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: BMKA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-K370

Enclosed for deposit to the subject BMKA 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.)

YOUNG MEN'S CHRISTIAN ASSOCIATION

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

March 27, 1963

Mr. George T[illegible], Jr.
Director
Office of Mine[illegible] Exploration
Department of [illegible]rior
Washington 25, [illegible].

Dear Mr. Tu[illegible]

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 [illegible] 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 [illegible] 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 [illegible] exist.

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

Sincerely yours,

Clermont Loper
Executive Vice President

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

YOUNG MEN'S CHRISTIAN ASSOCIATION

[illegible] FIFTH AVENUE [illegible] 5874 TUCSON, [illegible]

December 3, 1962

Mr. Frank E. Johnson
Mining Engineer
Bureau of Mineral Exploration
Mineral Office Dept. of the Interior
Washington 25, D. C.

Re: DMEA-2356 [illegible]
Nikas Mining Co[illegible]
Morning Star [illegible]
Pima County, [illegible]
Contract Ida-[illegible]

Dear Mr. Johnson:

We have been [illegible] that Mrs. Tom Collins has [illegible] possession (stored in a basement) the small lot ([illegible] pounds, [illegible] WO_3) of tungsten concentrate. We have not been able [illegible] Collins, although we have learned she is living in the Flagstaff [illegible] and receives mail there seemingly marked "General Delivery". [illegible] hesitated breaking into this storage area and securing this [illegible] though a portion of it still 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 attempt to resolve this long past due problem.

Sincerely yours,

Clement Lopez
Executive Vice President

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

Clo:jw

Building 20 - Federal Center
Denver 25, Colorado

October 26, 1962

EXTRA COPY
O. M. E
RECEIVED
800

Memorandum

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

From: T. M. Romslo, Mining Engineer

Subject: BMEA-2356 (Tungsten)
Contract Idm-E370
Hibbs 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. Johnsen's letter of September 12, 1962 to Mr. Clarenmont 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.

Original signed by

T. M. Romslo

SEP 12 1962

Mr. Clermont D. Leper, General Secretary
Young Men's Christian Association
516 North Fifth Avenue
P. O. Box 3874
Tucson, Arizona

Re: DMEA-2556 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-8570

Dear Mr. Leper:

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

SPHelt/ama 9-12-62

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

OFFICE OF MINERALS EXPLORATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF ROYALTY REVIEW

I have reviewed the files of the Washington office pertaining to Contract Idm-8370, Docket DMEA-2356 (tungsten), dated July 18, 1952, with

Nikas Mining Company
239 North Church Street
Tucson, Arizona

for the purpose of determining the amount of royalty due the U. S. Government on sales of minerals from property referred to as the Morning Star Mine located in Pinal County, Arizona, during the period December 2, 1956, through October 16, 1961.

A certification of discovery or development was issued on March 3, 1954, and, in accordance with Article 9 of the contract, royalty is payable on all minerals mined or produced from the land described in Article 2 of the contract for a period of 10 years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first. An Audit Certificate dated February 18, 1954, indicated accepted costs under the exploration contract amounting to $24,212.35 with the Government's contribution, on a 75 percent basis, being $18,159.26.

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

This review disclosed no sales of production subsequent to the period covered by a prior Royalty Audit Certificate which found the sales subject to Government royalty through December 1, 1956, to be $62,745.20. The royalty account as of that date was:

Total Royalty Due	$3,137.26
Total Royalty Paid	2,136.70
Balance of Royalty Due	$1,000.56

At October 16, 1961, the royalty account of this project was found to be:

Total Royalty Due	$3,137.26
Total Royalty Paid	3,137.26
Balance of Royalty Due	$ -0-

October 19, 1961

E. D. Talbert, OME Auditor

STATUS OF PROJECT, SCOPE OF REVIEW
AND REASONS THEREFOR

After unsuccessful attempts by the field and Washington offices to collect the $1,000.56 in delinquent royalties stated in the Royalty Audit Report and Certificate dated December 12, 1956, the matter was referred to the Attorney General of the United States on September 20, 1957. A program of periodical payments was arranged with the Operator by the United States Attorney at Tucson, Arizona. Final payment in liquidation of this delinquent royalty was received by the Government on June 29, 1959.

The files disclose no sales of production since December 1, 1956, the end of the period covered by the aforementioned audit. However, during December 1956, 35 tons of ore was cleaned from the floor of a stope by Tom D. Callas, one of the partners in the Nikas Mining Company. This production was milled into an estimated 800 lbs. of about 52% WO_3. The concentrates are stored in the basement of the residence of Mr. Callas' widow in Florence, Arizona.

In a letter dated December 2, 1959, the Nikas Mining Company, over the signature of John Gekas, one of the partners, advised that it was not aware of this stockpile but stated "If such is the case please rest assured that the Government will receive royalty when the concentrates are sold". In a letter dated February 14, 1961, Mrs. Tom Callas acknowledged custody of the concentrates and stated "So if I do anything with them I will let you know right away".

The sub-lease of the project property to D. K. Lieberman, d/b/a Don Lieberman Enterprises expired on September 12, 1955, and was not renewed. The lease of the Operator, a partnership composed of Tom D. Callas, A. Nikas, John Gekas, John Paulos, and Monte Seymour, was not extended on its January 3, 1957, expiration date. By the provisions of the Landlord's Subordination Agreement executed by Elizabeth L. Wood on February 20, 1952, the obligation for repayment is assumed by Mrs. Wood in event of termination of the lease.

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

(1) Periodic examinations and correspondence has disclosed no sales of production other than those reported in the prior Audit Report and Certificate;
(2) Proper royalty has been paid on all production except a small stockpile of concentrates; and

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

MME Form 22
Dec. 60

DEPARTMENT OF THE INTERIOR
Office of Minerals Exploration

CHECK SHEET OF EXAMINING ENGINEER

Operator's Name and Address

Nikas Mining Co.

Morning Star Mine

Contract No.	Docket No.
Idm E370	**DMEA 2356**

Prepared by (Signature)	Date
Hugh M. Connors	**October 16, 1961**

Hugh M. Connors

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

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

- [ ] Operating.
- [x] Inactive.
- [ ] Abandoned.

Dec. 1956 Date of last production if not operating.

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

On October 6, 1961 I tried to contact Mrs. Tom Callas in Florence, Arizona. The postmaster suggested I contact the Public Utilities office. I found that there is no light, gas, or telephone in her name.

84861-60

Building 20 - Federal Center
Denver 25, Colorado

EXTRA COPY O. M. E. RECEIVED OCT 25 1961		
DATE	INITIALS	CODE
10/25		800

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

EXTRA COPY
O. M. E
RECEIVED 06 25 1961

DATE	INITIALS	CODE

Building 20 - Federal Center
Denver 25, Colorado

October 23, 1961

Memorandum

To: Fiscal Section, Division of Administrative Services
Office of the Secretary, Department of the Interior
Washington 25, D.C.

From: Acting Field Officer, OME, Region III

Subject: Docket DMEA-2336 (Tungsten)
Contract Idm E370
Nikas Mining Company
(Morning Star mine)
Pinal County, Arizona

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

Original signed by

Hugh M. Connors

Attachment
HMC/lm
cc Chief, Division of Field Operations, OME
E. D. Talbert, Acting Chief
Contract Administration and Audit Division
Royalty Corres E370
Chron

OCT 1 9 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-R370

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

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-2556 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-E570

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

Building 20 - Federal Center
Denver 25, Colorado

EXTRA COPY
O. M. E
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DATE CODE
800

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.

Original signed by

Hugh M. Connors

Attachments

(2)

EXTRA COPY
O. M. E
RECEIVED FEB 27 1961
DATE CODE
OME
DEPARTMENT OF THE INTERIOR
FEB 2 1961
REGION III
DENVER, COLORADO

Hanna Wyoming
Feb. 15, 1961

Mr. Hugh M. Connors
Denver Colo.

E 370

Dear Sir
in regards to the Irrigation Canal
that are still placed on my
claim. I have tried to dis
pose of them but the Market
absolutely is low here. Mr. O. D.
Jones of Bishop Calif advised
me to wait a few months and
he thought he could help me
dispose of them. I have them
under padlock. So if there
is anything else I can do
~~[illegible]~~ let you know
right away.

Respectfully
Thomas Callas

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

Building 20 - Federal Center
Denver 25, Colorado

February 14, 1961

EXTRA COPY
O. M. E
RECEIVED FEB 3 1961
DATE
CODE
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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 concentrates 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

Hm

OME
DEPARTMENT OF THE INTERIOR

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

February 3, 1961

Mrs. Tom Callas
General Delivery
Florence
Arizona

Clermont D. Loper
General Secretary
Young Men's Christian Association
515 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,

Hugh M. Connors

Hugh M. Connors
Acting Field Officer, OME
Region III

This is all we have at present

CD Loper

Enclosure

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O. M. E
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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 5374
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

FILE COPY
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DATE CODE
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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. DMTA 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

Building 20 - Federal Center
Denver 25, Colorado

EXTRA COPY
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DATE	INITIALS	CODE
		800

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

Code ~~500~~ 900

NOV 22 1960

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: DME-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.

George C. Selfridge

SPHolt:kb - 11-22-60
cc: Docket
Director's reading file
Code ~~500~~ 900
Chron.

OCT 11 1960

Memorandum

To: Acting Field Officer, Region III

From: Chief, Division of Field Operations

Subject: RMEA-2356 (Tungsten)
Ethes Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Idm-K370

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. Collas, either directly or through Mr. Leper, as noted in your letter of May 26, 1960, to Clermont D. Leper, and Mr. Leper'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. Collas.

It is estimated that the concentrate in question weighs about 300 pounds and contains about 32 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.

George C. Selfridge

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

Building 20 - Federal Center
Denver 25, Colorado

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O. M. E
RECEIVED JUL 14 1960
DATE | CODE
800

July 11, 1960

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

DMEA-25-6

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

EXTRA COPY
O. M. E
RECEIVED JUL 14 1960
SEE INITIALS CODE

July 5, 1960

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

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. Am-E370
Mikas Mining Company
(Morning Star claim, Morning Star mine)
Pima 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. Roper
General Secretary

cdl:cjl

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

EXTRA COPY
O. M. E
RECEIVED MAY 31 1960

DATE	INITIALS	CODE
		800

Building 20 - Federal Center
Denver 25, Colorado

May 26, 1960

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

Re: Docket No. [illegible]-2356 (Tungsten)
Contract No. Bm-E370
Hilus Mining Co.
(Morning Star claim, Morning Star Mine)
Pinal County, Arizona

Dear Mr. Loper:

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. Connors
Acting Field Officer
OME, Region III

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

CA&A Div.

MAY 23 1960

Memorandum

To: Acting Field Officer, OME, Region III

From: Chief, Division of Field Operations

Subject: DMEA 2356 (Tungsten)
Mikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract Idm-E379

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.

George C. Selfridge

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

YOUNG MEN'S CHRISTIAN ASSOCIATION

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

EXTRA COPY O. M. E RECEIVED APR 18 1960		
DATE	INITIALS	CODE
		100

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 - F 870
Nikas Mining Co.

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

EXTRA COPY O. M. E RECEIVED APR 11 1960		
DATE	INITIALS	CODE
		800

XXXXXXXXXXXXXXXXXXXXX
Building 20 - Federal Center
Denver 25, Colorado

April 7, 1960

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

Re: Docket No. DMRA-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.

EXTRA COPY
O. M. E.
RECEIVED FEB 26 1960

DATE	INITIALS	CODE
		800

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

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

2356

Re: Docket No. DMEA-25666 (Tungsten)
Contract No. Idm-E370
Elkas 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

HWC

OME
DEPARTMENT OF THE INTERIOR
DEC 4 1959
REGION III
DENVER, COLORADO

EXTRA COPY
O. M. E.
RECEIVED DEC 7 1959

DATE	INITIALS	CODE
		800

NIKAS MINING COMPANY
239 North Church
Tucson, Arizona

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

Chairman (2)

EXTRA COPY O. M. E. RECEIVED NOV 20 1959		
DATE	INITIALS	CODE
		800

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

CERTIFIED MAIL

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

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

Dear Mr. Gakas:

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.

EXTRA COPY
O. M. E.
RECEIVED OCT 15 1959

DATE	INITIALS	CODE
		800

Building 20 - Federal Center
Denver 25, Colorado

October 13, 1959

Mr. J. Gahan
Hikan Mining Company
239 North Church Street
Tucson, Arizona

Re: Docket No. DMEA 2556 (Tungsten)
Contract No. 16m-E370
Hikan Mining Company
(Morning Star mine)
Pinal County, Arizona

Dear Mr. Gahan:

On our last inspection of the Morning Star mine, it was noted that an estimated 800 pounds of concentrates containing about 58 percent WO_3, that were produced from the property were stored at the home of Mr. Callan, 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

EMC:ltm

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

TRIPLICATE Treasury Department Circular No. 945 - Rev., Supp. 1 (Third Amendment), Promulgated Sept. 11, 1957 by Treasury Department, Fiscal Service.

CERTIFICATE OF DEPOSIT
Standard Form 219

Identification of Accountable Officer Affected	
(1) Office Deposit Symbol: 9013	(2) For Consolidated Abstract of Treasury Regional Office at (city and state): Denver, Colorado

9/22/59 (Date sent) 33 (Deposit No.)

Deposited with Federal Reserve Bank of Kansas City, Mo., Denver, Colo. (Name and location of depositary)

(3) The Sum of $ 1,226.57

(4) Classification of Deposit

Account Symbol	Amount	Account Symbol	Amount
14 X4401	$ 1,226.57		$

E 373

(6) Department or Agency and address whose accounts are credited, IF OTHER THAN depositing agency.

(5) 14-23-010
Office of Minerals Exploration
224 New Custom House
Denver 2, Colorado

Depositor's title, Department or Agency and address. If deposit is made for another accounting entity, identify in (6).

(7) SPACE BELOW TO BE USED BY DEPOSITARY ONLY. I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

Shisler
(Authorized signature)

SEP 2 2 1959
(Date of credit in Treasurer's account)

Depositary will date, sign and forward to depositor for his retained copy.

C-370 Nikas Mining 297.71
C-1198 Jen, Inc 928.86
1,226.57

FEDERAL RESERVE BANK
SEP 22 PM 12 21
MAIL DEPT-2

OFFICIAL FILE COPY
O. M. E.
RECEIVED SEP 25 1959

DATE	INITIALS	CODE

E-370

For Certificate of Deposit No. 1, dated July 2, 1959, giving royalty payment of $102.85, see E-345.

SUPER COPY
O. M. B.
RECEIVED JUL 6 1959
INITIALS
CODE
200

Form No. USA-200
(Rev. 3-3-58)
Form approved by
Comp. Gen., U. S.

Receipt No. 62759

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 TWO and 85/100 DOLLARS ($ 102.85)		From John K. Mesch Attorney at Law Tucson, Ariz.
Agency & File No.	USDI Docket No. DMEA 2356 Contract No. IDM-E370	Bal now: 797.71	
Type Claim: unpaid royalties	Amt. of Claim: $1,000.56	DJ File No.: 90-1-18-333	(X) Pre-judgment ( ) Judgment ( ) Compromise, ( ) Paid in full (X) Partial Pay No. 8
Date Payment Received: June 29, 1959		By Clerk	for UNITED STATES ATTORNEY

Duplicate — With Remittance

88

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.
April 17, 1959

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

REM:JWM
90-1-18-333

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
4/22	C	220
		800

cy made for M + 7

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. IDM-E370. (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 $400.56. You will be advised when further payments are received.

Sincerely,

PERRY W. MORTON
Assistant Attorney General
Lands Division

By: Robt E. Mulroney
Robt. E. Mulroney
Chief, Trial Section

c i t d o

Form No. USA-200
(Rev. 3-3-58)
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. DMEA 2356 Contract No. IDM-8370	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, 1959

By [signature] Clerk for UNITED STATES ATTORNEY

Duplicate — With Remittance

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

ONE/TUC

EXTRA COPY
O. M. E.
RECEIVED APR 13 1959
DATE | INITIALS | CODE
800

TRIPLICATE
Rev., Supp. 1 (Third Amendment). Promulgated Sept. 11, 1957
by Treasury Department, Fiscal Service.

Treasury Department Circular No. 945 -

CERTIFICATE OF DEPOSIT
Standard Form 219

4/6/59 (Date sent)

132 (Deposit No.)

Identification of Accountable Officer Affected

(1) Office Deposit Symbol: 9013

(2) For Consolidated Abstract of Treasury Regional Office at (city and state): Denver, Colo.

Deposited with Federal Reserve Bank of Kansas City, Mo., Denver, Colo.
(Name and location of depositary)

(3) The Sum of $ 223.26

(4) Classification of Deposit

Account Symbol	Amount	Account Symbol	Amount
14X4401	$223.26		$

E-37

(6) Department or Agency and address whose accounts are credited, IF OTHER THAN depositing agency.

(5)
14-23-040
Office of Minerals Exploration
224 New Customhouse
Denver 2, Colo.

Depositor's title, Department or Agency and address. If deposit is made for another accounting entity, identify in (6).

(7) SPACE BELOW TO BE USED BY DEPOSITARY ONLY. I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

APR - 6 1959
(Date of credit in Treasurer's account)

Depositary will date, sign and forward to depositor for his retained copy.

E-370 Nikas
Mining Corp- 100.00
E-1182 Gibraltar
Minerals Corp. 123.26
223.26

OFFICIAL FILE COPY
O. M. E.
RECEIVED APR 9 1959

DATE	INITIALS	CODE
4-9	C	220
		806

1959 APR 6 PM 12

December 23, 1958

jch

REM-JWM
90-1-18-333

Official
~~EXTRA~~ COPY
O. M. E.
RECEIVED DEC 30 1958

DATE	INITIALS	CODE
1/16	220	CC
		800

George W. Abbott, Esquire
Solicitor
Department of the Interior
Washington 25, 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. IDM-E370. (Your reference: Bureau of Land Management.)

The United States Attorney at Tuscon, 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

orig. sent to
Leg'l Div.

QUADRUPLICATE Treasury Department Circular No. 945 - Rev., Supp. 1 (Third Amendment). Promulgated Sept. 11, 1957 by Treasury Department, Fiscal Service.

CERTIFICATE OF DEPOSIT
Standard Form 219

Identification of Accountable Officer Affected	
(1) Office Deposit Symbol: 9013	(2) For Consolidated Abstract of Treasury Regional Office at (city and state): Denver, Colo.

12/12/58 (Date sent)

86 (Deposit No.)

Deposited with Federal Reserve Bank of Kansas City, Mo., Denver, Colo. (Name and location of depositary)

(3) The Sum of $2,231.84

(4) Classification of Deposit

Account Symbol	Amount	Account Symbol	Amount
14X4401	$2,231.84		$

E-3570

(6) Department or Agency and address whose accounts are credited, IF OTHER THAN depositing agency.

(5)
14-23-040
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colo.

Depositor's title, Department or Agency and address. If deposit is made for another accounting entity, identify in (6).

(7) SPACE BELOW TO BE USED BY DEPOSITARY ONLY. I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

[illegible]
(Authorized signature)

12/12/58
(Date of credit in Treasurer's account)

Depository will date, sign and forward to depositor.

DENVER BRANCH
FEDERAL DEPOSIT INS. CORP.

1958 DEC 12 PM 1 10

MAIL DEPT.

E-649	Camoose	$ 761.96
E-823	Climax Uranium	1,269.88
E-370	Nikas Mining	200.00
		$2,231.84

OFFICIAL FILE COPY
O. M. E.
RECEIVED DEC 22 1958

DATE	INITIALS	CODE
12/22	[illegible]	322
		802

EXTRA COPY
O. M. E.
RECEIVED DEC 15 1958

DATE	INITIALS	CODE
		~~800~~
		800

Receipt No. 72819

DEPARTMENT OF JUSTICE

Office of United States Attorney

Tucson District of Arizona

Claim Against NIKAS MINING CO.			U. S. Attorney's No. 6926	
Amount Received TWO HUNDRED and no/100 ($ 200.00)			From Mesch, Jacper, Marques & Rothschild, Attys Tucson, Ariz	
Agency & File No. USDI Docket No. DMEA 2356 Contract No. IDM-E370	Principal 200.00	Interest	Costs	Balance 500.56
Type Claim Unpaid royalties	Amt. of Claim 1000.56	DJ File No. 90-1-18-333	(X) Pro-judgment ( ) Judgment ( ) Compromise	( ) Paid in full (X) Partial Pay No. 6
Date Dec. 9, 1958		By	Clerk Lillian E Leslie for UNITED STATES ATTORNEY	

Duplicate—With Remittance

E370

wo-3 { 2 Chm.'s File
1 Settlement Sheet File

DME/TUC

TRIPLICATE
Rev., Supp. 1 (Third Amendment). Promulgated Sept. 11, 1957
by Treasury Department, Fiscal Service.

Treasury Department Circular No. 945 -

CERTIFICATE OF DEPOSIT
Standard Form 219

8/26/58 (Date sent)

33 (Deposit No.)

Identification of Accountable Officer Affected

(1) Office Deposit Symbol: 9013

(2) For Consolidated Abstract of Treasury Regional Office at (city and state): Denver, Colo.

Deposited with Federal Reserve Bank of Kansas City, Mo., Denver, Colo. (Name and location of depositary)

(3) The Sum of $ 1,693.95

(4) Classification of Deposit

Account Symbol	Amount	Account Symbol	Amount
14X4401	$ 1,693.95		$

(6) Department or Agency and address whose accounts are credited, IF OTHER THAN depositing agency.

(5)

14-23-040
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Depositor's title, Department or Agency and address. If deposit is made for another accounting entity, identify in (6).

(7) SPACE BELOW TO BE USED BY DEPOSITARY ONLY. I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

Donald A. Carr
(Authorized signature)

AUG 26 1958
(Date of credit in Treasurer's account)

Depositary will date, sign and forward to depositor for his retained copy.

E-910	Nikas Mining	$ 50.00
E-879	Uranium King Corporation	1,643.95
		$1,693.95

OFFICIAL FILE COPY
D M E A
RECEIVED MAY 28 1958

DATE		CODE
8/28	C	220
		800

TRIPLICATE Treasury Department Circular No. 945 - Rev., Supp. 1 (Third Amendment). Promulgated Sept. 11, 1957 by Treasury Department, Fiscal Service.

CERTIFICATE OF DEPOSIT
Standard Form 219

7/21/58 (Date sent)

12 (Deposit No.)

Identification of Accountable Officer Affected

(1) Office Deposit Symbol: 9013

(2) For Consolidated Abstract of Treasury Regional Office at (city and state): Denver, Colo.

(3) The Sum of $ 50.00

Deposited with Federal Reserve Bank of Kansas City, Mo., Denver, Colo.
(Name and location of depositary)

(4) Classification of Deposit

Account Symbol	Amount	Account Symbol	Amount
14X4401	$ 50.00		$ E-370

(6) Department or Agency and address whose accounts are credited, IF OTHER THAN depositing agency.

(5)
14-23-040
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Depositor's title, Department or Agency and address. If deposit is made for another accounting entity, identify in (6).

(7) SPACE BELOW TO BE USED BY DEPOSITARY ONLY. I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

Bonnell
(Authorized signature)

JUL 21 1958
(Date of credit in Treasurer's account)

Depositary will date, sign and forward to depositor for his retained copy.

E-370 Nikas Mining Co. $50.00

1958 JUL 21 PM 12 10

ORIGINAL FILE COPY
DMEA
RECEIVED JUL 24 1958

DATE	INITIALS	CODE
7/24	H.G.	225
		800

TRIPLICATE
Rev., Supp. 1 (Third Amendment) Promulgated Sept. 11, 1957
by Treasury Department, Fiscal Service
Treasury Department Circular No. 945 -

CERTIFICATE OF DEPOSIT
Standard Form 219

6/4/58 (Date sent)

138 (Deposit No.)

Identification of Accountable Officer Affected

(1) Office Deposit Symbol: 9013

(2) For Consolidated Abstract of Treasury Regional Office at (city and state): Denver, Colo.

Deposited with Federal Reserve Bank of Kansas City, Mo., Denver, Colo.
(Name and location of depositary)

(3) The Sum of $ 779.68

(4) Classification of Deposit

Account Symbol	Amount	Account Symbol	Amount
14X4401	$ 779.68		$

(6) Department or Agency and address whose accounts are credited, IF OTHER THAN depositing agency.

(5)
14-23-040
Defense Minerals Exploration Administration
224 New Customhouse
Denver 2, Colorado

Depositor's title, Department or Agency and address. If deposit is made for another accounting entity, identify in (6).

(7) SPACE BELOW TO BE USED BY DEPOSITARY ONLY. I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

JUN 4 - 1958

(Authorized signature)

(Date of credit in Treasurer's account)

Depositary will date, sign and forward to depositor for his retained copy.

Royalty Payments

E-908	Price Exploration Co.	$188.24
E-370	Nika's Mining Co.	100.00
E-1030	Grapevine Mining Co.	90.65
E-875	McFarland & Hullinger	400.79
		$779.68

1958 JUN 4 PM 1 JUN 9 1958
DIVA
225
810
3/5
5/4

TRIPLICATE
Rev., Supp. 1 (Third Amendment). Promulgated Sept. 11, 1957
by Treasury Department, Fiscal Service.
Treasury Department Circular No. 945 -

CERTIFICATE OF DEPOSIT

Standard Form 219

3/25/58 (Date sent)

14-23-040-110 (Deposit No.)

Identification of Accountable Officer Affected

(1) Office Deposit Symbol: 9013

(2) For Consolidated Abstract of Treasury Regional Office at (city and state): Denver, Colorado

Deposited with Federal Reserve Bank of Kansas City, Mo. Denver, Colo.
(Name and location of depositary)

(3) The Sum of $ 263.00

(4) Classification of Deposit

Account Symbol	Amount	Account Symbol	Amount
14X4401(09)	$ $263.00		$

(6) Department or Agency and address whose accounts are credited, IF OTHER THAN depositing agency.

E-570

(5)

Defense Mineral Exploration Administration
224 New CustomHouse
Denver 2, Colorado

Depositor's title, Department or Agency and address. If deposit is made for another accounting entity, identify in (6).

(7) SPACE BELOW TO BE USED BY DEPOSITARY ONLY. I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

MAR 2 5 1958
(Date of credit in Treasurer's account)

Depositary will date, sign and forward to depositor for his retained copy.

3/38 D 285 800

E-370 Nikas Mining	50.00
E-452 Uran Dev.Corp.	27.86
E-703 Neptune Uran.	60.24
E-440 Pat Ambrose	124.90
	263.00

1958 MAR 25 AM 11 45

800

Form No. USA-200
(Rev. [illegible]-57)
Approved by
Comptroller Gen., U. S.

Receipt No. 19167

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-Aro.

Amount Received ONE HUNDRED and no/100 ($100.00)

From Mesch, Jasper, Marquez & Rothschild, Attorneys Tucson, Arizona

Agency & File No.	Principal	Interest	Costs	Balance
USDI Docket No. DMEA-2356 Contract No. IDM-E370.	100.00			800.56

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. 3

Date Payment Received May 27, 1958

By Agnes Hanenstein
Clerk for UNITED STATES ATTORNEY

Duplicate — With Remittance

WO-3 { 2 CHAIRMANS FILE
1 SETTLEMENT SHEET FILE

DMEA/TUC

Rev-E370

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

Re: Docket No. DMA-2356 (Tungsten)
Nikas Mining Company
Morning Star Tungsten Mine
Pinal County, Arizona
Contract No. Idm-8370

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)

9-20

JOSE DEL CASTILLO
ATTORNEY AND COUNSELOR AT LAW
221 N. Church
~~1923 NORTH PARK AVENUE~~
TUCSON 11, ARIZONA

March 28, 1958

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

DMEA
APR 3 1958

4/3	C	220
		800

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. 1956?

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
JOSE DEL CASTILLO

DEPARTMENT OF THE INTERIOR
Office of the Solicitor

Date March 4, 1958

Referred to: J. L. Chambers, Room 4448

From: Associate Solicitor, Div. Mineral Resource

For: Information and retention _____

Information and return _____

Necessary action and return _____

Comment and return _____

Distribution in office or region _____

_____

_____

Remarks: _____

_____

_____

_____

_____

(Signature)

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

94399

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

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

REM - FNN
90-1-18-333

90-1-18-333

INTERIOR DEPT.
MAR 3 - 1958
SOLICITOR

February 28, 1958

noted JC
Comm
Record on
Cond record
JC

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
Robt. E. Mulroney
Chief, Trial Section

Enclosure

ORIGINAL COPY
DMEA
RECEIVED MAR 5 1958

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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: Nikas Mining Company, No. 6926-Tucson.
Unpaid royalties due USA - $1,000.56.
Your reference: REM - FNN 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

Mary Anne Reimann
Assistant U. S. Attorney

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For Certificate of Deposit No. 98, dated February 21, 1958, giving royalty payment of $50.00, see E-360.

~~1. Mr. Berger~~
2. Mr. Chambers
DMEA

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

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

REM: FNN
90-1-18-333

90-1-18-333

November 1, 1957

INTERIOR DEPT.
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SOLICITOR

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

Dear Mr. Bennett:

This refers to Acting Solicitor Fritz's letter to the Attorney General dated September 20, 1957, together with its enclosures. These are relative to a claim in the amount of $1000.56, against the Nikas Mining Company, 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.

This matter has been referred to the United States Attorney at Phoenix, Arizona, for appropriate action.

We will keep you informed of developments as they arise.

Sincerely,

PERRY W. MORTON
Assistant Attorney General
Lands Division

By: Robt E. Mulroney
Robt. E. Mulroney
Chief, Trial Section

Copy to 400

J. L. Chambers, DMEA

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. Ida-8370, 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

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

MHM:eh

cc: Royalty E370
DMEA/Tuc
T. H. Brading
Marshall
Chron.

Official

3

800

JUL 15 1957

Mr. John Cokas
Nikas Mining Company
239 W. Church
Tucson, Arizona

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

Dear Mr. Cokas:

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

Administrator

CEFisher/JLChambers/sma
July 12, 1957

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

239 N. Church
Tucson, Arizona
July 8, 1957

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DMEA
RECEIVED JUL 10 1957

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United States Department of Interior
Defense Mineals Exploration Administration
Washington 25, D. C.

Attention: Mr. Mittendorf

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

Dear Mr. Mittendorf:

With reference to your letter of June 12, 1957 I wish to state that there is no question in our minds as to the monies due you from royalties, however at this time we would like to request an extension of time.

Since receiving your letter I have gone to the Lieberman Mills and signed a settlement paper with them so that we would be able to cover our royalty. Up to this time, however, I have been unable to contact Mr. Lieberman personally and he is the only person authorized to pay us.

As you no doubt know, we have closed the mine because of milling problems. We would like you to know that we feel the above royalty payment must be paid to you, however personal circumstances force us to depend upon monies coming in from the Lieberman Mills. We feel it would accomplish nothing to go to court over this matter and an extension of time would be to the benefit of both the Government and ourselves.

I hope to hear from you by return mail.

Sincerely,

NIKAS MINING COMPANY

John Gekas mg
John Gekas

JG/mg

Registered Mail
Return Receipt Requested

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

Re: Docket No. DMA-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Ldn-2370

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 $1,000.96 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. O. Mittendorf

CEFisher/JLChambers/ab
June 11, 1957

Administrator

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

FEB 7 1957

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

Re: Docket No. DMT-2356 (Tungsten)
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-F370

Dear Mr. Trevor:

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

JLChambers/wb
February 5, 1957

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

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

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 4 1957

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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

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

FIRST ROYALTY AUDIT CERTIFICATE

I have examined the available records pertaining to the sale of tungsten ores and concentrates for the period July 18, 1952 to December 1, 1956 by

Nikas Mining Company
55 West Congress Street,
Tucson, Arizona

and

Don Lieberman Enterprises, Sublessee
1500 West Ajo Way
Tucson, Arizona

produced from the Morning Star Mine, located in Pinal County, Arizona, under the terms of Contract Idm-E370, Docket No. DMEA-2356, (Tungsten) dated July 18, 1952, as amended.

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

The audit established the total sales of such ores and concentrates for this period, subject to DMEA royalties, to be $62,745.20. Royalty due the Government at the contract rate of 5% is $3,137.26. The royalty paid and the balance due are as follows:

Total royalties due	$3,137.26
Total royalties paid	2,136.70
Balance of royalties due	$1,000.56

December 12, 1956

T. H. Brading, Auditor

FIRST ROYALTY AUDIT REPORT

I INTRODUCTION

On October 9 and 10, 1956, an audit was made of the available records of

Nikas Mining Company, a Partnership Composed of
Tom D. Callas, A. Nikas, John Gekas, John Paulos and Monte Seymour
55 West Congress Street, Tucson, Arizona

and

Don Lieberman Enterprises (Sublessee)
1500 W. Ajo Way, Tucson, Arizona

pertaining to the sales of tungsten ore and concentrates during the period July 18, 1952 to December 1, 1956, produced from the Morning Star Mine located in Pinal County, Arizona, on which royalties are due the U. S. Government under the terms of Contract Idm-E370, Docket No. DMEA-2356, dated July 18, 1952, as amended.

Mr. Victor J. Tronolone, Public Accountant, who maintains the records of Nikas Mining Company, was contacted on October 10, 1956, and he advised that to the best of his knowledge and belief, production records as such were not maintained by Nikas Mining Company, and available records were at his office, 235 North Church Street, Tucson, Arizona. Mr. Tronolone advised also that he knew of no records of the White Mountain Mining and Milling Company, and that the two partners who operated the Morning Star Mine for a short time live some place in California. Shipments of concentrates made by White Mountain Mining and Milling Company were verified by communication with C. W. Jones, Buyer, Bishop, California. Records of Don Lieberman Enterprises were in the custody of Mrs. Sadie Lee Stuart, Accountant and Office Manager for Don Lieberman Enterprises, at the company office located at 1500 West Ajo Way, Tucson, Arizona. Mr. V. J. Tronolone, Mrs. Stuart, and Mr. Lieberman were consulted during the audit. Mr. T. M. Romslo, Mining Engineer, Bureau of Mines, Tucson, Arizona, collaborated in the audit.

II GENERAL INFORMATION

The exploration contract provides that should the Government within six months after completion or termination of the exploration contract certify that a discovery or development has resulted from the work, the operator and his successor in interest shall be obligated to pay a percentage royalty on the net smelter returns or other net proceeds realized from the ore, concentrates, or metals produced within ten years from the date of the contract, until the amount contributed by the Government, without interest, is fully repaid or said ten years have elapsed, whichever occurs first. A Certificate of Discovery or Development was issued on March 3, 1954.

According to an audit report and certificate dated February 18, 1954, prepared by Donald T. Finch, DMEA Auditor, the total accepted costs of the exploration amounted to $24,212.35, with the Government's contribution on a 75% basis being $18,159.26.

The last MF-104 filed by Nikas Mining Company covered the month of June, 1953. From that date until June, 1954 there is no record of operations. The White Mountain Mining and Milling Company, under a sublease from Nikas Mining Company, operated the mine and a tungsten mill of their own design from June, 1954 until about April, 1955. Nikas Mining Company cancelled the sublease of White Mountain Mining and Milling Company in April, 1955. From that date until September, 1955 the property was operated by Nikas Mining Company. In September, 1955 Nikas Mining Company subleased the property for one year to Don Lieberman Enterprises. Mr. Lieberman stated that he operated the mine from September, 1955 to May, 1956 when operations were halted due to a disagreement between one of the Nikas partners (Tom Callas) and Lieberman's mine superintendent.

Mr. Tronolone advised that the records which he maintained for Nikas Mining Company were the only records of the company's operations. These records consist of a combined cost book and journal and a general ledger. The only records of production were reflected on settlement sheets, copies of which had, in most instances, been forwarded to the Executive Officer, DMEA Field Team, Region III, Denver, Colorado, or were obtained by this auditor at the time of the on-site audit. Cash receipts for ore and tungsten sales, as reflected on this auditor's work sheets, were reconciled with records in Mr. Tronolone's office.

Mrs. Sadie Lee Stuart, Accountant and Office Manager for Don Lieberman Enterprises, advised that all records pertaining to mining operations of Morning Star Mine and milling operations of the tungsten mill, which is not far from the company office, were included in the records of Don Lieberman Enterprises, which includes construction, financing, mining and other activities. Information relating to the production from Morning Star Mine for the period it was operated by Don Lieberman Enterprises, about October 1, 1955 to May 11, 1956, were limited to a memorandum transcript of weight tickets of ore shipped from Morning Star Mine, near Oracle, Arizona, to the mill operated by Don Lieberman Enterprises located at 1500 West Ajo Way, Tucson, Arizona. Copies of these weight tickets were checked to transcript and this total tonnage reconciled with the tonnage reported to Nikas Mining Company on settlement sheets prepared by Don Lieberman Enterprises. In a discussion with Mrs. Stuart, she stated that it would be impossible to determine the amount of low grade concentrates produced from ore extracted from the Morning Star Mine, the ore produced at Arivaca (another Lieberman Enterprises operation), and ore purchased from other operators. The records, however, indicate that all high grade concentrates milled for the period from December, 1954 to May, 1956 were sold to G.S.A. The low grade concentrates resulting from this milling were commingled, as is common practice in smaller mills.

