUREAU OF MINES
Denver, Colorado

Shipper NIKAS MINING COMPANY

Shipped From Date MAY 8, 1955

Sampled By Date Lot No.

Assayed By JACOB'S ASSAY Date MAY 9, 1955 Report No. 5078

Truck Gross Lbs. Tare Lbs. Wet Wt. Lbs.

Assay % Moisture Lbs.

Dry Weight Lbs.

Dry Tons 34.33 x Settlement Assay 1.00 Total Contained Units 34.33

SETTLEMENT

Contained Units 34.33 x $30.00 - $ 1029.90 Gross Value

Less Deductions:

Losses

Sampling Charges

Refinery Charge

Freight Charges

Advances

Assay Charges $4.00

PENALTIES	Percent		
Tin (Sn).....		Molybdenum (Mo).....	
Copper (Cu).....		Phosphorus (P).....	
Arsenic (As).....		Sulphur (S).....	
Antimony (Sb).....		Manganese (Mn).....	
Bismuth (Bi).....		Lead (Pb).....	
		Zinc (Zn).....	

Less Applicable Taxes (State)..... $

" " " (Federal)..... $

Total Deductions $ 4.00

Net Settlement $ 1025.90

Date Paid:

DON LIEBERMAN ENTERPRISES

Vo. No.:

per Ted. Lee Stuart, Off Sec.

DOCKET
Surname:
McMahon
Martin
Chambers
Selfridge
Johnson
Mittendorf

DEC - 5 1955

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Custom House
Denver 2, Colorado

Re: Docket No. DMEA 2356, Tungsten
Nikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Traver:

There are attached copies of letters of this date to the Nikas Mining Company and D. K. Lieberman, regarding computation of royalty due the Government on production from the Morning Star Tungsten Mine under the subject contract.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures

APPROVED:

/s/ Robert W. Geehan

Member, Bureau of Mines

Thor H. Kalsgaard

Member, Geological Survey

cc: Docket
Code 400
Oper. Comm.
Adm. Read. File
T. Kiilsgaard, USGS
R. Holliday, USBM
FT, Reg. 3
Code 800-Mr. Chambers

ADMcMahon/ls
11/30/55

DOCKET
Surname:
McMahon
Martin
Chandler
Kilgoard
Geehan
Selfridge
F. E. Johnson

DEC - 5 1955

Mr. D. K. Lieberman
Don Lieberman Enterprises
P. O. Box 7066
Tucson, Arizona

Re: Docket No. DMEA 2356 - Tungsten
Nikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract No. Idm-E370

Dear Mr. Lieberman:

The following is a copy of that portion of a letter to the Nikas Mining Company regarding royalty due the Government under the subject contract:

"We have reviewed a copy of the agreement executed September 12, 1955, between your company and Don Lieberman Enterprises concerning the Morning Star claim, which is the land described in the subject exploration contract.

"The agreement provides for the payment of a 5 percent royalty to the Government from a total of 25 percent royalty computed on the basis of 'net returns from concentrates.' The definition of 'net returns' authorizes Mr. Lieberman, the seller of the concentrates, to deduct $3.50 per ton as a charge for trucking the ore to his mill, and to deduct $17.50 per ton as a mill treatment charge. We wish to point out that this provision does not conform with the requirement of the subject exploration contract that royalty due the Government is based upon the 'gross revenue from sales' which, as we view it, does not permit the deductions for trucking and treatment mentioned above prior to the computation of the royalty.

"Article 10 of the exploration project contract requires that the Operator make suitable provision for the preservation of the Government's royalty, and provides that in the event of its failure to make such suitable provision the Operator remains liable for said royalty.

RCK

"Accordingly, you are informed that the Government does not consider the provision in your agreement of September 12, 1955, with Don Lieberman Enterprises concerning payment of the Government's royalty as a suitable one, and the Government shall continue to look to your company for any deficiency in payment of royalty due it."

We trust the above clarifies the contractual requirements respecting computation of Government royalty on production from the Morning Star Tungsten Mine.

Sincerely yours,

T. O. Mittendorf
(by ES7)
Administrator

cc: Docket
Code 400
Oper. Comm.
Adm. Read. File
Mr. Chambers, Code 800
T. Kiilsgaard, USGS
R. Holliday, USBM
FT, Reg. 3

ADMcMahon/ls
11/30/55

DOCKET

Porter
Dwyer
McMahon
Martin
Chamley
Kilogore
Gehon
Selfridge
Johnson

140

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

DEC - 5 1955

Nikas Mining Company
239 North Church Avenue
Tucson, Arizona

Re: Docket No. DMEA-2356 (Tungsten)
Morning Star Tungsten Mine
Pinal County, Arizona
Contract No. Idm-E370

Gentlemen:

We have reviewed a copy of the agreement executed September 12, 1955, between your company and Don Lieberman Enterprises concerning the Morning Star claim, which is the land described in the subject exploration contract.

The agreement provides for the payment of a 5 percent royalty to the Government from a total of 25 percent royalty computed on the basis of "net returns from concentrates." The definition of "net returns" authorizes Mr. Lieberman, the seller of the concentrates, to deduct $3.50 per ton as a charge for trucking the ore to his mill, and to deduct $17.50 per ton as a mill treatment charge. We wish to point out that this provision does not conform with the requirement of the subject exploration contract that royalty due the Government is based upon the "gross revenue from sales" which, as we view it, does not permit the deductions for trucking and treatment mentioned above prior to the computation of the royalty.

Article 10 of the exploration project contract requires that the Operator make suitable provision for the preservation of the Government's royalty, and provides that in the event of its failure to make such suitable provision the Operator remains liable for said royalty.

Accordingly, you are informed that the Government does not consider the provision in your agreement of September 12, 1955, with Don Lieberman Enterprises concerning payment of the Government's royalty as a suitable one, and the Government shall continue to look to your company for any deficiency in payment of royalty due it.

We should like also to call to your attention the existing delinquency in payment of the Government's royalty on about 1,000 tons

of ore produced prior to the date of your sublease agreement with Mr. Lieberman. If copies of settlement sheets covering all production, and payment of the royalty due the Government are not promptly forwarded to the Executive Officer at Denver, we shall be required to initiate appropriate action.

We shall be pleased to hear from you concerning both problems concerning the Government's royalty discussed herein.

Sincerely yours,

C. O. Mittendorf (by ESF)
Administrator

HCRubin/emd
11/23/55

Copy to: DMEA Docket
Adm. R. File
Field Team, Reg. III (2)
Operating Committee
Mr. Kiissgaard, G.S.
Mr. Holiday, B.M.
W. S. Martin
R. P. Dwyer
H. C. Rubin
chron.
pending

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

NOV 28 1955

Memorandum

To: Administrator, DMEA

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-2356, Nikas Mining Company (tungsten)
Contract No. Idm-E370

Your memorandum dated November 16 requested our comments on your draft of a proposed letter to Don Lieberman Enterprises ("Lieberman") concerning the payment of royalty under the subject contract.

It appears that the project has been certified, and that Don Lieberman Enterprises has subleased the land for a period of one year beginning September 12, 1955, from Nikas Mining Company. The Sublease Agreement provides in pertinent part (paragraph 11) that Lieberman will pay a total royalty of 25 percent on the "net returns from the concentrates" to the Operator, Nikas Mining Company, through a designated accountant who will in turn pay to the Government 5 percent of the 25 percent. The lease defines "net returns" as "the amount due to Sublessee for the ores or concentrates sold after deducting trucking . . . charges to the treatment plant of $3.50 per ton, and a milling or treatment charge of $17.50 per ton."

