Mr Chandler

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

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

APR 13 1956

Re: Idm-2544, DMEA-2448
Jones and Johnson
Mt. Diablo
Quicksilver Mine

Dear Mr. Mayer:

Receipt is acknowledged of your letter dated April 10, 1956, written just prior to leaving on your vacation, advising of your progress and plans in the preparation of a final audit report covering the referenced project.

Your plan to list the costs of each item and category under three columnar headings (R. B. Smith, Jones & Johnson, and Total) corresponds with my idea in the matter. It is desired that this final audit report should detail the claims, disallowances and accepted costs separately for each of the Operators, i. e., the assignor and the assignee, so that the answer to any possible question will be readily available.

The third paragraph of your letter, however, indicates that we may not have a "meeting of the minds" in regard to project property. You state that:

> "The material and equipment salvage value of $3,000.00 will not be deducted from final cost of contract ***
> (underscoring supplied),

whereas in my letter of April 4, 1956, I specified that:

> "Accordingly, your final audit report should reference this correspondence in discussing property disposal and the audit findings should reflect the $3,000 salvage value."
> (Underscoring supplied.)

In this case, as in all final audits or reviews in lieu of final audits, the factual audit findings as summarized in the Audit Certificate or Report of Review must indicate the proceeds from, or the salvage value of, the project property in which the Government has an equity. A variation of the usual format of setting forth these findings appears

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

Hon. William F. Rogers
The Attorney General
Department of Justice
Washington 25, D. C.

JAN 30 1958

Dear Mr. Attorney General:

On June 3, 1953, Bennie B. Smith, Jess Harper, and James F. Dunnigan, partners (hereinafter referred to as the Operators), entered into Defense Minerals Exploration Project Contract Idm-5344 (Docket No. DMEA-2648) with the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration.

In general the contract provided that (a) the Operators would conduct exploration for mercury, as outlined in Exhibit "A" of the contract and amendments thereto; (b) the Government would pay to such Operators 75 percent of the allowable costs of the exploration work; and (c) under provisions of Article 11, upon completion of the work or termination of the contract, the Operators would dispose of all facilities, buildings, fixtures, equipment, and other items to the cost of which the Government had contributed, for the joint account of the parties. (Enclosure No. 1.)

When the contract was executed it was anticipated that the proposed exploration work essentially would be accomplished by an independent contractor, with the Operators performing some preparatory work, supplying technical service, and furnishing some of the equipment used on the project. Exhibit "A" of the contract provided that an independent contractor would sink a two-compartment shaft 330 feet and would drive 625 feet of crosscuts and drifts. Exhibit "A" also provided that the estimates for independent contractor included all costs of the work except as otherwise scheduled in Exhibit "A". Under Article 6(a)(1) of the contract, it was provided that the costs in which the Government would participate in connection with an independent contract were limited to those costs of completed work which the Government deemed reasonable and necessary, not in excess of an aggregate of $121.20 per foot of shaft and $60.00 per foot of crosscut and drifts, as set forth in Exhibit "A."

The exploration work was started August 13, 1953. On December 7, 1953, the Government consented to the assignment of the contract to John L. Jones and John E. Johnson (hereinafter referred to as the Assignees), without releasing the Operators from any claims, demands, causes of action, or rights whatsoever that the Government had or may have had against them prior to such assignment.

Through January 31, 1954, the Operators and the Assignees claimed costs amounting to $48,716.00. Reimbursements for these costs, based on 75 percent of the claimed costs, amounted to $36,537.00. However, in March of 1954, the Washington office discovered that the claims by the Operators and Assignees and the reimbursements therefor by the Government's field representatives had been made improperly, and resulted from a mutual misunderstanding of the contract provisions relating to payment for work performed by independent contractors. The claims and reimbursements were based on the assumption that the rates of $121.20 and $40.00 per foot were fixed costs per unit of work accomplished, regardless of actual costs. However, in reality, as described above, the contract required reimbursement of actual costs incurred that were properly substantiated, and that, in the aggregate, did not exceed the specified estimated rates.

On February 18, 1954, an inflow of water stopped the exploration work. At that time an additional 77 feet of crosscut and drifts had been completed. Amendments Nos. 2 and 3 to the contract were executed to provide for the dewatering of the project and to reimburse the Assignees for the necessary costs thereof. On March 4, 1954, a miner was killed at the property and on March 11, 1954, the Assignees discontinued all work and surrendered the mining lease. However, the Assignees did not remove from the property the supplies, material, and equipment acquired for the project work.

In November 1954, Cordero Mining Company leased the mine and conducted further exploration operations on the property without any assistance from the Government. These operations were not successful and Cordero discontinued operation of the property early in 1956.

By letter dated April 28, 1955, Spangler Richer, Executive Officer, RMRA Field Team, Region II, proposed to Mr. Jones (an Assignee) that the contract be terminated by an agreement which would provide that the Assignees' equity in the equipment and supplies be assigned to the Government, and that if such equity were not sufficient

to cover the overpayment made by the Government, the difference should be refunded by Assignee. (Enclosure No. 2.)

With a letter dated May 20, 1955, to the Administrator, BPA, Sidney Andy, 349 Pine Street, San Francisco 4, California, as attorney for the Assignee, enclosed a letter dated May 18, 1955, from them to the Administrator, BPA, protesting their negotiations under the contract, and expressing views with respect to the overpayment and property problem. The attorney's letter contended that payment on an agreed unit cost basis was proper, but that if this basis was improper the Assignee should receive reimbursement for actual costs incurred. (Enclosure No. 3.)

The Acting Assistant Solicitor, Rafael Shavria, Department of the Interior, responded to Mr. Andy in a letter dated June 1, 1955, that the exploration contract provided for compensation by the Government on the basis of actual costs incurred, that the Government's efforts had been directed toward settling the matter on such basis, and that it would be so settled when the Government was presented with proper proofs of costs. (Enclosure No. 4.)

In a letter dated June 24, 1955, the Assignee reiterated the contention that the payment by the Government should have been considered on an agreed-unit-cost basis, and that, including some added items of incurring, an additional payment of $9,057.25 was due them for work performed during February and March 1954. They further stated that the sale price of machinery in which the Government had an interest would be about $8,000.00. (Enclosure No. 5.) The Government responded in a letter dated July 14, 1955, that the Government had overpaid the Operator $5,487.64, which sum was reduced to $1,[illegible].34 by the Government withholding $[illegible].12 due Assignee, and that the overpayment could be further adjusted by further proof of actual costs and equipment allowances. (Enclosure No. 6.)

In a letter dated February 13, 1956, to the Assignee, the Government revised its payment of the overpayment to $1,[illegible].11, and also demanded $2,[illegible].00 for the share of the equipment. (Enclosure No. 7.)

In March 1956, the Government's submittal of this project determined that the total compatible costs of the exploration work which could be substantiated by the Operator's records amounted to $[illegible],[illegible].00. The sum of $2,[illegible].00, representing the salvage value of project property, offset against this amount reduced the

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] amount owed by [illegible]. The Government's share of [illegible] was, at 75 percent basis, the difference of [illegible], or $[illegible]. [illegible] previously had been paid to the Government, the amount of the overpayment, including the rental for water at Malaga, was found to be $[illegible]. (Findings No. 9.)

In a letter dated April 15, 1954, the Administrator, [illegible] requested payment from the Assignee in the amount of $[illegible]. (Findings No. 9.) In a letter of the same date, found also the [illegible] of the Government for the overpayment in the sum of $[illegible]. (Findings No. 10.) By telegram dated May 27, 1954, Assignee stated they were ready to settle and asked that type of [illegible] on bill of sale that might be used in connection with transfer of the supplies, materials, and equipment. (Findings No. 11.) With a letter dated June 3, 1954, the Administrator sent the Assignee a copy of the form which he proposed to use to release the Government's interest under the contract. (Findings No. 12.)