The only low grade tungsten concentrates shipped by Don Lieberman Enterprises, on which no settlement has been made with Nikas Mining Company, are represented by Settlement Sheet No. 3 dated February 28, 1956 to Salt Lake Tungsten Company. The shipper's affidavit attached to this shipment by Don Lieberman Enterprises dated January 16, 1956, indicates that the ore from which these low grade concentrates were derived was mined in four different locations. The total tonnage reported is 874.47 tons, of which 590.82 tons, or 67.5% is reported as having been mined in the Morning Star Mine. All ore from

this mine is subject to DMEA royalty. Accordingly, 67.5% of the net settlement (67.5% of $2,914.20 or $1,967.09) is subject to DMEA royalty at 5%. The amount of royalty due on this shipment is $98.35. Photo copies of settlement sheet and affidavit are attached to and made a part of this report.

III SCOPE OF AUDIT AND FINDINGS

(A) Conference with the examining engineer (Mr. T. M. Romslo) disclosed the following:

(a) The operator does not stockpile ore subject to royalty repayment.

(b) The sublessee (Lieberman Enterprises) did commingle some production purchased from the operator; however, the resulting concentrates produced and sold were verified by communication with G.S.A., and the allocation appears to be equitable.

(c) The operator does not stockpile mine or mill rejects (low grade ore, tailing or middlings, etc.) which may have a potential value within the royalty payment period.

(d) The accounting controls in effect are considered reasonably adequate.

(e) The manner of disposing of production gives the Government its fair royalty returns.

(f) Lieberman, sublessee, did buy some ore and concentrates from other operators. Returns on those purchases was verified by communication with G.S.A.

(B) Audit of Settlement Sheets

A considerable amount of pre-audit work was accomplished in the DMEA Office, Region III, Denver, Colorado, prior to the field audit. During this pre-audit work a statement of royalties received was prepared from copies of liquidation settlement sheets furnished by purchasers of ore and concentrates in support of royalty payments made by such purchasers directly to the Regional DMEA Executive Officer. The royalty receipts were verified with deposits made by the Regional Finance Officer. All of the data included in the statement were confirmed by detailed recomputation. This statement is filed as a part of my audit working papers.

During the on-site audit it was ascertained that the operator had failed to pay royalty on six shipments of ore and concentrates. One of these shipments was to Salt Lake Tungsten Company and represented low grade concentrates not acceptable to G.S.A. Details of the royalty computation on this shipment are shown on Schedule 1 attached to and made a part of this report. Pertinent data with respect to other sales and the computation of royalty due thereon are included in Exhibit "A" attached to the report.

Correspondence with purchasers of concentrates confirmed the sales of high grade concentrates during the period under review totaled 38.148 tons, which is in agreement with the results of this audit as shown in Section IV CONCLUSIONS of this report.

IV CONCLUSIONS

A summary of the operator's sales subject to DMEA royalties follows:

ORE

Shipper: Nikas Mining Company

Year and Purchaser	Short Dry Tons	Net Receipts Amount	Net Receipts Per S.D.T.	Royalty Rate	Royalty Amount
1955 - 1956					
Lieberman Enterprises	530.55	$18,757.46	$ 35.35	5%	$ 937.88
TOTAL ORE	530.55	$18,757.46	$ 35.35	5%	$ 937.88

HIGH GRADE CONCENTRATES

Shipper: Nikas Mining Company

1953					
U.S.V. Corp.	17.927	$ 5,021.35	$ 280.10	5%	$ 251.07
C. W. Jones	1.168	4,402.41	376.92	5%	220.12

Shipper: White Mountain Mining & Milling Co.

1954					
C. W. Jones	2.397	1,495.74	624.01	5%	74.79

Shipper: Don Lieberman Enterprises

1956					
G. S. A.	16.656	31,101.15	1,867.26	5%	1,555.05
Total Concentrates	38.148	$42,020.65	$1,101.67	5%	$2,101.03
Total Ore (Royalty)		$18,757.46	19.63	5%	937.88
Subtotal					$3,038.91
Total Royalty Due Schedule I		1,967.09		5%	98.35
Total Royalties Due		$62,745.20		5%	$3,137.26
Total Royalties Paid					2,136.70
Balance Royalties Due					$1,000.56

This auditor was advised by Mr. Lieberman that settlement on all shipments with the exception of the value of low grade concentrates shown on Settlement Sheet No. 3, had been tendered to Nikas Mining Company. Settle-

ment on shipments Numbers 10 and 11, as shown on Exhibit "A", were not consumated at the time of this audit.

The audit has confirmed the accuracy and propriety of the royalty payments received by the regional office applicable to ore and concentrate sales during the period July 18, 1952 to December 1, 1956. It has also determined that all indicated sales during the period have been properly accounted for.

It is recommended that Nikas Mining Company be notified they are required to maintain adequate accounting records which will correctly reflect production and milling costs, as outlined in Article 7(d) of the contract.

December 12, 1956

T. H. Brading, Auditor

Exhibit "A"

NIKAS MINING COMPANY

Contract Idm-E370 — SUMMARY OF ROYALTIES DUE — Docket DMEA-2356

Shipper	Purchaser	Date	Lot No.	Short Dry Tons	Net Value	Net Value S. D. T.	Rate	Due	Paid
CONCENTRATES									
White Mountain M. & M. Co.	C. W. Jones	5-17-54	1	.0049	$ 104.00	$2,122.41	5%	$ 5.20	-
White Mountain M. & M. Co.	C. W. Jones	5-17-54	2	.00285	16.59	587.25	5%	.83	-
Don Lieberman Enterprises	G. S. A.	6-1-56	10	2.8425	10,703.20	3,765.42	5%	535.16	-
Don Lieberman Enterprises	G. S. A.	7-1-56	11	2.000	4,429.08	4,429.08	5%	221.45	-
ORE									
Nikas Mining Company	Don Lieberman Enter.	4-14-56	4	142.92	2,803.52	19.62	5%	140.18	
Nikas Mining Company	Don Lieberman Enter.	6-21-55	2	105.97	3,397.39	32.06	5%	169.87	$170.08
Nikas Mining Company	Don Lieberman Enter.	9-30-55	3	176.64	6,040.15	34.19	5%	302.01	302.41
								$1,374.70	$472.49
								472.49	
					Subtotal			$ 902.21	
					Total Royalties Due Schedule I			98.35	
					Total Royalties Due			$1,000.56	

Schedule I

NIKAS MINING COMPANY

SUMMARY SETTLEMENT SHEET NO. 3

SALT LAKE TUNGSTEN COMPANY.

(Don Lieberman Enterprises, Shipper)

Date of settlement sheet		2/22/56
Date of certificate		1/16/56
Total tons of ore shipped		874.77
Morning Star Mine (DMEA) Tons shipped		590.82
% DMEA ore		67.5
Total dry tons concentrate (per settlement sheet)		33.885
Total Net Value Received		$2,914.20
Net Value Per Dry Ton		$86.00
Net Value subject to DMEA Royalty,	67.5% of $2,914.20 =	$1,976.09
Royalty at 5%		$98.35

THE SALT LAKE TUNGSTEN COMPANY

Concentrate Settlement Sheet

Date February 28, 1956 Shippers Lot No. 3 S.L.T. Co. Lot No. 204

Shipper Don Lieberman Enterprises

Shipped From Tucson, Arizona Date as of 2/1/56

Sampled By Salt Lake Tungsten Company Date Report No.

Assayed By Same Date Report No.

Truck Lieberman Gross Lbs. 120,120 Tare Lbs. 48,880 Wet Wt. Lbs. 71,240

Assay % Avg. Moisture 4.87 % Lbs. 3,470

Dry Weight Lbs. 67,770

Dry Tons 33.885 x Settlement/Avg. Assay 2.935 % Total Contained Units 99,461

SETTLEMENT

Contained Units 99.461 x $63.00 = $ 6,266.04 Gross Value

Less Deductions:

Losses	12.60	1,253.22
Sampling Charges		
Refinery Charge	21.10	2,098.63
Freight Charges		
Advances		

Total Deductions $ 3,351.84

Net Settlement $ 2,914.20

Date Paid:

Vo. No.:

GENERAL SERVICES ADMINISTRATION - REGION 8

COPY

CERTIFICATE

The undersigned certifies that Lot Number .....3..... is made up of .4..... lots of tungsten concentrates and that all of said lots were produced in the United States* from ores mined in the United States* and that the approximate date which the said lots were mined and/or concentrated was ..June.54.through.Sept..55.

* *United States means United States, its Territories and possessions.*

The undersigned further certifies that he knows of his own knowledge that the said lots of tungsten concentrates were obtained in the quantities and from the mines shown below: (If the person executing this certificate does not have personal first hand knowledge of the source of said lots, state this fact immediately following this sentence and in such case there must be presented with this certificate a similar certificate on the same form executed by the person who actually mined the same lots.)

NAME OF MINE	LOCATION OF MINE	QUANTITY (Lbs. of Concentrates)
Ja unita Mine	Sells, Arizona	134.75 Tons Ore
Yellow Star Mine	Fresnel Mining Dist. Tuscon, Arizona	59.20 " "
Morning Star	Ora cle, Arizona	590.82 " "
Good Enough	Ariva ca, Arizona	90.00 " "
		874.77 Tons Ore

The total of 71,5000 pounds of float you received on this shipment number 3 is floatation resulting from the run of the 874.77 tons of ore run through our mill.

This is a result of comingling of concentrate from the various mines listed above but there is no way of sorting out how much concentrate came out of what mine. This has been piling up out of these four mines for a period of over a year and this shipment is the result of flotation coming out of this ore.

In executing this certificate, I fully understand that the tungsten concentrates hereinabove described are being sold to or purchased from me for resale to the United States Government and that the representations I have hereinabove made concerning the source of said tungsten concentrates are being made to the United States Government.

I further understand that this certificate will be used to support a claim against the United States Government when the said tungsten concentrates are sold to the United States Government, and I understand the provisions of 62 Stat. 698; 18 U.S.C. 287, 1001, concerning penalty for presenting fraudulent claims, which statute provides for a fine of not more than $10,000.00 and imprisonment for not more than 10 years, or both.

I hold Certificate Number ..9-2462..... furnished by the General Services Administration.

Dated this ...16th..... day of .....January..... , 19 56... .

Don Lieberman Enterprises

s/n D.K. Lieberman
(Signature)

GSA-R8-426
(10-55)

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

Check Sheet of Examining Engineer

Operator's Name Milne Mining Company

Address 55 West Congress Street

Tucson, Arizona

Exploration Contract No. 14m-E370 Docket No. DMEA-2356

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

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

* Small portion commingled by leaser, Lieberman
Allocation of commingled production verified by GSH

** Lieberman, leaser, bought concentrates verified by GSH

Date Oct 10, 1956

Mining Engineer

M Monroe

JAN 29 1957

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

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

Dear Mr. Brading:

Your First Royalty Audit Certificate and Report pertaining to the subject project are approved and normal distribution is authorized.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

WBorovies/wb
January 29, 1957

Copy to: Docket
Admr. Reading File
Mr. Chambers

P. S. Does your recommendation in regards to pro duction records pertain solely to Nikas? I take it thus, since Lieberman is no longer producing from Nikas mines.
JLC

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

Re: Royalty Audit, Mikes Mining Company
Docket DMEA-2356, Contract Idu-F370

Dear Mr. Breding:

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

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

RECEIVED JAN 3 1957 DMEA

224 New Customhouse
Denver 2, Colorado

December 31, 1956

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

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

Dear Mr. Chambers:

Reference is made to your letter of December 27, 1956 regarding royalty audit under the subject contract.

In the second paragraph of your letter you ask for an explanation of my reason for not allowing the deductions of freight charges and State taxes in calculating amount of royalty due.

If you will refer to copy of settlement sheet in the amount of $1,849.30 (copy attached herewith) which was attached to my letter to you dated November 29, 1956, you will see my reasoning for relating the concentrates sold to Salt Lake Tungsten Company and Lieberman's settlement sheet of April 4, 1956.

Of these facts I am sure:

1. Lieberman sold 16.582 tons of low grade concentrates to Salt Lake Tungsten Company.

2. Certificate attached to this settlement sheet signed by Lieberman stated that these concentrates were in part from ore produced from Morning Star Mine.

3. No settlement of record was made with Nikas Mining Company for these concentrates (unless we accept the settlement sheet by Lieberman dated April 4, 1956.)

On ore purchased from Nikas Mining Company for the period April, 1955 to September, 1955, Lieberman made no charge for hauling ore from Morning Star Mine near Oracle, Arizona to the Lieberman Mill at 1500 West Ajo Way, Tucson, Arizona.

From October, 1955 to May, 1956, Lieberman was sublessee and, therefore, the Operator. Please refer to the Administrator's letter of De-

cember 5, 1955 to both Lieberman and Nikas, which defines "gross revenue from sales." It therefore follows that if the ore on settlement sheet dated April 4, 1956 is related to ore purchased by Lieberman from Nikas prior to the time Lieberman was operator, no deduction for freight is allowable, as no deduction was made for freight on the original purchases. On the other hand, if the ore reported on the settlement sheet was mined by Lieberman as sublessee, he would not be entitled to deduct freight charges from the mine to the mill, which is in line with the Administrator's letter. Taking all known factors into consideration, I can see no basis for allowing the freight charge of $897.91 as a deduction.

With regard to the disallowance for State taxes, please refer to your letter of May 3, 1955 addressed to this auditor, to which was attached copy of an undated memorandum from the Acting Assistant Solicitor, which included his "informal opinion" regarding Arizona excise tax on abstracted minerals. Based on this opinion, disallowance of claimed State tax was made.

I trust my explanation of the disallowances made is satisfactory.

Sincerely yours,

T. H. Brading

T. H. Brading, DMEA Auditor

Enc.

Von Lehmann & Co. Denver
224 New Custom House

~~Concentrate~~ Ore Settlement Sheet

Date 4/4/56 Shippers Lot No. 4 D.L.E. Lot No.

Shipper Nukas Mining Co.

Shipped From Oracle Ariz Date June & July 1955.

Sampled By Date Lot No.

Assayed By Date Report No.

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

Assay % Moisture % Lbs.

Dry Weight Lbs. 142.92

Dry Tons 142.92 x Settlement Assay % Total Contained Units

SETTLEMENT

Contained ~~Units~~ Tons 142.92 x 19.70 per ton $ 2815.52 Gross Value

Less Deductions: as per agreement in 40% recovery and settlement sheet from Salt Lake Smelter Co.

Losses

Sampling Charges

Refinery Charge

Freight Charges 897.91

Advances

Assay Charges 12.00

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) $ 56.31

" " " (Federal) $

Total Deductions $ 966.22

Net Settlement $ 1849.30

Date Paid: 1751.50 + 97.80 = 1849.30

Vo. No.:

April 56 Check on original sheet & made settlement on this sheet (SLS)

DEC 27 1956

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

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

Dear Mr. Breding:

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,

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

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

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 T. 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

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

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

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

224 New Customhouse
Denver 2, Colorado

December 13, 1956

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

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

Dear Mr. Chambers:

Enclosed are two copies of the subject report and three copies of the certificate, as well as two copies of examining engineer's report.

This has been quite a frustrating job, due principally to records, or I should say lack of records. I do feel, however, that the production has been accounted for as there are but a limited number of places where tungsten concentrates can be sold. The sale of concentrates and the receipts therefor have been verified by correspondence directly with the purchasers. This includes the concentrates derived from the ore purchased by Lieberman from Nikas prior to the time he subleased the property from Nikas. In other words, in the absence of production and milling records I accepted the receipts from purchasers of concentrates based on settlement sheets which I obtained directly from them. I have discussed this matter with Mr. Traver and he concurs in my conclusion.

Specific attention is directed to the last paragraph of my report regarding the matter of advising the operator of the necessity to maintain adequate accounting records.

Sincerely yours,

12/27/57

T. H. Brading

T. H. Brading, DMEA Auditor

Enc.

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

224 New Customhouse
Denver 2, Colorado

November 29, 1956

RECEIVED DEC 3 1956 D.M.E.A.

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

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

Dear Mr. Chambers:

Please again refer to my letter of October 18, 1956 regarding subject royalty audit.

I concur with your conclusions on Item 1. All of this ore was obtained by Lieberman prior to date of Lieberman's contract with Nikas. You will note the settlement sheet is dated December 29, 1954, which was prior to the time (April, 1955) that any ore was purchased from Nikas. O.K.

Item 2. Attached is a copy of settlement sheet finally obtained from Lieberman. As I interpret this particular document, it purports to be based on Settlement Sheet No. 2, Lot 278, from Salt Lake Tungsten Company. How the tonnage was determined and tied in with the 16.582 tons of concentrates shown on this settlement sheet is a question. I have asked Mr. Storms to contact Lieberman and see if they can come up with an answer. However, if Nikas Mining Company accepted the settlement on the basis of the enclosed settlement sheet, is the Government bound to accept? NO Based on all available facts, the royalty due would be $2,815.52, less assay charge of $12.00 = $2,803.52 @ 5% = $140.18.

Query for Storms

Item 3. If you will refer to the certificate attached to Settlement Sheet No. 3, you will note that 67.5% of the total ore shipped came from Morning Star Mine. (It still appears to me that Nikas owes 5% of (67.5% of $2,914.20, or $1,967.09) or $98.35 royalty.) O.K.

See note on settlement sheet.

The point I did not make clear in my letter of October 18, 1956 is that the Salt Lake Tungsten settlement sheets are for low grade tungsten concentrates not acceptable to G.S.A., that were in part from all ore milled which consists of ore purchased from all sources, ore mined at Arivica, and for the period from October, 1955 to May, 1956 on ore mined at Morning Star Mine (Nikas.)

What I plan to do in writing my report, subject of course to your approval, is to claim the royalty on Item 2 and Item 3 as outlined above, and state in the report that neither the Operator nor the sub-lessee maintained records that were subject to audit, and the report is based on information as submitted by the Operator and the sub-lessee.

From the above conclusions you can see that Lieberman has not paid Nikas any royalty on Settlement Sheet No. 3. However, inasmuch as Lieberman reported that 67.5% of the ore from which the concentrates were milled, came from Morning Star Mine, someone is responsible for the royalty, and in the instant case it would appear to be the Operator, and final adjustment is between Nikas Mining Company and Lieberman.

If after you have given your consideration to this matter and do not approve of my decision, please advise me at your earliest convenience.

Sincerely yours,

T H Brading

T. H. Brading, DMEA Auditor

Tim Little [illegible] Fisher [illegible]

~~Concentrate~~ Ore Settlement Sheet 224 New Custom House

4/4/56 [illegible] 4 L.E. Lot No. [illegible]

Mikas Mining Co.

Shipped From Oracle Ariz. Date June & July 1955

Submitted by Lot No.

[illegible] No.

Wt.

142.92

Dry Tons 142.92 Settlement Assay Contained Units

SETTLEMENT

Contained ~~Units~~ Tons 142.92 x 19.70 per ton $ 2815.52 Gross Value

Less Deductions: as per agreement on 40% recovery and settlement sheet from Salt Lake Smelter Co.

Losses

Sampling Charges

Refinery Charge

Freight Charges 897.91

Advances

Assay Charges 12.00

PENALTIES Percent

Tin (Sn).....

Copper (Cu).....

Arsenic (As).....

Antimony (Sb).....

Bismuth (Bi).....

Molybdenum (Mo).....

Phosphorus (P).....

Sulphur (S).....

Manganese (Mn).....

Lead (Pb).....

Zinc (Zn).....

Less Applicable Taxes (State)..... $ 56.39

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

Total Deductions $ 966.22

Settlement $ 1849.30

Date

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

224 New Customhouse
Denver 2, Colorado

November 29, 1956

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

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

Dear Mr. Chambers:

Please again refer to my letter of October 18, 1956 regarding subject royalty audit.

I concur with your conclusions on Item 1. All of this ore was obtained by Lieberman prior to date of Lieberman's contract with Nikas. You will note the settlement sheet is dated December 29, 1954, which was prior to the time (April, 1955) that any ore was purchased from Nikas.

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If after you have given your consideration to this matter and do not approve of my decision, please advise me at your earliest convenience.

Sincerely yours,

T. H. Brading

T. H. Brading, IMRA Auditor

Lin Lechemer Broker
224 New Customs House

~~Concentrate~~ CRC Settlement Sheet

Date 4/4/56 Shippers Lot No. 4 D.L.E. Lot No.

Shipper Mikas Mining Co.

Shipping Point Cradle Ariz Date June & July 1955

Smelter Date Lot No.

Date Report No.

Gross Lbs. Tare Lbs. Wet Wt. Lbs.

Moisture Lbs.

Dry Weight Lbs. 142.92

142.92 Element Assay Total Contained Units

SETTLEMENT

Contained ~~Wt~~ Tons 142.92 x 19.70 per lb $ 2815.52 Gross Value

Less Deductions as per agreement on 40% recovery and settlement sheet from Silt Lake Smelter Co.

Refines

Sampling

Refinery

897.91

Advances

Penalties 12.00

Penalties Percent Molybdenum (Mo)

Phosphorus (P)

Tellurium (Te) Sulphur (S)

Arsenic (As) Manganese (Mn)

Antimony (Sb) Lead (Pb)

Bismuth (Bi) Zinc (Zn)

Less Applicable Taxes (State) $ 56.31

" " " (Federal) $

Total Deductions $ 966.22

Net Settlement $ 1849.30

Date Paid: 1751.50 + 97.80 = 1849.30

Vo. No.: April-56

the original sheet I made the

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 26, 1956

Sincerely yours,

G. O. Mittendorf

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. Brading
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

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

Dear Mr. Brading:

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

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

RECEIVED
OCT 19 1956

224 New Customhouse
Denver 2, Colorado

October 18, 1956

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

Re: Nikas Mining Company
Contract Idm-E370
Royalty Audit

Dear Mr. Chambers:

Attached are the following listed documents, concerning which comments will be made later in this letter: -

Letter September 6, 1956 - Salt Lake Tungsten Co. to T. H. Brading
Settlement Sheets, Salt Lake Tungsten Company: -

No.	Date	Shipper	Settlement
1	12/29/54	Lieberman Enterprises	$3,424.68
2	8/13/55	Lieberman Enterprises	8,386.34
3	2/28/56	Lieberman Enterprises	2,914.20

Attachment to Letter No. 2
Certificate regarding Lot No. 2
Attachment to Certificate
Certificate regarding Lot No. 3
Letter October 9, 1956 - Don Lieberman Enterprises signed by Sadie Lee Stuart to T. H. Brading. This letter was approved by Mr. Lieberman.

On October 10, 1956, in checking out the amount of royalties received on Nikas Mining Company's books, an item of approximately $1,890.00 was noted of which I had no record. Mr. Tronolone, Public Accountant, who keeps the books for Nikas Mining Company explained that he had loaned copies of all settlement sheets to Mr. Tom Callos, who apparently is connected with Nikas Mining Company. He endeavored to get in touch with Mr. Callos and was advised that he was out of the city and would not return until about Monday, the 15th. Mr. Tronolone then called Miss Stuart at Lieberman Enterprises. Miss Stuart advised Mr. Tronolone that this amount was the net on a settlement made by Mr. Lieberman with Nikas Mining Company on sale of low grade concentrates. At the request of Mr. Tronolone, I talked to Miss Stuart, and she agreed to make a copy of the settlement sheet and mail it to me here in Denver. She was leaving for Nogales on the 11th; (this was about 3 P.M. on the 10th.) I asked Miss Stuart if she would please prepare this copy that

10/24/56

afternoon and have it available for me to pick up before her office closed. She refused to do this, stating that she was working on a Nogales payroll, but would get a copy of this settlement sheet to me by air mail Friday. So far, it has not arrived but she may have been delayed in Nogales and did not get back as soon as she planned to. The fact that this settlement was made, in my opinion is a direct contradiction to her letter of October 9th to me.

I told Mr. Lieberman and Miss Stuart that I was referring the question of whether any royalty would be due on these settlement sheets to you, after they both insisted there was no liability on their part for the amount of money on settlement sheets Nos. 2 and 3. I am in agreement with their statement regarding settlement sheet No. 1.

Their milling records are admittedly incomplete, although their own figures on Certificate No. 3 show that 590.82 tons of ore came from Morning Star Mine. The records shown that Lieberman purchased a total of 387.63 tons of ore from Nikas in 1955 and mined approximately 1,790 tons or ore in 1955 and 1956. In addition to ore mined or purchased from Nikas, in 1955 and 1956 Lieberman Enterprises was operating their property at Aravica, and purchasing some ore. In other words, there is no doubt in my mind that all the low grade concentrates sold to Salt Lake Tungsten Company were not from Morning Star Mine (Nikas Mining Company.)

All ore was concentrated by Lieberman Enterprises in their mill located in Tucson. The high grade concentrates acceptable to G.S.A. were shipped to San Francisco. The remaining low grade concentrates were shipped to Salt Lake Tungsten Company in Salt Lake City, and the returns are shown on settlement sheets Nos. 2 and 3.

I had hoped to have the settlement sheet covering the $1,890.00 (apparently this settlement was made in April, 1956) which Mrs. Stuart agreed to forward to me, to send with this letter.

The questions I have are these: -

Should the Government accept the settlement made by Lieberman with Nikas Mining Company, which presumably covers Lot No. 2? I would be inclined to say that this settlement should be accepted as Nikas Mining Company accepted it from Lieberman.

On Settlement No. 3 (assuming that none of the concentrates paid for were included in settlement made in April, 1956) would the Government be entitled to royalty of 5% of 67.5% of the total amount? If you agree with this point and also agree that the settlement by Lieberman with Nikas mentioned above is OK, I will include the 5% of 67.5% of settlement No. 3 (5% of 67.5% of $2,914.20 equals $1,967.09; royalty at 5% equals $98.35), in addition to the royalty on settlement sheet to be received from Miss Stuart.

Sincerely yours,

T. H. Brading

T. H. Brading, DMEA Auditor

Encls.

THE SALT LAKE TUNGSTEN COMPANY
3160 INDIANA AVENUE TELEPHONE [illegible] P. O. BOX [illegible]
SALT LAKE CITY 10, UTAH

September 6, 1956

RECEIVED
OCT 19 1956

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

Dear Mr. Brading:

Enclosed are copies of certificate from Don K. Lieberman for lots # 2, and # 3 showing source of ore mined. We do not have anything as to the mine from which the ore taken for lot #1 was produced, since at that time they were only required to certify as to the Domestic Origin with no name of mine being shown on the affidavit.

We trust this will give you the needed information, as it is all that we have regarding the three lot shipments.

Yours truly,

The Salt Lake TungstenCompany

E W Isham

E.W.Isham, Ass't Sec-Treas.

THE SALT LAKE TUNGSTEN COMPANY

Concentrate Settlement Sheet

RECEIVED
OCT 19 1956

Date February 28, 1956 Shippers Lot No. 3 S.L.T. Co. Lot No. 204

Shipper Don Lieberman Enterprises

Shipped From Tucson, Arizona Date as of 2/1/56

Sampled By Salt Lake Tungsten Company Date Report No.

Assayed By Same Date Report No.

Truck Lieberman Gross Lbs. 120,120 Tare Lbs. 48,880 Wet Wt. Lbs. 71,240

Assay % Avg. Moisture 4.87 % Lbs. 3,470

Dry Weight Lbs. 67,770

Dry Tons 33.885 x Avg. Settlement/Assay 2.935 % Total Contained Units 99.461

SETTLEMENT

Contained Units 99.461 x $63.00 = $ 6,266.04 Gross Value

Less Deductions:

Losses	12.60	1,253.21
Sampling Charges		
Refinery Charge	21.10	2,098.63
Freight Charges		
Advances		

Total Deductions $ 3,351.84

Net Settlement $ 2,914.20

Date Paid:

Vo. No.:

GENERAL SERVICES ADMINISTRATION • BUREAU

CERTIFICATE

The undersigned certifies that Lot Number .....3..... is made up of ...1..... lots of tungsten concentrates and that all of said lots were produced in the United States* from ores mined in the United States* and that the approximate date which the said lots were mined and/or concentrated was ..June 54 through Sept. 55.

* *United States means United States, its Territories and possessions.*

The undersigned further certifies that he knows of his own knowledge that the said lots of tungsten concentrates were obtained in the quantities and from the mines shown below. (If the person executing this certificate does not have personal first hand knowledge of the source of said lots, state this fact immediately following this sentence and in such case there must be presented with this certificate a similar certificate on the same form executed by the person who actually mined the same lots.)

RECEIVED

OCT 19 1956

NAME OF MINE	LOCATION OF MINE	QUANTITY (Lbs. of Concentrates)
Ja unita Mine	Sells, Arizona	15.4 134.75 Tons Ore
Yellow Star Mine	Fresnel Mining Dist. Tuscon, Arizona	.7 59.20 " "
Morning Star	Ora cle, Arizona	67.5 590.82 " "
Good Enough	Ariva ca, Arizona	10.3 90.00 " "
		10.0 874.77 Tons Ore

The total of 71,5000 pounds of float you received on this shipment number 3 is floatation resulting from the run of the 874.77 tons of ore run through our mill.

This is a result of comingling of concentrate from the various mines listed above but there is no way of sorting out how much concentrate came out of what mine. This has been piling up out of these four mines for a period of over a year and this shipment is the result of flotation coming out of this ore.

Should be assay on ore from each property in order to arrive at a fairly correct percentage. (Mill saving should be included but probably impossible to get.) DRP.

In executing this certificate, I fully understand that the tungsten concentrates hereinabove described are being sold to or purchased from me for resale to the United States Government and that the representations I have hereinabove made concerning the source of said tungsten concentrates are being made to the United States Government.

I further understand that this certificate will be used to support a claim against the United States Government when the said tungsten concentrates are sold to the United States Government, and I understand the provisions of 62 Stat. 698; 18 U.S.C. 287, 1001, concerning penalty for presenting fraudulent claims, which statute provides for a fine of not more than $10,000.00 and imprisonment for not more than 10 years, or both.

I hold Certificate Number ..9-2462..... furnished by the General Services Administration.

Dated this ...16th..... day of .....January..... , 19 56... .

Don Lieberman Enterprises

s/n D.K. Lieberman
(Signature)

GSA-RS-428
(10-55)

DON LIEBERMAN - Tucson, Arizona

Lot	Gross	Tare	Net	Moisture	Dry Tons	Assay	Units
A	2,002	22	1,980	---	.990	26.01	25.750
B	3,762	42	3,720	---	1.860	38.68	71.945
C	1,190	13	1,177	---	.589	44.85	26.41
D	1,962	36	1,926	---	.963	23.90	23.016
E	24,774	414	24,360	---	12.180	6.58	80.144
	33,690	527	33,163	---	16.582		227.272

THE SALT LAKE TUNGSTEN COMPANY

Concentrate Settlement Sheet

RECEIVED
OCT 19 1956

Date August 3, 1955 Shippers Lot No. 2 S.L.T. Co. Lot No. 278

Shipper Don Lieberman Enterprises

Shipped From Tucson, Arizona Date June 13, 1955

Sampled By Salt Lake Tungsten Company Date 6/13/55 Report No.

Assayed By Date Report No.

~~Ex. Car~~
Truck Gross Lbs. 33,690 Tare Lbs. 527 Wet Wt. Lbs. 33,163

Assay % Moisture % Lbs.

Dry Weight Lbs. 33,163

Dry Tons 16.582 x Settlement Assay 13.706 % Total Contained Units 227.272

SETTLEMENT

Contained Units 227.272 x $63.00 = $ 14,318.14 Gross Value

Less Deductions:

Losses	12.60	2,863.63
Sampling Charges		
Refinery Charge	13.50	3,068.17
Freight Charges		
Advances		

Total Deductions $ 5,931.80

Net Settlement $ 8,386.34

Date Paid:
Vo. No.:

	Gross	Tare	Net
Load 1	17,040	6,260	10,780
Load 2	13,440	6,260	7,180
	30,480	12,520	17,960

THE SALT LAKE TUNGSTEN COMPANY

Concentrate Settlement Sheet

RECEIVED
OCT 19 1956

Date December 29, 1954 Shippers Lot No. 1 S.L.T. Co. Lot No. 141

Shipper Don K. Lieberman Enterprises

Shipped From Tucson, Arizona Date November 5, 1954

Sampled By The Salt Lake Tungsten Company Date 12/16/54 Report No.

Assayed By Same Date 12/28/54 Report No. 154

~~Box Car~~
Truck Freight Gross Lbs. 17,960 Tare Lbs. 176 Sacks Wet Wt. Lbs. 17,784

Assay 10.50 % Moisture .60 % Lbs. 107

Dry Weight Lbs. 17,677

Dry Tons 8.839 x Settlement Assay 10.50 % Total Contained Units 92.810

SETTLEMENT

Contained Units 92.810 x $63.00 = $ 5,847.03 Gross Value

Less Deductions:

80%	Losses	12.60	1,169.41
	Sampling Charges		
	Refinery Charge	13.50	1,252.94
	Freight Charges		
	Advances		

Total Deductions $ 2,422.35

Net Settlement $ 3,424.68

Date Paid:
Vo. No.:

GENERAL SERVICES ADMINISTRATION - REGION 6

C 0 P Y

CERTIFICATE

The undersigned certifies that Lot Number .....2.... is made up of ....2...., lots of tungsten concentrates and that all of said lots were produced in the United States* from ores mined in the United States* and that the approximate date which the said lots were mined and/or concentrated was ..... .

* *United States means United States, its Territories and possessions.*

The undersigned further certifies that he knows of his own knowledge that the said lots of tungsten concentrates were obtained in the quantities and from the mines shown below. (If the person executing this certificate does not have personal first hand knowledge of the source of said lots, state this fact immediately following this sentence and in such case there must be presented with this certificate a similar certificate on the same form executed by the person who actually mined the same lots.)

RECEIVED

OCT 19 1956

NAME OF MINE	LOCATION OF MINE	QUANTITY (Lbs. of Concentrates)
Good Enough	Arivaca, Arizona)	(33,163
Morning Sta r	Oracle, Arizona)	Total float and table concentrate

Lot No. 2 was made up of all low grade concentrate resulting from milling of ore taken from the two above named mines.

It is not possible to separate this because we ran one one day and one the other, and we didn't bail out the flotation pond until it was full. Part of this shipment was low grade table concentrate from the Good Enough but only the records at Salt Lake Tungsten will show what percentage was table concentrate and what percentage was flotation. We do certify below that every bit of this came from ore domestically mined a t various periods during the year 1955. It is impossible to go ba ck because this Government form was not in use at the time and a copy of our own form for poundage and everything else wa s submitted to the Salt Lake Tungsten Company.

In executing this certificate, I fully understand that the tungsten concentrates hereinabove described are being sold to or purchased from me for resale to the United States Government and that the representations I have hereinabove made concerning the source of said tungsten concentrates are being made to the United States Government.

I further understand that this certificate will be used to support a claim against the United States Government when the said tungsten concentrates are sold to the United States Government, and I understand the provisions of 62 Stat. 698; 18 U.S.C. 287, 1001, concerning penalty for presenting fraudulent claims, which statute provides for a fine of not more than $10,000.00 and imprisonment for not more than 10 years, or both.

I hold Certificate Number 9-2462..... furnished by the General Services Administration.

Dated this ...16th..... day of ...January..... , 19 56.... .

Don Lieberman Enterprises

s/n...D.K. Lieberman.....
(Signature)

GSA-AB-428
(10-56)

COPY

DON LIEBERMAN
ENTERPRISES

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

TUSCON, ARIZONA

RECEIVED
OCT 19 1956

BILL OF LADING

			Code
20 sacks of Bla ck tungsten	100# each	2000 #	A
38 sa cks low gra de table scheelite	100# each	3800 #	B
12 sacks 45% table conct. scheelite	100# each	1200 #	C
33 sacks 25.8% flotation	65# each	2045 #	D
385 * (*ink)		25005*	
~~430~~ sacks flotation	65# each	~~27950 #~~	E
		34050	

Received: Date June 13, 1955

Signed _____
Salt Lake TungstenCompany

* Change in loa d made in ink is correct one.

s/n D.K. Lieberman

DON LIEBERMAN
ENTERPRISES

1500 W. Ajo W.
P. O. Box 7066

Tucson, Arizona

OCTOBER 9, 1956

UCSON MOTOR
EPLACEMENT

ON MINING
OMPANY

ISSION PARK
VATER CO.