The contract form involved is the long form of February 1952, and the royalty provisions were not changed by any amendment of the contract. This provision requires that the Government's royalty be based upon the "gross revenue from sales." Accordingly, if Lieberman disposes of the ore as a concentrate from its own mill, it follows that the Government's royalty should be computed upon the basis of the sale price of concentrates. Although the contract form is silent as to whether any deductions may be taken into account in the determination of the gross revenue from any sale, Circular 32, as supplemented by Supplement No. 2, provides that the Government's royalty shall be computed on the amount of the payment made for the production sold in the form sold at the point of delivery, less the deductions and charges made by the buyer in the regular course of business and shown on the buyer's settlement sheets for 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 directly to a carrier. The circular provides further that when

these costs are paid by the operator or anyone other than the buyer, they are not deductible from the gross sale price. It follows, therefore, that the royalty due the Government in this case should be based upon the price received by Lieberman from a buyer of its concentrates less any allowable charges described above, but that any costs incurred by Lieberman in connection with the sale are not deductible. Therefore, in this case the definition of "net returns" in the lease under discussion, which excludes the seller's treatment charge for concentrating and the seller's cost of freight from the mine to the plant, does not conform with the definition adopted by DMEA.

Article 10 of the contract form requires that the Operator make suitable provision for the preservation of the Government's right to percentage royalty and lien for the payment thereof in connection with any transfer of the Operator's rights in the land. The article provides further that if the Operator fails to make suitable provision for the Government's royalty and lien the Operator remains liable for the royalty.

In view of the foregoing, it would seem that a letter should be written to the Operator-sublessor, who is the primary obligor in this case and against whom the Government's rights are most clear, indicating that we have reviewed the agreement executed September 12, 1955, by it with Lieberman, pointing out wherein the provision concerning payment of the Government's royalty is unsuitable, and admonishing the Operator that although the Government will accept royalty from Lieberman it shall look to the Operator for any deficiency in royalty due the Government. The Operator might then choose to accept a lesser amount as its share of the royalty, and amend its agreement with Lieberman to so provide, rather than disturb its entire arrangement with the latter. Transmittal of a copy of the contents of such a letter to Don Lieberman (exclusive of the last paragraph concerning past due royalty payment) might serve as a response to his letter dated October 7, 1955, to Mr. Traver. A draft of a letter to Nikas Mining Company that might be used in this case is attached.

In any event, it is inappropriate to ask Lieberman to pay royalty on production made prior to September 12, 1955, as the last paragraph of your proposed letter would do, since he was not in possession of the property during that time.

Finally, if it were administratively determined that, in this case, it would be "more economical or practicable" to compute the Government's royalty on some basis other than gross proceeds, such findings should be reduced to an agreement with the Operator, as provided in section 10(g) of DMEA Order-1, Amended, instead of with the sublessee, Lieberman.

Robert P. Dwyer
~~Acting~~ Associate Solicitor
Division of Mineral Resources

Attachment

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

224 New Customhouse
Denver 2, Colorado

AIR MAIL

November 21, 1955

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA 2356 (Tungsten) Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Two separate and distinct royalty questions regarding the subject contract were submitted to the Secretary, DMEA Operating Committee for decision and action. Refer to memoranda dated September 8 and October 11, 1955 for the first request and October 24, 1955 for the second. We will appreciate your advice in these matters as soon as possible.

W. M. Traver

By J. W. Townsend
J. W. Townsend

RECEIVED
NOV 23 1955

November 16, 1955

Memorandum

To: Associate Solicitor
Division of Mineral Resources

From: Administrator, DMEA

Subject: Docket No. DMEA-2356
Nikas Mining Company (tungsten)
Contract No. Idm-E370

Following my discussion of this case with Henry Rubin yesterday afternoon, I prepared the attached draft to replace the one dated November 9. I realize that my draft sounds rather terse and perhaps will need some modification - such as expressing our eagerness to cooperate with the new operators, etc. The main point at this time is the propriety of the substantive aspects of the draft.

You will note from the next-to-last paragraph of the Field Team's memorandum of October 24 that they boil down the question in this case as being a determination as to whether the royalty should be computed on the basis of crude ore being sold to a custom mill at a unit price of about $30 per unit of contained WO_3 (such as that Nikas Company did market its ore with Don Lieberman's mill prior to the execution of its recent agreement), or whether the recent agreement nullifies any such marketing arrangement. It seemed to me that the agreement did so nullify that previous marketing arrangement.

Your comments will be appreciated.

C. O. Mittendorf (fw)

Administrator

Attachments

COMittendorf/fw
11/16/55

cc: Mails & Files
Admr. Reading File
Code 400

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

Docket

RECEIVED OCT 27 1955

October 24, 1955

224 New Customhouse
Denver 2, Colorado

WSM

Memorandum

Copy retained 200

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

In reply to our letter to Don Lieberman dated October 11, 1955, we were furnished the requested two copies of the operating lease between Nikas Mining Company and Don Lieberman Enterprises. One copy of this sublease with transmittal letter is enclosed for the Washington office file.

Page 7 of this lease agreement makes provisions for DMEA royalty payments. Nikas Mining Company's intentions were right but this royalty repayment question becomes very complicated by the following facts which must be considered:

1. Don Lieberman Enterprises is to pay the DMEA royalty from the 25 percent withheld for the account of Nikas Mining Company from the net concentrate returns.

2. The "net concentrate returns" as defined on page 7 of this sublease is not in conformance with the DMEA interpretation of this term because the trucking and treatment charges specified as deductions will not be allowable if Don Lieberman sells to his own corporation and may not be allowable if sale is made to another ore-buyer.

3. Don Lieberman Enterprises will actually sell the concentrates at a higher price than the settlement sheets furnished to the Nikas Mining Company and the Government would indicate. This operation therefore becomes one similar in many respects to that of the Cold Spring Tungsten, Inc. (Contract Idm-E54) but with important differences because Don Lieberman is a sublessor and not the owner.

4. The type and grade of ore (approximately 1. % WO_3 as Scheelite) will undoubtedly require this type of closely integrated mining, milling, and concentrating operation to pay off. Any additional royalty hardships incurred by the Don Lieberman Enterprises may easily put their operation on a non-profit basis.

5. The method of computing DMEA royalty is definitely specified. No allowance is made for calculating the royalty payments due the Government by other methods; therefore, this office is bound to demand payment as provided for in DMEA Order-1 Amended.

6. If the Nikas Mining Company were paying the DMEA royalties instead of the Don Lieberman Enterprises the method of computing the Government's royalty payment would be substantially different.

As there is a question in this case as to just what the Government's interest in royalty payments may consist of---(the sale of concentrates from mine to Don Lieberman Enterprises or the later sale of concentrates from Don Lieberman Enterprises to G. S. A. or other concentrate buyers) we request and recommend that Washington office personnel review this question and formulate a letter to Don Lieberman outlining the official Government position regarding royalty payments under this sublease arrangement. The Nikas Mining Company should be furnished copies of your letter as well as this office.

In order to get our royalty payments started in the right manner, we request that this letter be sent as soon as possible.

W. M. Traver

W. M. Traver

Enclosures: Copy lease & photo copy of transmittal letter

DON LIEBERMAN ENTERPRISES

Phone 3-2568
1500 W. Ajo Way
P. O. Box 7066

Tucson, Arizona

OCTOBER 19, 1955

TUCSON MOTOR REPLACEMENT

DON MINING COMPANY

MISSION PARK WATER CO.

RANCHO ARBOLES CANTADORES

FREEDOM HOMES, Inc.

ARIZONA MORTGAGE & TRUST CO.