With the letters dated June 3, 1954, to the Administrator, one signed by Mr. Jones and the other signed jointly by Messrs. Jones and Stanton, checks totaling $[illegible] were transmitted. The letters explained that the checks covered $[illegible] for the Government's equity in the supplies, materials, and equipment, plus $[illegible] representing Mr. Jones' portion of the overpayment. It was stated that Mr. Johnson's portion of the overpayment would be forwarded later. (Findings No. 13.)

The Administrator acknowledged receipt of this restitution under date of June 22, 1954, and advised the Assignee that upon receipt of the balance of proceeds due, a release of the equipment would be made. (Findings No. 14.)

The balance due was received with a letter dated October 29, 1954, from Mr. Daly to the Navy, showing that the check was [illegible] the consideration of surrender and delivery by you of a bill of sale transferring to Jack L. Jones and John R. Johnson all right, title, and interest in remaining and unpaid equipment which the Navy's contract and all right, title and interest in and to any claims against any person, firm or corporation for rent, damages, profit or conversion of the said materials or equipment." (Findings No. 15.)

A Stipulation Agreement dated December 28, 1954, was entered into between the Administrator, Western Electric Engineering, Jack L. Johnson, and Assignee terminating all agreements

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

under the contract. In paragraph numbered 4, the Government assigned all of its interest in property acquired under the contract and, as amplified by Assignee's agreement, "... all claims, if any exist, against any persons or company for use, depletion, wasteful or excessive use of any such property." (Enclosure No. 16.)

In letters dated December 26, 1957, to the Administrator, NHA, and to the Solicitor, Department of the Interior, Mike Monroney, Esq., of the firm of Monroney, Redmond & Loper, 420 California Street, San Francisco 4, California, attorneys for Quicksilver Mining Company, advised that the rights acquired by paragraph 4 of the Termination Agreement were the result of a lawsuit by Jones and Johnson against Quicksilver Mining Company for the unpaid value of certain equipment and for the value of other equipment allegedly converted. The lawsuit terminated that suit in addition to determining the Jones and Johnson that the Government was without authority to exert the kind of assignment prohibited in paragraph numbered 4. (Enclosure No. 17.)

By letter dated December 23, 1957, the undersigned, writing also on behalf of the Administrator, advised Mr. Monroney that the Termination Agreement did not create rights against third parties; that such agreement was reached after long negotiations to wind up the only property matters but matters of overpayment; and that the Attorney General would be asked to review the facts in the context in which the Termination Agreement provided. (Enclosure No. 18.)

In the circumstances, we would appreciate being advised as to whether you believe any further action by the Government would be appropriate.

Sincerely yours,

Elmer F. Bennett

Solicitor

Enclosures 16

CHrighter/EMBobbin/cmd
1/20/58
Copy to: Solicitor's Docket (2)
NHA Docket
Administrator, NHA
Field Team, Region II (NHA) (2)
J. L. Chambers
W. E. Martin
E. F. Dwyer
H. C. Rubin
chron.

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

In reply refer to: [illegible]

Airmail

DEC 19 1957

John Burke Davis, Esq.
Sevegnan, Davis & Lerman
433 California Street
San Francisco 4, California

Re: Exploration Project Contract Ion-[illegible]
Docket No. [illegible]

Dear Mr. Davis:

This responds to your letters dated November 25, 1957, to me and to Mr. C. O. Mittendorf, Administrator of IDEA, concerning the Termination Agreement executed under the subject contract. Since the matter is primarily a legal one, Mr. Mittendorf has asked that this letter also serve as his response to you.

You have informed us that Jones and Johnson, assignees of the original contractors, are [illegible] Western Mining Company, your client, for the rental value of certain equipment and for the value of other equipment allegedly converted. You refer to paragraph numbered 4 of the Termination Agreement [illegible] Jones and Johnson, in which the Government [illegible] in all of the property acquired under the [illegible] including any claims that might exist for damage, rental, and conversion of any such property, and contend that the assignment of "claims" was unauthorized and void.

At the outset it may be stated that since the question as to the extent of Jones' and Johnson's interest in the property and related claims is now being litigated, it would be inappropriate for this Department to comment upon the merits of the legal proposition you have raised. It would seem that the court is the proper forum to answer your question, for even if we agreed with you, our conclusion would not bind the court.

However, it should be mentioned that the Termination Agreement did not "create rights against third parties." Under the provisions of Article 11 of the exploration contract, Jones and Johnson acquired an interest in property to the extent of their contribution [illegible] (and the contribution of their assignor), which amounted to twenty-five percent. Therefore, their basis for suit apparently does not stem entirely from paragraph 4 of the Termination Agreement.

Our review of the entire matter indicates that after long negotiations with Jones and Johnson (and also Ronnie Smith, their assignor), a settlement of all outstanding claims under the contract, including the question of overpayment referred to in your letter, was agreed upon. The Termination Agreement wound up not only the question of disposing of property under the contract, but also all questions of overpayment. This settlement was a complex one because it also involved the contract activities of the assignor, Ronnie Smith.

Notwithstanding the foregoing, it will be of interest to you that we are asking the Attorney General to review the entire docket for this contract.

Sincerely yours,

Solicitor

HCRubin:ar
12-18-57
Copy to: Solicitor's docket (2)
Administrator, DMEA
DMEA Audit Division
HCRubin
RPDwyer
Pending
Chron
W. S. Martin

SEVERSON DAVIS & LARSON
SAN FRANCISCO 4
YUKON

Sgl.

WALTER R. SEVERSON
JOHN PARKS DAVIS
RANDELL LARSON
JAMES B. WERSON
ROBERT E. ZANG
NATHAN R. BERKE

PAUL MICOU
LeROY W. RICE
GEORGE BRUNN
STUART J. GORDON

LAW OFFICES OF
SEVERSON, DAVIS & LARSON
433 CALIFORNIA STREET
SAN FRANCISCO 4

TELEPHONE
YUKON 2-2780

November 25, 1957

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

Re: Exploration Project Contract dated
June 5, 1953
Idm - E344
Docket No. DMEA - 2448

Dear Sir:

We are submitting this letter to you in connection with that certain document entitled "Termination Agreement" (copy of which is attached) executed as of November 30, 1956 by you in your capacity of administrator of the DMEA on behalf of the United States with Messrs. John L. Jonas and John E. Johnson.

A copy of this document was furnished to us by the attorney for Messrs. Jonas and Johnson in connection with a law suit that Jonas and Johnson have filed against the Cordero Mining Company (our client) for the sum of approximately $15,000.00 - based on claims of (a) approximately $12,000.00 for alleged rental value of certain equipment at the Mt. Diablo Mine, and (b) approximately $3,000.00 for alleged conversion of certain other equipment of said mine.

As you will recall, Jonas and Johnson (a) obtained an assignment of said DMEA contract from Ronnie B. Smith, et al; (b) attempted to operate the mine for a brief period in the winter of 1953; (c) were forced to shut down early in 1954; and (d) surrendered their mining lease (dated November 1, 1953) to the Mt. Diablo Quicksilver Co. Ltd. by notice to the latter company under date of May

23, 1954.

Under their agreement with the Mt. Diablo Company, Jonas and Johnson had 60 days after lease surrender in which to remove certain portable equipment and installations, failing which removal such equipment and installations would be deemed abandoned to the Mt. Diablo Company. The removal privilege was not exercised.