ANCHO
RBOLES
ANTADORES

EEDOM
OMES, Inc.

RIZONA
ORTGAGE
TRUST CO.

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

MR. T. H. BRADING

DENVER, COLORADO

RECEIVED
OCT 19 1956

DEAR SIR:

SHIPMENTS OF LOW GRADE CONCENTRATE TO SALT LAKE TUNGSTEN COMPANY, SALT LAKE CITY, UTAH CONSTITUTED THREE SHIPMENTS. THE SHIPMENT NO. 1 MADE IN DECEMBER, 1954 CONTAINED NO CONCENTRATE THAT BELONGED OR HAD ANY ASSOCIATION WHATSOEVER WITH THE MORNING STAR MINE NOR NIKAS MINING COMPANY.

SHIPMENT NO. 2, UNTIL WE CAN GATHER MORE ACTUAL INFORMATION THERE IS NO FIGURE THAT WE CAN GIVE YOU AT THIS TIME.

ON SHIPMENT NO. 3 THE THOUGHT IS THAT THE RESULTING FLOTATION OR LOW GRADE CONCENTRATE DERIVED FROM THE MORNING STAR ORE THAT NIKAS MINING COMPANY WAS PAID BY US BUYING THE ORE OUTRIGHT AND THE RESULTING PRODUCT BELONGS TO US AND WE FEEL THAT WE OWE THE GOVERNMENT NOTHING AS FAR AS THIS SETTLEMENT IS CONCERNED.

VERY TRULY YOURS

DON LIEBERMAN ENTERPRISES

Sadie Lee Stuart

BY SADIE LEE STUART

For Certificate of Deposit No. 22, dated August 7, 1956, giving royalty repayment of $798.44, see E-6.

400

JUL 1 5 1956

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

Re: Docket No. DMEA 2356 - Tungsten
Mikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-5370

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/fec 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

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-E370

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,

Administrator

Copy to:
(1) Mr. D. H. 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

COPY

800

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

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 requirements 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.

/s/ W. M. Traver

W. M. Traver

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

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 specific 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

W. M. Traver

RDB/vj

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

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
Nikma 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 Nikma 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. Kiilsgaard
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

Mr. Chambers

400

DEC - 5 1955

Mr. D. K. Lieberman
Don Lieberman Enterprises
P. O. Box 7056
Tucson, Arizona

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

"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. U. Mittendorf

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

For Certificate of Deposit No. 69, dated December 9, 1955, giving royalty repayment of $541.25, see E-54.

QUADRUPLICATE

STANDARD FORM 209c (Formerly Certificate of Deposit, Form 6599)
Promulgated August 1951 by Treasury Department, Fiscal Service

CERTIFICATE OF DEPOSIT FOR CHECKING ACCOUNT

Deposited with Federal Reserve Bank of Kansas City, Mo., Denver, Colo. (Name and location of depositary) 5/24/55 (Date sent)

DEPOSIT NO. 14-23-040-114

the sum shown opposite for credit, subject to check, in the disbursing account of—

$ 913.67

SYMBOL NO. 413

C. E. Evans, RMD, Denver, Colorado
(Name and address of officer to be credited)

On account of—
144401

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

Defense Minerals Exploration
Administration
224 New Customhouse
Denver 2, Colorado

MAY 24 1955

SPACE BELOW TO BE USED BY DEPOSITARY ONLY
I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

(Authorized signature)

(Date of credit in Treasurer's account)

DEPOSITARY WILL DATE, SIGN, AND RETURN THIS TO DEPOSITOR FOR HIS RETAINED COPY

Contract No.E381	1.85
Sunnyside Uranium Co.	
Contract No.E595	196.64
Fred Schwartzwalder	
Contract No. E381	5.49
Sunnyside Uranium Co.	
Contract No. E638	50.03
~~Thornburg Mining Co.~~	
Contract No. E370	325.82
Nikas Mining Company	
Contract No.E577	333.84
Gramlich Exploration Total	913.67

RECEIVED
MAY 24 1955
C. E. EVANS, Reg. T.D.O.
U.S. Treas. Dept.
Denver

C
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P
Y

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

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 2356
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 for their appropriate action.

Yours very truly,

/s/ W. M. Traver

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

Enclosure

rdb;ld

Copy to: Sec. Opr. Comm. (2)
T. A. Christensen
W. R. Storms
Royalty File E370
Chron

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 24 1954

224 New Customhouse
Denver 2, Colorado

March 22, 1954

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: Settlement Sheets-Nikas Mining Company, Docket No. DMEA 2356, Contract No. E370, Arizona

Enclosed are copies of settlement sheets covering ore shipped by the Nikas Mining Company.

No payments have been received on royalties to date, but deduction will be made on final MF-104.

John F. Shaw
For W. H. King

Enclosures

es

cc: Royalty File
Sec. to the Oper. Comm. (2) w/enc. settlement sheets
Storms w/enc. settlement sheets
Chron.

C
O
P
Y

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
2116 East 8th 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,

/s/ W. M. Traver

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

Attachment
RDB:ld
Copy to: Sec. Opr. Comm. (2)
Royalty File E370
W. R. Storms
T. A. Christensen
R. D. Berkenkotter
Chron

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

AUDIT CERTIFICATE

I have examined the records and transactions of:

Nikas Mining Company, a Partnership
Composed of Tom D. Callas, A. Nikas, John
Gekas, John Paulos, and Monte Seymour
1323 East 5th Street
Tucson, Arizona

pertaining to Exploration Contract Idm-E370, Docket No. DMEA 2356, including Amendments No. 1 and No. 2, and termination agreement covering a project of exploration for tungsten, located in Pinal County, Arizona, and commonly known as Maudina and Morning Star Tungsten Mines, for the period August 27, 1952 to June 30, 1953, including subsequent settlement February 17, 1954.

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

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

Total Cost per MF-104			$25,224.45
Less: Proceeds from Property Disposition			966.67
Net Claimed Costs			$24,257.78
Exceptions (See Audit Report for details)			
During this Audit		$119.08	
Less: Reinstatement of Disallowance			
Prior Audit	$56.50		
Adjustment of Under Claim for Labor	17.15	73.65	45.43
Total Accepted Cost			$24,212.35

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in the amount of Eighteen Thousand One Hundred Fifty Nine and 26/100ths Dollars

- $18,159.26 -

is valid and proper.

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

Dated: February 18, 1954.

Donald T. Finch

Donald T. Finch, Auditor

AUDIT REPORT

I. INTRODUCTION

On February 9, 1954, a final audit (covering the period August 27, 1952, to June 30, 1953, including subsequent settlement February 17, 1954) was made of the records and accounts of operations pertaining to Contract No. Idm-E370, Docket DMEA 2356, including amendments No. 1 and No. 2, termination agreement and approval of liquidation agreement with the

Nikas Mining Company
a Partnership composed of Tom D. Callas, A. Nikas
John Gekas, John Paulos, and Monte Seymour
1323 East 5th Street
Tucson, Arizona

covering a project of exploration for Tungsten, located in Pinal County, Arizona and commonly known as the Maudina and Morning Star Tungsten Mines.

Part of the accounting records under the contract are in the possession of Mr. H. E. Krumlauf, whose address is as above. Mr. Krumlauf was the general manager of the project and is authorized to act for the operator under a special power of attorney dated September 18, 1952. Mr. Krumlauf reported the partnership as being inactive but that his special power of attorney had not been revoked.

The balance of the accounting records are located in the office of Mr. Victor Tronolone, 239 North Church Street, Tucson, Arizona.

During the course of the audit Mr. Krumlauf and Mr. Tronolone were consulted when necessary. Their cooperation facilitated the audit.

Mr. T. M. Romslo, Mining Engineer, Tucson Office, collaborated in the audit.

II. GENERAL INFORMATION ON RECORDS

The accounting records for the exploration project are summarized in a cash journal and general ledger, which are maintained under the supervision of Mr. Tronolone.

The original records covering the costs of this project were recorded on monthly work sheets maintained by Mr. Krumlauf, General Manager, who prepared the Operator's Monthly Reports.

This audit in general involved an examination of original records, monthly work sheets and reconciliation with the monthly MF-104 reports. Costs were recorded on a combination of cash and accrual basis.

Prior to the on site audit considerable pre-audit analysis was performed in the DMEA Office at Denver, Colorado.

III. SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs as shown in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher for the month of June, 1953.

In view of the previous audit by T. H. Brading, DMEA Auditor, covering the period August 27, 1952 to January 31, 1953, except as otherwise indicated, this audit was restricted to the costs claimed by the operator since that later date.

The extent of the audit and findings under each of the "Items of Cost" follows:

(1) Independent Contracts

None

(2) Labor and Supervision

(a) Labor

All charges for labor during the period February 1 to June 30, 1953, were supported by daily time reports and payrolls which were examined in detail as to number of hours, authorized rates, extensions and amounts.

Acceptable labor costs are as follows:

Balance per previous audit	$5,024.00
Period, February 1 to June 30, 1953	4,542.30
Accepted Total	$9,566.30

The audit disclosed that through error the total charge for labor applicable to the month of April, 1953, had been entered Net of Withholding Tax and Employee's OAB charges which totalled $165.65.

The operator's report for May, 1953, partially corrected this under charge by increasing the labor charge applicable to May in the amount of the Withholding Tax of $148.50. Through oversight the amount of the Employee's OAB Tax of $17.15 was not included in the correction. This under claim of $17.15 has been included in the acceptable

labor costs shown above.

(b) Supervision

All charges for supervision during the period February 1 to June 30, 1953, were supported by daily time sheets and payroll summaries which were examined in detail. These charges were for the salary of Mr. H. E. Krumlauf, Engineer-Supervisor. The rate of charge for supervision was equal or less than authorized by the exploration contract and is considered reasonable.

The acceptable charges for supervision are as follows:

Balance per previous audit	$1,281.25
Period February 1 to June 30, 1953	1,418.75
Acceptable Total Supervision	$2,700.00

(3) Operating Materials and Supplies

All charges for operating materials and supplies for the period February 1 to June 30, 1953, were supported by invoices which were examined for propriety and reasonableness of the items charged.

During the previous audit the cost of an electric blasting machine charged to explosives in the amount of $56.50 was disallowed because the item was not specifically authorized in the exploration contract. This disallowance was adjusted by the operator in subsequent monthly reports.

Subsequent to the release of the previous audit report the Iron and Ferro-Alloys Division of the DMEA advised that the item was necessary for use in electric blasting required by the Arizona Mine Safety Rules of the State Mine Inspector.

Further analysis also disclosed the operator's application specified the operator proposed to use electric blasting. The Field Team's final report on the application indicated concurrence with the operator's proposal concerning the use of electric blasting. It appears, therefore, that it was the mutual intent of all parties concerned to include the costs of electric blasting in the costs allowable under the terms of the contract.

As a result of the foregoing analysis the disallowance of $56.50 which had been adjusted by the operator is reinstated in this audit report and such reinstatement is approved by the Executive Officer.

A tabulation of the acceptable costs of materials and supplies follows:

	Balance per Previous Audit	Period February 1 -June 30, 1953	Reinstatement of Prior Disallowance	Proceeds from Liquidation (1)	Accepted Totals
Timber	$ 273.95	$ 180.50			$ 454.45
Explosives	509.40	353.88	$56.50		919.78
Pipe	407.08	30.00		$53.97	383.11
Track	212.97			39.87	173.10
Sub Total	$1403.40	$564.38	$56.50	$93.84	$1930.44
Other Materials & Supplies					
Drill Steel	$ 339.93	$386.62		$25.42	$ 701.13
Gas & Oil	449.48	652.79			1102.27
Small Tools	255.10			44.97	210.13
Other	58.72	(2) 36.73		46.97	48.48
Total Other Materials & Supplies	$1103.23	$1076.14		$117.36	$2062.01
Total Operating Materials & Supplies	$2506.63	$1640.52	$56.50	$211.20	$3992.45

(1) Liquidation proposal of the operator approved by Executive Officer, DMEA Field Team, Region IV, on February 17, 1954. This proposal was a lump sum bid totalling $966.67. Distribution to Items of Costs is based on engineer's tabulation.

(2) A duplicate charge for Miscellaneous Supplies purchased from Western Machinery Company claimed in February and also in March, 1953, in the amount of $7.50 is disallowed.

(4) Operating Equipment

(a) Rental

All charges for equipment rental for the period February 1 to June 30, 1953, were supported by invoices which were examined. Rental rates were in agreement with contract authorization. A tabulation of acceptable rental charges follows:

	Monthly Rate	Balance Per Previous Audit	Period-Febr. 1 to June 30, 1953	Acceptable Total
1 - 105 CFM Compressor	$147.50	$590.00	$737.50	$1327.50
1 - Single Drum Hoist	100.00	400.00	350.00	750.00
Total		$990.00	$1087.50	$2077.50

(b) Purchases

The only charge for equipment purchases during the period February 1 to June 30, 1953, was for a Fairbanks Morse Duplex 3x2x4 Air Pump which cost $75.00. This purchase was supported by invoice and is authorized by the exploration contract.

The acceptable costs of machinery are tabulated below:

Truck	$1000.00	
Skip	77.82	
Mine Car	72.63	
Blower	271.51	
Sheave	25.00	
2-1/2" Pump	212.50	
Balance per previous audit	$1659.46	
Air Pump purchased during period Febr. 1 to June 30, 1953	75.00	
Total Machinery Purchases		$1734.46
Less Liquidation Proceeds		655.47
Acceptable Cost of Machinery Purchases		$1078.99

(5) Initial Rehabilitation and Repairs

None

(6) New Buildings and Improvements

There were no charges to this element of cost during the period February 1 to June 30, 1953. An analysis of the acceptable costs for new buildings and improvements follows:

Labor	$1035.00	
Supervision	419.66	
Payroll Taxes and Compensation Insurance	129.49	
Timber	367.89	
Supplies	374.76	
Total per previous audit		$3126.80
Less Liquidation Proceeds		100.00
Acceptable Cost of New Buildings & Improvements		$3026.80

(7) Miscellaneous

(a) Repairs to Equipment

All charges for repairs to equipment during the period February 1 to June 30, 1953, were supported by invoices which were examined for propriety and reasonableness.

The acceptable cost of repairs to equipment are as follows:

Truck Repairs

Balance per previous audit	$62.29	
During period February 1 to June 30, 1953	79.49	
Total Truck Repairs		$141.78
Repairs to Rock Drill		11.83
Acceptable cost of Repairs to Equipment		$153.61

(b) Sampling and Analysis

All charges for sampling and analysis were supported by invoices which were examined. The audit disclosed two duplicate charges totalling 19 assays amounting to $76.00. These duplicate charges were disallowed. The audit also disclosed that 7 assays amounting to $28.00 were made in connection with a special geological report secured by the operator which was of no benefit to the exploration project. These excess assays are disallowed upon the recommendation of the Supervising Engineer and with the concurrence of the Executive Officer, DMEA Field Team, Region IV.

The acceptable sampling and analysis costs follow:

Balance per previous audit, 3 @ $3.00	$9.00
During the period February 1 to June 30, 1953, 16 @ $4.00	64.00
Acceptable cost for sampling and analysis	$73.00

(c) Payroll Taxes

Total charges for payroll taxes for the period August 27, 1952, to June 30, 1953, were confirmed by computation. The acceptable

cost for payroll taxes consists of 1.5% of total accepted wages and salaries of $13,166.30, or $197.49. An over-charge of $4.52 is disallowed.

(d) Liability Insurance

Total charges for Workmen's Compensation Insurance were confirmed by computation. The acceptable cost for liability insurance consists of 3.389% of total acceptable wages and salaries of $13,166.30, or $446.21. An over-charge of $3.06 is disallowed.

(e) Accounting

All charges for accounting for the period February 1 to June 30, 1953, were supported by invoices which were examined. The exploration contract provided that the Engineer-Supervisor keep the necessary accounts. The Engineer-Supervisor's authorized rate of compensation was limited to $500.00. The Engineer-Supervisor voluntarily drew a salary at the rate of $400.00 per calendar month and arranged for a Public Accountant to keep the books for the project at a cost of $100.00. This arrangement had the concurrence of the Executive Officer, DMEA Field Team, Region IV.

The acceptable costs for accounting are as follows:

Balance per previous audit report	$400.00
Period February 1 to June 30, 1953	500.00
Total acceptable cost	$900.00

IV. CONCLUSIONS

The status of the "Allowable Maximums" under the contract on June 30, 1953 (effective date of "Termination by Agreement") was as follows:

Stage I	Allowable Maximum	Total Costs	Balance
Total Labor, Supervision, including Workmen's Compensation & Payroll Taxes	$16,842.00	$13,810.00	$3032.00
Supervision, including Accounting	3,750.00	3,600.00	150.00
Operating Equipment			
Rental			
Compressor	Rate per month - $400.00	Cost per month	-$147.50
Single Drum Hoist	" " " - $100.00	" " "	-$100.00
Purchase			
Truck	$1000.00	1,000.00	-0-

The totals to date shown on the operator's June, 1953, MF-104 report agree with June, 1953, MF-104 report.

The operator reported inability to secure any outside bids for the machinery and equipment, but did submit its own lump sum bid of $966.67.

Because of the remote location and the depressed condition of the market for used mining machinery and equipment the operator's liquidation proposal dated December 14, 1953, was approved by the Executive Officer, DMEA Field Team, Region IV, on February 17, 1954.

There were no unused materials, supplies or other property to be disposed of for the joint account of the operator and the Government other than that covered by waiver or liquidation.

This audit has disclosed that all costs as charged to this project, with the exception of the disallowances itemized under (3) Other Materials and Supplies; (7)-(b) Sampling and Analysis; (7)-(c) Payroll Taxes, and (7)-(d) Liability Insurance, of the preceding section of this report, are reasonable and proper under the terms of the contract, Amendments No. 1 and No. 2, Termination Agreement dated June 30, 1953, and Liquidation Proposal approved February 17, 1954.

The adjustments of Items of Costs, as shown on the June, 1953, MF-104, the disallowances, and approved amounts are summarized as follows:

	Totals to Date MF-104 6/30/53	Disallowed by Audit	Reinstatement of Prior Disallowances	Liquidation Settlement	Under Claim	Allowed by Audit
Independent Contracts						
None						
Labor & Supervision						
Labor	$9549.15				$ 17.15	$ 9566.30
Supervision	2700.00					2700.00
Technical Services	- - - -					
Materials & Supplies						
Timber	454.45					454.45
Explosives	863.23		$56.50			919.73
Pipe	437.03			$53.97		383.11
Track	212.97			39.37		173.10
Miscellaneous	2186.87	$7.50		117.36		2062.01
Operating Equipment						
Rental	2077.50					2077.50
Purchase	1734.46			655.47		1078.99
Depreciation	- - - -					
Initial Rehabilitation & Repairs	- - - ---					
New Buildings & Improvements	3126.30			100.00		3026.30

	Totals to Date MF-104 6/30/53	Dis-allowed by Audit	Reinstate-ment of Prior Dis-allowances	Liquid-ation Settle-ment	Under Claim	Allowed by Audit
Miscellaneous						
Repairs to Equipment	$ 153.61					$ 153.61
Sampling & Analysis	177.00	$104.00				73.00
Payroll Taxes	202.01	4.52				197.49
Liability Insurance	449.27	3.06				446.21
Accounting	900.00					900.00
TOTALS	$25224.45	$119.08	$56.50	$966.67	$17.15	$24212.35

At the conclusion of the audit, the findings were discussed with the Supervisor-Engineer, Mr. H. E. Krumlauf, and with the Executive Officer, DMEA Field Team, Region IV.

February 18, 1954.

Donald T. Finch

Donald T. Finch, Auditor

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

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Defense Minerals Administration
RECEIVED
1954

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of June, 1953 Docket No. DMEA 2366 Contract No. IGu-2370
Operator's Name Hilco Mining Co., Minerals Tungsten
Address 55 N. Congress St., Tucson, Arizona
Contract Amount, $ 50,200 Government Participation: 75 % Amount, $ 44,400

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$1274.00	$8876.15	$9649.15			
Supervision	98.43	2601.57	2700.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber	27.50	436.95	464.45			
Explosives	112.04	760.04	872.08			
Pipe	30.00	407.00	437.00			
Track		818.07	818.07			
Miscellaneous	236.31	1900.00	2136.37			
(4) Operating Equipment:						
Rental	247.50	1830.00	2077.50			
Purchase		1734.46	1734.46			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		3126.80	3126.80			
(7) Miscellaneous:						
Repairs to Equipment	12.46	141.15	153.61			
Sampling and Analysis	76.00	101.00	177.00			
Payroll Taxes	26.61	175.40	202.01			
Liability Insurance	50.06	389.31	449.37			
Accountant	100.00	800.00	900.00			
(8) Contingencies (specify):						
				2351.41	22873.04	25224.45
TOTALS	$2351.41	$22873.04	$25224.45	-1085.75		-1085.75
				** 73.65		* 73.65

I certify that the above bill is correct and just and that payment therefor has not been received.
Date 7-14-53 *Payee Hilco Mining Co.
Per N. E. Kumlang Title Consultant

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

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

(Instructions on reverse)

Pursuant to authority vested in me, I certify that this account is correct and proper for payment in the amount of:
1339.31 22873.04 24212.35
$533.79
Signature
(Authorized Certifying Officer)
Date 3/24/55 Voucher DMA 54-99
(See other side)

* Disallowance by DMEA audit and liquidation of property
** Reinstatement and underclaim

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm E 370 in accordance with the terms of the contract.

Signature John H. Doale WRH Title Mining Engineer Date July 22 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature John F. Shaw for W.H. King Title Executive Officer Date MAR 23 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of June 1953 Docket No. DMEA 8350 Contract No. Idm-8370

Operator's Name Mikas Mining Co.,
Address 55 W. Congress St., Tucson, Arizona

Minerals Tungsten

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting	ft.	827.80	0	00651.30	003	32.45	410	
Crosscutting	ft.	2320.01	36	4001.41	00	55.70	100	
Raising								
Shafts	ft.	0	0	0010.45	110	00.10	210	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		$2351.41		$20363.19				Total Costs Authorized by Contract
Operating Equipment Purchased				1734.46				04100.00
Initial Rehabilitation and Repairs				3126.00				0100.00
New Buildings, Improvements, etc.								
Total Costs		$2351.41		$25224.45				

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

Date 7-14-53 Operator Mikas Mining Co.

Per H E Krumlauf Title Consultant

Remarks:

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

MINING DIVISION
REGION IV

July 23, 1953

Memorandum

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : June 1953 Progress Report, Contract Ida-6370, Docket DMMA-2356, Nikas Mining Co.'s Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following:

(1) Bureau of Mines engineer's report;
(2) Operator's narrative report with map;
(3) Forms MF-104 and MF-104A.

Also enclosed are two extra copies of our engineer's report.

To the best of my knowledge and belief all work is in accordance with the terms of the contract. However, as the contract time expired on July 18 and as no further work was done after June, I recommend that payment of the June costs be held up until a final audit can be made by a DMMA auditor. It seems possible that the items of supervision and rental of equipment may have been exceeded.

Walter R. Storms

Walter R. Storms

CC W. H. King (6)
DMMA-2356
DF

WRStorms:frj

MINING DIVISION
REGION IV

July 23, 1953

Memorandum

To : Walter R. Storms, Chief, Mining Methods Br., Mining Div., Region IV

From : J. H. Soule', Mining Engineer, Tucson, Arizona

Subject : Progress Report for June 1953, Docket DMEA-2356, Contract Idm-2370, Nikas Mining Co., Morning Star Tungsten Mine, Old Hat Mining District, Pinal County, Arizona.

The Morning Star tungsten mine was visited on July 14, 1953 to inspect the progress made on the subject project for the month of June 1953. The visit was made by J. H. Soule', of the Bureau of Mines. He was accompanied by Tom Callas, miner-foreman for the operator.

No drifting reportedly was done on the project during the month and 20 feet of advance was reported in the crosscut south from the east drift. As 5 feet of advance was reported for May and the crosscut measured 25 feet, the 20 feet of advance for June is approved. Low grade scheelite mineralization was noted in the crosscut.

The north crosscut from the west drift reportedly was advanced 2 feet. As 26 feet of advance was reported for April and May and as the crosscut measured 28 feet at the time of the visit, the 2 feet of advance for June is approved. The crosscut south from this same drift reportedly was advanced 13 feet. The total advance at the time of the visit was measured as 35 feet and as 22 feet previously was reported for March and May, the 13-feet June advance is approved.

As no additional advance was made during July and the time limit imposed by the terms of the contract expired on July 18, 1953, an interpretation of the wording of the contract is desirable. The

cc W. H. King (Orig. & 6)
DMEA-2356
DF

JHSoule':frj

contract states, "Drive a 60-foot, - - -; Drive a 120-foot, - - -" and Amendment No. 2 to the contract states, "Extend the West Drift 20 feet; Extend the East Drift 30 feet". A literal interpretation of the wording in the contract and its amendment No. 2 means that the East drift was to be driven 150 feet and the West drift was to be driven 80 feet. Only the 80 feet of drift to the west met these requirements, the drift to the east only being 125 feet deep. The same type of wording applies to the crosscuts which were not driven to the extent stated in the contract and Amendment No. 2. Does the wording of the contract mean that the stated units of work must be performed?

A nice body of scheelite ore was encountered in the west drift and its 2 crosscuts. Ore reserves calculated by the engineer for the operator shows 7,000 tons of ore indicated by the exploration and 5,000 tons inferred. Using the same basic data, the ore reserves were recalculated by the Bureau of Mines engineer. An area of 1,640 square feet of mineralization was shown on the lower level and 480 feet on the top level, the arithmetical average of the two is 1,060 square feet. As the above areas were horizontal in extent, the volume of the prism was found by applying the vertical distance between the two levels, or 70.7 feet. This gives the prism a volume of 74,942 cubic feet and by applying a tonnage factor of 12.5, the prism contains nearly 6,000 tons of ore. This ore would be indicated. Inferred reserves were calculated by extending the ore one-half the distance between the levels, or 35 feet, below the lower level to the apex of an inverted oblique pyramid. This pyramid contains 19,133 cubic feet of volume or slightly over 1,500 tons, using a tonnage factor of 12.5. Thus, total indicated and inferred ore reserves are 7,500 tons.

Grade estimates by the operator's engineer are 0.726 percent WO_3 for the indicated ore and 0.605 percent WO_3 for the inferred ore. These results were based on channel samples from the lower level and from an average of the ore mined in the top level. The sample results were weighted. However, grab samples taken by an engineer of the Bureau of Mines and from preliminary results on ore mined seem to indicate that the above grade estimates are a little high. Pending more accurate information, the reporting engineer estimates the grade to be 0.5 percent WO_3 for the 7,500 tons of indicated and inferred ore.

Because of the waiving of documentation on this project, the details of the costs are not known. Judging from the 35 feet of advance reported for the month and the $2,351.41 expended during the month, the unit cost of$67.18 seems somewhat excessive. Also it is noted that a

total of $900.00 for an accountant has been charged to the project. This charge is questioned as footnote 1 on page 3 of the contract and footnote 1 on the first page of Amendment No. 2, in defining the duties of the engineer-supervisor specifically state "He also shall keep the necessary accounts." or "He shall also keep the necessary accounts.". Agreement is noted between the totals on Forms MF-104 and MF-104A.

It seems as if the Nikas Mining Co. plans no further work on the project although the second stage as outlined in the contract, with important modifications, seems justified. In view of the above and because of the expiration of the contract, it is recommended that payment of the accompanying voucher, Form MF-104, be withheld pending an audit of the project accounts, settlement of, and liquidation of jointly owned equipment and excess supplies.

John H Soule'

John H. Soule', Mining Engineer
Mining Methods Branch
Mining Division, Region IV

IKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona
July 14, 1953

Mr. W. R. Storms,
Chief, Arizona-New Mexico Branch,
Mining Division, Region 4,
U.S.Bureau of Mines,
University of Arizona,
Tucson, Arizona

Re: Docket D.M.E.A. 2356
Contract Idm-E 370

Dear Mr. Storms:

During the month of June the south cross-cut from the west drift was advanced 13 feet, the north cross-cut was advanced 2 feet and the south cross-cut from the east drift was advanced 20 feet. The total advance for the month was therefore 35 feet.

Summary of accomplishments to date:

1. Shaft put down a distance of 110 feet as allowed for stage I of the contract.

2. West drift driven 80 feet from shaft as specified in contract and Amendment No. 2.

3. East drift driven 125 feet, of which 120 feet were allowed for stage I and 5 feet of an additional 30 feet that were allowed by the Amendment No. 2, Stopped at this point because it had entered barren and caving ground.

4. The south cross-cut from the west drift was driven a total distance of 35 feet.
   The north cross-cut from the west drift was driven a total distance of 28 feet.
   The south cross-cut from the east drift was driven a total distance of 25 feet.
   The total length of all cross-cuts is 88 feet and stage I and the Amendment No. 2 provided for 100 feet of cross-cutting.

The area of mineralization on the west side of the mine, as shown by the trapezoid on the enclosed map, is 1640 square feet. The stope on the surface from which some 600 tons of ore have been taken has an area of 480 square feet. If a tonnage factor of 15 cubic feet in place is assumed, the prism between these areas contains approximately 7000 tons of ore. The weighted average assay of the ore on the level is 0.605 % WO_3 which, when combined with the assay of the ore taken from the stope and weighted according to the areas involved, gives an average assay for the block of 0.726% WO_3. It can therefore be stated that a block of 7000 tons of <u>indicated</u> ore containing 0.726 % WO_3 is available for mining above the first level on the west side of the mine.

Assuming that the ore shoot extends downward an additional 100 feet and applying a hazard discount of 40%, there is an <u>inferred</u> quantity of 5000 tons of ore containing 0.605 % WO_3.

Summary of ore reserves:

Indicated at 0.726% WO_3	7000 tons
Inferred at 0.605% WO_3	5000 "
From exploration to date	12000 "

* From the report by T.P.Lane, in addition to the above, the Morning Star shoot contains:

Assured at 0.85% WO_3	1800 tons
Probable at 0.85% WO_3	6000 "
Possible " 0.85% WO_3	10000 "
Total	17800 tons

It is not known if Mr. Lane applied a hazard discount to his estimates before recording them.

* Report on the Morning Star Mine by T.P.Lane.
A copy of Mr. Lane's report was included in the May summary.

Sincerely yours,

HKrumlauf

Harry K. Krumlauf

HKK

NIKAS MINING COMPANY
55 West Congress Street,
Tucson, Arizona

July 10, 1953

TO WHOM IT MAY CONCERN:

To our knowledge all bills outstanding against the Nikas Mining Company on June 30 have been paid.

A. Nikas

A. Nikas, Pres.

J. Gekas

J. Gekas, Secy-Treas.

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

224 New Customhouse
Denver 2, Colorado

March 29, 1954

Memorandum

To: Secretary to the Operating Committee

From: Executive Officer, DMEA Field Team, Region IV

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

Enclosed are two copies of the Operator's Monthly Progress Report, Form MF-104 and MF-104A, Operator's Narrative Report, Inspecting Engineer's Narrative Report, and other supporting data pertaining to work under the subject contract for the months of April, May and June 1953.

Also enclosed are two copies of a memorandum to Mr. T. A. Christensen, dated March 23, 1954, relative to final payment under the terms of the subject contract.

Final payment to the Operator in the amount of $3,019.86 has now been made in conformance with the Report of Review by the Contract Administration and Audit Division dated February 18, 1954.

John F. Shaw
For W. H. King

Enclosures

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION IV

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 1 1954

Administrative Audit Difference Statement

Date: March 24, 1954
Payee's Reference: Progress Report
June, 1953 FINAL

Elkas Mining Company
55 West Congress St.,
Tucson, Arizona
Ida-1370

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed $ 2351.41

Difference $ 1012.10

Amount Approved $ 1339.31

The reason for the difference was due to:

Disallowances for DMA Audit:

Duplicate charge for purchases from Western Mfg.Co.	07.50	
" " " assays 076.00 and 7 assays made which were not in connection with this project for 023.00	106.00	
Payroll Taxes (overcharge)	4.52	
Mobility Tax.(" ")	3.06	
Liquidation Settlement of property	904.67	
		1035.75

Underclaim for Labor.....017.15		
Reinstatement of claim previously disallowed ... 56.50 (explosives)		73.65
		1012.10
75% of $1339.21 is	1004.48	
Deduction of Royalties due the Government	471.19	
	533.29	

Any reclaim for deductions made above must be supported by the ORIGINAL of this form.

Very sincerely yours,

N. E. Stokes
Audit Section

R-IV-B & F Form No. 4
4-15-52 D

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

224 New Customhouse
Denver 2, Colorado

March 23, 1954.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: Docket No. DMEA-2356 (Tungsten), Contract No. Idm-E370, Nikas Mining Company, Pinal County, Arizona. Operator's Monthly Progress Reports for the months of April, May and June 1953. **FINAL PAYMENT**

Enclosed are the original and four copies of Form MF-104 and MF-104A, Operator's Narrative Report and Engineer's Narrative Report for the above periods, which have been combined to form a single report. This report constitutes the Operator's final claim under the terms of the contract.

Also attached to each copy of the combined report are data relevant to the liquidation of the jointly-owned property acquired under the contract. ✓

Certified?

Work has been accomplished as authorized in the contract and the Operator has complied with all requirements.

Final payment is recommended as follows, which is in conformance with the Audit Report and Certificate by the Contract Administration and Audit Division, dated February 18, 1954, which was released to this office March 8, 1954.

Basis for Final Payment

Total accepted cost per audit	$24,212.35
Government participation at 75%	18,159.26
Total prior payments	14,668.21
Balance	$3,491.05
Less royalties due the Government as per attached schedule and the Operator's letter authorizing the deduction	471.19
Balance due the Operator	$3,019.86

Reconciliation with attached Form
MF-104 Reports

Gross amount of claim for April 1953			$1,524.55
Gross amount of claim for May 1953			1,790.86
Gross amount of claim for June 1953			2,351.41
Total			$5,666.82
Audit Adjustments			
Deductions			
Property liquidation	$966.67		
Audit disallowance	119.08		
Total		$1,085.75	
Reinstatements			
Prior disallowance	56.50		
Labor underclaim	17.15		
		$73.65	
Net adjustment (deductable)			$1,012.10
Balance			4,654.72
Government participation at 75%			3,491.04
Less royalties due the Government			471.19
			$3,019.85
Mill adjustment (plus)			.01
Balance due the Operator			$3,019.86

The Operator, by letter attached hereto, authorized the deduction of the amount of royalties due the Government from past production.

Also attached hereto is a schedule of our computations showing the total amount of royalty due the Government.

John F. Shaw
John F. Shaw
For W. H. King

Enclosures

JWT:cwm

cc: Contract
Secretary to the Oper. Comm. (2)
WRStorms
Chron.
JWTownsend

SCHEDULE OF ROYALTY COMPUTATIONS SHOWING
AMOUNT DUE THE GOVERNMENT FROM PRODUCTION

Docket No. DMEA-2356, Contract No. Idm-E370
Nikas Mining Company, Final County, Arizona

Lot No. and Date of Shipment	Smelter Value	Allowable Deductions	Net Value	Tons	Value Per Ton	Royalty Rate	Royalty Due
9-10 Oct. 5, 1953	$4298.00	-	$4298.00	15.7635	$ 272.66	5.0%	$214.90
10-1 10-2 Oct. 7, 1953	723.35	-	723.35	2.1635	334.34	5.0%	36.17
Oct. 13, 1953	613.68	$17.76	595.92	0.1525	3907.67	5.0%	29.80
Oct. 21, 1953	3849.64	43.15	3806.49	1.0153	3749.13	5.0%	190.32
			Total Royalties due the Government:				$471.19

March 16, 1954

Mr. W. H. King
Executive Officer, DMEA
224 New Customhouse
Denver 2, Colorado

Re: Docket DMEA 2356
Contract Idm-E 370
Nikas Mining Company
Pinal County, Arizona

Dear Mr. King:

Please find enclosed four invoices for each of four lots of tungsten concentrates shipped by the Nikas Mining Company from ore obtained from the Morning Star Mine. These invoices were given to me by Mr. J. Gekas, one of the owners, and I believe they are a complete record of all concentrates produced and sold by the Company from July 1, 1952 to date. The four lots contained 191.62 units of WO_3 for which the company received $9423.76.