Philadelphia Office:
223 S. 15th St.
Pon 5-2486

MR. W. M. TRAVER
EXECUTIVE OFFICER, DMEA
FIELD TEAM, REGION 111
U.S. DEPT OF INTERIOR
224 NEW CUSTOMHOUSE
DENVER 2, COLORADO

DMEA
Date Rec'd.
OCT 21 1955

BUREAU OF MINES
Denver, Colorado
OCT 27 1955

DEAR SIR:

DUE TO MR. LIEBERMAN'S ABSENCE ON VACATION IN THE EAST, I AM TAKING THIS OPPORTUNITY TO ANSWER YOUR LETTER OF OCTOBER 11TH WITH REGARD TO ROYALTY PAYMENTS, DMEA DOCKET 2356, CONTRACT IDM-E370, NIKAS MINING COMPANY, PINAL COUNTY, ARIZONA.

PLEASE FIND ENCLOSED TWO COPIES OF OUR SUB-LEASE AND AGREEMENT WITH THE NIKAS MINING COMPANY. THE COPY ENCLOSED IS NOT A RECORDED COPY BUT THE EXACT DUPLICATE OF THE RECORDED COPY WHICH IS RECORDED IN PINAL COUNTY COURTHOUSE, FLORENCE, ARIZONA UNDER DOCKETS 136 AT PAGE 315, OCTOBER 8, 1955.

IF THERE IS ANY FURTHER INFORMATION WE MAY GIVE YOU PLEASE LET US KNOW.

VERY TRULY YOURS

DON LIEBERMAN ENTERPRISES

Sadie Lee Stuart

BY SADIE LEE STUART, OFF MGR.

ENC 4

Copy retained 200

RECEIVED
OCT 27 1956

A G R E E M E N T

WHEREAS, a Mining Lease Agreement covering the Morning Star Mining claim was entered into on the 3rd day of January, 1952, between ELIZABETH L. WOOD, as life tenant, and the Y. M. C. A. of Tucson, parties of the first part, and TOM D. CALLAS, A. NIKAS, JOHN GEKAS, JOHN PAULOS and MONTE SEYMOUR dba NIKAS MINING COMPANY, a copartnership, parties of the second part, copy of which is attached hereto as Exhibit "A" and made a part hereof; and

WHEREAS, said Mining Lease was on the 26th day of September, 1953, assigned by said parties of the second part, with the consent and approval of the parties of the first part, to the NIKAS MINING COMPANY, an Arizona corporation; and

WHEREAS, it is the desire and intention of the said NIKAS MINING COMPANY, an Arizona corporation, to permit D. K. LIEBERMAN, an individual doing business as DON LIEBERMAN ENTERPRISES, to operate the property covered by said Mining Lease under a sublease, if the approval of first parties to the Mining Lease can be obtained;

W I T N E S S E T H

That for and in consideration of the royalties, covenants and agreements hereinafter to be paid, kept and performed, the NIKAS MINING COMPANY, a corporation, hereinafter referred to as "sublessor" has hereby subleased and demised and by this agreement does sublease and demise to the sublessee, those certain premises situated in Pima

County, Arizona, on which is located the Morning Star Mining claim; subject to the approval of the parties of the first part to the Mining Lease of January 3, 1952.

The sublessor hereby gives to the sublessee the right and authority to go upon the property covered by said Mining Lease and operate same as a mine for a period of one (1) year from the date hereof, subject to all of the terms and conditions as set forth in said Mining Lease of January 3, 1952 (Exhibit "A"), and subject also to all terms and conditions set forth in this agreement.

IT IS MUTUALLY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. That the sublessee will enter on said premises and work, explore and develop, and extract ore therefrom, and make the royalty payments hereinafter set forth; that he will perform at least fifty (50) man hour shifts of work per month, doing all of said work in a good and minerlike fashion, and that he will promptly move all ore mined to the mill for concentrating; that he will comply with all the laws of the State of Arizona with reference to mining, will insure his employees with the Industrial Commission of Arizona when required by law, or with a recognized insurance carrier if his employees reject the Arizona Compensation laws; and, upon the termination of this lease, that he will leave all of the tunnels, shafts, drifts and crosscuts open and free of obstruction and will not remove from said premi-

RECEIVED
OCT 27 1955

ses any timber, pipe or rails placed underground, or any timber, pipe or rails already underground, but that pipe or rail placed on the surface by the sublessee may be moved at his own option, and that any building structures, equipment or anything incidental to mining which may be placed on the property by sublessee during the term of this lease shall be construed as being personal property, and it is mutually agreed by the parties hereto that none of these structures or materials shall be considered as becoming affixed to the realty.

2. All ore mined will be weighed at the office of the Hayden Flour Mills, 600 West 22nd Street, in the City of Tucson, before it is delivered to the mill for milling and reports of said weighing shall be delivered to said sublessor at least weekly, giving both the weight and the date of weighing. Sublessee hereby authorizes the said Hayden Flour Mills to give sublessor, at any time, any information it may request relative to the handling or weighing of the ore.

3. Any and all debts and expenses incurred in connection with the mining operation during the term of this agreement shall be the obligation of the sublessee, and said sublessee expressly agrees to pay said obligations and indemnify and hold harmless the sublessor from any liability therefor.

4. All property of any and every kind and description that may be used upon the premises during the term of this agreement shall be at the sole risk of the sublessee, and sublessor shall not be liable to the sublessee or to any other person for any personal injury, or loss or dam-

age to any property on the premises, and sublessee hereby agrees to and does release sublessor from any and all claims for personal injuries or property damage by reason of any defects in the premises or the improvements and personal property thereon, and hereby agrees to indemnify sublessor against any and all liability, including expenses, and legal costs and attorney's fees, which may be incurred by sublessor because of its legal interest in the premises during the term of this lease.

5. This agreement may be terminated by the first parties to the Mining Lease of January 3, 1952, by notice to either the sublessee or the sublessor pursuant to the provisions relative to cancelation in the last paragraph on page 4 and the continuation thereof on page 5 of said Mining Lease; and sublessor agrees to notify sublessee immediately upon receipt of cancelation notice from said first parties; and may be canceled by sublessor, upon thirty (30) days notice in writing for the breach of any covenants herein or in said Mining Lease. However, sublessee shall have thirty (30) days after receipt of notice of default of any of the provisions of this sublease within which to rectify the same, and if he fails to do so, this sublease may be terminated at the option of sublessor, who may proceed under the provisions of paragraph 6.

6. In the event of default in any of the payments herein provided for, or in the performance of any other covenants, sublessor shall have the right and option to (a) terminate the lease and take possession of the premises either with or without process of law; (b) take possession

of the premises without declaring the agreement terminated, and occupy or lease the whole or any part for and on account of sublessor upon such terms and conditions as sublessor may deem proper, and to collect all proceeds to be paid as a result of the mining operation and apply the proceeds first to payment of any expenses incurred in connection with the mining operation, the expenses of re-letting the premises and any damage sustained by sublessor and then upon any payments due or to become due under the provisions of the Mining Lease of January 3, 1952, and under the provisions of this agreement.

Sublessor shall not be deemed to have terminated this agreement or the liability of the sublessee hereunder by re-entry on the premises or by the institution of legal action, unless sublessor notifies sublessee in writing of its intention so to do.

Nothing herein contained shall obligate sublessor to do any of the things that it may, at its option, perform.

7. Sublessee agrees to pay and discharge all costs and expenses, including a reasonable attorney's fee, which may be incurred by sublessor in enforcing any of the provisions of this agreement.

8. In the event of bankruptcy proceedings, voluntary or involuntary, or an assignment for the benefit of creditors, or any proceeding by which sublessee will by operation of law lose supervision and control of the premises, this agreement shall immediately terminate and the property covered shall immediately revert to sublessor.

9. Sublessee agrees to keep said premises free and clear of all liens; to pay all bills or claims for labor or materials used on said premises; to post and keep posted constantly notices of non-liability in accordance with the law of Arizona protecting sublessor against loss or damage of any kind, and agrees to hold sublessor harmless from any such debts or liabilities arising out of the operation of said premises.