We understand, (a) that the government had, prior to and at the lease surrender time, a claim against Jonas and Johnson for approximately $2,000.00 for over-payment under the DMEA contract; (b) that repeated requests were made by the government that Jonas and Johnson reimburse the government for said amount; (c) that Jonas and Johnson did not attempt to comply with the DMEA contract as to selling equipment purchased with DMEA funds; (d) that the government itself took no steps to sell any such equipment or installations and (e) that not until earlier this year - 1957 - did the government indicate to the Mt. Diablo Company its position as to whether there was a "discovery" or claimed lien of any future production from the Mt. Diablo Mine.

At no time, as we understand it - either before, during or after the Cordero operation which lasted for a period of 15 months in which Cordero expended in excess of $100,000 in the venture - did the government make or intimate that it had any claim against Cordero for "use, depletion, rental or conversion" of any property at the Mt. Diablo Mine.

We regret the length of this letter but feel it necessary as background in placing the microscope on paragraph No. 4 which is as follows:

> "4. The Government, for a valuable consideration, hereby sells, assigns, transfers, and sets over to the Operator all of its right, title, and interest in all the property acquired under the Contract including all claims, if any exist, against any person or company for use, depletion, rental, or conversion of any such property."

We are wondering why paragraph 4 was included and how did it get into a settlement or termination document of this kind? Under all the circumstances, should the government go out of its way to include a purported assignment "of claims, if any exist, against any person or company for use, depletion, rental or conversion of any such property". The present law suit, ironically, includes "a person" and "a company" as defendants - and is based flatly on what we, of course, feel to be a preposterous money claim for "use, depletion, rental and conversion".

We naturally feel that the government should not by the use of unnecessary language be in the position of festering or silver-plattering a law suit for the plaintiffs when the government not only did not raise, assert or intimate these "claims" at any time during Cordero's mining operation - but actually in effect waived such possible "claims", and we understand acquiesced in Cordero's manner of operation as far as the mine installations were concerned.

We respectfully submit that the purported assignment of government claims - retroactively and long after the Cordero operation was terminated at a loss - was an unauthorized act and without legal power.

Assuming that the government had a claim against Jones and Johnson on which a release was based, our question is why the termination agreement and particularly paragraph 4 and the whole thereof, goes beyond the settlement of whatever outstanding rights the government had against Jones and Johnson and thus purported to create rights against third parties, i.e., Cordero.

As we understand the law, an official of the government is not authorized to give away a claim due the government. As we understand the authorities, and the decisions of the Comptroller General of the United States, this "rule is grounded on a sound public policy and is not to be weakened."

If this act of signing the termination agreement, as we believe it to be, is a void act without statutory basis (as to paragraph No. 4) we are naturally vitally interested in what remedies can be taken to rectify the situation. We would appreciate a letter from you clarifying the government's position in signing such a termination agreement with such a wide "give-away clause" which actually is the basis of the complaint filed against Cordero by the plaintiffs Jonas and Johnson.

In addition to a letter of clarification we would most strongly urge you to check this matter, and if you agree with our position in the foregoing as to your authority in the matter regarding paragraph 4, that some step be taken as quickly as possible to demonstrate to Jonas and Johnson that the government was without authority to include paragraph 4 in the termination agreement, and that the government intended merely to give a general release of its claim against Jonas and Johnson (not rental value, conversion rights, etc.) which the government never attempted to exercise and which we sincerely believe werenot intended to be covered by any release for the purpose of transferring to Jonas and Johnson the claims that they are asserting as above outlined.

I will greatly appreciate your courtesy and cooperation in reviewing this matter as quickly as possible.

Sincerely yours,

JPD:am

John Parks Davis

TERMINATION AGREEMENT

It is agreed this 30th day of November, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and John L. Jonas and John E. Johnson, a partnership (Assignees of Ronnie B. Smith, Jane Harper, and James F. Dunnigan), hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E344 (Docket No. DMEA-2448), dated June 5, 1953, as amended, hereinafter called the "Contract," that:

1. All work or operations provided for in the Contract are hereby terminated as of March 31, 1954.

2. Any work or operations prosecuted or costs incurred by the Operator after March 31, 1954, shall be for the sole account of the Operator without contribution by the Government.

3. The Operator hereby releases and agrees to save the Government harmless from all claims, or demands under or arising out of said Contract, except as herein provided.

4. The Government, for a valuable consideration, hereby sells, assigns, transfers, and sets over to the Operator all of its right, title, and interest in all the property acquired under the Contract including all claims, if any exist, against any person or company for use, depletion, rental, or conversion of any such property.

5. Article 7(b) of the Contract, requiring the Operator to provide the Government with an adequate geological and engineering report upon termination of the Contract, is hereby waived.

6. All rights of the Government with respect to the maintenance of records, as provided in the Contract, are preserved.

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

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals
Exploration Administration

_____
John L. Jonas

_____
John E. Johnson

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

FEB 11 1957

Mt. Diablo Quicksilver Company, Ltd.
Clayton, California

Attention: Mr. Tic Slamberg, President

Re: Docket No. DMEA 248.3 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ide-8344

Gentlemen:

In reference to the subject contract this is to advise that a mutual termination agreement has been executed between the Government and Messrs. Jones and Johnson.

This is also to notify you that the Government does not intend to issue a certification of discovery or development which would create a lien against the above cited property.

Sincerely yours,

C. O. Mittendorf

Administrator

TLChapman:fce 2/7/57
cc to: Docket
Code 100
Admr. Read. File
Code 800
FT. BEG. II
Messrs. J. W. Pennington, USGS
T. H. Killagaard, USGS

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

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

Re: Idm-E544, DMEA-2448
Jones and Johnson
Mt. Diablo
Quicksilver Mine

Dear Mr. Mayer:

I have just received your letter of October 31, 1956, in regard to John E. Johnson, partner in Exploration Project Contract No. Idm-E544. We have also just received Mr. Johnson's check for $515.98 and have forwarded it to Mr. Ricker.

I also sent Johnson's letter to Legal with a request that a waiver or release of material and supplies be given. Legal will draw up such a document for the signature of Mr. Mittendorf at its earliest convenience. Mr. Jones and Mr. Johnson should receive such release in a few days.

Sincerely yours,

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
November 5, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

QUADRUPLICATE

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

THIS DEPOSIT IS NOT SUBJECT TO CHECK

San Francisco, Calif.

DEPOSIT NO. 14-23-030-22

For credit of A12 Treasury Regional Office, San Francisco, Calif. [illegible]/9/56
(Name, title, and disbursing or other identification symbol of accountable officer) (Date sent)

deposited with Federal Reserve Bank of San Francisco, California
(Name and location of depositary)

$ 515.98

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401		$515.98

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

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, WHO WILL FORWARD BY FIRST MAIL TO ADMINISTRATIVE OFFICE 16—59866c-1 GPO

Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contract IDM-E544
docket 2448
Refund $515.98

Check on:

Bank of America
16th & Mission
San Francisco, California
check no. 2548149,
dtd. 10/30/56
rec'd. 11/9/56
(cashier's check)

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

NOV - 5 1956

Mr. Spangler Risher
Executive Officer
DMEA Field Team, Region III
1605 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-2544

Dear Mr. Risher:

Enclosed is a Cashier's Check No. 2548149, drawn on the Bank of America, for the account of the above-cited project.

This is in complete payment of John L. Jonas and John E. Johnson's account. This payment no doubt was the result of your action on the case.

The check in the amount of $515.96 was transmitted by a letter from John E. Johnson's attorney, requesting that we transfer all rights, titles, etc., in equipment and materials left on the project. A copy of the reply to this letter will be sent to you later.

Sincerely yours,

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosure

JLChambers/wb
November 5, 1956

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

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

RECEIVED NOV 5 1956 D.M.E.A.