Except for approximately 250 tons of ore and low grade material that was produced during the exploration the balance of the material from which the above concentrates were obtained was mined by T. D. Callas during July, August and September of 1953 and milled under the supervision of A. Nikas. No records were kept by either man covering the quantity of material produced or the amount concentrated by the mill and no sampling was done by either man. Therefore the quantity milled, grade of mill heads and recovery are unknown. I doubt if 800 tons were milled but if this figure is correct the grade must have been very low, the recovery very poor or both together. I do not know the correct answer to the above since I was not employed by the company during this period.

As requested in your letter of March 9 you are authorized to deduct the amount of royalty due the government from the amount still due the company under the contract.

Sincerely yours,

H E Krumlauf

H. E. Krumlauf

224 New Customhouse
Denver 2, Colorado

February 17, 1954

Nikas Mining Company
c/o Harry E. Krumlauf
Consulting Mining Engineer
1323 East Fifth Street
Tucson, Arizona

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

Gentlemen:

Consistent with the authority delegated to this office under Order No. 2084 from the Office of the Secretary, Department of the Interior, the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, does hereby approve your bid, dated December 14, 1953, and confirmed by your letter of February 9, 1954, in the amount of $966.67, in the disposal of the jointly owned equipment and the unexpended portion of materials and supplies acquired under Contract Idm-E370, in which the Government contributed to the extent of 75 percent of the cost.

The sum of $966.67, reflecting both yours and the Government's interest in the property, will be deducted from the gross amount of claims by you held pending in this office for reimbursement under the terms of the contract, thereby automatically effecting reimbursement to the Government for their 75 percent equity, or the amount of $725.00.

Final settlement of the account and final payment to you must necessarily be deferred pending release of an audit certificate and audit report by the Contract Administration and Audit Division and receipt of your final engineering and geologic report relative to the work performed under the contract.

Very truly yours,

W. H. King

W. H. King
Executive Officer, DMEA
Field Team, Region IV

JWT:jp
cc Contract
Chron
MF-104 (5)
WHStorms
AHKoschmann
JWTownsend

Tucson, Arizona

February 9, 1954

NIKAS MINING COMPANY

55 W. Congress Street

Mr. W. H. King
Executive Officer
DMEA Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Dear Mr. King

Re: Docket DMEA 2356
Contract Idm-E 370

The bid of seven hundred and twenty-five dollars ($725.00) as shown in my letter of December 14, 1953, represents the Government's share of supplies and equipment for the above contract. The total bid being nine hundred and sixty-six dollars and sixty-seven cents ($966.67).

Sincerely yours,

H E Krumlauf

H. E. Krumlauf
Consulting Mining Engineer

January 6, 1954

Memorandum

air mail

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : Docket DMEA-2336, Contract Idm-R370, Nikas Mining Co.'s Morning Star Tungsten Mine, Old Hat Mining District, Pima County, Ariz.

In answer to your memorandum of December 23 (which was received here on December 28), enclosing copies of bids on property jointly owned by the Nikas Mining Co. and the Government under DMEA Contract Idm-R370, T. M. Romalo and I have gone over the bids and he has estimated the possible salvage value of the property. I also have talked to Mr. [illegible] E. Kruslauf, consulting mining engineer for Nikas, and he has confirmed the fact that the company's bid of $725.00 is for the Government's equity in all equipment, supplies, and buildings (his letter to you of December 14 left some doubt in our minds about this matter).

By consulting the attached sheet, it seems to us that at the present time, $725 is a fair price for the Government's equity in this property.

The bid material is enclosed as requested.

Walter R. Storms

Walter R. Storms

CC W. H. King (6)
DMEA-2336
DF

WRStorms:frj

Possible Salvage Value of Property Owned Jointly by the Nikas Mining Co. and the Government Under Docket DMEA-2356, Contract Ide-E370.

Item	Cost	Estimated Sale or Salvage Value
Equipment		
Truck	$1,000.00	$400.00
Other	733.74	
Salvage cost, 2 men 2 days @ $20	80.00	
Truck expense	50.00	
	$130.00	
733.74 x 40% less $130.00		$163.50
Total	$1,733.74	$563.50
Pipe	$216.15	17% or $36.75
Pipe fittings	86.08	20% or 17.22
Nail	189.84	21% or 39.87
Small tools	149.91	30% or 44.97
Miscellaneous	187.87	25% or 46.97
Drilling supplies	101.70	25% or 25.42
Total	$931.55	$211.20
New buildings	$3,126.80*	$100.00**
Grand total	$5,792.09	$874.70
Government's equity 75%	$4,344.07	$656.03

*Installed cost
**Possibly only one building could be salvaged.

Percentages of the total cost of items as used for their salvage values are the same as those used in the settlement of contract I-DMA-432, Docket DMA-2608A, Hanner Mining Co.'s Mineral Hill Copper Mine, Pima County, Ariz. At the present time, with the depressed lead-zinc market and the seemingly lack of ready sale for used equipment and supplies, it seems doubtful if these values could be realized.

All of the equipment purchased was used or "second-hand" except the 1-ton chain block. Much of the pipe, pipe fittings, and other supplies also were second-hand.

Some of the costs as shown on the company's list seem to be low although we do not have the original invoices here to check against. The last page of the list only shows the material used in the headframe and buildings, and not the actual installed cost.

CC W. H. King (6)
DMEA-2356
DF

C
O
P
Y

HARRY E. KRUMLAUF
Consulting Mining Engineer
Tucson, Arizona

December 18, 1953.

Mr. W. H. King
Executive Officer, D.M.E.A.
Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Re: Docket DMEA 2356
Contract Idm-E370

Dear Mr. King:

Since June 30 I have not been employed by the Nikas Mining Company and apparently all communications sent to me at the Company's official address have not been delivered as I did not receive your telegram of October 21 or your letter of July 28. I, therefore, apologize for my letter of November 25 concerning communications unanswered by you.

The Nikas Mining Company, except to complete the settlement with the Government and to pay some outstanding bills, is no longer in existence and the property and supplies are not needed by it. Because of the decline in lead-zinc mining and exploration in this area there is very little interest in used mining equipment at the present time. I have therefore been unable to obtain additional bids. However, I have been authorized by the owners of the company to submit a bid for the property and material in the hope that it will expedite the settlement. You will therefore find enclosed five copies of each bid together with fifteen copies of the inventory of property and material.

I suggest that future correspondence be sent to me at the above address.

Sincerely,

/s/ H. E. Krumlauf

December 14, 1953

Mr. W. H. King
Executive Officer
D.M.E.A. Field Team, Region IV
224 New Customhouse
Denver 2, Colorado

Dear Mr. King:

Re: Docket DMEA 2356
Contract Idm-E 370

I am authorized by the owners of the Nikas Mining Company to offer seven hundred and twenty-five dollars ($725.00) for all materials, supplies and equipment jointly owned by the Government and the Company.

Sincerely yours,

H E Krumlauf

H. E. Krumlauf
Consulting Mining
Engineer

UMRAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Equipment

	Date Purchased	Item	Vendor	Cost
1	9/4/52	1949 G M C 3/4 ton, stake, truck	Bogard	$1000.00
1	9/25/52	Used 16 cu.ft mine car	St.Anthony	70.00
1	9/25/52	Used 1 ton mine skip	"	75.00
1	9/16/52	42" sheave wheel (used)		25.00
1	10/25/52	Used Sturtevant No. 5-10" blower with new Briggs & Stratton 3 H.P. air cooled engine. Mounted on steel frame	Barretts	239.72
1	12/31/52	Used 2½" Byron Jackson Sump Pump	St.Anthony	212.50
1	11/30/52	Used small 2 cyl. air driven pump		75.00
1	9/8/52	New 1 ton differential chain block	Steinfeld's	36.52
				$1733.74

1733.74

DELAC MINING COMPANY
55 N. Congress St.,
Dallas, [illegible]

Pipe 1733.74

Quantity	Item	Vendor	Cost
440 feet	Used 2" victaulic pipe	St. Anthony	98.68
400 "	" 1" pipe	S.D.Collas	60.00
280 "	" 3/4" pipe	St.Anthony	42.47
100 "	" 3/4" pipe	H.H.Wood	15.00
			216.15

1948.89

[illegible] 1954

NIKAS MINING COMPANY
55 W.Congress St
Tucson, Arizona

Pipe Fittings $1949.89

Quantity	Item	Vendor	Cost
46	Used 2" victaulic pipe couplings	St.Anthony	42.47
1	2" Globe value (new)	"	12.91
2	1" gate valves (new)	"	11.15
25 lbs	Miscellaneous pipe fittings	H.E.Used	15.00
5	Mis. fittings (new)		4.55
			86.08

2035.97

AMKAS MINING COMPANY
55 W. Congress St.,
Tucson, Arizona

Mine Rail

$2035.97

Quantity	Item	Vendor	Cost
66 feet	16 lb. mine rail	St. Anthony	19.00
1015 "	12 " " "	" "	170.84
		Total cost	189.84

About 750 feet in place in track on the surface, in the shaft and underground

2225.81

DIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Small Tools

$2225.81

Amount	Item	Vendor	Cost
1 #	111½ Arrow hammer	Steinfeld's	1.51
1 #	B 16 c Eastwing "	"	2.97
1 S	100 square	"	5.72
1 #	347 24" level	"	2.42
1 set	BBR Augur bits	"	5.12
1	11/16 " " bit	"	.77
1 #	965N -10" bit brace	"	3.11
1	bit extender	"	3.35
1 #	60 1" wood chisel	"	2.18
1	30" wrecking bar	"	.77
1	A 110 Crescent wrench (10")	"	1.69
1	A G 115 Crestoloy " (15")	"	4.71
1	M 12 Mineralight	Ariz.Met.Lab	34.50
2	#251 drum faucets	Steinfeld's	3.38
4	5 lb picks	St. Anthony	6.00
1	24" pipe wrench	" "	6.50
1	14" " "	" "	2.64
4	Long handled shovels	" "	14.31
2	D handle "	" "	6.27
2	Rafting axes	" "	7.32
1	18" Alum level (45 degrees)	Corbett's	4.59
1	7/8" cold chisel	Steinfeld's	.77
14 lbs	3/4" Manila rope	St.Anthony	8.06
1	Galvanometer (for blasting)		21.25
			$149.91

2375.72

DIKAS MINING COMPANY
55 W. Congress St.,
Tucson, Arizona

Miscellaneous

Amount	Item	Vendor	Cost	2375.72
120'	10" 24g ventilation pipe (new)	Old Pueblo Sheet.		120.00
2	10" 24g elbows "	" " "		30.00
20'	2" water hose for pump	Barrett		19.50
5'	1½" flexible steel tube	"		3.00
1	12" bell gong (new)	Steinfeld's		15.37
				187.87

Drilling supplies

2	New 1 5/8" MCA Timken carbide bit	Steinfeld's	27.70
2	Used 1 5/8 " " " "	"	10.00
2	" 1½" " " " "	"	10.00
2	" 6 ft drill rods @ 4.00 each	"	8.00
2	" 4 " " " @ 3.00 "	"	6.00
3	" 2 " " " @ 2.00 "	"	6.00
50'	1/2 " 2-brade Gates water hose, new	"	19.00
3	Geotions machine hose - 1"	R.R.Wood	15.00
			101.70

2665.29

UTKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Surface Buildings

Quantity	Item	Vendor	Cost
1096	linear ft 2 x 4	Corbett	99.96
1150	board feet of lumber white fir	"	159.00
1408	8 x 8 & 6 x 8 Douglas fir	St. Anthony	59.84
5	Window sash 2 x 3 - 1 3/8	Corbett	20.25
			339.15

COPY

BOB BARRETT

P.O.Box 2804,Tucson,Ariz.

August 4, 1953

Nikas Mining Company
55 W. Congress St.
Tucson, Arizona

Dear Sirs:

Our offer for the attached list of equipment and materials as is and where is and free of all encumbrances is ($665.00) Six Hundred and Sixty Five Dollars cash.

BOB BARRETT

NIKAST MINING COMPANY
55 W. Congress Street
Tucson, Arizona

Equipment

	Date Purchased	Item	Vendor	Cost
1	9/4/52	1949 GMC 3/4 ton, stake, truck	Bogard	$ 1000.00
1	9/25/52	Used 16 cu.ft. mine car	St.Anthony	70.00
1	9/25/52	Used 1 ton mine skip	"	75.00
1	9/16/52	42" sheave wheel (used)		25.00
1	10/25/52	Used Sturtevant No. 5-10" blower with new Briggs & Stratton 3 H.P. air cooled engine. Mounted on steel frame	Barretts	239.72
1	12/31/52	Used 2½" Byron Jackson Sump Pump	St. Anthony	212.50
1	11/30/52	Used small 2 cyl. air driven pump		75.00
1	9/8/52	New 1 ton differential chain block	Steinfeld's	36.52
				$ 1733.74

NIKASMINING COMPANY
55 W. Congress St.
Tucson, Arizona

Pipe

Quantity	Item	Vendor	Cost
440 feet	Used 2" victaulic pipe	St. Anthony	98.68
400 "	" 1" pipe	T.E. Callas	60.00
280 "	" 3/4" pipe	St. Anthony	42.47
100 "	" 3/4" pipe	H. E. Wood	15.00
			216.15

NIKASMINING COMPANY
55 W. Congress St.
Tucson, Arizona

Pipe Fittings

Quantity	Item	Vendor	Cost
46	Used 2" vietaulic pipe couplings	St. Anthony	42.47
1	2" Globe value (new)	"	12.91
2	1" gate valves (new)	"	11.15
25 lbs.	Miscellaneous pipe fittings	H.E.Wood	15.00
5	Misc. fittings (new)		4.55
			86.08

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Mine Rail

Quantity	Item	Vendor	Cost
66 feet	16 lb. mine rail	St. Anthony	19.0[illegible]
1015 "	12 " " "	"	170.84
			189.84

About 750 feet in place in track on the surface, in the shaft and underground.

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Miscellaneous

Amount	Item	Vendor	Cost
120'	10" 24g ventilation pipe (new)	Old Pueblo Sheet	120.00
2	10" 24g elbows "	" " "	30.00
20"	2" water hose for pump	Barrett	19.50
5'	1½" flexible steel tube	"	3.00
1	12" bell gong (new)	Steinfeld's	15.37
			187.87

Drilling Supplies

2	New 1 5/8" MCA Timken carbide bit	Steinfeld's	27.70
2	Used 1 5/8 " " " "	"	10.00
2	" 1½ " " " "	"	10.00
2	" 6 ft drill rods @ 4.00 each	"	8.00
2	" 4 " " " 3.00 "	"	6.00
3	" 2 " " " 2.00 "	"	6.00
50'	1/2 " 3-brake Gates water hose, new	"	19.00
3	Sections machine hose - 1"	H. E. Wood	15.00
			101.70

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Small Tools

Amount	Item	Vendor	Cost
1 #	111½ Arrow hammer	Steinfeld's	1.51
1 #	E 16 c Eastwing "	"	2.97
1 S	100 square	"	5.72
1 #	347 24" level	"	2.42
1 set	BBR Augur bits	"	5.12
1	11/16 " " bit	"	.77
1 #	965N -10" bit brace	"	3.11
1	bit extender	"	3.35
1	#60 1" wood chisel	"	2.18
1	30" wrecking bar	"	.77
1	A 110 Crescent wrench (10")	"	1.69
1	A C 115 Crestoloy " (15")	"	4.71
1	M 12 Mineralight	Ariz.Met. Lab.	34.50
2	#251 drum faucets	Steinfeld's	3.38
4	5 lb. picks	St. Anthony	6.00
1	24" pipe wrench	" "	6.50
1	14" " "	" "	2.64
4	long handled shovels	" "	14.31
2	D handle "	" "	6.27
2	Rafting axes	" "	7.32
1	18" Alum level (45 degrees)	Corbett's	4.59
1	7/8" cold chisel	Steinfeld's	.77
14	lbs. 3/4" Manila rope	St. Anthony	8.06
1	Galvanometer (for blasting)		21.25
			$ 149.91

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Ariz.

Surface Buildings

Quantity	Item	Vendor	Cost
1096	linear ft. 2 x 4	Corbett	99.96
1150	board feet of lumber white fir	"	159.00
1408	8 x 8 & 6 x 8 Douglas fir	St. Anthony	59.84
5	Window sash 2 x 2 - 1 3/8	Corbett	20.25
			$ 339.15

COPY

ARIZONA HIDE & METAL COMPANY
P.O.Box 824
Tucson, Arizona

August 3, 1953

Nikas Mining Company
55 West Congress St.
Tucson, Arizona

Gentlemen:

We acknowledge receipt of your invitation for bid on mine equipment and material on stated pages 1 (1) to seven (7).

Of this we wish that you accept our bid of $400.00 for the 1949 - GMC 3/4 ton stake Truck, mentioned on page one.

Since most of this material on bid is installed, and of no value to us; nevertheless for what can be removed we offer $275.00, for the balance of this mat rial.

Thus, we offer our overall bid of $675.00 and trust that it is met with approval.

Very truly yours,

ARIZONA HIDE & METAL COMPANY

C.N.Pappadeas,Pres.

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Equipment

	Date Purchased	Item	Vendor	Cost
1	9/4/52	1949 GMC 3/4 ton, stake, truck	Bogard	$ 1000.00
1	9/25/52	Used 16 cu. ft. mine car	St. Anthony	70.00
1	9/25/52	Used 1 ton mine skip	"	75.00
1	9/16/52	42" sheave wheel (used)		25.00
1	10/25/52	Used Sturtevant No. 5-10" blower with new Briggs & Stratton 3 H.P. air cooled engine. Mounted on steel frame	Barretts	239.72
1	12/31/52	Used 2½" Byron Jackson Sump Pump	St. Anthony	212.50
1	11/30/52	Used small 2 cyl. air driven pump		75.00
1	9/8/52	New 1 ton differential chain block	Steinfeld's	36.52
				$ 1733.74

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Pipe

Quantity	Item	Vendor	Cost
440 feet	Used 2" victaulic pipe	St. Anthony	$ 98.68
400 "	" 1" pipe	T.[illegible].Callas	60.00
280 "	" 3/4" pipe	St. Anthony	42.47
100 "	" 3/4" pipe	H. E. Wood	15.00
			$ 216.15

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Pipe Fittings

Quantity	Item	Vendor	Cost
46	Used 2" victaulic pipe couplings	St. Anthony	42.47
1	2" Globe value (new)	"	12.91
2	1" gate valves (new)	"	11.15
25 lbs.	Miscellaneous pipe fittings	H. E. Wood	15.00
5	Misc. fittings (new)		4.55
			86.08

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Mine Rail

Quantity	Item	Vendor	Cost
66 feet	16 lb. mine rail	St. Anthony	19.00
1015 "	12 " " "	"	170.84
			189.84

About 750 feet in place in track on the surface, in the shaft and underground.

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Miscellaneous

Amount	Item	Vendor	Cost
120'	10" 24g ventilation pipe (new)	Old Pueblo Sheet.	120.00
2	10" 24g elbows "	" " "	30.00
20'	2" walar hose for pump	Barrett	19.50
5'	1½" flexible steel tube	"	3.00
1	12" bell gong (new)	Steinfeld's	15.37
			187.87

Drilling Supplies

2	New 1 5/8" MCA Timken carbide bit	Steinfeld's	27.70
2	Used 1 5/8 " " " "	"	10.00
2	" 1½" " " " "	"	10.00
2	" 6 ft. drill rods @ 4.00 each	"	8.00
2	" 4 ft. " " @ 3.00 each	"	6.00
3	" 2 ft. " " @ 2.00 "	"	6.00
50'	1/2" 2-brake Gates water hose, new	"	19.00
3	Sections machine hose - 1"	H. E. Wood	15.00
			101.70

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Small Tools

Amount	Item	Vendor	Cost
1#	111½ Arrow hammer	Steinfeld's	1.51
1#	E 16 c Eastwing "	"	2.97
1 S	100 square	"	5.72
1#	347 24" level	"	2.42
1 set BBR	Augur bits	"	5.12
1	11/16 " " bit	"	.77
1	# 965N -10" bit brace	"	3.11
1	bit extender	"	3.35
1	#60 1" wood chisel	"	2.18
1	30" wrecking bar	"	.77
1	110 Crescent wrench (10")	"	1.69
1	AC 115 Crestoloy " (15")	"	4.71
1	M 12 Mineralight	Ariz.Met.Lab.	34.50
2	#251 drum faucets	Steinfeld's	3.38
4	5 lb picks	St. Anthony	6.00
1	24" pipe wrench	" "	6.50
1	14" " "	" "	2.64
4	Long handled shovels	" "	14.31
2	D handle "	" "	6.27
2	Rafting axes	" "	7.32
1	18" Alum level (45 degrees)	Corbett's	4.59
1	7/8" cold chisel	Steinfeld's	.77
14	lbs. 3/4" Manila rope	St. Anthony	8.06
1	Galvanometer (for blasting)		21.25
			$ 149.91

WIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

Surface Buildings

Quantity	Item	Vendor	Cost
1096	linear ft 2 x 4	Corbett	99.96
1150	board feet of lumber white fir	"	159.00
1408	8 x 8 & 6 x 8 Douglas fir	St. Anthony	59.84
5	Window sash 2 x 3 - 1 3/8	Corbett	20.25
			339.15

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

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of May, 1953 Docket No. DMEA 2356 Contract No. Ida-5370
Operator's Name Mikes Mining Co. Minerals Tungsten
Address 56 W. Congress St., Tucson, Arizona
Contract Amount, $ 59,200.00 Government Participation: 75 % Amount, $ 44,400.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$ 704.80	7570.35	$ 8275.15			
Supervision	536.95	2265.62	2801.57			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber		426.95	426.95			
Explosives	119.35	631.29	750.64			
Pipe		407.08	407.08			
Track		212.97	212.97			
Miscellaneous	184.73	1715.23	1900.36			
(4) Operating Equipment:						
Rental	147.50	1682.50	1830.00			
Purchase	75.00	1661.46	1736.46			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		3123.60	3123.60			
(7) Miscellaneous:						
Repairs to Equipment		141.15	141.15			
Sampling and Analysis	66.00	35.00	101.00			
Payroll Taxes	17.07	158.33	175.40			
Liability Insurance	32.46	356.85	389.31			
Accountant	100.00	700.00	800.00			
(8) Contingencies (specify):						
TOTALS	1790.86	21082.18	22873.04	1790.86	21082.18	22873.04

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

Date 6/12/53 *Payee Mikes Mining Co.

Per N E Krumlauf Title Consultant

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

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

(Instructions on reverse)

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

$ 1343.15

Signature [illegible]
(Authorized Certifying Officer)

Date 3/24/25 Vou. No. DMA 54-99

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Edm-E 370 in accordance with the terms of the contract.

Signature T. M. Pounder Title Mining Engineer Date July 17, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature for W. H. King Title Executive Officer Date MAR 23 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of May 1953 Docket No. DMEA 2356 Contract No. 16m-8370
Operator's Name Nikas Mining Co. Minerals Tungsten
Address 65 W. Congress St., Tucson, Ariz.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting	ft	96.44	0	$6623.80	205	$32.21	410	
Crosscutting	ft	1619.43	25	2577.60	53	48.63	160	
Raising								
Shafts	ft	0	0	8810.46	110	80.10	210	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		1715.87		18011.78				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased		75.00		1734.26				4100.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				3126.80				3126.80
TOTAL COSTS		1790.87		22872.04				

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

Date 6/12/53 Operator Nikas Mining Co.

Per H.E. Krumlauf Title Consultant

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

REMARKS:

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

MINING DIVISION
REGION IV

July 17, 1953

Memorandum

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : May 1953 Progress Report, Contract Idm-R370, Docket DMEA-2356, Nikas Mining Co.'s Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following:

(1) Bureau of Mines engineer's report;

(2) Operator's narrative report with map;

(3) Forms MF-104 and MF-104A, original with certified invoice for 1 pump, and statement that all accounts have been paid to May 31.

Also enclosed are two extra copies of our engineer's report.

To the best of my knowledge and belief all work is in accordance with the terms of the contract. However, all costs as shown on Forms MF-104 and MF-104A may not be according to contract as Amendment No. 2 states: "1 - Engineer-supervisor 1/ @ $35.00 per 8-hour working day but not to exceed $500.00 per month, 7½ months ---$3,750.00.* This amendment also states: "1 - 210 cfm Diesel-engine operated compressor @ $400.00 per month*, 6½ months - - - $2,600.00. 1 - hoist, single drum, gasoline engine driven, 4,000 pound rope pull @ $100.00 per month*, 6½ months ----$650.00". During October 1952, January, March and May 1953, the supervisor did not charge full time to the project although he did charge full time for November, December, and February. We do not have the April Form MF-104 so cannot check that one. However, it would seem that to May 31, the supervisor may not have actually worked 7½ months as per Amendment No. 2. In the attached Bureau of Mines engineer's report he states on page 2, paragraph 4: "The claim for work performed is subject to a disallowance of $435.95 for supervision ----". Payment for the compressor and hoist started on October 1, so evidently this rental should have been cut off about April 15.

CC W. H. King (6)
DMEA-2356
BF

WRStorms:frj

I recommend that no payment be made to the operator until an audit of the company's accounts has been made by a DMEA auditor (this includes both April and May).

The Contract time limit of 12 months expires on July 18 and to date the company has not asked for an extension.

Walter R. Storms

Walter R. Storms

MINING DIVISION
REGION IV

July 16, 1953

Memorandum

To : Walter R. Storms, Chief, Mining Methods Br., Mining Div., Region IV, Tucson, Ariz.

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

Subject : Progress Report for May 1953, Nikas Mining Co.'s Morning Star Tungsten Mine, Pinal County, Ariz., Docket DMEA-2356, Contract Idm-K370.

The Morning Star mine was visited on June 23 in order to check progress on the exploratory project and to determine if the work continues to conform with the contract. T. Callas, mine foreman, accompanied me during an inspection of the pertinent mine workings.

Progress for May was confined to the 100 level where 5 sets of lagged timbers were installed and 3 crosscuts were driven a total of 25 feet. Monthly and total advances in the crosscuts to June 1 are shown below:

	West Drift		East Drift	Totals
Crosscut	South	North	South	
March	7.0	-	-	7.0
April	-	21.0	-	21.0
May	15.0	5.0	5.0	25.0
	22.0	26.0	5.0	53.0

An inspection showed that all of the advance for May was in scheelite-bearing silicified limestone. The WO_3 content ranges from an estimated 0.1 to 1.0 percent and averages possibly 0.4 percent. The average grade is based on an assay of 0.42 WO_3 from a grab sample taken by the writer at the present face of the south crosscut from the West drift.

The block between the 100-foot level and the surface at the west end of the mine contains an estimated 10,000 tons containing about 0.4 percent WO_3. About 20 percent of this tonnage, or 2,000 tons, can be classified as indicated reserves, the remainder being inferred reserves. The above are preliminary estimates. Additional explorations will be necessary before a reasonably accurate estimate can be made of the reserves for the mineralized zone of the east drift 100-foot level, and the near-surface zone cut by the shaft.

CC W. H. King (Orig. & 6)
DMEA-2356
DF
TMRomslo:frj

CONTRACT, FORMS MF-104 and 104A, AND OPERATOR'S NARRATIVE REPORT

The Operator's report, submitted June 12, did not contain a document in support of equipment purchased. Due to the operator's absence from Tucson, I was unable to secure the necessary data until July 9.

The following is indicated by the inspection of the project and a review of subject data:

1. The work performed conforms with the contract and is as reported on Form MF-104A.

2. The claim for work performed is subject to a disallowance of $435.95 for supervision ($100.00 of which is charged to Accountant) and $147.50 for rental of the compressor, provided my interpretation of the contract is correct. My present understanding is that charges for supervision and the hoist are allowable for 7½ and 6½ months, respectively. On this basis, $314.38 or ½ of the charge in April of $481.25 for supervision and $147.50 for the compressor should also be denied. None of the above deductions are in order if my interpretation of the contract is incorrect and provided suspension of work from May 1 to May 17, as reported by the project supervisor, is considered justified. The project supervisor has explained the reason for the suspension of operations.

3. The supply and service charges are accepted as correct pending an on-site audit. The charge of $75.00 for a pump, installed at the beginning of the project, is supported by a certified invoice. Authority for purchase of the pump is covered on page 6 of the contract as the last item listed for purchase on stage 1.

4. Payment of the Government's share of approved charges should be withheld until an on-site audit has been completed.

5. The Operator's Narrative Report, with attached map, is considered adequate. Also attached to the report are the following:

(a) A letter containing the statement, "To our knowledge all bills outstanding against the Nikas Mining Company as of May 31, 1953 have been paid", and

(b) Copies of T. B. Lane's report on the Morning Star Mine.

T M Romslo

T. M. Romslo, Mining Engineer
Mining Methods Branch
Mining Division, Region IV

Nikas Mining Co.
55 W. Congress St.,
Tucson, Arizona
June 8, 1953

Mr. W. R. Storms,
Chief, Arizona-New Mexico Branch,
Mining Division, Region 4,
U. S. Bureau of Mines,
University of Arizona,
Tucson, Arizona.

Re: Docket DMEA 2356
Contract Idm - E370

Dear Mr. Storms:

In my report for the month of April, I mentioned the examination for the owners of the Nikas Mining Company of the Morning Star mining property by Mr. T. P. Lane, a consulting engineer of Phoenix, Arizona. The report of the results of the examination was delivered on May 16, and a copy of the Lane report is included in this report.

On May 1 I received orders to suspend operations until Mr. Lane's report was received and studied. It had been decided that if the report were favorable a mill would be built, if unfavorable, the exploration program would be discontinued.

Since the report was mostly favorable, I was notified on May 17 to resume operations on the exploration program.

Additional timber sets were placed and lagged on both the east and west sides of the mine. A cross-cut to explore the mineralized area on the east side of the mine was driven to a distance of eight feet from the center line of the track in the drift; the north cross-cut on the west side was extended to 28 feet from the center line of the track, and the south cross-cut on the west side was extended to a distance of 24 feet from the center line of the track.

Sample results for the cross-cut extensions had not been returned by the assayer at the time of writing this report. It appears, however, that the extensions of the two cross-cuts on the west side of the first level has substantially increased the size of the ore shoot over the size estimated last month. The face of the cross-cut on the east side of the first level is in ore, but has not been driven far enough at this time to make an estimate of the possible amount of ore in the shoot.

It is planned to continue all three cross-cuts to the end of their respective mineralized areas or to the extent allowed by the contract and the amendment.

Sincerely yours,

H E Krumlauf

H. E. Krumlauf,
Consulting Mining Engineer

HEK/1

NIKAS MINING COMPANY

55 West Congress

Tucson, Ariz.

June 9, 1953

TO WHOM IT MAY CONCERN:

Re: Docket OMEA 2356
Contract Idm-E270

To our knowledge all bills outstanding against the Nikas Mining Company as of May 31, 1953 have been paid.

Yours very truly,

NIKAS MINING COMPANY

A. Nikas

A. Nikas, President

J. Gekas

J. Gekas, Secretary-Treasurer

Form MF-101 (Rev.)
(April 1952)

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

Defense Minerals Administration
RECEIVED
MAY - 1 1953

Month of April, 1953 Docket No. DMEA 2356 Contract No. Idm-E370
Operator's Name Wikas Mining Co., Minerals Tungsten
Address 55 W. Congress St., Tucson, Arizona.
Contract Amount, $ 59,200.00 Government Participation: 75 % Amount, $ 44,400.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$596.35	$ 6974.00	$ 7570.35			
Supervision	281.25	1984.37	2265.62			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber	153.00	273.95	426.95			
Explosives		631.29	631.29			
Pipe		407.08	407.08			
Track		212.97	212.97			
Miscellaneous	147.77	1568.06	1715.83			
(4) Operating Equipment:						
Rental	197.50	1485.00	1682.50			
Purchase		1659.46	1659.46			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		3126.80	3126.80			
(7) Miscellaneous:						
Repairs to Equipment		141.15	141.15			
Sampling and Analysis		33.00	33.00			
Payroll Taxes	14.96	143.37	158.33			
Liability Insurance	33.72	317.13	350.85			
Accountant	100.00	600.00	700.00			
(8) Contingencies (specify):						
TOTALS	$1524.55	$19557.63	$21082.18	1524.55	19557.63	21082.18

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

Date May 8, 1953 *Payee Wikas Mining Co.

Per N E Krumbar Title Consultant

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

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

(Instructions on reverse)

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

$1143.42

Signature [illegible]
(Authorized Certifying Officer)

Date 3/24/54 Vou. No. DMA 54-99

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. FUM-E370 in accordance with the terms of the contract.

Signature D M Ramalo WHK Title Mining Engineer Date May 12, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature for W.H. King Title Executive Officer Date MAR 23 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-494A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of April 1953 Docket No. DMEA 2356 Contract No. Ldm-E370
Operator's Name Nikas Mining Co., Minerals Tungsten
Address 56 W. Congress St., Tucson, Arizona

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting	ft.	810.23	0	$ 6527.36	205	$31.84	410	
Crosscutting	ft.	714.32	21	958.08	28	34.22	160	
Raising								
Shafts	ft.	0	0	8810.48	110	80.10	210	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		1524.55		$16295.92				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				1659.46				$4100.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				3126.80				3126.80
TOTAL COSTS		$1524.55		$21082.18				

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

Date May 8, 1953 Operator Nikas Mining Co.

Per N E Kumlay Title Consultant

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

REMARKS:

About 1/2 of this period was used in timbering bad ground in both the east and west drifts

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

MINING DIVISION
REGION IV

May 13, 1953

Memorandum

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : April 1953 Progress Report, Docket DMEA-2356, Contract Idm-2370, Nikas Mining Co.'s Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following:

(1) Bureau of Mines engineer's report;

(2) Operator's narrative report with map;

(3) Letter regarding accounts paid;

(4) Forms MF-104 and MF-104A.

Also enclosed are 2 extra copies of our engineer's report.

As all work is in accordance with the terms of the contract, I recommend that the Government's share of the costs be paid.

Walter R. Storms

Walter R. Storms

CC W. H. King (6)
DMEA-2356
MF

WRStorms:frj

MINING DIVISION
REGION IV

May 13, 1953

Memorandum

To : Walter R. Storms, Chief, Mining Methods Branch, Mining Division, Region IV, Tucson, Ariz.

From : T. M. Romslo, Mining Engineer, Tucson, Arizona
Subject : Nikas Mining Co.'s Morning Star Tungsten Mine, Pinal County, Ariz., Docket DMEA-2356, Contract Idm-370. April 1953 Progress Report.

An inspection of the Morning Star Mine was made on May 1 in company with Tom Callas, miner-foreman. The object of the inspection was to check progress for April and to determine if the work continues to conform with the contract.

Work done in April was found to be as follows:

1. The crosscut to the north from the west drift was driven 21 feet.

2. Timbering: 3 sets installed in west drift, 8 sets installed in east drift, and timbers reinforced at station.

3. Several samples taken for assay.

The 21 feet of advance in the north crosscut was in fractured and silicified limestone containing minor amounts of scheelite. The assays of 3 samples from the crosscut indicate the 21-foot zone contains an average of about 0.20 percent WO_3. Pulps from these samples were assayed by the U. S. Bureau of Mines. The check assays were about the same as the original assays.

Two channel samples, taken by me in the west drift at 55 and 70 feet from the shaft, assayed 0.13 and 0.22 percent WO_3, respectively.

the Krumlauf, in the Operator's Narrative Report, estimates that mineralized zone of the west drift contains 2,300 tons of inferred ore containing 0.66 percent WO_3. This grade does not consider the assays taken by T. P. Lane and which are designated by the letter "L". His estimates for the block above the 100 level appear to be reasonable for the grade of ore but include less than one-half of the inferred ore zone on the 100 level. On the basis of 1,000 square feet of mineralized area on the 100 level, the

CC W. H. King (orig. & 6)
DMEA-2356
DF

TMRomslo:frj

total reserves for the zone would be about 4,300 tons. A similar tonnage of lower grade ore can be inferred for a 100-foot depth extension. The grade of the 8,600 tons of ore for this zone is estimated at 0.4 percent WO_3. Probably not over 10 percent of these reserves can be classified as indicated ore and the remainder is inferred. Additional exploration work is necessary before a reasonably accurate estimate of the reserves can be made.

According to Krumlauf, the company's decision on termination of the contract upon completion of Stage I is dependent upon recommendations of Lane's report.

CONTRACT, FORMS MF-104 and 104A, AND OPERATOR'S NARRATIVE REPORT

The following is indicated by the inspection of the project and a review of subject data:

1. The work performed and for which claim is made conforms with the contract and is as reported on Form MF-104A.

2. The supply and service charges of Form MF-104 were necessary and do not appear to be excessive. They should be accepted as correct pending an on-site audit. The charge for equipment rental is for a month on the compressor and the allowable one-half month for the hoist.