10. An authorized representative of sublessor may enter said premises for inspection and shall have the right to examine production records of sublessee on sales of concentrates from ore mined. All mining operations on said premises, the handling or shipment of concentrates extracted shall be under the sole and exclusive charge and supervision of sublessee free from any supervision or control of sublessor, and sublessee shall have the exclusive right to possession of the mining property, subject to the above mentioned exception for inspection purposes.

11. (A) All concentrates shipped shall be in the name of sublessee and copies of all settlement sheets shall be provided for all parties interested in this agreement.

(B) Royalties on all concentrates derived from ore mined on the premises shall be paid by the sublessee to NIKAS MINING COMPANY, a corporation, through VICTOR J. TRONOLONE, the royalty payment to be in an amount equal to twenty-five percent (25%) of the net returns from the concentrates. Royalty payments shall be made by sublessee within ten (10) days of receipt of payment for all ore or concentrates sold.

The term "net returns" is hereby defined to mean the amount due to sublessee for the ores or concentrates sold after deducting trucking or transportation charges from the claim to the treatment plant of $3.50 per ton, and a milling or treatment charge of $17.50 per ton. ? These charges are not to be cumulative, and if the above amounts are not received from the sale of the ore recovered from each of the shipments, any balance is waived by sublessee.

(C) Of the 25% royalty above provided for, sublessor agrees:

Don Lieberman Enterprises

(1) To pay ten percent (10%) as provided for in the Mining Lease of January 3, 1952;

(2) To apply five percent (5%) on the loan procured from the Federal Government by the NIKAS MINING COMPANY, and

(3) To credit the remaining ten percent (10%) to the account of the NIKAS MINING COMPANY, a corporation, for its own use and benefit.

12. Sublessors warrant the existence of the original lease referred to above and guarantee to defend the sublessor's right to peaceable possession of the premises against any and all parties that might advance legal claims to a right to possession.

13. It is not the intention of the parties to this sublease to modify, amend, or in any way change the meaning of any of the provisions of the Mining Lease of January 3, 1952, covering this same property, and any provision of this sublease which is construed to have that

legal effect is hereby declared to be null and void.

IN WITNESS WHEREOF the parties hereto have executed this agreement this 12th day of September, 1955.

NIKAS MINING COMPANY, a corporation

BY _____
President

SUBLESSOR

ATTEST:

_____
Secretary

DON LIEBERMAN ENTERPRISES

BY _____

BY _____

SUBLESSEE

The undersigned hereby consent to the foregoing sublease agreement.

_____
Elizabeth L. Wood

YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, ARIZONA, a corporation

BY _____
President

BY _____
Secretary

STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO } SS

On this 12th day of September 1955, before me, the undersigned officer, personally appeared A. NIKAS, who acknowledged himself to be the President of NIKAS MINING COMPANY, a corporation, and that he, as such President, being authorized so to do, executed the foregoing instrument for the purposes therein stated, by signing the name of the corporation by himself as President.

WITNESS my hand and official seal.

Lucille P. Trinkle
Notary Public

My commission expires ~~12-22-58~~ 10-3-55

RECEIVED
OCT 27 1955

STATE OF ARIZONA)
SS
COUNTY OF PIMA)

On this 9 day of September 1955, before me, the undersigned officer, personally appeared GEORGE K. DIAMOS, who acknowledged himself to be the Secretary of NIKAS MINING COMPANY, a corporation, and that he as such Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Secretary.

WITNESS MY hand and official seal.

Barney Lidy
Notary Public

My commission expires
12-22-58

STATE OF ARIZONA)
SS
COUNTY OF PIMA)

On this 13 day of September 1955, before me, the undersigned officer, personally appeared D. K. LIEBERMAN and BILLYE W. LIEBERMAN, husband and wife, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged that the said D. K. LIEBERMAN is an individual doing business under the name and style of DON LIEBERMAN ENTERPRISES and that they executed the foregoing instrument for the purposes therein stated.

WITNESS my hand and official seal.

Barney Lidy
Notary Public

My commission expires
12-22-58

RECEIVED
OCT 27 1955

MINING LEASE

THIS AGREEMENT, entered into this 3rd day of January, 1952, by and between Elizabeth L. Wood, a widow, as life tenant, and the Young Men's Christian Association of Tucson, Arizona, a corp., parties of the first part, and Tom D. Calles, A. Nikms, John Gekms, John Paules and Monte Seymour, dba Nikms Mining Company, a co-partnership, parties of the second part:

W I T N E S S E T H :

That the parties of the first part for and in consideration of the rents and royalties to be paid and covenants and conditions hereinafter specified to be kept and performed by the parties of the second part, do hereby demise and let unto the parties of the second part for the period of five years from the date hereof, the following described property situated in the Old Hat Mining District, Pinal County, Arizona, as described in the following instruments as recorded in the office of the County Recorder of said County:

NAME OF CLAIM	PATENT RECORDED DEEDS OF MINES BOOK	PAGE
MORNING STAR	6	553

This lease is given, however, on the following conditions:

That the said parties of the second part shall, beginning within thirty days from the date hereof, begin actual work and thereafter proceed with said work continuously during the life of this lease within the boundaries of said claims, unless prevented by accidents, strikes, acts of God, or other agencies beyond the control of the parties of the second part.

It is further understood and agreed that the parties of the second part shall cause all work upon said claims to be

G.K.D

LAW OFFICES
FICKETT & DUNIPACE
SUITE 1
TUCSON TITLE INSURANCE BUILDING
80 N. CHURCH STREET
TUCSON, ARIZONA
TELEPHONE 2-4649

EXHIBIT "A"

done in a good and miner-like fashion, securely timbering and lagging all shafts, drifts, crosscuts, and other mine workings wherever necessary to preserve the same and shall keep all main passageways clear and free from debris, and shall at the expiration of this lease, whether by forfeiture or otherwise, return the said property to the said parties of the first part in as good condition as it now is or may be placed during said operations, reasonable wear and tear and damage caused by the elements and the use contemplated by this lease excepted.

It is further expressly understood and agreed that the parties of the second part shall pay to the parties of the first part or their order, a royalty of 10% of the net returns on all ores extracted from said property. The term "net returns" is hereby defined to mean the net returns to the parties of the second part from the sale of ores or concentrates after deducting transportation charges from the claim to the smelter and all deductions appearing on the smelter returns, and shall be payable at the Southern Arizona Bank & Trust Company, Tucson, Arizona.

The parties of the second part agree to secure Industrial Accident and other insurance in the manner provided by the laws of the State of Arizona and the United States of America, and to protect the property and interests of the first parties from all liability by reason of industrial accidents in the operations of said property under this agreement, and also to protect said property from all manner of liens for labor or materials used or purchased by the second parties in said operations, and it is mutually understood that the first parties shall in no event be liable for any indebtedness incurred by the parties of the second part in their operations under this agreement.

And the second parties further agree for and in behalf of the first parties to post at the entrance of any workings, shafts, tunnels or entrances to the mines, entrances to all

LAW OFFICES
F. KITT & DUNIPA
SUITE
TUCSON TITLE INSURANCE
BUILDING
[illegible] CHURCH STREET
TUCSON, ARIZONA
TELEPHONE [illegible] 4649

RECEIVED
OCT 27 1955

boarding houses, and other places required by law, the notices provided for by the laws of Arizona, generally known as "Notice of non-liability for labor or materials furnished" on or before the day the second parties, or anyone operating under them, begin operations of any kind on said mines and mining claims, or any thereof. The said notices shall be in due form of law and from time to time if the necessity for posting new notices shall arise, said second parties agree to post such notices. And the second parties agree to comply with the Laws of Workmen's Compensation in accordance with the laws of Arizona and to save the first parties harmless on account of any cause of action arising thereunder.