420 Custom House
555 Battery Street
San Francisco 11, California
October 31, 1956

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

RE: Idm-E544, DMEA-2448
Jonas and Johnson
Mt. Diablo
Quicksilver Mine

Dear Mr. Chambers:

This is to advise you that Mr. John E. Johnson visited my office Tuesday, October 30, 1956, and stated that he wished to make the final payment of $515.98 covering overpayment due the Government on subject contract, and in this connection I am attaching hereto two photo copies of letter dated July 13, 1956 from Mr. C. O. Mittendorf to Mr. John E. Johnson, in which the last paragraph reads as follows:

> "Upon receipt of a check for $515.98, consideration shall be given to waiving the requirement for an Operator's final report and a determination will be made as to the issuance of a certification of discovery or development."

Mr. Johnson seemed to be disturbed about the final action to be taken, regarding the issuance of a certificate of discovery as mentioned in the last paragraph of Mr. Mittendorf's letter quoted above. I phoned Mr. Ricker in Reno, who stated that as far as he knew no certificate of discovery would be issued, and that the final decision would be made by the Washington office, and I advised Mr. Johnson to this effect. At this point Mr. Johnson stated that he wanted to see his lawyer and he would return later with his check for $515.98.

Ans. 11/6/56

When Mr. Johnson returned he had a cashier's check payable to DMEA for $515.98, however before handing over the check, he wanted me to sign a receipt prepared by his lawyer, whereby the Government would release the hoist and other material which had been purchased by Jonas and Johnson. I told Mr. Johnson that I had no authority to sign such a receipt, and if he gave me the check, I would advise the Washington office immediately, who in turn would issue a waiver for the Government's interest in property, along with any other documents required to close the contract. After further discussion Mr. Johnson refused to hand over the check unless I signed the receipt, I then informed him that he should deal directly with Mr. Mittendorf.

Mr. Johnson's attitude, has been anything but cooperative in trying to close this contract, and he is working under the illusion that he was injured financially by the Government, and in order to protect himself he should have a receipt for the above mentioned property before making the final payment of $515.98 due the Government.

Mr. Ricker phoned this morning and he said he would sign the receipt for the hoist and material, provided he had the approval of the Washington office.

Please let me know if any further action should be taken on my part.

Sincerely yours,

George Mavor

George Mavor
Auditor

Enclosure

Copy to: S. Ricker

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

RECEIVED 1956

Mr. John E. Johnson
Mission Hotel
520 South Van Ness Avenue
San Francisco, California

JUL 13 1956

Re: Docket No. DMEA 2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Dear Mr. Johnson:

This is in response to your letter of June 29, 1956, inquiring as to an official determination of a discovery at the Mt. Diablo Quicksilver Mine.

For your immediate reference Annex III of the subject contract states, in part:

"If at any time the Government considers that a discovery or 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 final report and final account required by the exploration project contract, may so certify in writing to the Operator. - - - -The Operator or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land which is the subject of the exploration, - - - -."

The matter of a discovery has not been formally considered by the Government because the final report and final account for the subject contract has not been received. As you know the partnership of Jonas and Johnson still owes $515.98 which represents the balance of the overpayment due the Government.

Upon receipt of a check for $515.98, consideration shall be given to waiving the requirement for an Operator's final report and a determination will be made as to the issuance of a certification of discovery or development.

Sincerely yours,

O. Mattendorf

Administrator

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

AUG - 3 1956

Mr. Ronnie B. Smith
Tower Petroleum Building
Dallas, Texas

Re: Docket No. DMEA 2448 - Harvey
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ism-E[illegible]

Dear Mr. Smith:

Your letter of July 12, 1956, relative to your claim under the above-cited contract is being given consideration by various members of my staff. A reply to your letter will be made upon the completion of their studies.

Sincerely yours,

C. O. Mittendorf

Administrator

JLChambers/wb
August 2, 1956

Copy to: Docket
Admr. Reading File
FT. REG. II (2) w/copies incoming ltr. Ju. 12.
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
Mr. Martin
Mr. Chambers

C O P Y

RONNIE SMITH
Tower Petroleum Building
Dallas, Texas

July 12, 1956

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

Subject: Docket No. DMEA 2448, Contract No. IDM-E544, Mount Diablo Quicksilver Mine, Contra Costa County, California

Dear Mr. Mittendorf:

This letter is in reference to your letters of February 13, 1956 and April 25, 1956, concerning the captioned project.

May I also refer you to the conference which I had on June 5, 1956 with members of your Accounting, Legal and Engineering staff concerning this subject.

I should like to recite some of the facts which led to the signing of this contract which I believe will demonstrate clearly that a legal and definite hardship has been worked against me as a result of the handling of this matter by your San Francisco Office.

Prior to the signing of this contract, I entered into several oral negotiations about the exploration of the Mount Diablo Quicksilver Mine with Mr. H. C. Miller, Regional Director of the Bureau of Mines in San Francisco. In all of these negotiations and in all of the subsequent conversations with Mr. Miller, it was clearly understood that the contract was to be paid by the Government on a unit basis of $121.20 per foot for sinking shaft, and $40.00 per foot for drifting. We did not at any time discuss payment of this contract on an actual cost basis. Mr. Miller plainly pointed out to me that it was on a unit basis and he reaffirmed this fact subsequent to the signing of the contract when I assigned my contract to Messrs. Jonas and Johnson. As a matter of fact, Mr. Miller even completed a sample Form (MF 104) which was on a unit rate basis to aid us in preparing our vouchers when they were to be submitted. And further, the Government accepted these unit rate vouchers and paid them. There was no question until the audit by your Mr. Mavor discovered that the contract was on an actual cost basis.

It is my understanding that Mr. Miller, recognizing that the mistake had been made, made a report to your office, recommending that the contract be supplemented and made retroactive to August 15, 1953 on a unit rate basis, inasmuch as each and every negotiation had been in that direction.

Relying on all of these representations by Mr. Miller that the contract was to be paid on a unit rate basis, I subsequently entered into subcontract arrangements, in particular with the firm of Castle and Brunner, the terms of which I would not have agreed to had I known that the contract was to be on an actual cost basis. For example, I asked Mr. Miller how I was to be reimbursed for certain supervisory expense, since only $500.00 per month was set up under the contract terms and all of this was to go to Mr. C. N. Schuette. Mr. Miller stated that since the contract was on a unit basis of $121.21 per foot for sinking shaft, and $40.00 per foot for drifting, etc., this unit figure should cover any overage which might be incurred on the above items. At this point, Mr. Miller was familiar with the terms of the contract with the independent contracting firm of Castle and Brunner, inasmuch as I had made them available to him. I agreed, after talking with my accountants, that the administrative and supervisory expenses would be covered, and entered into my contract with Castle and Brunner.

I would have had no objection to this contract being on an actual cost basis, because I would have made certain that these administrative and supervisory costs were specified in any actual cost contract which I signed. Now, Mr. Mavor in his audit, has disallowed these legitimate administrative and supervisory expenses and I am unable to protect myself in the already executed and completed Castle and Brunner contract.

In connection with this point, please refer to Mr. Mavor's audit in which he disallowed these costs in the amount of $2,516.08. These are the costs which I could have protected myself against in the contract with Castle and Brunner if your Regional Administrator had not advised me that this contract was on a unit rate basis.