3. The Operator's Narrative Report is considered adequate. Attached to the report is a letter stating "To our knowledge all bills outstanding against the Nikas Mining Co. as of April 30, 1953 have been paid."

T. M. Romalo

T. M. Romalo, Mining Engineer
Mining Methods Branch
Mining Division, Region IV

55 West Congress
Tucson, Arizona
May 7, 1953

RE: Docket DMEA 2356
Contract Idm - E370

To our knowledge all bills outstanding against the Nikas Mining Co. as of April 30, 1953 have been paid.

A. Nikas

A. Nikas, Pres.

J. Gekas

J. Gekas, Secy-Treas.

NIKAS MINING COMPANY
25 W. Congress Street
Tucson, Arizona

May 8, 1953

Mr. W. R. Storms, Chief
Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: Docket DMEA 2356
Contract I6m-E 370

Dear Mr. Storms:

For the second successive period progress has been seriously reduced by the lack of funds. Progress for the month of April consisted of 21 feet of cross-cutting, the placing of eight sets of timbers in the east drift and three sets in the west drift. Also the station timbers were reinforced.

The quality of the timbering job done was not good due to the lack of ability on the part of the owner-foreman. Since the ground is not heavy the timber will probably hold.

Mr. T. P. Lane, consulting engineer, was hired by the Company to examine the property and make recommendations concerning the advisability of constructing a mill at this time. Mr. Lane's report has not been received to date but a copy will be sent to you later.

A discovery of low-grade material has been made that contains an estimated 0.30% WO_3 and has an approximate cross-sectional area of 400 square feet on the 1st level. The stope near the surface from which 600 tons of 1.14 % WO_3 ore was removed (See map) has a cross-sectional area of about 300 square feet and is up the dip from the discovery. Therefore:

0.30 x 400	=	120.0	
1.14 x 300	=	342.0	
700		462.0	
		0.66% WO_3	average grade

It can then be inferred that a prism of ore having an average cross-sectional area of 350 square feet, about 100 long and containing an estimated value of 0.66% WO_3 could be removed from the west side of the mine above the 1st level. If a tonnage factor of 15 cubic feet in place is assumed this prism of ore would contain 2300 tons.

The deposit is of pyrometasomatic origin. The ore bodies are irregular in shape and size. The invaded rocks are badly faulted but the mineralization seems to be in or near the north to northeast trending fissures. The mineralization consists primarily of silicification with scheelite and small amounts of pyrite and galena. The scheelite, although somewhat disseminated through the silicified zone, is found mostly in small pockets containing from a few pounds to a ton or more of very high grade ore.

It should be realized that this type of deposit is one of the most difficult to sample. Channel sampling and grab sampling combined are not adequate and a proper sample would be a mill test of 100 tons or more.

The inferred ore containing 0.66% WO_3 is too low-grade to be mined profitably at the present time. However, additional exploration on both the east and west sides of the mine may uncover ore of higher grade.

It will be noted that the term "ore" has had a rather indefinite meaning in the above discussion.

Sincerely yours,

H C Krumlauf

H. C. Krumlauf
Consulting Mining Engineer.

[illegible]

R E P O R T

ON

THE MC [illegible] STA[illegible]

OLD [illegible]AT MO[illegible] DISTRICT

[illegible]

[illegible]

Prepared and submitted by:

T. [illegible]. L[illegible]ne

May 1[illegible], 1953

MORNING STAR MINE

Property and Location.

The property of the Nikas Mining Company comprises the "Morning Star" claim and seven other claims contiguous to it, all patented. It is located in the northerly portion of the Santa Catalina Mountains, in the Old Hat Mining District, in Pinal County, Arizona. It is approximately eight miles southerly by road from the town of Oracle. Some six and a half miles of this route is over the hard surfaced Mt. Lemon Road, and the last one and a half miles is good mountain road, with occasional steep pitches up to the mine. Oracle is thirty-seven miles by paved highway from Tucson.

The Nikas Mining Company is a limited partnership composed of four partners, all residents of Tucson. The property is owned by Mrs. Elizabeth L. Wood of Long Beach, Washington, and the Y.W.C.A. of Tucson, Arizona, and is leased to the Nikas Mining Company on a royalty basis (10%), for a term of five (5) years, renewable for five (5) years. The lease is dated January 3, 1952.

History and Production.

The first mining interest in the district dates back to the turn of the century, when numerous gold quartz veins and stringers were discovered. A modest gold production was made a few years later from a number of places in the immediate vicinity of the present tungsten developments.

The presence of tungsten, in the form of the mineral scheelite, was recognized at an early date in the quartz veins and in certain silicified limestone areas, but the tungsten had little or no economic value at the time. The advent of World War I, however, created an urgent demand with consequent high prices for the metal. In the ensuing intensive search for tungsten, deposits of scheelite of commercial value were discovered upon the "Morning Star" claim, and upon the adjoining adversely owned "Pure Gold" claim.

Each of the above claims produced tungsten during the War, and while no complete authentic records are available, the production appears to have been substantial in amount, despite the rather small scale of the operations. Selected ore was concentrated in small plants in the neighborhood, and some small

lots of closely sorted high grade crude ore was shipped to outside buyers.

Following cessation of hostilities, the price of tungsten declined precipitately, and all mining stopped. Later, during occasional periods of better prices, some sporadic small lesser production was made, but it was not until the outbreak of World War II that any serious development was undertaken. Upon entry of the U. S. into the conflict, there was again an urgent demand for this strategic metal and this led to the establishment of depots for the purchase of crude ore for government stockpiles with a fixed moderately high price for WO_3. Depots were established at Phoenix and at Tucson.

During the period 1942-44, the Rivera Bros. operated the Morning Star Mine under lease from Mrs. Wood. They milled some four to five thousand tons of ore in a small plant located some two miles from the mine. The ore was selectively mined from stringers and masses and occasional high grade pockets near the surface, and much of it was closely sorted. Mill feed is said to have averaged about two per cent (2%) WO_3.

The Morning Star Mining Company purchased the lease held by the Rivera Bros. in February, 1944, and began shipping ore to the government stockpile. Production continued at an increasing rate until the termination of the stockpile purchasing program in June, 1944. Thereafter, a small tonnage was shipped to the Jacobs custom mill in Tucson and then work was suspended. Total production by the Company was approximately thirty-two hundred (3200) tons. It is said on good authority that this ore averaged approximately 0.90% WO_3.

During the years 1943-45, the Maudina Mine produced approximately 12,500 tons from the "Pure Gold" claim which adjoins the "Morning Star" claim. Of this tonnage, some 8100 tons, assaying 1.51% WO_3, was shipped to the stockpiles, and the rest was milled at the Jacobs Mill in Tucson, and is said to have averaged about the same WO_3 content.

A side line which is common to both the Pure Gold and the Morning Star claims passes through the cropping of the ore body, which was mined by the Maudina Company. The mining action led to a dispute and a court suit to determine the "equilateral rights" of each claim. The decision favored the Maudina Company. The suit resulted in a clear definition of the limits of mining permissible to each party, and this was important to the Morning Star claim since the deposit extends well into Morning Star ground. The Maudina operations seem to have extracted most of the better grade ore in their portion of the deposit. The portion of the deposit belonging to the Morning Star claim has been partially mined, and is being developed at the present time.

Activity in the area came practically to a standstill shortly after termination of the stock piling program in 1944, and remained so until the initiation of a five-year government purchasing plan in May, 1951, with a floor price set at $63.00.

per unit.

The Nikas Mining Company shipped approximately 550 tons assaying 1.14% WO_3, to a custom mill at Apache Junction in 1952, and a small amount was milled in a crude local plant. The mill run was altogether unsatisfactory because of too coarse grinding and because of a poor arrangement of the mill circuit. The Company obtained a participating RFCA exploration loan in 1952, and work under that contract is presently in progress.

Geology and Mineralization.

The rocks of the region are of Paleozoic and pre-Cambrian age and consist principally of limestone, shale, quartzite and granite. The most conspicuous structural feature is the Mogul fault which courses northwesterly with southwesterly dip, through this part of the Santa Catalina Mountains. The fault brings granite on the northeast or footwall side in contact with sedimentary and metamorphic rocks on the southwest. The fault zone is irregular in width, but generally quite broad, and repeated movement has created many parallel fault planes within it; and the stresses have developed a multitude of minor faults and fractures extending with varying strikes and dips for considerable distances into the overlying rocks.

The Maudina deposit (which trends into Morning Star ground), occurs in a parallel fault zone within the Mogul fault zone and at some distance from the foot wall granite of the zone. The mineralized sections show high silicification and some brecciation and in places intense fracturing.

The principal Morning Star workings are in a silicified limestone mass located some two hundred feet southerly, from the east end of the Mogul fault zone ore body, and the greater part of the past production has come from workings in this deposit. The limestone is intersected by a number of major faults, with frequent "water course" openings along them, and many related minor faults; and much random fracturing is evident throughout the mass. The major faults fall into two general classes, one striking northwesterly, and the other northeasterly. The dips are generally southerly and at points of intersection either fault might offset the other. There is no recognizable pattern of faulting which might serve as a guide in the exploration for ore, although in a few instances there is some evidence that the trace of the juncture of two major faults is a favorable place for ore occurrence.

Factors which seemingly must all be present for the occurrence of scheelite in important amounts are: (1) firm silicified limestone, (2) fairly abundant quartz, and (3) a pronounced

fault plane, with minor faults and fractures in the limestone above the fault.

The ore mineral, scheelite, is distributed in extremely erratic fashion throughout the silicified limestone mass. It might occur as masses or patches several square feet in area, or as stringers or groupings of parallel stringers and, very frequently, as fine disseminations throughout a large area. Masses of pure waste surrounded by material with good scheelite content is a common occurrence. Most of the scheelite is extremely fine and much of it tends to pulverize on breaking, although some fairly large crystals are occasionally seen. The scheelite is generally accompanied by an appreciable amount of lead in the form of galena (lead sulphide) and cerrusite (lead carbonate) and stolzite (lead tungstate).

Development. (See Sketches)

The main workings of the Morning Star Mine consist of a Lower Tunnel, a Middle Tunnel, an Upper Tunnel, and a shaft 110 feet deep, with a level at 100 feet. Also, there is a glory hole and numerous pits and cuts above the Middle and Upper Tunnel levels, and some stoping in each of the tunnels.

The Lower Tunnel Adit and the shaft are developments in that portion of the Mogul fault zone ore body which exists in Morning Star ground. The tunnel was driven as an adit in the fault zone. The fault zone trends a little north of west and dips southerly at about 45°. The ground above the adit has been mined as an open cut for a distance of approximately forty-five feet from the original portal. The adit then passes through thirty feet of sparse scheelite mineralization, and in the last thirty-five (35) feet (ending against the boundary), it encountered a concentration of scheelite. The Nikas Mining Company stoped above the level to within a few feet of the surface and shipped from this place 550 tons which were milled at the Apache Junction Mill as noted earlier in this report. The floor of the open cut was mined to a reported depth of six or eight feet and the opening filled back with discard material.

The shaft, and the workings tributary to it, is a RFCA participating loan project. The shaft is 110 feet deep and was started in ore in the fault zone. It passed out of ore at a depth of approximately fifteen (15) feet and continued to the bottom in barren material. At one hundred (100) feet, drifts were turned off easterly and westerly in broken fault zone material. The drifts encounter numerous cross faults with various strikes and dips. Water seepage here has made the ground heavy and timbering is necessary for support of the ground, particularly in the east drift.

The west drift is largely in barren ground with only occasional meager spots of scheelite until, at a point fifty (50) feet from the shaft, appreciable scheelite begins to show and continues for some thirty (30) feet. The drift was stopped in barren ground at eighty-four (84) feet from the shaft and very close to the property line. A crosscut has been driven northerly in the mineralized area, and shows a small amount of scheelite for about twenty (20) feet, but the face of the crosscut, at twenty-five (25) feet, is barren. The scheelite here is apparently the downward extension of the mineralization in the west end of the adit.

The east drift has been driven for a distance of one hundred twenty-eight (128) feet from the shaft, and is in practically barren ground throughout. At ninety (90) feet from the shaft, however, a good patch of scheelite was encountered in the north wall of the drift in hard silicified lime tone. This showing is almost directly under the stoped area in the Middle Tunnel, approximately eighty-five (85) feet vertically above, and is about one hundred (100) feet easterly from, and one hundred forty-five (145) feet below, the mined area of the Upper Tunnel.

Cross-cutting is now in progress in each end of the one hundred (100) foot level to explore for possible downward extension of ore to this horizon.

The Middle Tunnel has been driven southwesterly into the hillside and after passing through thirty (30) feet of low grade material, it encountered an ore body which has been mined in a room some thirty-five (35) feet long and twenty-five (25) feet wide, and ten (10) to twelve (12) feet high. Considerable drifting beyond the mined area did not reveal any important scheelite mineralization.

The Upper Tunnel opens into a glory hole at thirty-five (35) feet from the portal and at ninety (90) feet, a short cross-cut opens into a stoped area of pipe-like form extending from a short distance below the level to some fifty (50) feet above the level. The stope opens, on one side, into the upper part of the glory hole.

Scattered scheelite mineralization is present on the surface in a northwesterly direction from the upper edge of the glory hole to the top of the ridge - a distance of about one hundred fifty (150) feet - and high grade scheelite has been mined from a number of shallow pits and cuts in this area.

Ore Reserves and Values

Because of the irregular outline of the mine workings and the extremely erratic distribution of scheelite, it is not possible to calculate the remaining ore reserves in the orthodox

manner, i.e. interval sampling on two or three sides of a block of ground. Instead, reliance must be placed upon judgment based upon performance records as to tonnage and grade of material extracted from various working places - with due regard, of course, to structural and geological conditions as they might affect further continuity of ore in certain directions. Also, considerable dependence must be placed on observation and estimation with the mineral light.

The Mogul fault zone ore body does not seem to offer much possibility for developing any worthwhile amount of ore, unless the deeper exploration now in progress discloses something more attractive than the indifferent results revealed to date. The mineralized zone is limited by the property line on one end, and by a fading out as it approaches quartzite country rock on the other (SE) end, a short distance beyond the shaft.

The Morning Star ore occurs throughout an elongated mass of silicified limestone which trends NE with a long axis of about three hundred (300) feet and a greatest width of about eighty (80) feet, in the vicinity of the glory hole.

There is much disseminated scheelite in the mass and frequent high grade bunches, but there are also areas which are entirely barren or only very sparsely mineralized with scheelite. Several development headings driven deeply into the hill in the mineralized limestone, do not show any interesting occurrences of scheelite and suggest that, like so many similar deposits, the ore zone is shallow with a lower limit roughly paralleling the contour of the hill surface. The whole deposit might, however, be considered for its possibilities as a moderately large scale, low-grade tungsten producer, except for the lack of water for milling locally and, more importantly, because treatment of the ore is difficult and costly.

In discussing ore reserves, it is necessary to establish a figure which will be the economic cut-off grade, i.e., the grade of ore below which an operating loss would be incurred. The operators are tentatively considering the construction of a mill at a point some twenty-three miles distant from the mine. The ore haul would be down-grade (about two-thirds of it on paved highway), at estimated cost of $3.0 per ton. The writer estimates that open cut and glory hole mining on the proposed small scale of operations (thirty (30) tons per day), would cost about $[illegible].00 per ton, including the handling of some waste and the performance of some development in the ore zones. Milling cost is estimated at $6.00 per ton. The total of these items is $13.00, and if to this is added royalty, a return of about 14.50 be required for a break-even on costs. The net return per unit of tungsten would be about $30.00 per unit (see below under "Milling" and "Marketing."). It is apparent then that the grade of

material milled would need to be about 0.5% WO_3. Mining in the Mogul fault zone deposit would be more costly and probably a grade of 0.6% WO_3 would be the economic cut-off for material mined there.

The writer took a number of samples in the area of the Mogul fault zone orebody. These are shown on the sketch which accompanies this report, along with some sampling by others. The open cut on the adit level produced several thousand tons of ore which is known to have averaged above 1.0% WO_3, and the present operations mined 550 tons with average of 1.14% WO_3 in the stope at the end of the level. The cut in the floor of the level is said to have shown ore in the bottom. The shaft showed ore for a distance of fifteen (15) feet below the collar, and a sample from here assayed .63% WO_3. The writer sampled a select dump containing about twenty-five (25) tons of material from this portion of the shaft, and obtained 1.33% WO_3: also a muck sample containing some discard material was taken from the floor and foot wall of the stope, with assay of .81% WO_3. Altogether, these assays indicate a grade of 1.0%, or slightly higher for the ore at this horizon. The width of ore appears to be about twelve (12) feet, and the length (omitting the thirty foot length of low-grade material between the cut and the stope) is approximately seventy (70) feet. The depth to which the ore will extend - is conjectural. Sampling in the west end of the one hundred (100) foot level in the shaft, shows a twenty-five (25) foot length of scheelite mineralization of sub-marginal grade (averaging slightly under 0.4% WO_3). It would seem reasonable to assume that the ore in the west end of the adit will extend, with payable grade, about half the distance down to the one hundred (100) foot level.

The block, therefore, would contain approximately eighteen hundred (1800) tons with average grade of about 0.85% WO_3. About two hundred (200) tons of ore remains in the footwall and end of the stope above the adit level, and this can be assumed to have a WO_3 content about the same as that which was extracted, i.e., 1.14%. It is the writer's opinion then, that there is available in this ore body some two thousand (2000) tons of reasonably assured ore having a grade of 0.85% WO_3, or better. There does not seem to be much possibility for other ore here unless the exploration on the one hundred (100) foot shaft level finds ore at that horizon.

Ore reserves in the Morning Star deposit are centered about the stope in the middle tunnel and the stope and glory hole in and above the upper tunnel. The size of the stope opening in the middle tunnel indicates that about eight hundred (800) tons was mined from here. No figure is available regarding the grade of this material, but presumably it averaged 0.7 to 0.8%, since that was about the economic limit of mineable ore at the time the work was done. The mineral light shows fine

disseminations and thin seams of scheelite, and some moderately high grade bunches, in the roof and floor and in places in the walls of this working place.

The better ore lies along a steep, east-dipping fault plane which is the limit of the ore on the east wall of the stoped area. A shallow cut on the surface just east of the portal of the tunnel has been made along this same fault and the cut and dump show good scheelite, and several tons of high grade were produced from the cut. A small tonnage, say <u>three hundred (300) tons,</u> seems reasonably assured in the stoped area, and it seems probable that about as much more ore will be mined both above and below the stoped area as that already mined (800 tons). It seems probable also, that the ore in the pit outside the tunnel will be found to be a continuation of the ore body mined in the stope. Total probable ore here might be reasonably estimated at <u>one thousand (1000) tons</u> assaying about 0.75% WO_3. Further ore possibilities at this place are limited by the proximity of the surface above the stope and by the quartzite formation just east of this place.

The glory hole and the stope connected with it, have produced the major part of the ore mined in this deposit. Good scheelite mineralization is visible in the north and west slopes and run of the glory hole, and it is reported that good ore extends into the floor of the glory hole (now covered with debris). The adjacent stope is reported to have produced a considerable amount of excellent ore, and much scheelite, some of it in high grade masses, is visible in the walls and in the bottom of the stope. The stope opens into the upper part of the glory hole and good scheelite mineralization is visible in the connecting passage. The size of the stope and glory hole openings indicate that some three thousand (3000) tons has been mined here. The glory hole ore is said to have run just under 1%, and that from the stope (where high grade pockets were selectively mined), averaged considerably over 1% WO_3. The stope ore has been mined through a vertical range of sixty (60) feet. The areal dimension of the proven mineralization of the combined stope and glory hole is roughly thirty (30) feet by eighty (80) feet, and the contents of block (with average height of forty feet), is therefore approximately 7,500 tons. Of this amount about three thousand (3000) tons has been extracted, leaving 4500 tons in the block. Since mining was in progress here up to the time that termination of the stockpile purchasing program forced suspension because of loss of a ready market for the ore, it can be inferred that, otherwise, mining would have continued, with the grade of ore about the same as in the past, i.e. about 1%.

The writer believes that 1500 tons would be a reasonable estimate of the amount of ore assuredly available in the above

area and that the balance of the tonnage in the block (3000 tons) can be classed as "probable ore." It is worth noting that a drift on the middle tunnel level passes directly under the floor of the glory hole at sixty (60) foot lower elevation does not show important tungsten mineralization, thus indicating that the ore does not extend downward to this horizon, at least in the area opened by this one development heading. However, the stope ore is known to extend at least fifteen (15) feet below the upper tunnel level and the assumption of some further extension seems justifiable. If this extension is assured at ten (10) feet, an additional two thousand (2000) tons might be added to the above estimate of probable ore.

Since mining would be done in a less selective manner, the grade of ore would be lower than the grade of 1% or better obtained in the past. The writer would assign a grade of 0.85% WO_3 to the estimated tonnages of assured and probable ore.

The surface between the glory hole and the crest of the ridge, shows good scheelite mineralization at a number of places and small amounts of high grade have been extracted from several shallow cuts. It seems possible that ore will be developed in this area either by extensions of the known ore limits, or by further prospecting of the better surface showings. In the writer's opinion it seems entirely possible that an amount of ore at least equal to that which is now estimated as reasonably assured and probable (approximately 10,000 tons), will be developed here.

Deposit	Reasonably Assured Ore	Probable Ore	Possible Ore	WO_3	Net Recovered Value $30 Per Unit
Mogul Fault Zone	2000	?	?	0.85	$ 25.50
Morning Star	1800	6000	10,000	0.85	25.50
	3800	6000	10,000	0.85	$ 25.50

With estimated cost of $14.00 per ton, indicated profit on the above ore is $11.50 per ton.

Mining

The small amount of ore presently available in the Mogul Fault Zone ore body, would be mined by combination shrink and open stope methods working from the shaft in that area.

The ore of the Morning Star ore body would be mined principally by glory hole and open cut method. Whatever underground mining was done would be by open stoping. The ground is very

firm here and could be safely mined in large chambers or rooms. No hoisting or pumping would be required.

The mining equipment requirements for the projected small scale operation, would not be large and would consist chiefly of a compressor of somewhat larger capacity than the 125 cu. ft. rental compressor now in use, some drilling equipment in addition to that on hand, and some minor items. Later, when the openings are larger, a small dozer with end-loader attachment would be useful for selecting ore and discarding waste on the floor of the pit and possibly in large stope areas. Altogether, an immediate expenditure of $5000.00 and a later expenditure of another $5000.00 would cover these needs.

Milling and Marketing.

The ore requires fine grinding for effective recovery of the scheelite. Flotation treatment is necessary for removal of most of the lead content and concentration of slimed scheelite. A small amount of lead tungstate in the ore is not separable and the presence of this mineral in the concentrate results is a serious reduction in the price received for it.

Laboratory testing of the ore has shown that a 75% recovery is the best that can be realized. The flow sheet recommended for optimum results consists of coarse crushing followed by rod mill grinding to 30M and table concentration, and then ball mill grinding to 100M followed by flotation. The concentrates must be sent to the plant of the U. S. Vanadium Corporation at Bishop, California for refining to meet market requirements.

Tests show that approximately 35% of the WO_3 content of the mill feed will be recovered in a 65% table concentrate, and about 40% in a 15% - flotation concentrate. The remaining 25% of WO_3 in the feed is lost in the tailings.

The current price paid for the higher grade table concentrates is $45 per unit of WO_3 and for the flotation concentrates $38 per unit. The transportation cost to Bishop is about 35¢ per unit for the former and $1.50 for the latter, and the net prices paid are therefore $44.65 and $36.50 respectively, or an average of approximately $40 per unit of WO_3. This means (at 75% recovery) a net to the mine of $30 per unit of WO_3 in the ore.

It has been suggested that the mill of the Goldfield Mining Company at Apache Junction, which is now idle, might be leased for milling Morning Star ore. With some re-arrangement of the circuits and the addition of some minor items of equipment, the mill ought to perform satisfactorily on Morning Star ore. The haul would be approximately one hundred (100) miles, level or down-grade, and all but fifteen miles on paved highway. The hauling cost is estimated at $4.00 per ton on a sustained volume rate

of production. The additional hauling cost over that to the proposed mill site ($2.00 per ton) would be largely offset by the greater economy in milling at this larger plant (100 tons) per day capacity, and the feasibility of taking over this mill on a lease basis would therefore hinge upon the terms of the lease.

A casual conversation with a party connected with the company owning the mill indicated that it might be leased on a basis which would represent a cost of around $1.50 per ton milled. The additional cost, then, over milling at the proposed mill site nearer the mine would be about $3.00 per ton. Obviously, a fairly substantial reserve of ore would need to be proven to amortize, at several dollars per ton, the contemplated new mill construction (estimated cost around $50,000.00) - and consideration ought to be given to the time element and to the risk involved in making such an investment.

Recommended Work

It is recommended that a raise be driven in the mineralized area in the west end of the one hundred (100) foot level to connect with the stope above.

It is recommended that some of the better showings in the stope in the middle tunnel be broken into, and that the shallow cut east of the portal of this tunnel, which appears to indicate an extension of the stope ore in this direction, be further tested by blasting in the walls and ends.

It is recommended that the area below the floor of the upper tunnel in the vicinity of the glory hole be explored more fully by short exploratory drifts from the main drift below. An old caved chute here appears to serve a raise into the bottom of the stope, adjacent to the glory hole. The writer was not able to learn definitely if a connection actually exists into the stope. In any event, the working place should be cleaned out and the raise examined and if it does not connect with the stope, it should be advanced to do so.

Some exploratory work by shallow drilling and blasting ought to be done on some of the more interesting scheelite showings, on the hill surface southwest of the glory hole, particularly where high grade has been caught out.

Favorable results from the above work would make more certain in some instances, the ore which is now classed as reasonably assured; and in other instances material now classed as probable ore, might become assured ore; and in still other instances attractive showings might be indicated as places deserving more serious prospecting.

Some of the above work would provide necessary openings

for mining operations and some of it promises to produce ore which would be a stock pile for any later milling operation which might be undertaken.

Conclusions.

The estimated reserves of reasonably assured and probable ore are small - 38[illegible]0 tons and 6[illegible] tons, respectively - and the possibilities for developing any large amount of additional ore appear to be quite limited.

While milling of the ore promises a good profit margin (about $11 per ton) the quantity of reasonably assured ore is not sufficient to repay the cost of a mill installation; and the estimated probable ore is not indicated with enough surety to afford a sound basis for a large capital outlay.

The work recommended in this report together with the exploration being done under [illegible] A contract, might prove up sufficient ore so that the construction of a mill would be justified, but unless this new ore is developed in substantial amount, the project might prove to be little more than a "dollar-trading" proposition with prospect for only small profits from a large investment.

I would not recommend building a mill at this time, but instead I would advise holding the matter in abeyance pending the outcome of the development now in progress and the results obtained from the performance of the recommended work in the upper part of the mine.

Meanwhile, I would explore the possibility of developing an outlet for the ore either at a custom plant or at a plant which might be leased and, with some revamping, made suitable for milling the ore. One such possibility has been discussed in this report, and if reasonable terms can be arranged, this would be a logical procedure promising a profitable operation, despite a somewhat lower margin of profit per ton milled. The finances required would be mostly for working capital.

T. W. Lane

Phoenix, Arizona
May 1[illegible], 1953

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.
Defense Minerals Administration
RECEIVED
MAY 4 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of March 1953 Docket No. DMEA 2550 Contract No. Ida-1970
Operator's Name Mike Mining Co. Minerals Tungsten
Address 60 N. Congress St., Tucson, Arizona
Contract Amount, $ 60,250.00 Government Participation: 75 % Amount, $ 44,400.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:	752.00	2222.00	2974.00			
Labor	303.12	1361.05	1664.17			
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:		72.00	72.00			
Timber		221.00	221.00			
Explosives		407.08	407.08			
Pipe		312.97	312.97			
Track						
Miscellaneous	222.08	1388.01	1610.09			
(4) Operating Equipment:	400.00	980.00	1420.00			
Rental		1659.46	1659.46			
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs		3123.00	3123.00			
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:	75.06	66.09	141.15			
Repairs to Equipment	12.08	21.00	33.08			
Sampling and Analysis	17.08	146.04	163.57			
Payroll Taxes	38.37	278.76	317.33			
Liability Insurance	100.00	500.00	600.00			
Accountant						
(8) Contingencies (specify):						
TOTALS	[illegible]	17549.20	19557.63	2008.43	17549.20	19557.63

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

Date April 12, 1953 *Payee Mike Mining Co.

Per H E Kumlay Title Consultant

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

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

(Instructions on reverse)

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

$1506.32

Signature [illegible]
(Authorized Certifying Officer)

Date 4/30/53 Vou. 53-120

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E370 in accordance with the terms of the contract.

Signature T M Pomalo Title Mining Engineer Date April 23, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R.D.B.

Signature W. H. King Title Executive Officer Date APR 28 1953

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of March 195 53 Docket No. DMEA 2353 Contract No. 16m-2370
Operator's Name Mikes Mining Co. Minerals Tungsten
Address 55 E. Congress St., Tucson, Arizona

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting	ft.	$1[illegible].12	25	$5717.12	205	$27.87	410	
Crosscutting	ft	243.70	7	243.70	7	34.82	160	
Raising								
Shafts	ft	479.55	0	8810.48	110	80.10	210	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$2[illegible].40		$16771.37				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				1680.46				$6100.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				3126.80				$126.80
TOTAL COSTS		$2[illegible].40		$19557.63				

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

Date March 12, 1953 Operator Mikes Mining Co.

Per H.E. Kiumlay Title Consultant

REMARKS: Corrected to conform to the Audit Report of March 15.

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

Tucson, Arizona
April 21, 1953

Mr. W. R. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona, Tucson, Arizona

Re: DMEA Docket 2356
Contract Idm-E 370

Dear Mr. Storms:

We hereby certify that all bills outstanding against the Nikas Mining Company as of March 31 have been paid.

Sincerely yours,

A. Nikas

A. Nikas, President

J. Gekas, Sec-Treas.

55 W. Congress Street
Tucson, Arizona
April 12, 1953

Mr. W. H. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona, Tucson, Ariz.

Re: DMEA Docket 2356
Contract Idm-8370

Dear Mr. Storms:

There had been no discovery of ore of commercial value as of February 28 Both the east and west drifts had been driven to the limit allowed by the contract. Sixty feet of cross-cutting could be done but the mineralized area on the west side had not been opened far enough to warrant cross-cutting. The mine was, therefore, closed on March 1 to await the decision on the amendment to extend the drift into this mineralized zone.

Notification of the approval of Amendment No. 2 was received on March 6. The water was then pumped out of the mine and work was ~~timbered~~ resumed on March 9.

The shaft station was timbered and two sets of timber were placed under some bad ground in the east drift.

Drifting operations were started on March 16. The east drift was extended five feet, the west drift was extended twenty feet and a cross-cut on the west side was driven seven feet.

It was originally planned to cross-cut to the south in the weak mineralized zone at eighty-five feet from the shaft on the east side. However, the ground on the east side is so badly fractured it will require a considerable amount of timbering before it would be safe to start this crosscut.

Two channel samples were taken, one at 70' from the shaft on the west side and one across the face of the west drift. The assays for these samples are shown on the enclosed map. Two grab samples were taken from the material removed from the west drift as follows:

65' to 75' - assay 0.42 WO_3

75' to face - " 0.11 WO_3

Although the assays are low the zone of silicification on the west side extends from about 45' to the face of the drift and contains many small pockets of high grade ore.

Cross-cutting will be done from the west drift and the east drift will be timbered for about 85 feet so that a cross-cut can be driven to the south into the mineralized area.

Sincerely yours,
H.L.Brumlauf
H.L.Brumlauf, Consultant

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

224 New Customhouse
Denver 2, Colorado

April 28, 1953.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 2356, Contract Idm-E370 (Tungsten), Nikas Mining Co.'s Morning Star Tungsten Mine, Pinal County, Arizona. Operator's Monthly Progress Report for the period March 1953.

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been completed as authorized by the contract. Documentation has been waived, therefore we recommend that payment be made for 75 percent of the amount as reported by the Operator on Form MF-104, subject to verification of arithmetical accuracy within Form MF-104 and contingent on findings of subsequent on-site audit of the Operator's accounts.

Remarks:

Date of Report	March 12, 1953.
Date Received in Field Office	April 22, 1953.
Date Received in Region Office	April 27, 1953.
Date Processed for Payment	April 28, 1953.

W. H. King
W. H. King

Enclosures

RDB: cwm

cc: Contract
Secretary to the Oper. Comm. (2)
WRStorms
Chron.

MINING DIVISION
REGION IV

April 23, 1953

Memorandum

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : March 1953 Progress Report, Docket DMEA-2356, Contract Idm-E370, Nikas Mining Co.'s Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following:

(1) Bureau of Mines engineer's report;

(2) Operator's narrative report with map;

(3) Forms MF-104 and MF-104A.

Also enclosed are two extra copies of our engineer's report.

As all work is in accordance with the terms of the contract, I recommend that the Government's share of the costs be paid.

As the company is in need of funds, will you please expedite payment of this account?

Walter R. Storms

Walter R. Storms

CC W. H. King (6)
DMEA-2356
DF

WRStorms:frj

MINING DIVISION
REGION IV

April 23, 1953

Memorandum

To : Walter R. Storms, Chief, Mining Methods Br., Mining Div., Region IV, Tucson, Ariz.

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

Subject : Progress Report for March 1953, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz., DMEA Docket 2356, Contract Idm-E370.

The Morning Star Mine was visited on April 7 to check progress for March and to determine if the work continues in conformance with the contract. W. R. Hardwick, mining engineer at Tucson, accompanied me in order to become acquainted with the project. Inspection of the project was made in the company of T. Callas, miner-foreman.

The inspection indicated the following work had been done in March:

(1) Shaft station timbered and 2 sets of timber placed in east drift;

(2) East drift advanced 5 feet;

(3) West drift advanced 20 feet;

(4) Crosscut from west drift driven 7 feet.

The faces of the east and west drifts on April 1 were 129 and 84 feet respectively from the center line of the shaft.

The timbering was done after the company was notified in a letter of March 9 that such work was necessary. Since the notification, advance has been confined to the west drift that was made safe to enter by timbering the shaft station. Timbering of a portion of the east drift was started and will be completed, according to the operator, before renewal of exploratory work.

CC W. H. King (orig. & 6)
DMEA-2356
DF

TMRomslo:frj

The 2 mineralized zones encountered on the 100-foot level were inspected with a mineral lamp. Here, as on the surface, scheelite is confined to zones of fractured and silicified limestone. A zone, extending from about 45 feet to the face of the west drift, is extensively mineralized with low-grade scheelite but also contains several small pockets of high-grade ore. Sampling to date shows that the entire zone contains an average of about 0.3 WO_3. However, additional sampling will be necessary before a reasonably accurate estimate of the grade can be established. Present plans call for extensive sampling of the zone during April. The results of the sampling, to be done under Krumlauf's supervision, will probably be ready for next month's report.

The mineralized zone of the east drift, containing possibly 0.1 WO_3, is barely exposed. Exploration of the zone is anticipated.

Mr. Krumlauf, project supervisor, told me at Tucson that the company was considering the advisability of terminating the contract upon completion of Stage 1. The unfavorable findings, to date, and lack of finances are the reasons for the possible shut-down. I told Krumlauf that termination of the contract was subject to Governmental approval and that a written request, containing reasons for termination, must be submitted. I also told him additional timbering of the project works should be one requirement, in my opinion, before his request is granted. The object of the additional timbering would be to keep the workings open for a reasonable period of years.

CONTRACT, FORMS MF-104 and 104A, AND OPERATOR'S NARRATIVE REPORT

The following is indicated by the inspection of the project and a review of subject data:

(1) The work performed and for which claim is made conforms with the contract and is as reported on Form MF-104A;

(2) The supply and service charges of Form MF-104 are necessary, do not appear to be excessive, and should be accepted as correct pending an on-site audit;

(3) Forms MF-104 and 104A have been corrected to conform with the recent Audit Report;

(4) The Operator's Narrative Report is considered adequate. Attached to the report is a letter stating "that all bills outstanding against the Nikas Mining Company as of March 31 have been paid".

T. M. Romslo, Mining Engineer
Mining Methods Branch
Mining Division, Region IV

MAR 4 1954

Mr. Donald T. Finch
DMEA Auditor
224 New Customhouse Building
Denver 2, Colorado

Re: DMEA-2056, Idm-E370
Milne Mining Company
Pinal County, Arizona

Dear Mr. Finch:

I reviewed your audit of the above-cited project account and find it acceptable with a possible exception of the statement under part IV, Conclusions, of your audit report.