It is further agreed that the said parties of the first part shall at all reasonable times have the privilege of entering upon and examining said premises, and shall be given free and ready access thereto so long as the same does not interfere with mining operations being conducted on said premises.

On or before the first day of June of each year during the life of this lease, the second parties shall perform all assessment work necessary to hold title to the unpatented mining claims adjoining the Morning Star Claim, during the life hereof. It is expressly understood and agreed that all work so done and performed by the second parties shall be applied as assessment work for the benefit of said claims for the year in which said work is done and performed, and for the benefit of the first parties, and all assessment work so performed shall be completed by the 1st day of June of each year, in full compliance with the laws of the United States and the State of Arizona, and Affidavits evidencing the performance of such work as is necessary and required under the laws of the United States and of the State of Arizona shall be filed by the second parties and copies of the same forwarded to the first parties.

LAW OFFICES
FICKETT & DUNIPACE
SUITE 1
TUCSON TITLE INSURANCE
BUILDING
50 N. CHURCH STREET
TUCSON, ARIZONA
TELEPHONE 2-4649

RECEIVED
OCT 27 1955

It is further agreed and understood by and between the parties hereto that the said parties of the second part shall have the right to install in or upon said premises, mining machinery and equipment of any and every character whatsoever and mining tools and have full use of the property in every way as may be necessary to its mining operations and at the termination or expiration of this lease said parties of the second part shall have the right to remove all mining machinery, equipment, and tools within 90 days thereof, but the same shall become the property of or be forfeited to the said parties of the first part, if not removed within said 90 day period.

The said second parties shall not assign, transfer, lease or otherwise dispose of this lease, or any right, title or interest given to him hereunder without the written consent of the first parties; and nothing is to be removed from said property, with the exception of ores and minerals, without the written consent of the first parties.

The privilege of grazing cattle on the lands occupied by the aforesaid mines and mining claims is hereby reserved by first parties, and it is hereby agreed by the second parties that they will permit no other livestock to graze or be at liberty upon said premises, but that all burros, mules and/or other livestock used by second parties or kept by them on said premises shall be confined to and fed in a corral; and all fencing shall be kept in repair and all gates kept closed that said claims and adjoining property of first parties shall be protected.

It is further understood and agreed that time is the essence of this agreement and that in case of breach by the second parties of any covenants, agreements, or conditions hereinbefore specified, unless such breach occurs through causes beyond the control of the second party as enumerated above, the first parties shall have the right at their option to declare this lease null

LAW OFFICES
CKETT & DUNIPACE
SUITE 1
ION TITLE INSURANCE
BUILDING
N. CHURCH STREET
UCSON, ARIZONA
EPHONE 2-4649

RECEIVED
OCT 27 1955

and void and may re-enter and take possession of said property providing, however, that the first parties shall first give written notice of such breach to the second parties and will grant a 30 day period for the second parties to correct same before declaring this lease null and void.

It is further agreed and understood that during the full period of this lease said second parties shall pay all real estate and personal property taxes that may henceforth become due upon the above described premises beginning first with the taxes assessed for the year 1952.

It is further agreed by and between the parties that if the second parties fully and faithfully perform their obligations under this agreement and shall give notice in writing not less than six months prior to the date of the expiration of this lease to first parties, second parties shall have, as a further benefit in consideration of their agreements herein, the right to an extension of this lease for an additional period of five years.

The terms of this agreement shall extend to and be binding upon the heirs, successors, and assigns of the parties hereto, and be interpreted in the same manner.

IN WITNESS WHEREOF, the first parties have hereunto caused these presents to be executed and said corporation's corporate seal affixed by its officers thereunto duly authorized, and the parties of the second part have hereunto set their hands and seals the day and the year first above written.

Evelyn L. Wood
ELIZABETH L. WOOD

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF TUCSON, ARIZONA, A CORPORATION

By Delbert L. Schrist
D. L. SCHRIST, Its President

LAW OFFICES
PICKETT & DUNIPACE
SUITE 1
TUCSON TITLE INSURANCE
BUILDING
50 N. CHURCH STREET
TUCSON, ARIZONA
TELEPHONE 2-4649

RECEIVED
OCT 27 1955

By _____
ASHBY I. LOHR, Its Secretary

PARTIES OF THE FIRST PART

_____
TOM D. CALIAS

_____
A. NIKAS

_____
JOHN GENAS

_____
JOHN PAULOS

_____
MONTE SEYMOUR

PARTIES OF THE SECOND PART

STATE OF WASHINGTON)
: ss.
County of ~~Cowlitz~~ Pierce)

This instrument was acknowledged before me, the undersigned Notary Public, this 16th day of January, 1952, by ELIZABETH L. WOOD, a widow.

_____
Notary Public

My commission expires:
Sept 01 1953

STATE OF ARIZONA)
: ss.
County of Pima)

This instrument was acknowledged before me, the undersigned

LAW OFFICES
FICKETT & DUNIPACE
SUITE 1
TUCSON TITLE INSURANCE BUILDING
50 N. CHURCH STREET
TUCSON, ARIZONA
TELEPHONE 2-4649

RECEIVED
OCT 27 1955

signed Notary Public, this 3rd day of January, 1952, by TOM D. CALLAS, A. NIKAS, JOHN GEKAS, JOHN PAULOS and MINTE SKYMOUR, dba NIKAS MINING COMPANY, a co-partnership.

Notary Public

My commission expires:

[illegible]

STATE OF ARIZONA)
: ss.
County of Pima)

Before me, a Notary Public in and for said County and State, personally appeared [illegible] Secrist and Ashby I. Lohse, known to me to be the persons whose names are subscribed to the foregoing instrument as President and Secretary respectively of the Young Men's Christian Association of Tucson, Arizona, the corporation described in said instrument and acknowledged to me as such officers that they executed the same for said corporation, for the purpose and consideration therein expressed as the free act and deed of such corporation and by them and by said corporation voluntarily executed.

Notary Public

My commission expires:

[illegible]

LAW OFFICES
[illegible] & DUNIPACE
SUITE
TUCSON TITLE INSURANCE
BUILDING
SOUTH CHURCH STREET
TUCSON ARIZONA
TELEPHONE 2-4649

RECEIVED
OCT 27 1955

Martin
Dwyer

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

OCT 21 1955

Memorandum

To: The Administrator, DMEA
Attention: Chief, Iron & Ferro-Alloys Division

From: Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-2356
Nikas Mining Company (tungsten)
Contract No. Idm-E370

Mr. Martin's memorandum dated October 13 requested our comment concerning any action that may be taken toward the collection of royalty due the Government under the subject contract.

The contract is written on the long form of February 1952. The project is completed and was certified on March 3, 1954. Under the contract form in question, payment of royalty to the Government is required on all production from the land from the date of the contract. The land included in the contract is one patented mining claim for which the Subordination Agreement of one lessor and the Consent to Lien of the other were obtained.

The docket indicates that the Government deducted the amount of $471.19 for royalty due it on production made during the project work, from money due the Operator on vouchers. In addition, the Operator made a payment in the amount of $325.82 based upon settlement sheets covering 105.02 tons of ore. However, the Operator has not paid royalty in the amount of $68.76 due on production shipped during December 1954, and February 1955, and also owes royalty on approximately 375 tons of ore produced up to July 1, 1955.

It would seem, therefore, that the same practice should be followed in this case as has been followed in similar cases of this kind. That is,

the Washington Office should make a demand upon the Operator for any unpaid royalty due the Government. Copies of this letter should be transmitted to both lessors with a reminder of their responsibilities under the instruments they executed in connection with the exploration contract. If this correspondence does not bring forth payment, the matter can be submitted, eventually, to the Attorney General for such action as he deems suitable.