Permit me to point out that prior to the date of the contract, I had expended on these properties $80,153.99. During the period of June 5, 1953 (the effective date of the contract) to August 15, 1953, I expended $2,738.35. From August 15, 1953 to November 1, 1953 (the date of the assignment to Jonas and Johnson), I expended or incurred expenses of $23,235.08. Of this amount, I was reimbursed under your Forms MF-104 properly certified by Mr. Schuette, $14,760.30. My net investment from August 15, 1953 to November 1, 1953 was $8,474.78 (36.5%), and the Government's was $14,760.30 (63.5%). My net investment from the beginning to November 1, 1953 was $91,367.12 (86.1%), and the Government's investment was $14,760.30 (13.9%). I think you will agree that these figures reflect that I have

conscientiously tried to develop the properties in the best interests of the Government, and it represents a real hardship for the Government to claim at this late date an overpayment which was primarily caused by the mistake of your Regional Administrator.

As further evidence of the hardship which is being caused me by Mr. Miller's misinterpretation of the type of contract the Government wanted, may I mention that Messrs. Jonas and Johnson executed a note to me in the amount of $3,750.00 dated November 20, 1953, in consideration for my assigning the subject contract and interest in the work previously performed. On February 12, 1954, Jonas and Johnson paid $1,250.00 on this note, but now refuse to pay the balance of $2,500.00. Jonas and Johnson, in their refusal to pay the balance of the note, state that it is their position that they were misled by the Regional Director of the Bureau of Mines when he informed them at the time of the assignment that the contract was on a unit rate basis and that they would not have entered into the contract with me under the interpretation placed on it by Mr. Mavor.

It is my position, therefore, that if DMEA wishes to conclude this matter on an actual cost basis, my proper costs for supervision and administration, etc. ($2,516.00 and other costs which I can substantiate) should be allowed. Unquestionably, Mr. Miller would have agreed to these reasonable costs and permitted them to be spelled out specifically in the contract had he been aware that this was to be an actual cost contract.

I respectfully request your reconsideration of your demand for the overpayment claim, which claim I deny, and that this contract and final settlement be administratively disposed of at the earliest possible date.

I very much appreciate the kind consideration of the members of your staff with whom I met on June 5, 1956, as they were most courteous and helpful in every respect.

Very truly yours,

/s/ Ronnie B. Smith

Ronnie B. Smith

RBS:kf

cc: Mr. Jene Harper
Eighth Floor, Blum Building
Chicago, Illinois

cc: Mr. James P. Dunigan
West Branch, Michigan

cc: Mr. Norman E. Spray
National City Building
Dallas, Texas

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

Mr. John L. Jones
166 Los Robles Drive
Burlingame, California

JUL 31 1956

Mr. John E. Johnson
5201 South Van Ness Avenue
San Francisco, California

Re: Docket No. DMEA 2648 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-2544

Gentlemen:

Reference is made to John L. Jones' letter of June 8, 1956, in which he states that "Mr. Johnson is holding his check of $515.99 for the overpayment. He will contact you shortly in regards to this matter"; and to the letter from John L. Jones and John E. Johnson of June 8, 1956, in which they enclose two checks, one for $1150.00, and one for $2250.00 as payment toward their account; and our letter of June 22, 1956, accepting the above-mentioned checks toward the payment of the account and informing the partnership that the Government will be glad to issue a release on the equipment when the additional amount of $515.99 is paid.

This is to call your attention to the failure of Mr. Johnson to contact us as advised in Mr. Jones' above-quoted letter. The Government has waited now nearly two months for further information in regard to the settlement of this long past due account. This letter is to inquire if it is your intention to make a settlement immediately. This Administration is reluctant to work a further hardship on you by referring the matter to the Attorney General for settlement; however, it is required to do so under statutory requirement. It prefers by far to work with you and to give you every opportunity to liquidate your obligation, but it cannot postpone its legal responsibilities indefinitely. Therefore, it is asking you to answer by return mail and to make known your intentions and your plans.

Sincerely yours,

Administrator

Copy to: Docket
Admr. Reading File
FT. REG. II (2)
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
Mr. Martin
Mr. Chambers

JLChambers/wb
July 31, 1956

400

JUL 13 1956

Mr. John E. Johnson
Mission Hotel
520 South Van Ness Avenue
San Francisco, California

Re: Docket No. DMSA 2448 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-[illegible]

Dear Mr. Johnson:

This is in response to your letter of June 29, 1956, inquiring as to an official determination of a discovery at the Mt. Diablo Quicksilver Mine.

For your immediate reference Annex III of the subject contract states, in part:

> "If at any time the Government considers that a discovery or 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 final report and final account required by the exploration project contract, may so certify in writing to the Operator. - - - -The Operator or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land which is the subject of the exploration, - - - -."

The matter of a discovery has not been formally considered by the Government because the final report and final account for the subject contract has not been received. As you know the partnership of Jones and Johnson still owes $515.99 which represents the balance of the overpayment due the Government.

Upon receipt of a check for $515.99, consideration shall be given to waiving the requirement for an Operator's final report and a determination will be made as to the issuance of a certification of discovery or development.

Sincerely yours,

C. O. Mittenhof

Administrator

ADMichaelsen/fec 7/12/56
cc to: Docket
Code 400
Code 800
Admr. Read. File
FT. REG. II
J. W. Pennington, USBM
T. N. Killingsard, USGS

C O P Y

June 29, 1956
Mission Hotel
520 South Van Ness Ave.
San Francisco, Calif.

C. O. Mittendorf
DMEA
Washington 25, D. C.

Sir:

I am a stock holder in the "Real Property", of the Mt. Diablo Quicksilver Mine, upon which there has been a DMEA loan number Idm-E544, as are many of my friends and relitives.

They have asked me to inquire into the question of a discovery of ore. We all feel there is no discovery because of the extensive tunnel work completed by Cordera Mining Co., after the DMEA contract.

Mr. Mayer called Mr. Rieker, of the Engineers in Reno, who stated there would be a "No Discovery" report issued. This is of course is not offical so can you please advise us on this matter.

Sincerely,

/s/ John Johnson

J. E. Johnson
for the Stock Holders

San Francisco, Calif.

412

THIS DEPOSIT IS NOT SUBJECT TO CHECK

For credit of Treasury Regional Office, San Francisco, Calif. June 21, 1956
(Name, title, and disbursing or other identification symbol of accountable officer) (Date sent)

DEPOSIT NO. 14-23-030-66

deposited with Federal Reserve Bank of San Francisco, California
(Name and location of depositary)

$ 3,629.64

for accounts listed below. SCHEDULE NOS.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401		3,629.64

(Depositor will insert below his name, title, Department or Agency concerned, and full address)
LLOYD A. SJOLANDER, FISCAL OFFICER
INTERIOR, BUREAU OF MINES, DEFENSE
MINERALS EXPLORATION ADMINISTRATION
555 BATTERY STREET, ROOM 420
SAN FRANCISCO, CALIFORNIA

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 21 1956
(Authorized signature)

(Date of credit in Treasurer's account)

DEPOSITARY WILL DATE, SIGN, AND RETURN THIS TO DEPOSITOR, WHO WILL FORWARD BY FIRST MAIL TO ADMINISTRATIVE OFFICE

16—59686c-1 GPO

QUADRUPLICATE

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

El Capitan Mining Co.
Contract: Idm-E788
Docket No.: DMEA-3637
Royalty Payment: $863.65
Check on: El Capitan Mining Co.,
Gabbs, Nevada
Check drawn on: Nevada Bank of
Commerce, Reno, Nevada.
Check No. 2035 dtd 6/14/56 in the
amount of $863.65 received 6/21/56.

Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contract: Idm-E544
Docket No: DMEA 2448 (Mercury)
Check (1) on: John Johnson. Check
dtd. June 8, 1956 in the amount of
$1,125.00 drawn on the 16th and
Mission Branch of the Bank of
America, San Francisco, Calif.
Refund: $1,125.00
Check Received: 6/21/56

Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contract: Idm-E544
Docket No. DMEA 2448 (Mercury)
Refund: $1,640.99
Check (2) on: Bay View Federal
Savings & Loan Assoc.
Check No. 8007 dtd May 25th 1956
in the amount of $1,640.99 drawn
on Wells Fargo Bank, San Francisco,
California.
Check Received: June 21, 1956

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

JUN 22 1956

Mr. John L. Jones
146 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA 2448 - Harvey
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contract No. IMs-2544

Dear Mr. Jones:

Reference is made to your letter of June 8, 1956, in which you give us instructions concerning the application of checks enclosed in your and Mr. Johnson's letter of the same date.

I am sending you a copy of the letter written to the partnership which is self-explanatory.

Sincerely yours,

C. O. Mittendorf

Administrator

Enclosure
JLChambers/wb
June 21, 1956

Copy to: Docket
Admr. Reading File
FT. REG. II (2)
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
Mr. Martin
Mr. Chambers

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

Mr. John L. Jones
166 Los Robles Drive
Burlingame, California

JUN 22 1956

Mr. John E. Johnson
520 South Van Ness Avenue
San Francisco, California

Re: Docket No. DMEA 2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-2544

Gentlemen:

Reference is made to your letter of June 8, 1956, enclosing two checks as follows: one drawn by the Bay View Federal Savings and Loan Association to John L. Jones for $1640.99 and the other drawn by John E. Johnson for $1125.00 in payment on your account.

It is noticed that John L. Jones wrote a separate letter in which he explained his check for $1640.99 was payment for his half of the salvage value on equipment in the amount of $1125.00, and also payment for his half of the overpayment on the project by the Government in the amount of $515.99. He also stated that John E. Johnson would contact us shortly in regard to his $515.99 due on the overpayment. This second letter signed by John L. Jones also requested us to send a Bill of Sale for the equipment.

It is not the policy of the Government to release equipment to persons who are still indebted to the Government. We shall be very glad upon receipt of the balance of $515.99 to release the equipment to John L. Jones and John E. Johnson.

We wish to thank you for the partial payment and assure you that upon receipt of the balance, a release of the equipment will be made immediately.

Sincerely yours,

G. W. Pittenger

Administrator

JLChambers/wb
June 21, 1956

Copy to: Docket
Admr. Reading File
FT. REG. II (2)
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
Mr. Martin
Mr. Chambers

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

JUN 18 1956

AIR MAIL

Mr. Spangler Richer
Executive Officer
DMEA Field Team, Region III
1605 Evans Avenue
Reno, Nevada

REGISTERED MAIL
RETURN RECEIPT REQUESTED

Re: Docket No. DMEA-2448 (Mercury)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-5544

Dear Mr. Richer:

We have just received one check in the amount of $1,125.00 drawn as a cashier's check on the Bank of America and one check in the amount of $1,640.99 drawn by the Bay View Federal Savings and Loan Association in favor of John L. Jones, for payments on the above-cited project as follows: $2,250.00 for the Government's share of the salvage price of equipment used on this project, and $515.99 for 50 percent of the Government's claim for overpayment to the Operators.

You will note that John L. Jones' endorsed check for $1,640.99 pays for one-half of the equipment and one-half of the Government's claim for overpayment. The other check which was drawn by John E. Johnson pays for his half of the equipment only.

It is necessary for us to withhold the release on the equipment until the balance is paid by either Jones and Johnson or by the Smith interest.

You will note that the check drawn on the Bay View Federal Savings and Loan Association has been endorsed to DMEA and not to the order of DMEA. For this reason it would be judicious for you to use registered mail if you have to send this check to San Francisco for deposit.

It is our intention to write Jones and Johnson and the Smith interest requesting further payment, but it appears best to wait for these checks to clear the banks. For this reason please expedite the transaction. A copy of the letter will be furnished you.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosures-2

JLChambers/wb
June 18, 1956

cc to: Docket Admr. Reading File,
Mr. Sjolander, Mr. Martin, Mr. Chambers

June 2, 1936 2:30 PM

Conference with Ronnie B. Smith — Opr. & Manager
and a Mr. Woodward — Treas. of Opr.
attended by Sudsby, McMahon, Chambers & Talbot

(A) Smith takes exception to indebtedness to Govt of $1,837.06 (difference on Govt Participation on unit cost basis & actual costs determined by audit); states Exec. Officer reduced contract sums on unit cost basis and drew up final vouchers for them; requests either (1) settlement on unit cost basis, or (2) allowance of additional costs incurred, i.e.

$ 2,516.00	Supv. salary & expense (Vic Blomberg)
1,278.47	Smith's travel expense
699.30	Atty. fees on Castle & Brunes contract
650.00	" " " Jonas & Johnson contract
453.96	" " (other) on project
2,500.00	Unpaid bal. due on Jonas & Johnson note

(B) 1. Revised appropriation was for $135/ft for shaft
2. Contract allowed $171.20/ft by independent contract
3. Both figures included all direct costs, except the consultant and certain equipment.
4. In preparing contract Exec. Off. explained unit cost had been reduced by Washington, but Opr. signed

contract without reading — and both Exec. Off. & Opr. thereafter considered it a fixed unit cost contract.

5. Considerable difficulty in obtaining a contractor and best bid was Castle & Bruner at $50/ft for labor and equipment only, with Opr. furnishing supervision (Vic Blomberg) and all other supplies & materials.

6. In contracting actual work DM&A auditor (Moore) did not include supervisory expense since contract expressly states that the supervision & technical services, "1 Consultant @ $500/mo" (Schuette) is an "allowable maximum".

(c) 1. Smith will reply to Adm. ltr. 4/25/56 (advising of referral to Atty Genl within 30 days, unless payment of $1,887.06 is rec'd) stating his case.

2. If case is referred to Atty Genl, the referral will include Smith's statement of case.

3. Smith will be advised of date of referral (per Indritz) in order that he may make contacts in Dept. of Justice before case is assigned to U.S. District Attorney.

6/5/56

AIR MAIL

JUN - 5 1956

Mr. John L. Jones
166 Robles Drive
Burlingame, California

Mr. John E. Johnson
520 South Van Ness Avenue
San Francisco, California

Re: Docket No. DMEA 5545 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. DMe-5545

Gentlemen:

Your telegram of May 27, 1956, states that you are ready to remit the amount requested in our letter of April 25, 1956, and that your attorneys advised that you request "the type of contract or bill of sale form" to be furnished by the Government for supplies, materials and equipment.

Enclosed is a copy of the form which would be used by the Defense Minerals Exploration Administration to release to you the Government's interest under the subject contract. Upon your paying the amount due the Government will execute this type of release and promptly forward it to you.

As mentioned in our letter of April 25, 1956, the amount due is $3,292.97 representing $1,051.97 for overpayment by the Government under this contract, and $2,241.00 as the Government's 75 percent equity in the salvage value of supplies, materials and equipment purchased for the project. We note that you do have the amount due ready to remit and shall look forward to an early settlement of your account.

Sincerely yours,

G. O. Mittendorf

Administrator

ADMaitlandmfoc
6-5-56

cc to: Docket
Code 400
Admr. Read. File
Audit Div.
FT. REG. II

Enclosure

J. W. Pennington, USBM
T. H. Killegaard, USGS

DISPOSAL OF GOVERNMENT'S INTEREST IN PROPERTY

To:_____

_____

_____

The United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, for a valuable consideration hereby sells, assigns, transfers and sets over to you all of its right, title and interest in all property acquired under Exploration Project Contract No. IdmE_____, Docket No. DMEA _____, dated _____.