In stating the balances under Rental and Purchase you have a balance of $1,000.00 left in the Purchase Truck account. I believe the balance should be "0" and the total cost $1,000.00. I am correcting the copies in the Washington office and suggest that you do the same on the copies you are holding after which the report and certificate may be released in the usual manner.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
March 4, 1954

Copy to: Docket
Admr. Reading File
Mr. Chambers

Noted JLL

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

224 New Customhouse
Denver 2, Colorado

April 27, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 30 1953

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

Re: DMEA 2356, Idm-E370
Nikas Mining Company

Dear Mr. Chambers:

Receipt is acknowledged of your letter of April 24 regarding the subject matter.

In line with your instructions, the amount of $56.50 which had been disallowed for the purchase of a blasting machine, will be reinstated on our next audit.

Very truly yours,

T. H. Brading
Auditor

cc to Mr. Martin
5/5/53

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

APR 24 1953

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

Subj: DMEA-2356, Idm-E370
Nikas Mining Company

Dear Mr. Breding:

Further reference is made to the interim Audit Report and Certificate dated March 4, 1953, covering the subject project, and particularly to your exception of $56.50 for the costs of a blasting machine, which was the subject my previous letter of March 13, 1953 and your reply of March 17, 1953.

The Iron and Ferro-Alloys Division of this Administration, in reviewing your Audit Report, has questioned the propriety of this exception and has recommended by memorandum of April 23, 1953 (copy attached) that "the purchase of said blasting machine be allowed as a necessary item for use in the electric blasting required by the Arizona Mine Safety Rules of the State Mine Inspector." It would appear, therefore, that the cost of this blasting machine may be construed as being within the category of "such other necessary, reasonable direct costs of performing the exploration work", since it is the policy of the Administration to contribute to such direct costs of exploration that result from the requirements of state laws or regulations.

Furthermore, in this particular case, the application specified that the Operator proposed to use electric blasting on the shaft, drifts and raises and indicated blasting supplies (including explosives, detonators, wire, etc.) at an estimated cost of $4.27 per foot for the shaft and $2.38 per foot for the drifts and raises. The Field Team's final report on this application indicated concurrence with these estimated unit costs. Neither the application nor the final report furnished itemized estimated costs for the various blasting supplies. Therefore, it appears that it was the mutual intent of all parties concerned to include the costs of electric blasting in the costs allowable under the terms of the contract.

It also appears that, if the cost of this blasting machine had been less than $50.00, there would have been no question of its allowance as an item of costs under Operating Material and Supplies. It should be understood that this dividing line of $50.00 between Supplies and Equipment is an arbitrary one, being established primarily for

accounting purposes to avoid records on voluminous items of an equipment nature but of inconsequential value.

It is suggested, therefore, that your exception be rescinded and that your next Audit Report and Certificate on this project reflect the reinstatement of the cost of the blasting machine as an allowable cost of the project.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Attachment

EDTalbert/wb
April 24, 1953

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

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Contract Administration and Audit Division, DMEA

DATE: April 23, 1953

FROM : Iron and Ferro-Alloys Division, DMEA

SUBJECT: Disallowance of blasting machine by auditor
Docket No. DMEA 2356 - Tungsten
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-E-370

Reference is made to the subject contract and to the disallowance by the auditor (report dated March 4, 1953) of a blasting machine listed on the February 1953 cost report.

We recommend that the purchase of said blasting machine be allowed as a necessary item for use in the electric blasting required by the Arizona Mine Safety Rules of the State Mine Inspector.

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

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

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

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

Month of February 1953 Docket No. DMEA 2353 Contract No. Idm-3370
Operator's Name Elkas Mining Co., Minerals Tungsten
Address 55 W. Congress St., Tucson, Arizona.
Contract Amount, $50,000.00 Government Participation 75 % Amount, $44,600.00

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$1218.00	$5044.00	$6262.00	1,198.00		6,242.00
Supervision	500.00	1681.25	2181.25			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber		273.05	273.05			
Explosives	121.89	587.25	709.14	65.39		652.64
Pipe		254.42	254.42			
Track		212.97	212.97			
Tools		182.31	182.31			
Miscellaneous	232.78	1114.52	1347.30			
(4) Operating Equipment:						
Rental		990.00	990.00			
Purchase		1650.45	1650.45			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		3525.00	3525.00			
(7) Miscellaneous:						
Repairs to Equipment	12.00	9.00	21.00			
Sampling and Analysis	26.77	100.87	126.64	25.43		126.34
Payroll Taxes	58.07	236.53	293.60	44.23		278.76
(8) Contingencies (specify):						
				2,077.87	15,870.42	17,948.29
					*-399.09	*-399.09
TOTALS	$2156.51	$16570.42	$18038.93	2,077.87	15,471.33	17,549.20

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

Date Feb. 18, 1953 *Payee Elkas Mining Co.

Per H.E. Krumlauf Title Consultant

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

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

(Instructions on reverse)

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

$ 1558.40

Signature [illegible]
(Authorized Certifying Officer)

Date 4/3/53 Voucher No. DMA 53-114

(See other side)

* Previous Disallowances

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E370 in accordance with the terms of the contract.

Signature D. M. Pomalo WRH Title Mining Engineer Date March 18, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R.D.B.

Signature W. L. King Title Executive Officer Date MAR 30 1953

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of February 1953 Docket No. DMEA 2356 Contract No. [illegible]
Operator's Name Ellias Mining Co. Minerals Tungsten
Address 55 E. Congress St., Tucson, Arizona

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting	ft.	$2168.51	73	$4428.01	130	$24.00	360	
Crosscutting	ft.	0	0	0	0	0	120	
Raising								
Shafts	ft.	0	0	8485.57	110	76.00	210	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$2168.51		$12853.58				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				1659.46				$4100.00
Initial Rehabilitation and Repairs				2525.89				2126.80
New Buildings, Improvements, etc.				2525.89				2126.80
TOTAL COSTS		$2168.51		$18032.93				

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

Date March 12, 1953 Operator Ellias Mining Co.

Per N E Krumlauf Title Consultant

REMARKS: A substantial inflow of water was encountered. Three days of pumping were required to pump the water f from the level. The inflow is now greater than before.

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION IV

Administrative Audit Difference Statement

Date April 3, 1953
Payee's
Reference: Progress
Report - February 1953

Mikas Mining Co.
55 West Congress St.
Tucson, Arizona
I-DPA-E-370

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed $ 2,168.51

Difference $ 90.64

Amount Approved $ 2,077.87

The reason for the difference was due to:

Per DPA Auditors Interim Certificate:	
December payroll excess payment	$20.00
Rodriquez $6.00 Callas $14.00	
Not specified in contract (blasting machine)	56.50
Payroll taxes disallowed on above	
Overpayment .30	
Lia. Ins. on above $13.84	14.14
	$90.64

Any reclaim for deductions made above must be supported by the ORIGINAL of this form.

Very sincerely yours,

N. E. Stokes
Audit Section

R-IV-B & F Form No. 4
4-15-52 D

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

224 New Customhouse
Denver 2, Colorado

March 30, 1953.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 2356, Contract Idm-E370 (Tungsten), Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Arizona. Operator's Monthly Progress Report for the period February 1953.

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been completed as authorized by the contract. Documentation has been waived, therefore we recommend that payment be made for 75 percent of the amount as reported by the Operator on Form MF-104 subject to verification of arithmetical accuracy within Form MF-104.

The following deductions are to be made in conformance with the interim Audit Report dated March 5, 1953 by the Contract Administration and Audit Division:

Labor	$20.00	
Explosives	56.50	
Payroll Taxes	.30	
Liability Insurance	13.84	
Total Deduction Claimed		$90.64

Remarks:

Date of Report	February 12, 1953.
Date Received in Field Office	March 18, 1953.
Date Received in Region Office	March 22, 1953.
Date Processed for Payment	March 27, 1953.

W. H. King
W. H. King

Enclosures

RDB:cwm
cc: Contract
Secretary to the Oper. Comm. (2)
WRStorms
Chron.

MINING DIVISION
REGION IV

March 19, 1953

Memorandum

To : J. C. King, Chief, Mining Div., Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : February 1953 Progress Report, Docket DMEA-2356, Contract Idm-2370, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following items for the above report:

(1) Bureau of Mines engineer's report;

(2) Operator's narrative report with map;

(3) Forms MP-104 and MP-104A.

Also enclosed are two extra copies of our engineer's report.

As all work is in accordance with the terms of the contract, I recommend that the Government's share of the costs be paid.

Walter R. Storms

Walter R. Storms

cc J. H. King (6)
DMEA-235
DF

WRStorms:frj

UNITED STATES
DENVER [illegible]

March 1[illegible], 1953

Memorandum

To : Walter L. Storms, Chief, Mining Methods Branch, Mining Div., Region IV

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

Subject : Progress Report for February 1953, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz., DMEA Docket 2356, Contract I6R-U70.

The Morning Star Mine was visited on March 6, 1953 to determine if the exploratory work continues in conformance with subject contract and to check progress for February. An inspection of the project was made in the company of T. Callas, Miner-foreman.

The inspection showed that progress for February was confined to 72 feet of advance on the 100-foot level where the west drift was advanced 21 feet and the east drift was driven 51 feet. The faces of the west and east drifts on March 1, were respectively 64 and 124 feet from the center line of the shaft. The comparatively low footage for the period was reportedly due mainly to a 3-day recession in drifting operations while a sudden influx of water was removed by pumping.

Sampling has indicated a 20-foot section of the west drift at its present face contains an average of 0.40 percent WO_3. The scheelite content has increased from 0.22 percent WO_3 for the section 10 to 20 feet from the face, to 0.61 percent WO_3 for the last 10 feet of the drift. Much of the scheelite occurs as a coating on fine-grained particles. This occurrence accounts for a tendency to over-estimate the grade by visual examination.

cc W. H. King (orig. & 6)
DMEA-2356
DF

~~XXXXXXXXXXXX~~
T. M. Romslo:frj

The inspection also showed a portion of the 100-foot level has penetrated soft, wet, and fractured limestone that has commenced to slough. This condition was considered hazardous and the project supervisor was notified on March 9, by letter, to have all bad ground supported by timbers before drifting or cross-cutting is resumed.

CONTRACT, FORMS MT-104 and 104A, AND OPERATOR'S NARRATIVE REPORT

The project accounts were audited February 21, by Thos. Reading and Jas. Hammond.

Inspection of the project and subject data indicates the following:

1. The work performed and for which claim is made conforms with the contract and is as reported on Form MT-104A;

2. The supply and service charges of Form MT-104 are necessary, do not appear excessive, and have been accepted as correct pending an on-site audit.

3. The Operator's Narrative report and map are considered adequate.

F. M. Romolo, Mining Engineer
Mining Methods Branch
Mining Division, Region IV

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Ariz.

March 10, 1953

Mr. W. R. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: Docket D.M.E.A. 2356
Contract Idm - E 370

Dear Sir:

During the month of February the west drift on the 100-foot level was advanced 21 feet to a point 60 feet from the shaft station. The east drift on the same level was advanced a distance of 51 feet to a point 120 feet from the shaft station. Bad ground was encountered on the shaft station and in the east drift. Both the station and the east drift must be timbered to prevent caving. Very little advance was made during the first week of the period when a sudden inflow of water flooded the level and it took three days of pumping to remove it.

It appears that the ore zone on the west side of the shaft was entered at about 50 feet from the shaft but no cross-cutting has been done pending the approval or disapproval of an amendment to extend this drift farther into this zone.

To my knowledge all bills against the Company as of March 1 have been paid.

Very truly yours,

H E Krumlauf

H. E. Krumlauf
Consulting Mining Engineer

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

INTERIM AUDIT CERTIFICATE

I have examined the records and transactions of:

Nikas Mining Company
(a partnership composed of Tom D. Callas, A. Nikas,)
(John Gekas, John Paulos, and Monte Seymour)
55 West Congress St.
Tucson, Arizona

pertaining to Exploration Contract Idm-E370, Docket No. 2356 including Amendment No. 1, covering a project of exploration for tungsten, for the period August 27, 1952 to January 31, 1953.

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

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

Total Cost per MF-104	$15,870.42
Exceptions (per Audit Report)	489.73
Total Accepted Cost	$15,380.69

The contract calls for a 75 per cent participation of exploration expenses by the United States Government. Therefore, payment to the Contractor by the Government in the amount of Eleven thousand five hundred thirty-five dollars and 52/100

-$11,535.52-

is valid and proper.

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

Dated: March 4, 1953

T. H. Brading

T. H. Brading, Auditor

I. INTRODUCTION

On February 23, 1953, an interim audit (covering the period August 27, 1952 to January 31, 1953) was made of the records and accounts of operations pertaining to Contract Idm-E370, Docket No. DMEA 2356 and Amendment No. 1 dated October 21, 1952 with the

Nikas Mining Company
(a partnership composed of Tom D. Callas, A. Nikas,)
(John Gekas, John Paulos, and Monte Seymour)
55 West Congress St.
Tucson, Arizona

covering a project of exploration for Tungsten.

The accounting records under this contract are located in the office of the company Auditor, Mr. Victor Tronolone, 239 N. Church Street, Tucson, Arizona. The mine is located in Pinal County, Arizona.

During the course of the audit, Mr. Tronolone, Auditor, and Mr. H. E. Krumlauf, General Manager, were consulted as required.

Their cooperation and assistance facilitated the audit.

Mr. J. W. Townsend, Mining Engineer, Denver Office, collaborated in the audit.

II. GENERAL INFORMATION ON RECORDS

The accounting records for the exploration project consist of a cash journal and general ledger, which are maintained under the supervision of Mr. Tronolone.

The original records covering the costs of this project are recorded on monthly work sheets, which form the basis for the preparation of the monthly MF-104 reports. Mr. H. E. Krumlauf, General Manager, maintains this record and prepares the monthly MF-104 reports. Therefore, this audit in general, involved a check of original records against the monthly work sheets, and a reconciliation of the work

sheets with the general ledger accounts. The general ledger was three months delinquent, therefore the January costs were reconciled with the general ledger posting media. All costs except for incidental small purchases and express charges, were recorded on an accrual basis.

III. SCOPE OF AUDIT AND FINDINGS

The audit was limited to ascertaining the accuracy, propriety and validity of the costs as shown in the "Totals to Date" column of Form MF-104, Operator's Monthly Report and Voucher for the month of January 1953. The extent of the audit and findings under each of the "Items of Cost" follow.

(1) Independent Contracts

Not applicable to this contract

(2) Labor and Supervision

All charges for labor were checked against the amounts recorded on the monthly work sheets. In order to verify labor costs charged to the project, entries were traced from cash disbursements journal to the work sheets and to the daily time book approved by the foreman. Rates were checked to contract and all extensions and footings for the month of December were proven. In December excess time was recorded on the payroll record as follows:

Rodriguez	- 4 hours at 1.50	$6.00
Callas	- 8 hours at 1.75	14.00
	Total	$20.00

Accordingly, the amount of $20.00 is disallowed.

The audit disclosed that the cost of labor as shown on the January MF-104, as compared to the costs properly chargeable and allowable was as follows:

Labor charged	$5044.00
Not Allowable	20.00
Allowable	$5024.00

Supervision

Charges for time of Mr. H. E. Krumlauff, Engineer-Supervisor, were traced to daily time sheets through monthly work sheets to cash disbursement record. The contract provides in addition to supervising operations, that the Engineer-Supervisor also shall keep the necessary accounts. This portion of his duties id delegated to the auditor. All charges for auditor's time were recorded as supervision. Necessary correction to reflect the charge for auditor was made in January and instructions regarding proration of supervisory salaries explained to Mr. Krumlauff. Costs as reflected in column "allowable by audit" on January 31, 1953, in the amount of $1281.25, are considered as proper and allowable under terms of the contract.

(3) Operating Material and Supplies

All charges under this category were traced to monthly work sheets. Original invoices were examined to determine propriety of the items charged. Cancelled checks covering payment of invoices were traced to cash journal.

The audit disclosed that cost of a blasting machine in the amount of $56.50 was included in charge to explosives. As this equipment was not specified in the contract, the amount of $56.50 is disallowed.

The total costs properly chargeable and allowable under this category were found to be:

Timber		$273.95
Explosives		509.40
Pipe		407.08
Track		212.97
Miscellaneous:		
Drill Steel	$339.93	
Gas & Oil	449.48	
Small tools	255.10	
Other	58.72	1103.23
Total		$2506.63

(4) Operating Equipment

All charges for rental of operating equipment were traced to monthly work sheets. Invoices covering charges were verified by examination, as were cancelled checks covering these invoices. Rates were verified by reference to contract.

The proper and allowable charges for rental of operating equipment are as follows:

	Monthly Rate	Period Oct. through January
1-105 CFM Diesel Engine Operated Compressor	$147.50	$590.00
1-Single Drum Hoist	100.00	400.00
Total		$990.00

Equipment purchases, all of which were authorized by contract, were verified by examination of vendors' invoices, and payment confirmed by examination of related cancelled checks.

The costs of these items, all of which are considered proper and allowable charges were:

Truck	$1,000.00
Skip	77.82
Mine car	72.63
Blower & attachments	271.51
Sheave	25.00
Pump	212.50
Total	$1,659.46

(5) Initial Rehabilitation and Repairs

Not applicable to this contract

(6) New Buildings and Improvements

All charges to New Buildings and Improvements were verified by examination of invoices and payrolls. Charges as listed on the MF-104 on January 31, 1953 were as follows:

Labor	$1835.00
Supervision	818.75
Payroll Taxes and Compensation Insurance	129.49
Lumber	367.89
Supplies	374.76
Total	$3525.89
Allowable Maximum under Exhibit A of Contract	3126.80
Disallowed (Supervision)	$ 399.09

(7) Miscellaneous

Costs of $62.29 covering repairs to truck were verified by examination of invoice.

Invoice for three Tungsten assays at $3.00 each was examined to confirm cost of Sampling and Analysis.

All charges for payroll taxes and workmen's compensation insurance were checked by computation at the rates shown by the company's files to be in effect. These rates were:

F. I. C. A.	1.5
Workmen's Compensation	3.3890

Since disallowances have been made for wages under this contract, the allowable costs for payroll taxes must be reduced accordingly as follows:

	Charged	Disallowed	Allowable
Payroll Taxes	25.24	.30	24.94
Liability Insurance	56.92	6.78	50.14

In addition, in December an error in extension in calculating liability insurance was made as follows:

Labor	$1217.00
Supervision	500.00
	$1717.00

	Charged	Contract Amount	Disallowed
$1717.00 at 3.3890	65.25	58.19	7.06

The allowable and proper charges under the terms of the contract, giving effect to above cited disallowances are:

Payroll Taxes	$100.57
Workmen's compensation Insurance	220.69

Accountant

Charges for $400.00 for services of auditor were included under supervision by the operator. Correction in distribution was made during audit.

IV. CONCLUSIONS AND RECOMMENDATIONS

Comparison of costs as reflected by MF-104A at January 31, 1953, giving effect to disallowances made, reflect a total expenditure of $15380.69 as against a total estimated allowable cost of $34600.00 with the following work remaining:

72' of drifting
60' of cross cutting

Based on the assumption that costs for completion of this work will be in line with past experience, it appears that the total allowable costs for Stage I will be less than allowable maximum.

This audit has disclosed that all costs, as charged to this project with the exception of the disallowances itemized under (2) Labor & Supervision, (3) Operating Material and Supplies (6) New Buildings and Improvements and (7) Miscellaneous, of the preceding section of this report, are reasonable and proper under the terms of the contract and Amendment No. 1.

The adjustments between Items of Costs, as shown on the January MF-104, the recommended disallowances, and approved amounts are summarized as follows:

	January 1953	Correct-ions	DISALLOWED Finance Officer	DISALLOWED Audit	Allow-able by Audit
(2)Labor & Supervision:					
Labor	$5044.00	$5044.00		$20.00	$5024.00
Supervision	1681.25	1281.25			1281.25
(3)Operating Mat.&Supp.					
Timber	273.95	273.95			273.95
Explosives	587.25	565.90		56.50	509.40
Pipe	254.42	407.08			407.08
Track	212.97	212.97			212.97
Tools	182.31				
Miscellaneous	1114.52	1103.23			1103.23
Operating Equipment:					
Rental	990.00	990.00			990.00
Purchases	1659.46	1659.46			1659.46
New Bldgs & Improve:	3525.89	3525.89	$399.09		3126.80
Miscellaneous:					
Repairs to Equip.		62.29			62.29
Sampling & Analysis	9.00	9.00			9.00
Payroll Taxes	100.87	100.87		.30	100.57
Liability Insurance	234.53	234.53		13.84	220.69
Accountant		400.00			400.00
	$15870.42	$15870.42	$399.09	$90.64	$15380.69

At the conclusion of the audit, the findings were discussed with the General Manager, Mr. H. E. Krumlauff. The company will prepare their next monthly MF-104 on the basis of the proper distribution of charged costs as shown in the second column of the above summary.

March 4, 1952

T. H. Brading, Auditor

EXHIBIT B

The audit also disclosed that the status as of January 31, 1953 of the "allowable maximums" under this contract was as follows:

Item	Allowable Maximum	Total Costs	Balance
(2)Engineer-Supervisor	$2500.00	$2100.91	$399.09
Total Labor, Supervision & Consultants	16842.80	6708.25	10134.55
(4)Operating Equipment Rented	2000.00	990.00	1010.00
Pick Up Truck	1000.00	1000.00	-

Since 108' of drifting out of an allowable 180' has been completed, 110' of shaft sinking allowable maximum has been completed; and while none of the 60' cross footing has been started, it appears that costs are being held within allowable maximum.

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

224 New Customhouse
Denver 2, Colorado

March 17, 1953

E370
Nikas Mining Co.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 23 1953

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

Dear Mr. Chambers:

With regard to the disallowance of $56.50 covering the cost of a blasting machine made on the subject audit, I wish to advise as follows:

This item was disallowed because Article 6(3) of the contract provides "necessary material and supplies including items of equipment costing less than $50.00 each."

As the blasting machine cost more than $50.00, and purchase of this item was not covered in the contract, disallowance was made.

It is true that under Exhibit "A" of the contract, cost of detonators is included. As I understand it, a detonator is defined as follows: "Electric blasting caps or detonator, as the name implies, are special detonators fired or exploded by an electric current." In order to fire a detonator, it is necessary to have a blasting machine; therefore, there is no question that the cost of the blasting machine may be an allowable cost of the project. However, after reviewing the matter with Mr. King prior to completion of the report, he agreed that the disallowance was in order for the reason cited above.

In the last paragraph of your letter, you advise that is is necessary to differentiate on the audit certificate, between prior exceptions by the Certifying Officer and those resulting from the audit. It was my understanding during the recent meeting conducted by Mr. Talbert and a sample copy of the certificate which was included and discussed at the meeting, that it would not be necessary to differentiate between the exceptions made by the Certifying Officer and those resulting from the audit report, and the language of the certificate would be as follows: "Exceptions (per audit report.)" The audit report would show the details of the exceptions broken down between those made by the Finance Officer and those made as a result of the audit.

I will be governed by the instructions in your letter, and will differentiate between exceptions by the Certifying Officer and those resulting from the audit on all future certificates.

Sincerely yours,

T H Brading

T. H. Brading, Auditor

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

MAR 13 1953

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

Re: DMEA-2356, Ida-5370
Nikas Mining Company

Dear Mr. Brading:

Reference is made to the interim Audit Report and Certificate, covering the referenced project, transmitted by your letter of March 5, 1953. This report and certificate is approved and normal distribution of the other copies may be effected.

More information, however, would be appreciated as to the reason for the disallowance of $56.50 covering the cost of a blasting machine. It is my understanding that a blasting machine is a type of detonator and the estimates for Operating Materials and Supplies, as stated in Exhibit "A" of the contract, included costs of "detonators". Furthermore, neither the items nor the estimated costs of Operating Equipment to be purchased were designated as "allowable maximums" in the Exhibit "A". It appears, therefore, that the cost of the blasting machine may be allowable cost of the project provided that it was required for the economic and beneficial performance of the work and has the Executive Officer's approval.

It is suggested that you discuss this matter with Mr. King. If he approves this item as an allowable cost of the project, it may be reinstated during your next audit of the project.

In the future please differentiate on the Audit Certificate between the prior exceptions by the certifying officer and those resulting from the audit.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
March 12, 1953

Copy to: Docket
Mails & Files
Mr. Chambers

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

Mr. [illegible] H. King
Executive Officer
[illegible] Field Team, Region IV
224 New Customhouse Building
Denver 2, Colorado

MAR 3 1953

Re: Docket No. [illegible] - 356 - Tungsten
Mike Mining Company
Morning Star Mine
Pinal County, Arizona

E-2,70

Dear Mr. King:

Reference is made to your memorandum of February 3, 1953 in regard to items (2) and (6) of the above-cited contract.

Your interpretation that Supervision and Consultants under item (2) and New Buildings, Improvements, Installations, etc., under item (6) are "allowable maximums" by terms of the contract itself, is correct.

By starring the total amount allowed in Exhibit "A" for Labor, Supervision and Consultants, a maximum is established for Labor provided the entire amount allocated to Supervision and Consultants is used for that purpose. However, if less money is used for Supervision and Consultants, more money can be used for Labor. In addition, Labor in Stage I is broken down into two sections. More money can be used for one section if less money is used in the other.

Exhibit "A" of the subject contract was drawn up using as a basis the information supplied in the Field Team report on the property dated May, 1[illegible]. The estimated time for Stage I is five months. This includes one month for the preparatory surface work and four months for the underground work.

The identifiable labor and supplies and materials relating to the preparatory work were separated from those relating to the underground work and incorporated in item (6). However, the item for Supervision was not prorated, therefore, item (2) contains the Supervision for both the surface preparatory work and the underground

work. Under the contract the amount of $2,500, the "allowable maximum" for Supervision in Stage I, would be reduced by the amount chargeable to item (6).

Shortly, we shall issue instructions regarding the arrangement of estimated costs in reports and the writing of contracts which include Rehabilitation and Repairs and New Buildings, etc. We hope that the new instructions will eliminate the present auditing and other difficulties that we are experiencing with executed contracts.

Nevertheless, all Operators who have contracts with provisions for Rehabilitation and/or New Buildings, etc., should keep separate and so report all costs pertaining to these two items.

Sincerely yours,

C. O. Mittendorf

Administrator

JLChambers/wb 2/19/53
GCSelfridge/pa 2/26/53

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

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 5 1953

224 New Customhouse
Denver 2, Colorado

Air Mail

February 3, 1953

Memorandum

To: C. O. Mittendorf, Administrator, Defense Minerals Exploration Administrator

From: Executive Officer, Field Team, Region IV

Subject: DMEA Docket 2356 (Tungsten) Contract Idm-E370, Nikas Mining Co., Pinal County, Arizona

In view of the ambiguities of the contract we are requesting clarification of the following items in the contract.

Stage I

Item (2) Labor, Supervision, Consultants
Item (6) New Buildings, Improvements, Installations

With reference to Item (6), it is stated on the reverse side of Form MF-104 that work under Item (6) includes labor, supervision, technical services, materials, etc.

Item (2) Supervision is designated as an allowable maximum in the amount of $2500.00. Item (2) Labor is not designated as an allowable maximum in the usual manner, however in effect it is an allowable maximum as the total amount for supervision and labor is designated as an allowable maximum.

It appears that if the allowable maximum for supervision, in the amount of $2500.00 is reduced by the amount chargable within the designated allowable maximum of $3126.80, authorized under Item (6) then in effect the Operator would be prohibited from expending the total amount authorized under the contract by the amount for Supervision charged to the work under Item (6).

The amount of $3,126.80 authorized under Item (6) is not designated as an "allowable maximum" in the usual manner, however, Article 6, Item (6) of Exploration Project Contract Form MF-200 states that the estimated cost of such work is an "allowable maximum."

The labor incident to work under Item (6) is included in the amount of $3,126.80 as a separate item, and in addition to the labor included under Item (2). As the labor under Item (2) is in effect an allowable maximum and the labor under Item (6) variable within the amount estimated for Labor and

material under Item (6) it is very difficult to audit the payrolls to maintain a control on the allowable maximum. Also, when labor rates are scheduled, as under Items (2) and (6), inclusive of payroll tax and overtime it presents a most difficult problem involving the necessity for extensive tabulations and computations to ascertain that the wage rates have not been exceeded, that is, if it is intended that the established rates are to be considered as the maximum.

It appears that the contract should be amended to exclude supervision costs from the allowable maximum costs under Item (6), or else the total estimated cost of the work be excluded from the allowable maximum stipulation.

It is contemplated that an on-site audit of the project accounts will be in progress during the week of February 16-21, therefore it is imperative that we receive clarification of the matters noted prior to that time.

John F. Shaw

John F. Shaw for
W. H. King

material under Item (6) it is very difficult to audit the payrolls to maintain a control on the allowable maximum. Also, when labor rates are adjusted, as under Items (2) and (6), inclusive of payroll tax and overtime it presents a most difficult problem involving the necessity for extensive tabulations and computations to ascertain that the wage rates have not been exceeded, that is, if it is intended that the established rates are to be considered as the maximum.

It appears that the contract should be amended to include supervision costs from the allowable maximum costs under Item (6), or else the total estimated cost of the work be excluded from the allowable maximum stipulation.

It is contemplated that an on-site audit of the project accounts will be in progress during the week of February 16-21, therefore it is imperative that we receive clarification of the matters noted prior to that time.

John F. Shaw for
W. H. King

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

D. M. E. A.

Jay L. Chambers
3461 2612

14X3923.970 Working Fund, DMEA
February 13, 1953

Mr. W. H. King, Executive Officer, DMEA Field Team, Region IV
224 New Custorhouse Building, Denver 2, Colorado

Re your telephone conversation with Chambers 2-11-53, Contract E370, Nikas Mining Company. Chambers says his previous interpretation was general, but under specific terms of this contract supervision was allowed under Item (2) for New Buildings, etc., under Item (6). No supervision expense was allowed under Item (6). This particular project contract did not follow our general rule in regard to supervision for Item (6).

FRANK E. JOHNSON
Frank E. Johnson
Deputy Administrator

JLChambers/wb
February 13, 1953

Copy to: Docket
Admr. Reading File
Bu Mines Audit
Mr. Johnson
Mr. Martin
Mr. Chambers

FEB 13

Central Service Section

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

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 16 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of January, 1953 Docket No. DMEA 2356 Contract No. Idm-E370
Operator's Name Nikas Mining Co. Minerals Tungsten
Address 55 W. Congress St.
Contract Amount, $ 59,200.00 Government Participation: 75 % Amount, $ 44,400.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$1662.00	$3382.00	$ 5044.00			
Supervision	470.00	1211.25	1681.25			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber		273.95	273.95			
Explosives	150.16	437.09	587.25			
Pipe		254.42	254.42			
Track		212.97	212.97			
Tools		182.31	182.31			
Miscellaneous	166.31	948.21	1114.52			
(4) Operating Equipment:						
Rental	247.50	742.50	990.00			
Purchase		1659.46	1659.46			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		3525.89	3525.89			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis		9.00	9.00			
Payroll Taxes	31.98	68.89	100.87			
Liability Insurance	72.06	162.47	234.53			
(8) Contingencies (specify):						
				2800.01	13,070.41	15,870.42
TOTALS	$2800.01	13070.41	$15870.42		*-399.09	*-399.09
				2800.01	12,671.32	15,471.33

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

Date Feb.12,1953 *Payee Nikas Mining Co.

Per N E Kaumlauf Title Consultant

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

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

(Instructions on reverse)

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

$ 21,00.00

Signature
(Authorized Certifying Officer)

Date 3/11/53 Vou. No. DMA 53-107

(See other side)

* Previous deductions

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E370 in accordance with the terms of the contract.

Signature T M Romolo Title Mining Engineer Date Feb 27 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R.D.B.

Signature W. H. King Title Executive Officer Date MAR 9 1953

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U. S. GOVERNMENT PRINTING OFFICE 205675

Form MF-104[illegible]
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 16 1953

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of January 195 3 Docket No. DMEA 2356 Contract No. Idm-E370

Operator's Name Nikas Mining Co. Minerals Tungsten

Address 55 W. Congress St., Tucson, Arizona

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting	Ft.	$1933.36	108	$ 2259.50	108	$20.92	360	
Crosscutting	Ft.	0	0	0	0	0	120	
Raising								
Shafts	Ft.	866.65	0	8425.57	110	76.60	210	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$2800.01		$10685.07				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				1659.46				$4100.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				3525.89				3945.55*
TOTAL COSTS		$2800.01		$15870.42				

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

Date February 12, 1953 Operator Nikas mining Co.

Per N E Krumlauf Title Consultant

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

REMARKS: This amount includes $818.75 for supervision as provided for separately in Item 2 of the contract and does not exceed the allowable maximum.

The rock, except where mineralized, is soft and drills and breaks very easily.

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

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

224 New Customhouse
Denver 2, Colorado

March 9, 1953.

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 2356, Contract Idm-E370 (Tungsten), Nikas Mining Company's Morning Star Mine, Pinal County, Arizona. Operator's Monthly Progress Report for the period January, 1953.

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been completed as authorized by the contract. Documentation has been waived, therefore we recommend that payment be made for 75 percent of the amount as reported by the Operator on Form MF-104 subject to verification of arithmetical accuracy within Form MF-104, and contingent on findings of subsequent on-site audit of the Operator's accounts.

Remarks:

Date of Report	February 12, 1953.
Date Received in Field Office	February 18, 1953.
Date Received in Region Office	March 2, 1953.
Date Processed for Payment	March 6, 1953.

W. H. King
W. H. King

Enclosures

RDB:cwm

cc: Contract
Secretary to the Oper. Comm.(2)
WRStorms
Chron.

MINING DIVISION
REGION IV

February 26, 1953

Memorandum

To : W. H. King, Chief, Mining Div., Region IV

From : Chief, Mining Methods Br., Mining Div., Region IV

Subject : : January 1953 Progress Report, Docket DMLA-2356, Contract Idm-8370, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following items for the above report:

(1) Bureau of Mines engineer's report;

(2) Operator's narrative report with map;

(3) Forms MF-104 and MF-104A;

(4) Letter stating that all accounts have been paid to January 31.

Also enclosed are two extra copies of our engineer's report.

As all work is in accordance with the terms of the contract, I recommend that the Government's share of the costs be paid.

Walter R. Storms

Walter R. Storms

CC W. H. King (6)
DMLA-2356
DF

WRStorms:frj

MINING DIVISION
REGION IV

February 20, 1953

MEMORANDUM

To : W. N. Storms, Chief, Mining Methods Branch, Mining Division, Region IV

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

Subject : Progress Report for January 1953, Nikas Mining Co's. Morning Star Tungsten Mine, Final County, Ariz., DMAA Docket 2356, Contract Idm-E370.

The Morning Star Mine was visited on February 3, 1953, accompanied by E. R. Rodriquez, Health and Safety Engineer, U. S. Bureau of Mines, Phoenix, Ariz. The purpose of my visit was to check progress on the project and to determine if the work continues to conform with subject contract. Rodriquez was present for an inspection of safety conditions.

We were accompanied on an inspection of the project by T. Callas, project miner-foreman. My inspection showed that to Feb. 3 the first level had been advanced 114 feet (45 feet west and 69 feet east of the shaft). On Feb. 1, the advance was reportedly 108 feet, of which 39 feet was to the west and 69 feet was to the east of the shaft. My measurements were taken from the center of the grizzly at the shaft and the distances to each face was reduced by 4 feet to account for the shaft width of 8 feet. In addition to the drifting operations, the shaft station was completed.

Drifting has encountered significant amounts of scheelite only in the west drift where the interval of 39 to 45 feet from the shaft contains an estimated 0.5 to 0.75 percent WO_3.

CONTRACT, FORMS MF-104 and 104-A, AND OPERATOR'S NARRATIVE REPORT

The Operator's report was received at Tucson on Feb. 18. This report was completed Feb. 24 while working with Thos. Brading and Jas. Townsend on an audit of contract Idm-E210, Docket DMA-399A, Abril Mine, Cochise County, Ariz.

CC W. H. King (orig. & 6)
DMAA-2356
DF

TMRomslo:frj

The accounts of this contract were audited Feb. 21. Inspection of the project and subject data indicates the following:

1. The work performed and for which claim is made is in accordance with the contract and is as reported on Form RF-104A;

2. The supply and service charges are necessary and do not appear to be excessive. They have been accepted as correct pending an audit of accounts;

3. The Operator's Narrative Report with attached map is considered adequate.

T. A. Rossio
Mining Engineer

February 7, 1953

Mr. W. R. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: Docket D.M.E.A. 2356
Contract Idm - E 370

Dear Sir:

During the month of January the shaft station at the mine was completed, the west drift on the 100-foot level was advanced 39 feet from the shaft station and the east drift face was advanced to 69 feet for a total of 108 of drifting.