R. P. Dwyer

HCRubin/wog
10/21/55

Copies to: DMEA Docket
Sol. Docket
Division (Mr. Martin-3)
G. C. Selfridge (2)
R. P. Dwyer
H. C. Rubin
Chron.

DOCKET
Surname:
Martin
Selfridge
F. Johnson

OCT 17 1955

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Custom House
Denver 2, Colorado

Re: Royalty payments
Docket No. DMEA 2356, Tungsten
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-X370

Dear Mr. Traver:

This will acknowledge receipt of your letter of October 11, inquiring about the status of your memorandum to us dated September 8, 1955, concerning the subject contract. We are obtaining legal counsel on the subject and cannot advise you yet.

We also received two copies of your letter of October 11 to Mr. Don Lieberman on the same subject. It would be appreciated if you would send us two copies of Mr. Lieberman's letter to you of October 7 mentioned therein.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (WS)

Approved:

/s/ Robert W. Geehan (WS)
Member, Bureau of Mines

Thor H. Kiilsgaard (WS)
Member, Geological Survey

cc: Docket
Code 400
Oper. Comm.
Adm. Read. File
T. Kiilsgaard, USGS
R. W. Holliday, USBM
FT, Region 3

WSMartin/ls 10/14/55

R.C.J.

400

DOCKET
SURNAME
Martin

October 13, 1955

MEMORANDUM

To: Acting Assistant Solicitor, DMEA

From: Iron and Ferro-Alloys Division, DMEA

Subject: Collection of royalties
Docket No. DMEA 2356 - Tungsten
Nikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract No. Idm-E370

INTERIOR DEPT.

OCT 13 1955

SOLICITOR

The Field Team, Region III, has had some difficulty in collecting royalties on ore shipments made from the captioned property, and has recommended that we initiate legal action. It would be appreciated if you would review this docket and give us your suggestions.

W. S. Martin, Chief
Iron and Ferro-Alloys Division

TLCHAPMAN:foc
10-13-55
cc to: Docket
Code 400

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

~~Code 802~~

RECEIVED
OCT 24 1955

Code 220

224 New Customhouse
Denver 2, Colorado

October 20, 1955

Copy retained 400

Memorandum

TO: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten) Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Pinal County, Arizona.

Regarding your letter of October 17, 1955 concerning the subject contract, we are sorry you were not furnished copies of Mr. Don Lieberman's letter dated October 7, 1955. Your copies are enclosed.

In the future we will try to keep the two Washington files complete by furnishing you all attachments.

W. M. Traver

W. M. Traver

Copy retained 400

Enclosure

DON LIEBERMAN
ENTERPRISES

PHONE [illegible]
1500 W. Ajo Way
P. O. Box 7066

Tucson, Arizona

OCTOBER 7, 1955

TUCSON MOTOR REPLACEMENT

DON MINING COMPANY

MISSION PARK WATER CO.

RANCHO ARBOLES CANTADORES

FREEDOM HOMES, Inc.

ARIZONA MORTGAGE & TRUST CO.

Philadelphia Office:
225 S. 15th St.
Pen 5-2486

OMEA
Data Rec'd
OCT 1 [illegible] 1955
BUREAU OF MINES
Denver, Colorado

RECEIVED
OCT 24 1955

MR. W. M. [illegible],
EXECUTIVE OFFICER, [illegible]
FIELD TEAM, SECTION 111
[illegible] NEW CUSTOMHOUSE
DENVER 2, COLORADO.

DEAR SIR:

WE HAVE AT HAND YOUR [illegible] OF [illegible]. [illegible] HAVE A LEASE ON THE [illegible] PROPERTY. HOWEVER, WE HAVE NEVER SEEN THE GOVERNMENT CONTRACT. THE LEASE WAS A SUB-LEASE FROM THE [illegible] MINING COMPANY AND IT PROVIDES TOWARDS [illegible] ROYALTIES DUE SUCH ARE TO BE PAID [illegible] MR. TOONGLONE, A LOCAL CPA WHO WILL MAKE THE DISTRIBUTION TO THE ORIGINAL OWNERS AND TO THE GOVERNMENT AND [illegible] MINING COMPANY.

BASED UPON THE PROVISION IN THE LEASE, THE GOVERNMENT IS ENTITLED TO [illegible], WHICH WILL BE PAID BY MR. TOONGLONE OUT OF THE GROSS, OR THE NET RECEIPTS RECEIVED FROM THE ACTUAL SALE WHETHER THE TUNGSTEN IS SOLD TO THE GOVERNMENT STOCK PILE OR WHETHER THE LOW GRADE PRODUCT IS SOLD TO U. S. VANADIUM OR TO SALT LAKE TUNGSTEN COMPANY. IN OTHER WORDS, THE ROYALTY WILL BE PAID BASED UPON THE TOTAL RECEIPTS FROM EVERY SHIPMENT. MR. TOONGLONE IS NOT OUR ACCOUNTANT BUT HAS BEEN SET UP AS AN UNBIASED THIRD PARTY TO HANDLE THIS DISTRIBUTION BECAUSE WE WISH TO [illegible] THAT PROPER [illegible].

[illegible] SECTION 10 OF YOUR [illegible] ORDER [illegible] ESTIMATE [illegible] AND [illegible] NOTE. [illegible] TO [illegible] ACTUAL [illegible] OF [illegible] GROSS INCOME.

[illegible] HOWEVER ON THE GROSS VALUE BEFORE THE [illegible] WAY OF [illegible] THE GROSS VALUE OF ORES [illegible] A VERY DIFFICULT PROBLEM. WE HANDLED SOME OF THE ORE IN MILLING PRIVATELY AND THE RECOVERY VARIED SO WIDELY THAT WE

DON LIEBERMAN
ENTERPRISES

Phone 3-2568
1500 W. Ajo Way
P. O. Box 7066

Tucson, Arizona

FINALLY COME TO AN AGREEMENT TO TAKE OVER THE OPERATIONS OURSELVES BECAUSE THEY APPARENTLY DIDN'T KNOW HOW TO MINE. IT IS HARD TO ESTIMATE, UNTIL WE HAVE MINED SOME OF IT AND GRADED IT AS WE SEE BEST FOR EVERYONE CONCERNED, THE AMOUNT THAT WILL BE A NET RETURN TO THE GOVERNMENT. SUFFICE IT TO SAY, WE WILL PULL OUT MORE TONNAGE THAN THEY EVER WOULD BECAUSE WE EXPECT TO WORK IN AT LEAST TWO LEVELS AT ONCE AND SHOULD BE ABLE TO HANDLE 100 TON OR BETTER PER WEEK BUT THE ROYALTY DUE THE GOVERNMENT UNDER THIS CONTRACT BETWEEN OURSELVES AND THE NIKAS MINING COMPANY SHOULD RANGE BETWEEN [illegible] CENTS AND ONE DOLLAR PER TON AT THE LOWEST ANY MAY GO UP, DEPENDING UPON RECOVERY.

WE WOULD APPRECIATE A TELEPHONE CALL UPON RECEIPT OF THIS LETTER STATING WHETHER THIS IS SATISFACTORY BECAUSE IF IT IS NOT, WE MUST EITHER MAKE DEFERRENT ARRANGEMENTS WITH THE NIKAS MINING COMPANY OR WITHDRAW FROM THE PROPOSITION ENTIRELY. WITH THE IMMINENT TERMINATION OF THE OSA PROGRAM UNDER GOVERNMENT GUARANTEE, WE MUST HIT IT HARD AND FAST. WE CAN MILL 100 TON PER DAY BUT WE CANNOT GET THAT MUCH OUT OF THE MINE. WE DO MILLING FOR OTHERS. THE RESULTANT CONCENTRATES ARE NOT COMINGLED EXCEPT WHEN WE MILL THEM. NO MINING CHARGES ARE APPLIED IN ARRIVING AT THE TERM "NET RETURNS". THE ONLY CHARGES APPLIED ARE TRANSPORTATION AND TRANSPORT.