THE UNITED STATES OF AMERICA

Dated_____19%. By_____

[illegible]

[illegible]

36,537

MAY 15 1956

Mr. Albert J. Mitchell, Treasurer
Franklin Supply Company
[illegible] South Michigan Avenue
Chicago 5, Illinois

Re: Contract No. [illegible] - Recovery
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. [illegible]

Dear Mr. Mitchell:

This will acknowledge receipt of your letter of May 1, 1956, replying for Mr. Jess Harper to our letter of April 25, 1956, which demanded the return of an overpayment of $2,987.05 made by the Government to Messrs. Ronald L. Smith, Jess Harper, and James F. Harrigan, partners and operators of the Mt. Diablo Quicksilver Mine under the subject contract.

The legal aspects of this matter have been reviewed several times and all expenditures under the terms of the contract have been audited thus sustaining the overpayment of $2,987.05 to Ronald L. Smith, et al. It has been over two years since our work was done under the amplified contract and considerable effort and correspondence have failed to bring about a satisfactory contract settlement.

Accordingly, unless an immediate settlement is made, we regret to advise you that we have no other recourse than to refer this case to the Attorney General, as stated in our letter of April 25, 1956.

Sincerely yours,

G. O. Mittendorf

Administrator

ADMcKibben/cmf
5-24/56
cc to: Contract
Code 400
Admr. R. File
Oper. Committee
Pt. Mgr. IX
Ridgway, USBM
Smithsonport, USGS
Mr. Chambers - Code 200 ✓

C O P Y

FRANKLIN SUPPLY COMPANY
624 South Michigan Avenue
Chicago 5, Illinois

May 1, 1956

United States
Department of the Interior
Defense Minerals Exploration
Administrator
Washington 25, D. C.

Attention: Mr. C. O. Mittendorf
Administrator

Re: Docket No. DMEA 2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Idm-E544

Dear Sir:

In the absence of Mr. Harper, I am again answering your letter dated April 25, 1956, demanding the return of $1,887.06, which the Government claims was overpaid on the above contract.

From the information I have been able to gather, this alleged overpayment arises out of a difference in the methods of computation by the Government Engineering of the Bureau of Mines, headed by Mr. H. C. Miller, and the Auditor for the DMEA.

Mr. Smith's accountant, who handled the matter, has been working to clarify the situation, and Mr. Smith feels that the matter should be resolved within the next few weeks.

Therefore, could you possible hold off further action until such time as this difference of opinion can finally be resolved.

Very truly yours,

FRANKLIN SUPPLY COMPANY

By Albert J. Mitchell
Treasurer.

APR 25 1956

Certified Mail
Return Receipt Requested

Mr. Ronnie B. Smith
Tower Petroleum Building
Dallas, Texas

Mr. Jane Harper
% Franklin Supply Company
621 S. Michigan Avenue
Chicago, Illinois

Mr. James F. Dunnigan
% Freehouse Refining, Inc.
318 W. Naughton Avenue
West Branch, Michigan

Re: Docket No. IMEA 2488 - Mercury
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. 14m-5514

Gentlemen:

Our letter to you of February 13, 1956, demanded the return of $1,887.06 which sum is the amount of an overpayment made by the Government on the subject contract for accepted costs incurred by you as partners under this contract prior to your assignment of the contract to Messrs. James and Johnson.

To date we have not received any reply, or any remittance from any of you. Therefore, unless payment of the sum of $1,887.06 is received within thirty days from the date of this letter, we shall refer the matter to the Attorney General of the United States for appropriate legal action.

Sincerely yours,

C. O. Mittendorf

Administrator

AIMcMahon/fcc
4-20-56
cc to: Docket
Code 400
Admr. Read. File
Operating Comr.
FT. REG. II
H. M. Meyers, USBM
T. H. Kiilsgaard, USGS
Mr. Chambers - Code 800

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

APR 25 1956

Mr. John L. Jones
[redacted]
Burlingame, California

[redacted]

Mr. John E. Johnson
[redacted]
San Francisco, California

Re: Contract No. DMEA [redacted] -- Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. [redacted]

Gentlemen:

This will acknowledge receipt of Mr. Jones' letter of March 29, 1956, confirming his meeting with Mr. George Meyer on March 26. We also received copies of Mr. Meyer's letter and the three schedules he sent Mr. Jones on March 29 showing reconciliations of your Total Share of contract costs with those allowable under the terms of the contract.

Mr. Meyer's letter to Mr. Jones also summarized the final costs of the contract. In this connection we regret to advise you that the specific provisions of the subject contract definitely prohibit Government participation in the cost of the mining machine.

We now demand that you pay to the Government the sum of $3,281.97, representing $1,031.97 for overpayment and $2,250.00 as the Government's 75 percent equity in the salvage value of supplies, materials and equipment. Unless arrangements are made within thirty days from the date of this letter to liquidate this obligation, it will be incumbent upon this Administration to place the matter in the hands of the Attorney General of the United States.

Sincerely yours,

C. O. Mitteneder

Administrator

ADMichelson/JLChambers/ab
April 24, 1956

cc to: Contract
Code 400
Admr. Read. File
Operating Comm.
FT. SEC. II
H. M. Meyer, USBM
T. H. Killingsord, USGS
Mr. Chambers -- Code 800

FINAL
AUDIT REPORT

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

RECEIVED
MAY 28 1956

AUDIT CERTIFICATE

I have examined the records and transactions of:

RECEIVED
MAY 28 1956

Ronnie B. Smith, Trustee for
Ronnie B. Smith, Jane Harper & James F. Dunnigan, Assignors
8106 Tower Petroleum Building
Dallas 1, Texas
and
John L. Jones & John E. Johnson, Assignees
166 Los Robles Drive
Burlingame, California

pertaining to Exploration Project Contract No. DMA-2544, Docket No. DMMA-5448, dated June 5, 1953, including Amendments Nos. 1 and 2, covering a project for the exploration of mercury, on property known as the Mt. Diablo Quicksilver Mine, located in Contra Costa County, California, for the period August 13, 1953 to March 31, 1954, inclusive, and subsequent agreed salvage value covering disposition and settlement of project property.

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

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

Total cost as billed by contractor		$53,330.59	#55,846.67
Exceptions (see Audit Report for details):			
During this audit	$6,609.79		
Less: Additional costs allowed by this audit	19.24	5,590.55	8,506.63
Total Accepted Cost		$47,[illegible]	
Less: Salvage value of project property		3,000.00	
Net Total Accepted Cost		$44,[illegible]	

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 Thirty Three Thousand Two Hundred Fifty Five and 3/100 Dollars:

$33,255.03

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.

George Mavor

George Mavor, Auditor

May 18, 1956

AUDIT REPORT

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I. INTRODUCTION

On March 26, 27 and 28, 1956, a final audit (covering operations for the period of August 15, 1953 to March 31, 1954) was made of the records and transactions pertaining to Exploration Project Contract No. Bm-8544, Docket No. [illegible], dated June 5, 1953, including Amendments Nos. 1 and 2, with:

Bennie B. Smith, Trustee for
Bennie B. Smith, June Harper & James F. Dunigan, Assignors
2166 Tower Petroleum Building
Dallas 1, Texas
and
John L. Jones & John E. Johnson, Assignees
166 Los Robles Drive
Burlingame, California

covering a project for the exploration of mercury, on property known as Mt. Diablo Quicksilver Mine, located in Contra Costa County, California.