No ore has been found but some small bands of scheelite are visible in the face of the west drift. It is expected that the mineralized fissure on the west side of the shaft will be cut at about 60 feet from the shaft station. This distance is greater than originally expected since the foreman sunk the shaft about 12 degrees east of the original survey line.

The members of the company are planning the immediate construction of a 25-ton concentration plant to treat ore from the mine. I have advised against such a project on the basis that there is insufficient ore in sight to warrant the expenditure at this time.

To my knowledge all outstanding bills against the company as of February 1 have been paid.

Yours sincerely,

H E Krumlauf

H. E. Krumlauf
Consulting Mining Engineer

NIKAS MINING COMPANY
55 W. Congress Street
Tucson, Arizona

February 12, 1953

TO WHOM IT MAY CONCERN:

To our knowledge all bills outstanding against the Nikas Mining Company on January 31 have been paid.

J. Gekas

J. Gekas, Secy-Treas.

A. Nikas

A. Nikas, Pres.

Form ME-504 (Rev.)
(April 1952)

DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration
Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.
RECEIVED
FEB 12 1953

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

Month of December, 1952 Docket No. DMEA 2363 Contract No. Idm-3370
Operator's Name Mikes Mining Co., Minerals Tungsten
Address 65 N. Congress St., Tucson, Arizona.
Contract Amount, $ 59,200 Government Participation: 75 % Amount, $ 44,400

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$1317.00	$2165.00	3482.00			
Supervision	500.00	711.25	1211.25			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber	21.62	352.33	373.95			
Explosives		437.00	437.00			
Pipe		354.42	354.42			
Track	120.89	92.08	212.97			
Tools	13.97	168.34	182.31			
Misc.	98.97	849.24	948.21			
(4) Operating Equipment:						
Rental	247.50	495.00	742.50			
Purchase	212.50	1446.96	1659.46			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		3525.09	3525.09	399.09	2727.71	3,126.80
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis	9.00		9.00			
Payroll Taxes	25.75	43.14	68.89			
Liability Insurance	65.25	97.22	162.47			
(8) Contingencies (specify):						
TOTALS	$2535.45	$10534.96	$13070.41	2136.36	10,534.96	12,671.32

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

Date Jan. 18, 1953 *Payee Mikes Mining Co.

Per H. L. Krumlauf Title Consultant

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

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

(Instructions on reverse)

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

$ 1602.27

Signature [illegible]
(Authorized Certifying Officer)

Date 2/5/53 Vou. No. DMA 53-94
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E370 in accordance with the terms of the contract.

Signature D. M. Ramsdale WAF Title Mining Engineer Date Jan. 28, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R. DB.

Signature J. L. F. Shaw for W. H. Kerr Title Executive Officer Date FEB 3 1953

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

U. S. GOVERNMENT PRINTING OFFICE 205675

Form MF-104A
(April 1952)

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 12 1953

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

Month of December 1952 Docket No. DMEA[illegible] Contract No. [illegible]370
Operator's Name [illegible] Mining Co. Minerals [illegible]
Address [illegible] St., Tucson, [illegible]

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting	ft.	[illegible]	0	[illegible]	0		[illegible]	
Crosscutting	ft.	0	0	0	0		[illegible]	
Raising								
Shafts	ft.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Total Distributed Costs		[illegible]		[illegible]				Total Costs Authorized by Contract
Operating Equipment Purchased		[illegible]		[illegible]				$4100.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				[illegible]*				3126.80*
Total Costs		[illegible]		[illegible]				

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

Date Jan. 20, 1953 Operator [illegible] Mining Co.

Per H. E. Krumlauf Title Consultant

H E Krumlauf

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

(Instructions on reverse)

Remarks: * Estimated cost without supervision

** This amount includes $[illegible].75 for supervision leaving a balance of $2707.14 for this item. This balance is $[illegible].66 under the contract estimate.

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION IV

Administrative Audit Difference Statement

Date February 4, 1953
Payee's
Reference: Progress
Report - December 1953

Mikas Mining Co.
55 West Congress St.
Tucson, Arizona

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed $2,535.45

Difference $ 399.09

Amount Approved $2,136.36

The reason for the difference was due to:

In accordance with paragraph 6 of Exploration Project Contract MF200 the amount of $3,126.80 allowed in Exhibit "A" (6) is the allowable maximum for New Buildings, Improvements and Installations. The total amount of expenditures under Item No. 6 of the Form 104, exceeds the allowable maximum by $399.09 and is therefore disallowed.

Any reclaim for deductions made above must be supported by the ORIGINAL of this form.

Very sincerely yours,

N. E. Stokes
Audit Section

R-IV-B & F Form No. 4
4-15-52 D

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

224 New Customhouse
Denver 2, Colorado

February 3, 1953

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 2356, Contract Idm-E370 (Tungsten) Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Arizona - Operator's Monthly Progress Report for the period of December, 1952

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been completed as authorized by the contract. Documentation has been waived, therefore we recommend that payment be made for 75 percent of the amount as reported by the Operator on Form MF-104 subject to verification of arithmetical accuracy within Form MF-104, and contingent on findings of subsequent on-site audit of the Operator's accounts.

Overcharge of $3525.89 - $3126.80 or $399.09, to New Buildings, Improvements, etc. which is stipulated as an Allowable Maximum in the contract. Proper deduction is requested.

Remarks:

Date of Report - January 18, 1953
Date Received in Field Office - January 27, 1953
Date Received in Region Office - January 29, 1953
Date Processed for Payment - January 30, 1953

for Joe F. Shaw
W. H. King

Enclosures

RDB:oc
cc: Contract
Secretary to the Operating Committee (2)
WRStorms
Chron.

MINING DIVISION
REGION IV

January 23, 1953

Memorandum

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Branch, Mining Div., Region IV

Subject : December 1952 Progress Report, Docket DMEA-2356, Contract Idm-6370, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following items for the above report:

(1) Bureau of Mines engineer's report;
(2) Operator's narrative report with map;
(3) Forms MF-104 and MF-104A;
(4) Letter from company certifying that all accounts have been paid.

Also enclosed are two extra copies of our engineer's report.

As all work is in accordance with the terms of the contract, I recommend that the Government's share of the costs be paid.

Walter E. Storms

Walter E. Storms

CC: W. H. King (6)
DMEA-2356
MF

WEStorms:als

MINING DIVISION
REGION IV

January 23, 1953

Memorandum

To : W. R. Storms, Chief, Mining Methods Branch, Mining Division, Region IV

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

Subject : Progress Report for December 1952, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz., DMEA Docket 2356, Contract Idm-E370.

The Morning Star mine was visited on Jan. 6, 1953 for the purpose of checking progress on the exploratory project and to determine if the work continues to be in accordance with the contract.

The shaft had reached an inclined depth of 110 feet, the maximum depth provided for under the first stage of the project. As the shaft was 76 feet deep on Nov. 31, the advance for December was 34 feet. Completion of the shaft to its present bottom will require some timbering, straightening of skip-track, and extension of compressed air, water, and ventilation pipes.

Station timbers were being placed on the 100-foot level from which 10 feet of advance had been made to date on each of the northerly- and southerly-drifts specified in the contract.

CONTRACT, FORMS MF-104 AND 104A, AND OPERATOR'S NARRATIVE REPORT

The following conclusions are based on the inspection of the project and subject data:

1. The work performed and for which claim is made, is in accordance with the contract and is as reported on Form MF-104A. On this form, Krumlauf, consultant for the operator, has included a requested explanation of the charge of $3,525.89 for New Buildings, Improvements, etc. This explanation indicates the Audit Division's findings of Jan. 8 regarding an overcharge is not valid and that the anticipated deduction is not in order.

CC: W. H. King (Orig. & 6)
DMEA-2356
DF

TMRomslo:als

2. The supply and service charges are necessary and do not appear to be excessive. They have been accepted as correct pending an on-site audit of accounts.

3. The $212.50 charge against equipment purchase is for an air-driven mine-water pump that has been listed on attached inventory record. An invoice covering this purchase is attached to the Operator's Narrative Report.

4. The Operator's Narrative Report and attached map is considered adequate. A letter by the Secretary-Treasurer of the Nikas Mining Co., regarding the condition of bills payable, is a part of this report.

T. M. Romslo

T. M. Romslo, Mining Engineer
Mining Methods Branch,
Mining Division, Region IV

Tucson, Arizona
2401 E. 6th St.
January 12, 1953

Mr. W. R. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region A
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: Docket D.M.E.A. 2356
Contract Idm-E.370

Dear Mr. Storms:

During the month of December the shaft was sunk to a depth of 110 feet, but was not completed. The track must be straightened, timber must be placed, air and water lines must be laid and ventilation pipe must be extended.

A shaft station was being cut at the 100 foot level at the end of the period.

Drifts will be driven a short distance on both sides of the shaft before the shaft station and skip loading chute can be completed.

No ore was found in the lower part of the shaft.

No additional surface work was done during this period.

Sincerely yours,

HEKrumlauf

H. E. Krumlauf
Consulting Mining Engineer

P. S. A statement by the officers of the company concern-
bill due and payable is included in this report.

NEK

H. E. Krumlauf.

NIKAS MINING COMPANY

55 W. Congress

Tucson, Arizona

Mr. W. R. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: DMEA Docket 2356
Contract Idm E 370

Dear Mr. Storms:

To our knowledge all bills due and payable as of December 31, 1952 have been paid in full.

Yours very truly,

NIKAS MINING COMPANY

By _____
Secretary-Treasurer

A. Nikas
President

mg

Mr. C. O. Mitten
Feb. 10, 1953
1:35 P.M.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 10 1953

DN 235 BUREAU MINES 2-10-53 11-35 AM

C O MITTENDORF

REFERENCE OUR MEMORANDUM OF FEBRUARY 3,1953 RELATIVE TO CLARIFICATION OF CONTRACT IDM-E370, DOCKET 2356, NIKAS MINING COMPANY. NEED REQUESTED ADVICE BY FEBRUARY 13. PLEASE TELETYPE STATUS.

W H KING

Answered by telephone call to Mr. King 2-11-53

Denver, Colo.

FEB 10 2 23 PM '53

BUREAU OF MINES
MAIL ROOM
WASHINGTON, D. C.

Form MI[illegible]04 (Rev.)
(Apr[illegible]952)

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 12 1953

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

Month of November, 1952 Docket No. DMEA 2356 Contract No. Idm-E370
Operator's Name Nikas Mining Co. Minerals Tungsten
Address 55 W. Congress St., Tucson, Arizona.
Contract Amount, $ 59,200.00 Government Participation: 75 % Amount, $ 44,400.00

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$1124.00	$1041.00	$ 2165.00			
Supervision	500.00	211.25	711.25			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber		252.33	252.33			
Explosives	116.12	320.97	437.09			
Pipe	56.05	198.37	254.42			
Track		89.08	89.08			
Tools		168.34	168.34			
Miscellaneous	260.65	588.59	849.24			
(4) Operating Equipment:						
Rental	247.50	247.50	495.00			
Purchase	25.00	1421.96	1446.96			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.	24.75	3501.14	3525.89			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes	24.36	18.78	43.14			
Liability Insurance	54.89	42.33	97.22			
(8) Contingencies (specify):						
TOTALS	$2433.32	$8101.64	$10534.96	2433.32	8,101.64	10,534.96

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

Date Dec. 16, 1952 *Payee Nikas Mining Co.

Per H. E. Krumlauf Title Gen'l Mgr.

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

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

(Instructions on reverse)

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

$ 1824.99

Signature Alfred R. Wilson
(Authorized Certifying Officer)

Date 1-6-53 Vou. No. 53-77
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E370 in accordance with the terms of the contract.

Signature T. M. Romalo Title Mining Engineer Date Dec 24 1952

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R.D.B.

Signature W. H. King Title Executive Officer Date 1/2/53

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151
Approval Expires 10-15-53

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 12 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of November 195 2 Docket No. DMEA 2356 Contract No. Idm-E370
Operator's Name Nikas Mining Co. Minerals Tungsten
Address 55 W.Congress St.,Tucson,Arizona.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting	ft	0	0	$ 188.28	0		360	
Crosscutting	ft	0	0	0	0		120	
Raising								
Shafts	ft	$2383.57	36	5373.83	76	$70.71	210	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$2383.57		$5562.11				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased		25.00		1446.96				$4100.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.		24.75		3525.89				3945.55*
TOTAL COSTS		$2433.32		$10534.96				$8045.55

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

REMARKS: *Includes $81875 for supervision.

Date Dec.16,1952 Operator Nikas Mining Co.

Per H.E.Krumlauf Title Gen'l Mgr.
H.E.Krumlauf

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

53-77

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

224 New Customhouse
Denver 2, Colorado

January 2, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 1 5 1953

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 2356, Contract Idm-8370 (Tungsten) Nikas Mining Co's. Morning Star Mine, Pinal County, Arizona
Operator's Monthly Progress Report for the period of November, 1952.

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been completed as authorized by the contract. Documentation has been waived, therefore we recommend that payment be made for 75 percent of the amount as reported by the Operator on Form MF-104 subject to verification of arithmetical accuracy within Form MF-104, and contingent on findings of subsequent on-site audit of the Operator's accounts.

Remarks

Date of Report - December 16, 1952
Date Received in Arizona-New Mexico Branch Office - ?
Date Received in Region IV Office - December 29, 1952
Date processed for payment - January 2, 1953

W. H. King
W. H. King

Enclosures

RDB:oc
cc: Contract
Secretary to the Oper. Comm. (2)
WRStorms
Chron.
Koschmann (2)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 1 5 1953

MINING DIVISION
REGION IV

December 24, 1952

Memorandum

To : W. H. King, Chief, Mining Division, Region IV

From : Chief, Mining Methods Branch, Mining Div., Region IV

Subject : November 1952 Progress Report, Docket DMEA-2356, Contract Idm-E370, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are:

(1) Bureau of Mines engineer's report;
(2) Operator's narrative report with map;
(3) Forms MF-104 and 104A.

Also enclosed are two extra copies of our engineer's report.

Documentation was waived for this contract on October 1.

As all work is in accordance with the terms of the contract, I recommend that the Government's share of the costs be paid.

Walter R. Storms

Walter R. Storms

CC W. H. King (6)
DMEA-2356
DF

WRStorms:frj

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 12 1953

MINING DIVISION
REGION IV

December 18, 1952

Memorandum

To : W. R. Storms, Chief, Mining Methods Br., Mining Div., Region IV, Tucson, Ariz.

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

Subject : Progress Report for November 1952, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz.; Docket DMEA-2356, Contract Idm-E370.

The subject property was visited on December 9, 1952 to check the progress of the exploratory project and to determine if the work was being carried out in accordance with the contract.

The inspection showed that on December 9 the inclined shaft was 88 feet deep and was reported to have reached a depth of 76 feet on November 31. As the shaft was 40 feet deep on October 31, the advance for November was 36 feet.

CONTRACT, FORMS MF-104 and 104A, AND OPERATOR'S NARRATIVE REPORT

The following is based on the inspection of the project and the subject data:

1. The work performed, for which claim is made, is in accordance with the contract and is as reported on Form MF-104A. Although the cross section of the shaft at the time of the former inspection was considerably larger than necessary, it now has been reduced to the proper size.

2. The supply and service charges are necessary and do not appear excessive. They have been accepted as correct pending an on-site audit. Documentation was waived October 1, 1952.

3. The Operator's Narrative Report and attached map is considered adequate.

T M Romslo

T. M. ROMSLO

CC W. H. King (Orig. & 6)
DMEA-2356
DF

TMMRomslo:frj

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona
Tucson, Arizona

December 16, 1952

Mr. W. R. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: Docket D.M.E.A. 2356
Contract Idm.- E 370

Dear Sir:

During the period from November 1 to November 30 the mine was operated mostly on a one-shift basis. The reason for this one-shift operation was that the owner-foreman, T. Callas, would not permit the mine to be operated on a two-shift basis. During this period the shaft was sunk an additional 36 feet to a total depth along the incline of 76 feet.

Some softer ground was encountered at 65 feet but no timber was used. In fact, no timbering has been done in the shaft below 20 feet and when a depth of 110 feet, Stage 1 of the contract has been reached it will be necessary to set studs between the skip and runway compartments, reset sills and straighten the track.

No ore has been found in the shaft below the 19 foot point but there is some scattered $CaWO_3$.

No additional surface work was done during this period.

Most of the above information was furnished by the new supervisor, Mr. J. J. Strutzel.

Sincerely yours,

H E Krumlauf

H. E. Krumlauf
Consulting Mining Engineer

800

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

JAN 2 6 1953

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

Re: Docket DMEA-2356
Contract Ida-E370
Nikas Mining Company

Dear Mr. King:

Reference is made to your letter of January 15, 1953, in reply to a letter dated January 8, 1953, from the Chief, Contract Administration and Audit Division, relative to the costs as reflected on the October MF-104 for the subject project.

Your letter requests clarification on the point as to whether it is the Field Team's responsibility to check "allowable maximums" in those cases where documentation requirements have been waived in accordance with Circular 19.

It is true that the waiver of documentation may eliminate the possibility of checking some "allowable maximums", particularly with respect to sub-items of costs designated as such. However, in cases similar to the subject project, where the items designated in the contract and Exhibit "A" as "allowable maximums" correspond to, and are reported as, line items on the Form MF-104 the administrative examination should include a check of the pertinent items.

Your explanation of the over-breakage on the shaft has been noted and, based upon your recommendation, no exception will be taken to the costs of the shaft sinking in this instance.

Sincerely yours,

C. O. Mittendorf

Administrator

EDTalbert/wb
January 23, 1953

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

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

224 New Customhouse
Denver 2, Colorado

January 15, 1953

Memorandum

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 20 1953

To: C. O. Mittendorf, Administrator

From: Executive Officer, Field Team, Region IV

Subject: Docket DMEA 2356, Contract Idm-E370, Nikas Mining Company

Enclosed are two copies of a letter dated January 8, 1953 from the Chief of the Contract Administration and Audit Division.

Also enclosed are two copies of our reply to this letter.

W. H. King
W. H. King

Enclosures

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

224 New Customhouse
Denver 2, Colorado

January 15, 1953

Memorandum

To: Jay L. Chambers, Chief
Contract Administration & Audit Division

From: Executive Officer, Field Team, Region IV

Subject: Contract Idm-E370, Docket DMEA 2356, Nikas Mining Company

Reference is made to your letter dated January 8, 1953 regarding Docket DMEA 2356, Contract Idm-E370, Nikas Mining Company.

Documentation was waived on this contract. Article 3, DMEA Circular 19 states: "The Executive Officer may waive the requirment for documentary support of the monthly invoice, except for purchases of equipment." Consequently, exceeding the maximum allowable cost for New Buildings, Improvements, etc. in the amount of $374.34 was inadvertently overlooked. However, article 6 of Circular 19 states: "Of course, auditing may also be required as a prerequisite to payment of any project for which the Executive Officer or the Finance Officer has doubts as to the authenticity, reasonableness or propriety of the costs claimed." This could be interpreted to mean that this office should also check for allowable maximums when documentation is waived. We would appreciate clarification of this point. Contract Idm-E370 contains a number of items that are specified as allowable maximums, and the contract is difficult to administer. This contract has been placed in line for an interim audit. We appreciate your calling this overpayment to our attention, and we will deduct it from the next payment.

Regarding the size of the shaft, our understanding is that the shaft is not timbered except for stulls and skids on the footwall. It is difficult and sometimes impossible to maintain a shaft the exact size stipulated. If a vein or plane of weakness runs through the shaft, the shaft will break wider or longer than it has been drilled. Also, it is sometimes easier to work in a shaft that is larger than the specified size, and the shaftmen may increase the size of the shaft if not closely supervised. We believe that the increased size of the shaft is due to a combination of the above circumstances. The Bureau engineer's narrative report states that the over-breakage was called to the supervisor's attention, and "he <u>had</u> noted the over-breakage and <u>had</u> instructed the shaftmen to cut down the size in the future."

The implication is that the superintendent was already aware that the shaft was too large, and had taken steps to reduce the size. We believe that an operator cannot always retain an untimbered opening the exact size specified without increasing the cost of the operation, and that all the charges should be allowed in this instance.

W. H. King

W. H. King

JFS:es

cc; Mittendorf (2)
Contract
Storms
Townsend
Chron.
Koschmann (2)

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

COPY

January 8, 1953

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

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

Dear Mr. King:

In reviewing the October, 1952 Form MF-104 for the referenced exploration project it has been noted that the approved totals to date for item (6) New Bldgs., Improvements, etc., amount to $3,501.14. This is $374.34 in excess of the amount of $3,126.80 shown for this item in the estimates of costs listed in Exhibit "A" of the contract.

By the terms of Article 6 of the contract the amounts listed under this item on Exhibit "A" are "allowable maximums".

It also appears from the engineer's report attached to the MF-104 that the shaft has been sunk with a cross section of approximately 8 by 10 feet rather than the 5 by 8 feet specified in Exhibit "A" of the contract. If this is a fact the question arises as to whether or not an equitable deduction from the costs of the shaft-sinking is in order.

Your comments on these two points would be appreciated.

Sincerely yours,

/s/ Jay L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

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

224 New Customhouse
Denver 2, Colorado

January 15, 1953

Memorandum

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 19 1953

To: Jay L. Chambers, Chief
Contract Administration & Audit Division

From: Executive Officer, Field Team, Region IV

Subject: Contract Idm-E370, Docket DMEA 2356, Nikas Mining Company

Reference is made to your letter dated January 8, 1953 regarding Docket DMEA 2356, Contract Idm-E370, Nikas Mining Company.

Documentation was waived on this contract. Article 3, DMEA Circular 19 states: "The Executive Officer may waive the requirment for documentary support of the monthly invoice, except for purchases of equipment." Consequently, exceeding the maximum allowable cost for New Buildings, Improvements, etc. in the amount of $374.34 was inadvertently overlooked. However, article 6 of Circular 19 states: "Of course, auditing may also be required as a prerequisite to payment of any project for which the Executive Officer or the Finance Officer has doubts as to the authenticity, reasonableness or propriety of the costs claimed." This could be interpreted to mean that this office should also check for allowable maximums when documentation is waived. We would appreciate clarification of this point. Contract Idm-E370 contains a number of items that are specified as allowable maximums, and the contract is difficult to administer. This contract has been placed in line for an interim audit. We appreciate your calling this overpayment to our attention, and we will deduct it from the next payment.

Regarding the size of the shaft, our understanding is that the shaft is not timbered except for stulls and skids on the footwall. It is difficult and sometimes impossible to maintain a shaft the exact size stipulated. If a vein or plane of weakness runs through the shaft, the shaft will break wider or longer than it has been drilled. Also, it is sometimes easier to work in a shaft that is larger than the specified size, and the shaftmen may increase the size of the shaft if not closely supervised. We believe that the increased size of the shaft is due to a combination of the above circumstances. The Bureau engineer's narrative report states that the over-breakage was called to the supervisor's attention, and "he <u>had</u> noted the over-breakage and <u>had</u> instructed the shaftmen to cut down the size in the future."

The implication is that the superintendent was already aware that the shaft was too large, and had taken steps to reduce the size. We believe that an operator cannot always retain an untimbered opening the exact size specified without increasing the cost of the operation, and that all the charges should be allowed in this instance.

W. H. King

W. H. King

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

JAN 8 1953

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

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

Dear Mr. King:

In reviewing the October, 1952 Form MF-104 for the referenced exploration project it has been noted that the approved totals to date for item (6) New Bldgs., Improvements, etc., amount to $3,501.14. This is $374.34 in excess of the amount of $3,126.80 shown for this item in the estimates of costs listed in Exhibit "A" of the contract.

By the terms of Article 6 of the contract the amounts listed under this item on Exhibit "A" are "allowable maximums".

It also appears from the engineer's report attached to the MF-104 that the shaft has been sunk with a cross section of approximately 8 by 10 feet rather than the 5 by 8 feet specified in Exhibit "A" of the contract. If this is a fact the question arises as to whether or not an equitable deduction from the costs of the shaft-sinking is in order.

Your comments on these two points would be appreciated.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
January 8, 1953

Copy to: Admr. Reading File
Docket
Mr. Selfridge
Mr. Brading
Mr. Chambers

Form [illegible]104 (Rev.)
([illegible] 1952)

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Budget Bureau No. [illegible]
Approval expires 6-30-53.
Defense Minerals Administration
RECEIVED
DEC 2[illegible] 1952

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of October, 1952 Docket No. DMEA 2356 Contract No. Idr-D370
Operator's Name Ulkas Mining Co. Minerals Tungsten
Address 55 W. Congress St., Tucson, Arizona.
Contract Amount, $ 59,200 Government Participation 75 % Amount, $ 44,400

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	$1041.00		$1041.00			
Supervision	211.25		211.25			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber	190.24	$ 62.09	252.33			
Explosives	320.97		320.97			
Pipe	126.46	71.91	198.37			
Track	15.18	73.90	89.08			
Tools	5.36	162.98	168.34			
Miscellaneous	562.49	26.10	588.59			
(4) Operating Equipment:						
Rental	247.50		247.50			
Purchase	271.51	1150.45	1421.96			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.	1132.54	2368.60	3501.14			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes	10.78		10.78			
Liability Insurance	42.33		42.33			
(8) Contingencies (specify):						
TOTALS	$4185.61	$3916.03	$8101.64	4185.61	3916.03	8101.64

I certify that the above bill is correct and just and that payment therefor has not been received.
Date Nov. 15, 1952 *Payee Ulkas Mining Co.
Per H C Kumlang Title Gen'l Mgr.

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

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

(Instructions on reverse)

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

$ 3139.21

Signature [illegible]
(Authorized Certifying Officer)

Date 12/15/52 Vou. No. DMA 53-71
(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. 14dm-E370 in accordance with the terms of the contract.

Signature M M Pomeroy Title Mining Engineer Date Dec. 6, 1952

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE: R. D. B.

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

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form M-5-104A
(April 1952)

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 2 1952

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

Month of October 1952 Docket No. DMEA 2356 Contract No. Idm-E370
Operator's Name Nikas Mining Co. Minerals Tungsten
Address 55 W. Congress St., Tucson, Arizona.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting		$ 188.28	0	$ 188.28	0	0	360'	
Crosscutting		0	0	0	0	0	120'	
Raising								
Shafts		2593.28	40'	2990.26	40'	$74.75	210'	
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS		$2781.56		$3178.54				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased		271.51		1421.96				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.		1132.54		3501.14				
TOTAL COSTS		$4185.61		$8101.64				

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

REMARKS: Some water was encountered in the shaft

Date Nov. 15, 1952 Operator Nikas Mining Co.

Per H E Krumlauf Title Genl Mgr.
H.E. Krumlauf

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

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

224 New Customhouse
Denver 2, Colorado

December 11, 1952

Memorandum

To: T. A. Christensen

From: Executive Officer, DMEA Field Team, Region IV

Subject: DMEA Docket 2356, Contract Idm-E370 (Tungsten) Nikas Mining Co's. Morning Star Mine, Pinal County, Arizona - Operator's Monthly Progress Report for the period of October, 1952

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been accomplished as authorized in the contract and payment is recommended for 75 percent of the amount as reported on Form MF-104, contingent on your verification of the correctness of applicable rates and arithmetical accuracy of computations.

A letter waiving documentation for this contract is being prepared effective October 1, 1952.

W. H. King

W. H. King

Enclosures

RDB:oc

cc: Contract
Secretary to the Operating Committee (2)
WRStorms
Chron.
AMKoschmann (2)

MINING DIVISION
REGION IV

December 2, 1952

Memorandum

To : W. H. King, Acting Chief, Mining Division, Region IV

From : Chief, Arizona-New Mexico Br., Mining Div., Region IV

Subject : October 1952 Progress Report Docket DMEA-2356, Contract Idm-E370, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following items for the above progress report:

(1) Bureau of Mines engineer's report;

(2) Operator's narrative report with 2 maps;

(3) Form MF-104 and 104A with documentation.

Also enclosed are two extra copies of our engineer's report.

As all work is in accordance with the terms of the contract, I recommend that the Government's share of the costs be paid.

Walter R. Storms

Walter R. Storms

CC W. H. King(6)
DMEA-2356
DF

WRStorms:frj

This is due to the following factors: (1) First few feet of shaft was in old fill; (2) slightly higher rate of advance than expected; (3) the rock stands well and little timbering has been done; and (4) rate of pay for shaft labor is lower than allowed by contract.

2. The supply and service charges were necessary and do not appear to be excessive. Notes on charges of certain items follow.

Item 4. Charges of operating equipment include the following allowables:

Rentals - hoist and compressor:

Purchases - Ventilation fan and minor auxiliary hoist equipment items. Attention is called to the Operators Report regarding a new jackhammer that was used during October. He has explained why the jackhammer has not been purchased and that it is being rented at no cost to the Government or project.

Item 6. The disallowed $9.17 for insurance in September has been deducted.

Item 7. Workman's Compensation Tax of 3.38 percent will be changed to normal rate of about 10 percent during this quarterly period. Unemployment tax has not been charged. According to the operator this tax is not accessible until employees have worked 20 weeks.

It will be noted that Payroll Taxes and Liability Insurance for the project's first period have been transferred to Item 6.

3. Documentary support for all charges have been furnished by the operator.

4. The Operator's Narrative Report is considered adequate.

T. M. Romslo

T. M. Romslo, Mining Engineer
Arizona-New Mexico Branch
Mining Division, Region IV

NIKAS MINING COMPANY
55 N. Congress St.
Tucson, Arizona

November 15, 1952

Mr. W. E. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: DMEA Docket 2356
Contract I m-2 370

Dear Mr. Storms:

From October 1 to October 15, inclusive, work on the surface plant at the Morning Star Mine was completed except for a few small jobs that will be done when needed. During this period the following was accomplished:

1. Water lines were laid from a nearby spring to the water tank and from the water tank to the mine. See attached map.

2. A chute was built on the head frame and the sheave wheel was installed.

3. The collar-set for the shaft was laid and braced.

4. The foundation for the hoist was prepared and poured.

5. A hoist and compressor were transported from Phoenix, Arizona, to the mine site.

6. The hoist was installed.

7. An air line was laid from the compressor to the shaft collar.

8. A hoist house was built over the hoist. (See attached map).

9. The mine yard was extended with a bulldozer to provide an ore storage yard. This work was not charged to the contract (see attached map).

On October 16 shaft sinking began and a two-shift operation was started October 20. By October 21 the shaft was down a distance of 40 feet. The first five feet of the footwall of the shaft was in old fill where a pocket of ore had been removed by earlier mining operations.

More water was encountered in the shaft than was expected and a sinking pump was obtained to handle it.

From 5 feet to 19 feet the shaft was in ore containing an average of 0.63 WO_3 (see the attached map of the shaft section). The balance of the shaft is in low grade material.

A new sinker-type drill and air leg was rented from the Western Machinery Company for $56.50 per month. This equipment will be purchased if funds are made available for the second stage of this work and will be charged to the contract at that time. In the meantime this equipment will be rented and the rent will not be charged to the contract.

Sincerely yours,

H E Krumlauf

H. E. Krumlauf
General Manager

Form [illegible]104 (Rev.)
[illegible] 1952)

Budget Bureau No. 42-R1036.3.
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S MONTHLY REPORT AND VOUCHER

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 3 1952 370

Month of Aug.-Sept., 1952 Docket No. DMEA 2356 Contract No. Idm-E~~307~~ ama
Operator's Name Nikas Mining Co. Minerals Tungsten
Address 55 W. Congress St., Tucson, Arizona.
Contract Amount, $59,200 Government Participation: 75 % Amount, $44,400

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent / Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber	$ 62.09		$ 62.09			
Explosives						
Pipe	71.91		71.91			
Track	73.90		73.90			
Tools	162.98		162.98			
	26.10		[illegible]			
(4) Operating Equipment:						
Rental						
Purchase	1150.45		1150.45			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.	2295.61		2295.61	2,286.44		2,286.44
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes	25.24		25.24			
Liability Insurance	56.92		56.92			
(8) Contingencies (specify):						
TOTALS	$3925.20		$3925.20	3,916.03		3,916.03

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

Date Oct. 14, 1952 *Payee Nikas Mining Co.

Per H E Kumlang Title General Manager

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

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

(Instructions on reverse)

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

$2937.02

Signature [illegible]
(Authorized Certifying Officer)

Date 10/23/52 Vou. No. DMA 53-52

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E 370 in accordance with the terms of the contract.

Signature T M Romolo WRG Title Mining Engineer Date Oct. 17, 1952

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

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

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form I[illegible]104A
(Apr[illegible]2)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
NOV 5 1952

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Aug.-Sept. 1952 Docket No. DMEA 2356 Contract No. Idm-E370
Operator's Name Nikas Mining Co. Minerals Tungsten
Address 55 W.Congress St.,Tucson,Arizona.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT	
							Units	Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts		$396.98	0	$ 396.98				
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
TOTAL DISTRIBUTED COSTS								TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased		1150.45		1150.45				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.		2377.77		2377.77				
TOTAL COSTS		$3925.20		$3925.20				

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

Date October 14,1952 Operator Nikas Mining Co.

Per _____ Title Gen'l Mgr.

REMARKS: The only difficulties encountered were those inherent in the buildins of a surface plant on a relatively steep mountain side.

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

U. S. GOVERNMENT PRINTING OFFICE 205676

U. S. DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
REGION IV

Administrative Audit Difference Statement

Date: October 22, 1952
Payee's
Reference: Progress Report - September 1952

Nikas Mining Co.
55 West Congress St.
Tucson, Arizona

Upon examination of the above Payee's Reference a difference was found which made it necessary to suspend your account accordingly:

Amount Claimed $3,925.20

Difference $ 9.17

Amount Approved $3,916.03

The reason for the difference was due to:

Disallowed amount for insurance on truck, pending clarification of requirement by state of Arizona.

Any reclaim for deductions made above must be supported by the ORIGINAL of this form.

Very sincerely yours,

N. E. Stokes
Audit Section

R-IV-B & F Form No. 4
4-4-52 D

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES

Mining Division
Region IV

October 21, 1952

Memorandum

To: T. A. Christensen

From: Acting Chief, Mining Division, Region IV

Subject: DMEA Docket 2396, Contract Idm-E370 (Tungsten) Nikas Mining Company, Pinal County, Arizona - Operator's Monthly Progress Report for the period from August 27, 1952 through September 30, 1952

Enclosed are the original and four copies of Form MF-104 and Form MF-104A, Narrative Report, and Engineer's Report for the above period.

Work has been accomplished as authorized in the contract and payment is recommended as reported on Form MF-104, contingent on your verification of the correctness of applicable rates and mathematical accuracy of computations, except for the following deduction:

Insurance on truck Deducted pending clarification as to whether or not such insurance is required by Arizona State Law.	$9.17

Remarks - The discrepancy between recording under item (6) MF-104 and comparable breakdown of MF-104A will be corrected on the next report.

W. H. King
W. H. King

Enclosures

JWT:oc

cc: Contract
Secretary to the Operating Committee (2)
WRStorms
Chron.
AHKoschmann (2)

MINING DIVISION
REGION IV

October 17, 1952

Memorandum

To : W. H. King, Acting Chief, Mining Div., Region IV

From : Chief, Arizona-New Mexico Br., Mining Div., Region IV

Subject : August-September 1952, Progress Report, Docket DMEA-2356, Contract Idm-E370, Nikas Mining Co's. Morning Star Tungsten Mine, Pinal County, Ariz.

Enclosed in quintuplicate are the following items for the above progress report:

(1) Bureau of Mines engineer's report;

(2) Operator's narrative report;

(3) Forms MF-104 and 104A with documentation.

Also enclosed are two extra copies of our engineer's report.

As the work is in accordance to the terms of the contract, I recommend that the Government's share of the costs be paid.

Walter R. Storms

Walter R. Storms, Chief
Arizona-New Mexico Branch
Mining Division, Region IV

CC W. H. King (6)
DMEA-2356
DF

WRStorms:frj

2. The supply and service charges were necessary and do not appear to be excessive, with the exception noted below under item 6. An explanation of certain charges, for record purpose, follows:

Item 3. The materials and supplies were purchased for the exploratory work and have been charged to shaft sinking on MF-104. Included in tools is a mineral-light, cost $36.92, which the writer feels is a legitimate charge because it will be needed for sampling operations.

Item 4. - Purchase of truck, skip, and mine car are provided for in contract.

Item 6. The charge of $9.17 for insurance on the truck (see distribution sheet and attached invoice) should be $5.67. This reduction of $3.50 represents the prorated premium for collision that is not an allowable cost.