IN THE EVENT THAT THIS MEETS WITH YOUR APPROVAL, WRITE OR WIRE YOU IMMEDIATELY UPON RECEIPT OF THIS LETTER I CAN BE IN TUCSON TUESDAY MORNING AT 10:00 o'CLOCK FOR 10 DAYS OR THEREABOUT AND WE WOULD HAVE VERY LITTLE TIME TO REWORK THIS IF NOT SATISFACTORY. SINCE WE ARE THE ONLY MINE THAT CAN HANDLE THIS PARTICULAR ORE, IF WE PULL OUT, NOTHING WILL [illegible]. WE MUST THAT YOU SEE THE REASONABLENESS OF THIS PECULIAR PETITION.

VERY TRULY YOURS

DON LIEBERMAN ENTERPRISES

D. K. Lieberman

BY D. K. LIEBERMAN

DKL/SLS

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

RECEIVED
OCT 18 1955

October 11, 1955

224 New Customhouse
Denver 2, Colorado

Mr. Don Lieberman
Don Lieberman Enterprises
P. O. Box 7066
Tucson, Arizona

Re: Royalty payments, DMEA Docket 2356, (Tungsten), Contract Idm-2370, Nikas Mining Star Tungsten Mine, Old Ent Mining District, Pinal County, Arizona

Dear Mr. Lieberman:

We acknowledge receipt of your October 7, 1955 letter in answer to ours of October 4, 1955 concerning royalties due under DMEA Contract Idm-2370.

According to the first paragraph of your letter which states in part "The lease was a sub-lease from the Nikas Mining Company and it provides therein that the royalties due them are to be paid over to Victor J. Tremolone, a local CPA, who will make the distribution to the original owners and to the Government and to the Nikas Mining Company," we believe royalties are probably due by Nikas Mining Company and not Lieberman Enterprises. Please send us two copies of this operating lease so we can determine which company is actually liable for these royalty payments.

In any event the DMEA royalty is computed as per the provisions contained in DMEA Order-1 Amended as stated in our previous letter. If sale is made by the mine operator as concentrates, the DMEA royalty payment is calculated on this basis and only deductions directly applicable to the concentrates and which are shown on the settlement sheet are allowable in computing the Government's royalty.

Yours very truly,

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

By J. W. Townsend
J. W. Townsend

KR:ab
cc: Royalty File 2370
Sec. to Op. Comm. (2)
W. R. Sheyma
Berk.
Curran.

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

RECEIVED
OCT 13 1955

224 New Customhouse
Denver 2, Colorado

October 11, 1955

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten) Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona.

Enclosed is a copy of our memorandum to you dated September 8, 1955. As we have not received our copies of letters of the action requested, we believe the original memorandum to you must have been misplaced.

This royalty amount is considerably overdue and our letters to the Operator have been ignored. If action in this matter has been initiated by the Washington DMEA office, please furnish our copies so our records may be complete.

If the attachments mentioned in our September 8, 1955 memorandum are not available to you, please advise and we will furnish.

W. M. Traver

By J W Townsend
J. W. Townsend

Enclosures

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

RECEIVED
SEP 12 1955

September 8, 1955

224 New Customhouse
Denver 2, Colorado

Memorandum

To: Secretary to the Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region III

Subject: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

This office has been unsuccessful in the collection of royalty amounts due the U. S. Government for production under DMEA Contract Idm-E370. We therefore recommend that legal action be initiated by Washington office personnel to collect royalties due. We are enclosing photo - copies of our most recent letters to this operator for your convenience.

The royalty payment of $68.76 which was requested many times has not been received. Neither have we been successful in obtaining corrected settlement sheets for Lot No. 1 dated April 1955 which was shipped to the Don Lieberman Enterprises. We are including a copy of this settlement sheet in order that you can verify the need for corrected sheets. We have received a royalty payment amounting to $274.52 for this shipment which is 5.0 percent of the gross payment; however, we do not think the gross payment to be correct in this instance.

In addition to the amount of $68.76 due and payable, the Operator has not reported additional shipments which were made from the property. The Semi-Annual report for the period January 1, 1955 through June 30, 1955, prepared by W. R. Hardwick, DMEA engineer, states that shipments to Don Lieberman have totaled 352.0 tons of ore containing 424.40 units of WO_3 and an additional 125.2 tons of ore which had not been assayed at the time of this report, July 18, 1955. This information was obtained by W. R. Hardwick From Don Lieberman personally so we can assume it to be correct. Settlement sheets for Lots 1 and 2 are for 105.02 tons of ore containing 193.93 units of WO_3. Settlement sheet for Lot No. 1 is the one which is in error, however. There then remains a production of 247 tons of

ore containing 230 units of WO_3 and the additional 125 tons of ore not yet assayed, which has not been reported by the operator.

We believe a threat of legal action by the Washington office may produce the desired results. May we be furnished two copies of all future correspondence relating to this subject? An extra copy of Hardwick's Semi-Annual report is enclosed.

Very truly yours,

W. M. Traver

W. M. Traver
Executive Officer, DMEA
Field Team, Region III

Enclosures

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

RECEIVED
AUG 10 1955

224 New Customhouse
Denver 2, Colorado

August 8, 1955

CERTIFIED MAIL

Mr. John J. Gekas, Partner
Nikas Mining Company
239 North Church Avenue
Tucson, Arizona

Re: Royalty payments, DMEA Docket 2356 (Tungsten) Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona.

Dear Mr. Gekas:

Enclosed are photostat copies of our previous letters to you dated May 9, 1955 and May 23, 1955 for which we have not received answers to date.

The corrected settlement sheets requested in our May 23, 1955 letter are required to determine the correct amount of royalty due on this lot number.

This letter also constitutes a formal demand for payment of back royalties due of $68.76 as stated in our letter of May 9, 1955.

Please give these matters you immediate attention.

Yours very truly,

W. M. TRAVER

W. M. Traver

Enclosures

RDB/vj

cc: Royalty File E370
Sec. Opr. Comm. (2)
W. R. Storms
Berkenkotter
Chron.

Docket

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

Defense Minerals Administration
MAY 27 1955

224 New Customhouse
Denver 2, Colorado

May 23, 1955

Copy retained 200

Mr. John J. Gekas, Partner
Nikas Mining Company
239 North Church Avenue
Tucson, Arizona

Re: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-3370, Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Dear Mr. Gekas:

We acknowledge receipt of settlement sheets for Lot Nos. 1 and 2 for ore shipped under DMEA Contract Idm-3370 and also your check No. 338 in the amount of $325.82 in payment of royalties on these shipments.

We are unable to determine the correct royalty due on Lot No. 1 as two errors either in the postings or in the calculations appear on this settlement sheet. The contained units of WO_3 and the gross value are in error.

Please obtain four copies of a corrected settlement sheet for Lot No. 1 for us and forward them to this office at your earliest convenience. A correction in the amount of royalty payments can be made on future shipments.

We have not as yet received the payment of $68.76 which was referred to in our letter of May 9, 1955.

Yours very truly,

W. M. Trever

W. M. Trever

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 13 1955

224 New Customhouse
Denver 2, Colorado

May 9, 1955

Mr. John J. Gekas, Partner
Nikas Mining Company
239 North Church Avenue
Tucson, Arizona

Re: Royalty Payments - Docket DMEA 2356 (Tungsten), Contract Idm-E370 Nikas Mining Company, Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Dear Mr. Gekas:

Receipt is acknowledged of settlement sheets dated December 29, 1954; February 2, 1955, and February 21, 1955, for ore shipments from the subject property by White Mountain Mining and Milling Company.