A bookkeeping error caused the charge for supervision to be less than the allowable amount, based on hours worked. The supervisor has waived claim for the balance as shown by his statement on sheet 5 of the payroll.

Item 7. Payroll taxes do not include unemployment tax that will be due and payable at a later date.

The industrial insurance rates of the Payroll Report to the Industrial Commission of Arizona are applicable for a short period during commencement of operations. Normal rates, around 10 percent, will probably be effective, starting with the 4th quarter of 1952.

3. Documentary support for all charges have been furnished by the operator.

4. The Operator's Narrative Report is considered adequate.

T. M. Romslo

T. M. Romslo, Mining Engineer
Arizona-New Mexico Branch
Mining Division, Region IV

NIKAS MINING COMPANY
55 W. Congress St.
Tucson, Arizona

October 12, 1952

Mr. W. R. Storms
Chief, Arizona-New Mexico Branch
Mining Division, Region 4
U. S. Bureau of Mines
University of Arizona
Tucson, Arizona

Re: DMEA Docket 2356
Contract Idm-E 370

Dear Mr. Storms:

Work was started at the Morning Star mine under the terms of the above contract on August 27 and during the ensuing period to October 1 the following has been accomplished:

1. A site was leveled for a compressor and storage shed. See attached map.

2. Compressor and storage shed was built.

3. The mine yard was leveled to provide room for a head frame and hoist. See attached map.

4. The head frame has been erected and is about ready for hoisting.

5. Mine cars, skip, rails, mine timbers, building supplies have been purchased and hauled to the mine location.

6. A temporary waste disposal track and dump was built to handle the waste from the mine yard.

7. The area was surveyed and mapped.

8. A water tank was moved to the property and was installed on the hill above the shaft. See attached map.

Invoices for all equipment and supplies obtained to date are included with this narrative report and all have been paid.

A statement for all labor and supervision employed to date is included and all has been paid.

Payment for unemployment compensation will be due and payable at a later date.

Concerning form MF 104A the amount charged under shafts represents timber, track, pipe, etc., that have been purchased for this work.

The only difficulties encountered to date are those inherent in the building of a mine surface plant on a steep mountain side.

Sincerely yours,

H E Krumlauf

H. E. Krumlauf
General Manager

MAY 23 1963

Hilma Mining Company
230 North Church Street
Tucson, Arizona

In: IMSA-2236 (Changed)
Hilma Mining Company
Morning Star Mine
Pinal County, Arizona
Contract Ldm-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, 1953, 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

WWGriswold/mm
5/22/63
cc: Mrs. Elizabeth L. Wood
Mr. Clarmont Loper
Director's Reading File
✓CAEA Division
Region III (2)
Dalhart
Code 500

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

To: Nikes Mining Company, 35 West Congress Street Tucson, Arizona — a partnership composed of Tom D. Collins, A. Nikes, John Gekas, John Paules, and Monte Seymour

Pursuant to the provisions of Exploration Project Contract No. Idm-[illegible], dated July 18, 1952, (Docket No. DMEA 2356), hereinafter called the "contract" between you and the United States of America, hereinafter called the "Government" to establish and fix the Government's percentage royalty on production and its lien thereon and on the land described in the contract, the Government considers and therefore certifies that a discovery or development from which production may be made has resulted from the exploration work.

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

An exploration program consisting of sinking a 110-foot inclined shaft and drifting and prospecting on the 100-foot level has resulted in the discovery of a substantial amount of tungsten ore. It is estimated that the orebody consists of several thousand tons of tungsten ore, both between the 100-foot level and the surface, and below the 100-foot level. The orebody extends into that portion of the Morning Star claim for which the Pure Gold claim has been granted extralateral rights and the occurrence of the same minerals is inferred within the Pure Gold claim by reason of the same discovery or development.

THE UNITED STATES OF AMERICA

Dated: MAR 3 1954

By: C. Mittendorf
Administrator, Defense Minerals
Exploration Administration

Docket
Field Team, REg. 4
Finance Office
Oper. Committee
Adm. Read. File
Code 400 - Mr. Martin
Code 800 - Mr. Chambers
Code 110 - Mr. Johnson
J. H. Hedges, USBM
R. W. Geehan, USBM
T. P. Thayer, USGS
P. W. Guild, USGS

cc: Mrs. Elizabeth L. Wood, Oracle, Arizona
YMCA, Tucson, Arizona
Irving Gumbel, Act.Dir., Mat. Divn., RPS, GSA, Wash. 25, D.C.

JHopkins/ls 3/4/54

MAR 1954

Nikas Mining Company
55 West Congress Street
Tucson, Arizona

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

Gentlemen:

Transmitted herewith is a "Certification of Discovery or Development" under Contract No. Idm-E370 on the propert described in the Contract.

By the terms of the Exploration Project Contract and of the Certification, all production from the aforesaid lands from the date of the Exploration Project Contract is subject to the Government's percentage royalty as set forth in the contract until the sum of $18,918.34 (subject to adjustment on final audit) is paid or until July 18, 1962, whichever occurs first.

Payments should be made to Mr. W. H. King, Executive Officer, DMEA Field Team, Region IV, 224 New Customhouse Building, Denver 2, Colorado. Checks should be payable to the Treasurer of the United States. The purchaser should be advised to deduct the royalties from the amount due on each shipment and forward the check direct to the Executive Officer. Royalty payments to the Government should be accompanied by suitable evidence, such as copies of settlement sheets, showing quantity and grade of the products sold, the name of the purchaser, and the price and charges certified to be correct by the purchaser.

You are requested to notify Mr. King of any changes in ownership or production rights that might have any effect on the Government's right to its percentage royalty. Also, if production ceases at any time for any extended period, please notify Mr. King at 6-month intervals that no production has been made when that is the case.

Sincerely yours,

C. O. Mittendorf

Administrator

cc: P.W.GUILD,USGS
R.W.GEEHAN,USBM
T.P.THAYER,USGS
J.H.HEDGES,USGS
CODE 110--Mr. Johnson

OCKET
T, REG. IV
PER. COMM.
DM. READ. FILE
ODE 400 - Mr. Martin
[redacted] Mr. Chambers

FARutledge/ls
2/26/54

MAR 4 1954

Mrs. Elizabeth L. Wood
Oracle, Arizona

Re: Docket No. DMRA 2356 - Tungsten
Nikas Mining Company
Morning Star Mine
Pinal County, Arizona
Contract No. Idm-2370

Dear Mrs. Wood:

Transmitted herewith for your information is a copy of the "Certification of Discovery or Development" issued as a result of the exploration program under the above-referenced contract. The property as set forth in the contract was leased to the Nikas Mining Company by Elizabeth L. Wood and the Young Men's Christian Association of Tucson, Arizona, a Corporation, on January 3, 1952, and is the same property referred to in the Landlord's Subordination Agreement" executed by you on February 20, 1952.

By the terms of the Exploration Project Contract and of the Certification, all production from the aforesaid lands from the date of the Exploration Project Contract is subject to the Government's percentage royalty as set forth in the contract until the sum of $18,918.34 (subject to adjustment on final audit) is paid or until July 18, 1962, whichever occurs first.

Sincerely yours,

C. O. Mitchell

Administrator

Enclosure

Copy to: DOCKET
FIELD TEAM, REG. IV
ADM. READ. FILE
OPER. COMMITTEE
CODE 400 - Mr. Martin
CODE 800 - Mr. Chambers
CODE 110 - Mr. Johnson

Copy to: P.W.GUILD, USGS
T. P. THAYER, USGS
J. H. HEDGES, USBM
R. W. GERMAN, USBM

FARutledge/la
2/23/54

400

MAR 4 1954

Mr. W. H. King, Executive Officer
DMEA Field Team, Region IV
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. King:

Enclosed is a copy of a "Certification of Discovery or Development" on the above-noted property.

Your attention is called to the items of equipment and installations in which the Government has an equity. It would be appreciated if suitable arrangement is made for their disposal so that this contract can be closed out.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee

Enclosure

APPROVED:

J. H. Hedges
Member, Bureau of Mines

D. M. Larrabee
Member, Geological Survey

FARutledge/la 2/25/54

Copy to: DOCKET
FT, REG. IV
ADM. READING FILE
OPER. COMMITTEE
CODE 400 - Mr. Martin
CODE 800 - Mr. Chambers
CODE 110 - Mr. Johnson
J. H. HEDGES - USBM
R. W. GEEHAN, USBM
T. P. THAYER, USGS
P. W. GUILD, USGS

400

MAR 4 1954

Young Men's Christian Association
Tucson, Arizona

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

Dear Sirs:

Transmitted herewith for your information is a copy of the "Certification of Discovery or Development" issued as a result of the exploration program under the above-referenced contract. The property as set forth in the contract was leased to the Nikas Mining Company by Elizabeth L. Wood and the Young Men's Christian Association of Tucson, Arizona, a Corporation, on January 3, 1952, and is the same property referred to in the "Owner's Consent to Lien" executed July 14, 1952, by The Young Men's Christian Association of Tucson, Arizona.

By the terms of the Exploration Project Contract and of the Certification, all production from the aforesaid lands from the date of the Exploration Project Contract is subject to the Government's percentage royalty as set forth in the contract until the sum of $18,918.34 (subject to adjustment on final audit) is paid or until July 18, 1962, whichever occurs first.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure

Copy to: DOCKET
FIELD TEAM, REG. IV
ADM. READ. FILE
OPER. COMMITTEE
~~FIELD OFFICE~~
CODE 400 - Mr. Martin
CODE 800 - Mr. Chambers
CODE 110 - Mr. Johnson

Copy to: J. H. BLDGES, US BM
R. W. GRAHAM, USBM
T. P. THAYER, USGS
P. W. GUILD, USGS

FARutledge/ls
2/23/54

400

MAR 4 1954

Mr. Irving Gumbel, Acting Director
Materials Division, Emergency Procurement Service
General Services Administration
Washington 25, D. C.

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

Dear Mr. Gumbel:

Enclosed is a copy of a "Certification of Discovery or Development for the above-noted project.

Contract No. Idm-E370 was executed July 16, 1952, to cover a two-stage exploration program. Expenditures up to $59,200.00 were authorized, of which the Government's share at 75 percent was $44,400.00. The project was terminated by mutual consent after Stage 1 of the program was substantially completed. The cost of the work completed was $25,224.45, of which the Government's share at 75 percent was $18,918.34 (subject to final audit).

The exploration program was designed to investigate deposits of scheelite in silicified limestone breccia on the hanging wall of the prominent Mogul fault. Started in ore, the shaft passed into unmineralized silicified limestone at a depth of 14 feet. From 80 to about 100 feet the shaft penetrated intensely shattered and altered, gouge-like material, which is thought to be one of the principal planes of movement on the Mogul fault. The 100-foot level station was cut in the heavy ground of the Mogul fault. Approximately 130 feet of the 205 feet of drifting on the 100-foot level was also done in the fault zone, which greatly increased the operating problems and costs.

The exploration completed has revealed an area of mineralization on the west side of the mine near the property line in sufficient detail to warrant tonnage estimates. The following estimates of reserves have been made:

	INDICATED		INFERRED		TOTAL	
Estimate by	tons	grade	tons	grade	tons	grade
Operator	7,000	0.726	5,000	0.605	12,000	0.676
USGS 6/16/53	7,200	0.75	3,800	0.75	11,000	0.75
USBM 7/16/53	6,000	0.5	1,500	0.5	7,500	0.5
USBM 11/20/53	4,169	1.12	3,896	1.10	8,065	1.11

Note: Indicated ore above the 100-foot level; Inferred ore below the 100-foot level. Approximately 800 tons of the Indicated ore has now been mined.

Sincerely yours,

G. O. Mittendorf

Administrator

Copy to: DOCKET
FT, REG. IV
OPER. COMM.
ADM. READ. FILE
CODE 400 - Mr. Martin
CODE 800 - Mr. Chambers
CODE 110 - Mr. Johnson
J. H. HEDGES, USBM
T. P. THAYER, USGS
P. W. GUILD, USGS
R. W. GEEHAN, USBM

FARutledge/ls
2/26/54

Mr. [illegible], [illegible] Director
[illegible] Division, Emergency Procurement Service
General Services Administration
Washington 25, D. C.

Re: Contract No. [illegible] - Tungsten
Milling Mining Company
Rawhide Star mine
Pinal County, Arizona
Contract No. [illegible]

Dear Mr. [illegible]:

Reference is made to the above-referenced contract. A copy of the "Certification of Expenses or Investment" under this exploration project contract was sent to your office by letter dated March [illegible], [illegible]. This letter gave the total cost of the work completed as [illegible], of which the Government's share at 75 percent was $[illegible] (subject to final audit).

The Government's equity in installations and equipment purchased under the subject contract has now been disposed of and a final audit made by the Government. The final adjusted cost of the work completed is $[illegible], of which the Government's share at 75 percent was $[illegible].

Sincerely yours,

C. O. Mittendorf

Administrator

[illegible]
[illegible]
cc to: Docket
Code [illegible]
Adm. Reading File
Operating Cons.
Pl. Rep. IV
Code [illegible] - Mr. Martin
Code [illegible] - Mr. [illegible]
Code [illegible] - Mr. Johnson
T. F. Thayer - [illegible]
A. M. Hodgson, [illegible]
Finance Office
R. W. Graham, [illegible]
F. W. [illegible], [illegible]

Government's Copy

TERMINATION OF WORK UNDER AN EXPLORATION PROJECT CONTRACT
BY AGREEMENT

It is agreed this 30th day of June, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Nikas Mining Company, a partnership composed of Tom D. Callas, A. Nikas, John Gekas, John Paulos, and Monte Seymour, 55 West Congress Street, Tucson, Arizona, hereinafter called the "Operator," parties to that certain Exploration Project Contract No. Idm-E370, Docket No. DMEA-2356, dated July 18, 1952:

1. All exploration work under the said contract shall be and is hereby terminated as of the first date above written.

2. Any work prosecuted or costs incurred by the Operator after the date first above written shall be for the sole account of the Operator, except for (a) such necessary and reasonable costs and expenses as may be incurred in preserving and disposing of any facilities, buildings, fixtures, equipment, or other items, to the cost of which the Government has contributed and in which the Government has an equity, and (b) the costs of any reports, accounts, and winding-up and settlement actions provided for in the contract.

3. The undersigned Operator hereby releases and agrees to save harmless the Government from all claims and demands under or arising out of said Exploration Project Contract, except as herein expressly otherwise provided.

4. The Government's right to a percentage royalty on production, and the lien for its payment, and all provisions relevant thereto, are preserved with respect to all of the land described in the contract and any production therefrom, in the event that the Government subsequently makes its certification of discovery or development as provided in the Exploration Project Contract.

Witness the following signatures as of the day and year first above written.

THE UNITED STATES OF AMERICA

By Frank P. Johnson
ACTING Administrator, Defense Minerals Exploration Administration

NIKAS MINING COMPANY

By A. Nikas

By Mike Cotsgeorge

By John J. Gekas

By Tom D. Callas

By

Government's Copy

EXPLORATION PROJECT CONTRACT
NIKAS MINING COMPANY
DOCKET NO. DMEA-2356

AMENDMENT NO. 2

It is agreed this 11th day of March, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Nikas Mining Company, that effective February 15, 1953, Exploration Project Contract No. Idm-E370, Docket No. DMEA-2356, dated July 18, 1952, as amended, is further amended as follows:

In Exhibit "A" under Description of the Work, Stage I, add:

7. Extend the 60-foot, 5 x 7-foot drift (item 3) an additional 20 feet northwestward.

8. Extend the 120-foot, 5 x 7-foot drift (item 4) an additional 30 feet southeastward.

9. Crosscut an additional 40 feet, 5 x 7-feet in the clear, at locations to be selected by the operator and Field Team.

In Exhibit "A" under (2) Labor, Supervision, and Consultants, Stage I, delete:

1 - Engineer-supervisor[1] @ $35.00 per 8-hour working day but not to exceed $500.00 per month, 5 months	$2,500.00*

and substitute:

1 - Engineer-supervisor[1] @ $35.00 per 8-hour working day but not to exceed $500.00 per month, 7½ months	$3,750.00*

In Exhibit "A" under (4) Operating Equipment, To be rented, Stage I, delete:

1/ The engineer-supervisor shall direct the operation and shall be responsible for securing representative samples of the deposit, where warranted, and their subsequent handling. He also shall prepare and keep up-to-date the mine and geologic maps ordinarily necessary for an exploration operation. He shall also keep the necessary accounts.

1 - 210 cfm Diesel-engine operated compressor @ $400.00 per month*, 4 months	$1,600.00	
1 - Hoist, single drum, gasoline engine driven, 4,000 pound rope pull @ $100.00 per month*, 4 months	400.00	$2,000.00

and substitute:

1 - 210 cfm Diesel-engine operated compressor @ $400.00 per month*, 6½ months	$2,600.00	
1 - Hoist, single drum, gasoline engine driven, 4,000 pound rope pull @ $100.00 per month*, 6½ months	650.00	$3,250.00

This amendment shall not be construed to increase the estimated total cost of Stage I of the project, the estimated total cost of the project, or the aggregate total amount which the Government may be required to contribute.

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C O Mittendorf
Administrator, Defense
Minerals Exploration
Administration

NIKAS MINING COMPANY

By H E Krumlauf
H. E. Krumlauff, General Manager

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
MAR 30 1953

No. 1

AMENDMENT OF CONTRACT: No. Idm-E370

Contract Docket No. DMEA 2356, dated July 18, 1952, between the United States of America and Nikas Mining Company, a partnership, is hereby amended as follows; effective as of the date of said contract:

Referring to "EXHIBIT "A" attached to Exploration Project Contract Form MF-200, caption "Description of the work", heading "Stage I" item "1. (b)", delete the following:

"Construction of trestle to mine dump" and in lieu thereof substitute the following:

"Alteration of ore bin by constructing a division to accommodate waste."

This amendment shall not be construed to increase the estimated total cost of the project, the amount of the Government's contribution, or any item of allowable cost which is expressly designated "allowable maximum".

Dated October 21, 1952

NIKAS MINING COMPANY

By H E Krumlauf
H. E. Krumlauff, Gen. Mgr.

UNITED STATES OF AMERICA

By W. H. King
Executive Officer - DMEA
Field Team, Region IV

October 6, 1953

MEMORANDUM

To: Administrator, DMEA

From: Iron and Ferro-Alloys Division, DMEA

Subject: Termination of contract by agreement
Docket No. DMEA 2356 - Tungsten
Nikas Mining Company
Morning Star mine
Pinal County, Arizona
Exploration Contract No. Idm-5320

The subject contract, executed July 1, 1952, was set up in two stages. Stage I has now been completed and the Operator has requested termination of the contract because sufficient funds are not available to complete the contract and also construct a mill which will be required for production.

Stage I of the contract provided for sinking the inclined shaft an additional 110 feet, drifting 60 feet northwestward and 120 feet southeastward on the 200-foot level, and crosscutting not in excess of 60 feet from the above drifts. This work was increased by Amendment No. 2, but without an increase of funds, as follows:

(a) Extend the 60-foot drift an additional 20 feet
(b) Extend the 120-foot drift an additional 30 feet
(c) Crosscut an additional 40 feet.

The total estimated cost of Stage I was $34,600.00.

New buildings, etc.	$ 3,126.80
Equipment purchases	4,100.00
Exploration	27,373.20

Stage II of the contract provided for sinking the shaft an additional 100 feet, 120 feet of drifting, and 60 feet of crosscutting at an estimated cost of $24,600.00. Total cost of the contract was $59,200.00.

The target of the exploration program was the tungsten mineralization occurring in quartz and silicified limestone at the hanging wall of the Mogul fault. Mining by opencut and stope had

exposed such a mineralized zone of silicified limestone with a strike length of 120 feet. The ore zone of the Mogul fault deposits has been proven persistent along its dip for at least 250 feet.

By June 30, 1953, when the project was recessed by the Operator, the work under Stage I, as amended, had been substantially completed. A resume of the work completed and the costs follows:

Operating equipment purchased	$1,734.46
New buildings, etc.	3,126.80
Shaft sinking, 110 feet @ $80.10/ft.	8,810.48
Drifting, 205 ft. @ $32.45/ft.	6,651.30
Crosscutting, 88 ft. @ $55.70/ft.	4,901.41
	$25,224.45

The work was carried out in a competent manner and the costs were less than those estimated.

The exploration has revealed an area of mineralization on the west side of the mine near the property line. Reserves have been estimated by the Operator as follow:

7,000 tons of 0.726 percent WO_3 indicated above the 200-foot level.

5,000 tons of 0.605 percent WO_3 inferred to a depth of 100 feet below the 200-foot level.

The exploration has produced sufficient information to warrant the certification of a discovery. As the Operator does not have sufficient funds to complete the project and also construct the mill that will be required if the property is to produce, it is recommended that the subject contract be terminated by mutual consent and that a discovery be certified.

APPROVED

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

CC: DOCKET
ADM. READ. FILE
CODE 400
CODE 800
OPERATING COMM.

FARutledge/ls
10/6/53

MINING DIVISION
REGION IV

September 25, 1952

Memorandum

To : W. H. King, Acting Chief, Mining Div., Region IV

From : L. A. Stewart for Chief, Arizona-New Mexico Br., Mining Div., Region IV

Subject : Nikas Mining Co., Pinal County, Ariz., DMMA Docket 2356, Contract Idm-D370

Enclosed are original and 5 copies of request for amendment to above contract and 1 signed and attested copy of Power of Attorney for Mr. M. E. Krumlauf.

From a discussion with Krumlauf, it appears that his suggested disposal of waste and ore by division of the present ore bin is technically more feasible than the original proposal of a trestle and will be less costly.

The necessity of renting one 105 c.f.m. compressor to start work may be essential. When more air capacity is desired the contracted 210-c.f.m. compressor might be available. If not, two 105's would serve the same purpose and rental of them would not cost more than rental of the larger machine. It would appear that an amendment would not be necessary for this item.

If the changes require amendments, I recommend that they be granted.

Lincoln A. Stewart

Lincoln A. Stewart, Mining Engineer
for Walter R. Storms, Chief
Arizona-New Mexico Branch
Mining Division, Region IV

CC W. H. King (6)
DMMA-2356
DF

LAStewart:frj

Stage II

None

(2) Labor, Supervision, Consultants

Stage I

1 - Engineer-supervisor 1/ @ $35.00 per 8-hour working day but not to exceed $500.00 per month, 5 months	$2,500.00*	
Labor for shaft sinking, miner-foreman, 110 shifts @ $18.40/shift; hoistman, 110 shifts @ $17.02/shift; topman, 110 shifts @ $13.80/shift; miner-helper, 110 shifts @ $14.26/shift 2/	6,982.80	
Labor for drifting and crosscutting, miner-foreman, 80 shifts @ $18.40/shift; hoistman, 80 shifts @ $17.02/shift; topman, 80 shifts @ $13.80/shift; miner-helper, 80 shifts @ $14.26/shift; muckers, 160 shifts @ $14.26/shift 2/	7,360.00	$16,842.80*

Stage II

1 - Engineer-supervisor 1/ @ $35.00 per 8-hour working day but not to exceed $500.00 per month, 4 months	$2,000.00*
Labor for shaft sinking, miner-foreman, 100 shifts @ $18.40/shift; hoistman, 100 shifts @ $17.02/shift; topman, 100 shifts @ $13.80/shift; miner-helper, 100 shifts @ $14.26/shift 2/	6,348.00

1/ The engineer-supervisor shall direct the operation and shall be responsible for securing representative samples of the deposit, where warranted, and their subsequent handling. He also shall prepare and keep up-to-date the mine and geologic maps ordinarily necessary for an exploration operation. He shall also keep the necessary accounts.

2/ Includes provision for workmen's compensation and employer's liability insurance and payroll taxes at 15 percent. Rate calculated at 6-day week with 6th day at time and one-half.

Labor for drifting and crosscutting, miner-foreman, 80 shifts @ $18.40/shift; hoistman, 80 shifts @ $17.02/shift; topman, 80 shifts @ $13.80/shift; miner-helper, 80 shifts @ $14.26/shift; muckers, 160 shifts @ $14.26/shift 3/	7,360.00	$15,708.00*

(3) Operating Materials and Supplies

Stage I

Timber, explosives, detonators, drill steel, drill bits, carbide, lamps, nails, bolts, first aid supplies, etc. for 110-foot shaft @ $14.27/foot	$1,569.70	
Timber, explosives, detonators, drill steel, drill bits, carbide, lamps, nails, bolts, first aid supplies, etc. for 240 feet of drifting and crosscutting @ $7.38/foot	1,771.20	
Track complete - 400 feet @ $1.65/foot	660.00	
Pipe - 450 feet each of 2-inch @ $0.60 a foot and 1-inch @ $0.30 a foot	405.00	
Pipe fittings	120.00	
Tools, shovels, picks, hammers, wrenches, etc.	750.00	
Fuel and greases @ $250.00/month, 5 months	1,250.00	
Ventilation pipe, 12-inch, 400 feet @ $1.00/foot	400.00	6,925.90

3/ See footnote 2.

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Stage II

Timber, explosives, detonators, drill steel, drill bits, carbide, lamps, nails, bolts, first aid supplies, etc. for 100 feet of shaft @ $14.27/foot	$1,427.00	
Timber, explosives, detonators, drill steel, drill bits, carbide, lamps, nails, bolts, first aid supplies, etc. for 240 feet of drifting and cross-cutting @ $7.38/foot	1,771.20	
Track complete - 300 feet @ $1.65/foot	495.00	
Pipe - 320 feet each of 2-inch @ $0.60 a foot and 1-inch @ $0.30 a foot	288.00	
Pipe fittings	100.00	
Tools, shovels, picks, hammers, wrenches, etc.	200.00	
Fuel and grease @ $250.00/month, 4 months	1,000.00	
Ventilation pipe, 12-inch, 150 feet @ $1.00/foot	150.00	$ 5,431.20

(4) Operating Equipment

To be rented:

Stage I

1 - 210 cfm Diesel-engine operated compressor @ $400.00/month*, 4 months	1,600.00	
1 - Hoist, single drum, gasoline engine driven, 4,000 pound rope pull @ $100.00 per month*, 4 months	400.00	2,000.00*

Stage II

1 - 210 cfm Diesel-engine operated compressor @ $400.00 per month*, 4 months	1,600.00	

1 - Hoist, single drum, gasoline engine driven, 4,000 pound rope @ $100.00 per month*, 4 months	$ 400.00	$2,000.00

To be purchased:

Stage I

1 - Air receiver	$ 200.00	
Auxiliary hoist equipment: skip, wire rope, Bell signal system, sheave wheel, shaft rollers, etc.	500.00	
1 - Sinker-type rock drill with pneumatic leg, hoses, oiler, etc.	1,000.00	
1 - Mine car, one-ton capacity	200.00	
1 - Air-driven mine fan	300.00	
1 - Bit grinding machine with extra wheels, air driven	250.00	
1 - Air-driven water pump	350.00	
1 - Pick-up truck - used, good condition	1,000.00*	
1 - Water tank, 500 gallon, for drilling and camp use with small pump	300.00	4,100.00

Stage II

None

To be furnished by the Operator:

Stage I

1 - Jackhammer with hoses and complete set-up for mounting. Value estimated @ $300.00, depreciation @ $5.00/month*, 4 months	$ 20.00	
1 - Mine car, estimated value, $150.00. Depreciation @ $2.50 per month*,4 months	10.00	30.00

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Stage II

1 - Jackhammer with hoses and complete set-up for mounting. Value estimated @ $300.00, depreciation @ $5.00/month*, 4 months	$ 20.00	
1 - Mine car, estimated value $150.00. Depreciation @ $2.50 per month*,4 months	10.00	$ 30.00

(5) Rehabilitation and Repairs

Stage I

None

Stage II

None

(6) New Buildings, Improvements, Installations

Stage I

Labor for preparatory work, described under item 1, (a) to (h), 20 shifts of 6 men @ $93.84/shift 4/	$1,876.80	
Lumber, timber, hardware for buildings, headframe, and trestle, described under item 1, (a) to (h)	1,250.00	$3,126.80

Stage II

None

(7) Miscellaneous

Stage I

Replacement parts for equipment @ $50.00 per month 5/, 4 months	$ 200.00	
Repairs to equipment @ $50.00 per month 5/, 4 months	200.00	
Assays, 100 @ $4.00 each	400.00	$ 800.00

4/ See footnote 2.

5/ The repair and maintenance items are to be charged against the project only as incurred and spent while the equipment is working on the project.

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Stage II

Replacement parts for equipment @ $50.00 per month 6/, 4 months	$ 200.00	
Repairs to equipment @ $50.00 per month 6/, 4 months	200.00	
Assays, 100 @ $4.00 each	400.00	$ 800

(8) Contingencies

Stage I	774.50
Stage II	630.80
Total estimated cost, Stages I and II	$59,200.00*
Estimated Cost, Stage I	$34,600.00*
Estimated Cost, Stage II	24,600.00*
Total Estimated Cost for Project	$59,200.00*
Government participation @ 75 percent	$44,400.00*

6/ See footnote 5.

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~~DMPA Docket # 2-356~~
DMEA-2356

MF-202

LANDLORD'S SUBORDINATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned is the owner in fee simple of that certain parcel of ground in the county of PINAL, State of ARIZONA, described in a certain Exploration Project Contract dated July 18, 1952, between Tom D. Callas, A Nikas, John Gekas, John Paulos, and Monte Seymour, dba Nikas Mining Company, the Lessee of said property, and the United States of America;

NOW, THEREFORE, the undersigned, as Lessor of said property under lease dated January 3, 1952, does by these presents subordinate all of his right, title, and interest under the provisions of said lease to the right, title, and interest of the United States of America under the provisions of said Exploration Project Contract, and agrees that the lien and claim of the United States of America under the provisions of said contract shall be prior to the undersigned's rights to rentals or royalties under the terms of said lease; and

The undersigned further agrees that if said leasehold interest should be surrendered or if said lease should terminate at any time prior to the expiration of the rights of the United States of America under said Exploration Project Contract, the undersigned shall assume and does hereby assume all of the obligations of the Lessee under said Exploration Project Contract to make repayment to the United States of America according to the terms of said contract; and

The undersigned agrees to commit no act, nor assert any claim under judicial process or otherwise that may contravene or conflict with the prior lien and claim of the United States of America under the provisions of said Exploration Project Contract.

This undertaking and covenant shall be binding upon the heirs, successors, and assigns of the undersigned.

Dated this 20th day of February, 1952.

Engelbert Lauderbaugh

U. S. GOVERNMENT PRINTING OFFICE 16—64582-1

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUN 18 1952

Defense Minerals Administration
FEB 26 1952

RECEIVED
JUN 16 4 41 PM '52
DEFENSE MATERIALS
PROCUREMENT AGENCY

State of Arizona

County of

On this 14th day of July 1952 before me Clermont Loper the undersigned officer personally appeared Ashby Lohse who acknowledged himself to be the Recording Secretary of the Young Men's Christian Association of Tucson, Arizona, a corporation, and that he, as such YMCA 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 Recording Secretary.

IN WITNESS WHEREOF, I have hereunto set my hand and seal.

Clermont Loper (L.S.)
Notary Public

My com. expires Feb. 9, 1955.

MF-203

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of Arizona, County of Pinal, described as follows:1/

Patented Morning Star lode claim in Section 17, T. 10 S, R. 16 E., Old Hat Mining District recorded in Book 6, page 533.

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

2/ Nikas Mining Company, a partnership composed of Tom D. Callas, A. Nikas, John Gekas, John Paulos, and Monte Seymour, 55 West Congress Street, Tucson, Arizona

hereinafter called the "Operator"; and

WHEREAS, under certain provisions of said contract which are set forth on the reverse side hereof, the Government is entitled to a percentage royalty on production and to certain other rights and equities which do or may conflict with or be adverse to the interest of the undersigned in said property;

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

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

2. To secure the payment to the Government of the percentage royalty on production3/ provided for under the terms of said exploration project contract, or any amendment thereof which does not increase the maximum amount of the Government's claim here stated or alter the provisions for repayment, there is hereby granted to the Government a lien upon the land herein described and upon any production of minerals therefrom, until the royalty claim is fully paid in the amount of the Government's contribution, not in excess of 4/$ 44,400.00, or ten years have elapsed from the date of the contract.

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

Dated this 14th day of July, 1952.

YOUNG MEN'S CHRISTIAN ASSOCIATION [Seal]
OF TUCSON, ARIZONA

_____ [Seal]

By Ashby L. Lohse [Seal]
Recording Secretary

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

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

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

4/ Insert the maximum amount of the Government's contribution.

RELEVANT CONTRACT PROVISIONS

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

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

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

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

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

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

(d) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 16 1952

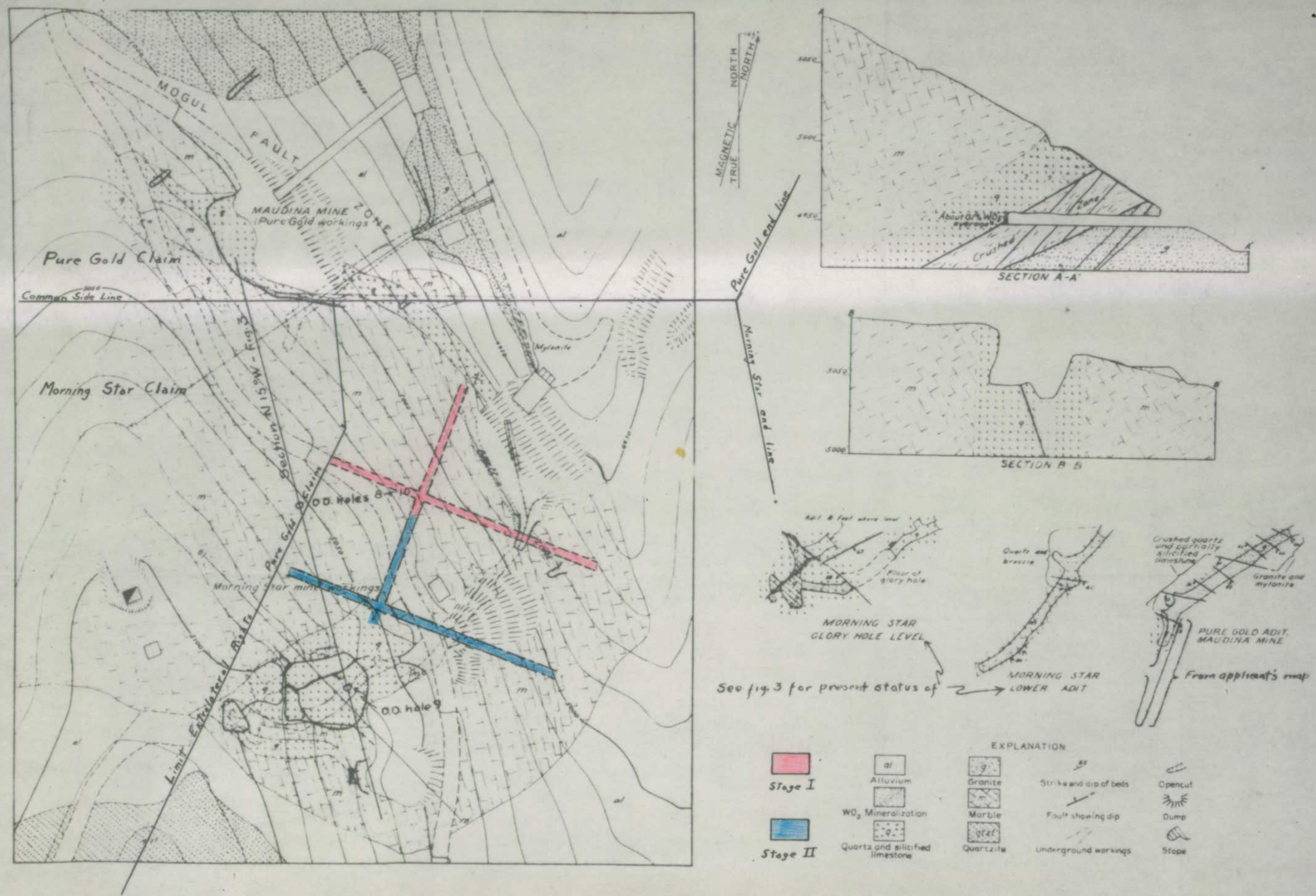

FIGURE 2

40 0 40 80 120 160 Feet

Contour interval 10 feet

Geology and topography by P.C. Bateman and M.P. Erickson
February 18, 1944

G-44

NIKAS MINING CO., DMEA-2356

Fig. 2 – MAUDINA AND MORNING STAR TUNGSTEN MINES, PINAL COUNTY, ARIZONA