We have determined that the amount of royalty due the United States Government for these three shipments amounts to $68.76. As this amount is overdue by several months, please forward your check in this amount ($68.76) to the Executive Officer, DMEA Field Team, Region III, 224 New Customhouse, Denver 2, Colorado. Check should be made payable to Defense Minerals Exploration Administration.

Please have the mill to which future shipments are made furnish this office with four copies of all applicable settlement sheets in addition to check payable to Defense Minerals Exploration Administration for the amount of royalties due.

We are returning your settlement sheets as per your request.

Yours very truly,

W. M. TRAVER

W. M. Traver
Executive Officer
DMEA Field Team, Region III

Enclosures

RDB:ld
Copy to: Sec. Opr. Comm. (2)
W. R. Storms w/copy incoming letter.
R. D. Berkenkotter

Royalty File E370 Chron

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

224 New Customhouse
Denver 2, Colorado

April 13, 1955

Memorandum

To: Chairman, Operating Committee
Defense Minerals Exploration Administration

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA 2356, Contract Idm-E370 (Tungsten), Nikas Mining Company, Morning Star Mine, Pinal County, Arizona - Royalty Payments

In answer to your letter of April 7, 1955, please be advised that we again wrote to Mr. Paulos on April 4, 1955. The letter to Mr. Paulos was sent by registered mail, return receipt requested.

We are enclosing a copy of this letter with attachment in case Washington copies have been misrouted.

W. M. Traver

W. M. Traver

Enclosures

DOCKET
SURNAME

400

Rutledge
Martin
Selfridge
Hedges
McKendry

APR - 7 1955

Mr. W. M. Traver, Executive Officer
DMEA Field Team, Region III
224 New Custom House
Denver 2, Colorado

Re: Docket No. DMEA 2356 - Tungsten
Mikas Mining Company
Morning Star mine
Pinal County, Arizona
Contract No. IAm-R370

Dear Mr. Traver:

Reference is made to the subject docket and your letter of March 4, 1955, to Mr. John J. Paulos, partner, Mikas Mining Company.

Please advise if Mr. Paulos has replied to your inquiry regarding payment of the Government's royalty on production from the Morning Star mine.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

FARutledge:foc
4-4-55
cc to: Docket
Code 400
Adm. Reading File
Operating Comm.
FT. REG. III
Messrs. Holliday, USBM
Kiilsgaard, USGS

APPROVED:

J. H. Hedges
Member, Bureau of Mines

Thor H. Kiilsgaard
Member, Geological Survey

R.C.S.

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

Defense Minerals Administration
RECEIVED
APR 7 1955

224 New Customhouse
Denver 2, Colorado

April 4, 1955

Registered Mail

Mr. John J. Paulos, Partner
Nikas Mining Company
2116 East 8th Street
Tucson, Arizona

Re: Royalty payments - DMEA Docket 2350
Nikas Mining Company (Tungsten)
Contract Idm-E370, Morning Star
Mine, Old Hat Mining District,
Pinal County, Arizona

Dear Mr. Paulos:

Reference is made to our letter of March 4, 1955, concerning royalty payments under DMEA Contract Idm-E370, Nikas Mining Company, a copy of which is enclosed.

Please give this matter your immediate attention. If we do not hear from you by May 4, 1955, it will be necessary for us to refer this matter to our Washington office for their appropriate action.

Yours very truly,

W. M. TRAVER,

W. M. Traver
Executive Officer
DMEA Field Team, Region III

Enclosure

rdb;ld

Copy to: Sec. Opr. Cont. (2)
D. A. Christensen
R. R. Morris
Royalty File E370
Chron

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

224 New Customhouse
Denver 2, Colorado

March 4, 1955

Mr. John J. Paulos, Partner
Nikas Mining Company
2110 East 6th Street
Tucson, Arizona

Re: Royalty payments, DMEA Docket 2356 (Tungsten), Contract Idm-E370, Nikas Mining Co., Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona

Dear Mr. Paulos:

According to our records the Morning Star mine has been sub-leased to the White Mountain Mining and Milling Company and ore has been produced from this property upon which royalty payments are due the U. S. Government.

It is also our understanding that DMEA royalties are to be paid by the Nikas Mining Company. If this is correct please forward to us four copies of all applicable settlement sheets and Nikas Mining Company's check in payment of royalties due. In the event that you do not have four extra copies of settlement sheets please send us your copies and a sufficient number for our requirements will be photostated in this office, after which your copies will be returned to you.

Royalties due are to be calculated as per Section 10 of the attached copy of DMEA Order 1 Amended. All checks should be made payable to the Defense Minerals Exploration Administration and sent to the Executive Officer, DMEA Field Team, Region III, Room 224 New Customhouse, Denver 2, Colorado.

Yours very truly,

W. M. TRAVER

W. M. Traver
Executive Officer
DMEA Field Team, Region III

Attachment
ADB:ld
Copy to: Sec. Opr. Comm. (2)
Royalty File E370
R. D. Berkenkotter
Chron
[illegible] R. Storms
[illegible] A. Christensen

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

224 New Customhouse
Denver 2, Colorado

August 31, 1954

Memorandum

To: Chairman, Operating Committee, DMEA

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket DMEA 2356 (Tungsten), Contract Idm-E370, Nikas Mining Company, Morning Star Tungsten Mine, Pinal County, Arizona

Enclosed for your advance information are three copies of a memorandum dated August 27, 1954 from the Chief, Mining Methods Branch, Mining Division, Region IV, which is relative to the possible receipt of an application for additional Government assistance in exploration work at the site of the subject contract.

W. H. King

W. H. King

Enclosures

August 27, 1954

Memorandum

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : Terminated and certified DMEA Contract Idm-E370, Docket DMEA-2356, Nikas Mining Co.'s Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Ariz.

On August 25, 1954, Mr. D. O'Flaherty of the White Mining and Milling Co., Box 25, Oracle, Ariz., called at this office to discuss the possibility of obtaining Government aid for additional exploratory work at the Morning Star mine.

According to O'Flaherty, the White Mining and Milling company has operated tungsten properties near Bishop, Calif. and has an option on the Morning Star property. Since taking over the Morning Star, the company has done considerable surface and underground geological mapping, started an adit and commenced to dewater the mine. The dewatering operation was stopped after the shaft was found to be caved at about 60 feet from the surface. At present, the adit is being advanced and a small tungsten mill, to treat Morning Star and custom ores, is under construction. The flow sheet of the mill is something new, at least to me. It involves crushing, roasting, grinding and dry concentration by electro-static separation. O'Flaherty said this process has yielded good results on tailings from Morning Star ore and on ores from near Bishop. He said any Bureau engineer interested in visiting the plant, when completed, will be welcome.

The company plans to continue the adit, start mining of ore encountered in the adit and mill this ore and custom ores, on their own. They would like Governmental aid on reopening the mine to the 100 level and drifting and crosscutting from this level. They probably will write Mittendorf asking if the DMEA will consider transfer to the White Mining and Milling Co. of Contract Idm-E370, after amending it to provide for the proposed exploratory work. Four copies of their surface and underground maps, showing the proposed work, will be submitted with the letter that will contain estimated costs of proposed work and information on past and present mining and milling operations.

T.M. Romalo

T. M. Romalo, Mining Engineer
for Walter R. Storms, Chief
Mining Methods Branch
Mining Division, Region IV

CC W. H. King (7)
DMEA-2356
DF
TMRomalo:frj