This contract was prepared on a long form contract and was reimbursable on a cost basis, however, due to a misinterpretation of the contract, the sinking and crosscutting were claimed and paid on a unit rate basis from August 15, 1953 to January 31, 1954. The last voucher paid was for the month of January 1954, and the total accumulated costs reported on Form NF-104 as of January 31, 1954 were as follows:

	B. B. Smith 8-15-53 to 10-31-53	Jones & Johnson 11-1-53 to 1-31-54	Total 8-15-53 to 1-31-54
Sinking	$14,180.40	$25,815.60	$39,996.00
Crosscutting	--0--	1,780.00	1,780.00
Supervision	1,250.00	1,500.00	2,750.00
Equipment Purchased	2,250.00	--0--	2,250.00
New Bldgs., Improvements, etc.	2,000.00	--0--	2,000.00
Total Costs Claimed	$19,680.40	$29,095.60	$48,776.00
75% Paid by Government	$14,760.30	$21,776.70	$36,537.00

Due to the misunderstanding of claims being presented and paid on a unit rate basis, the Forms NF-104 did not have any cost documents attached, other than the documents required for purchased equipment, therefore in order to compute the operating costs of

this exploration project for the audit period August 15, 1953 to March 31, 1954, inclusive, including closing costs, it was necessary to obtain the supporting documents from the following sources:

For period August 15 to October 31, 1953

Bonnie B. Smith, representing assignors
Dallas, Texas
Harold Blumberg, accountant
San Francisco, California
Vic Blumberg, representing R. B. Smith
Concord, California

For period November 1, 1953 to March 31, 1954

Jones and Johnson, assignees
Burlingame, California

All of the cost data necessary to make the audit was assembled by this MMRA auditor in San Francisco, California, and all of the parties listed above (other than R. B. Smith) were present when required, in order to explain any questionable costs of the project. Their cooperation and assistance greatly facilitated the audit.

II GENERAL INFORMATION ON RECORDS

The operator did not maintain any general ledger to record the project costs, however, work sheets were available, which recorded the cash disbursements and showed the name of vendor, date of invoice, amount and material description. These work sheets were used as a basis to perform the audit and the operator furnished original invoices or certified copies of invoices in order to support the costs properly chargeable to the project. Extracts of payrolls were prepared on work sheets and certified to by the operator. The operator also furnished cancelled bank checks, which were verified to the cash disbursement work sheets and to payroll summaries.

III SCOPE OF AUDIT

The first interim audit was made for the period August 15, 1953 to February 28, 1954, and Audit Report issued June 7, 1954. This final audit covered a complete review of all costs reimbursable under the terms of the contract, for the period August 15, 1953 to March 31, 1954, inclusive, including closing costs. This complete review was necessitated by revised claim submitted by Jones and Johnson with their letter dated February 21, 1956 to Mr. G. G. Mittendorf, administrator. The source of costs on which the final audit is based can be identified as follows:

Ramsie B. Smith 8-15-53 to 10-31-53		
Costs determined by 1st Interim Audit Report		$17,164.38
Jones and Johnson - Revised Claim		
as set forth in the following Schedules		
Schedules 1 to 6 Incln. 11-1-53 to 2-28-54	$34,414.30	
Schedules 1 & 2 - Month of March 1954	1,751.97	
Total Revised Claim	$36,166.27	
Less: Audit Disallowances	5,990.55	30,175.72
Total Accepted Costs		$47,340.04
Less: Salvage value of Project Property		3,000.00
Net Total Accepted Cost		$44,340.04

The salvage value of Project Property in amount of $3,000.00 as set forth in the above summary was in accordance with statement made in letter dated June 24, 1955 from Mr. John L. Jones to Acting Assistant Solicitor that "The sale price should be about $3,000.00", and in letter dated February 13, 1956 from Mr. C. O. Mittendorf, Administrator to Mr. John L. Jones the amount of $3,000.00 was agreed to as being reasonable and the Administrator demanded payment of $2,250.00, representing the Government's 75% equity in the salvage value of $3,000.00. The salvage value of $3,000.00 has not as yet been settled by Mr. John L. Jones, however for audit report purposes, the salvage value has been applied to the following cost items on an estimated basis.

Item (3) Operating Materials and Supplies	$1,500.00
Item (4) Operating Equipment	1,200.00
Item (6) New Bldgs., Improvements, etc.	300.00
Total Salvage Value of Project Property	$3,000.00

The above salvage value of $3,000.00, has been deducted from the "Items of Cost", in order to properly account for all existing items, which effect the final audit of this contract. The operator did not prepare an inventory of materials and equipment, however on the basis of available information the estimated amount of $3,000.00 is considered reasonable.

The above net total accepted cost in amount of $44,340.04 is reflected in detail in the narrative of this report. Also a statement of account with the operator is shown under Section IV, Conclusions of this report.

The audit consisted of a complete analysis of all expenditures in order to ascertain the accuracy, propriety and validity of the costs, properly chargeable and reimbursable under the terms of the contract. For audit report purposes the costs have been distributed between R. B. Smith for the period August 15, 1953 to October 31, 1953, and

Jones and Johnson for the period November 1, 1953 to March 31, 1954, including closing costs. The extent of the audit and findings under each of the "Items of Cost" follows:

(1) Independent Contracts $18,800.00

A signed agreement was in effect between the operator and Castle and Brunner, who performed the following work on a footage basis.

	R. B. Smith	Jones & Johnson	Total
Sinking Shaft 111' at $50.00	$5,550.00	$	$5,550.00
Sinking Shaft 213' at $50.00		10,650.00	10,650.00
Extra Cubic Yards from Shaft		500.00	500.00
Crosscutting 120' at $17.50		2,100.00	2,100.00
Total Independent Contracts	$5,550.00	$13,250.00	$18,800.00

There were four to five men employed on the above work and the agreement stipulated that the independent contractors would furnish their own explosives and small hand tools and also pay their own payroll taxes and compensation insurance. During the course of the audit cancelled bank checks were examined covering payments made to the independent contractors, and the costs did not exceed the "allowable maximum" as set forth in Exhibit "A" of the contract.

(2) Labor and Supervision $8,718.19

The payroll records for the period August 15, 1953 to March 31, 1954 were examined, together with cancelled payroll checks. The charges under this category are summarized as follows:

	R. B. Smith	Jones & Johnson	Total
Labor Claimed	$ 645.80	$4,553.15	$5,198.95
Add: Add'l Labor Allowed		19.24	19.24
Total Labor Allowed	$ 645.80	$4,572.39	$5,218.19
Supervision	1,250.00	2,250.00	3,500.00
Total Labor & Supervision	$1,895.80	$6,822.39	$8,718.19

The additional labor allowed Jones and Johnson in amount of $19.24 as shown above, was due to listing the net amount of the employees checks instead of the gross amount on Schedule No. 1 of their March 1954 claim and accounted for as follows:

March 1954 Schedule No. 1	Net	Gross	Add'l Amt. Allowed
Line 6 Howard Castle	$40.72	$46.00	$ 5.28
Line 7 Melvin Brunner	40.36	48.00	7.64
Line 8 George Bartoms	43.02	46.00	2.98
Line 9 Bunker Buckley	41.36	44.00	2.64
Line 10 Guy Castle	23.28	24.00	.72
Totals	$168.76	$188.00	$19.24

The contract did not specify any labor rates, however, the hourly rates were $2.00 an hour and time and one-half for overtime. The labor cost for sinking 6 feet of shaft is included in the labor charge, also the following labor charges claimed by Jonas and Johnson, Co-Partners:

John L. Jonas 59 da.(12 hr. da.) at $24.00	$1,416.00
John E. Johnson 85 da. (12 hr. da.) at $24.00	2,040.00
Total	$3,456.00

Both of the partners had quarters at the mine and a time record was maintained of the hours worked. John L. Jonas worked underground, also performed electrical work and administrative duties. John E. Johnson worked underground and drove truck when obtaining material for project. The question of allowing the labor charges for partners was discussed with S. Ricker, Executive Officer, and he was of the opinion that the charge was reasonable and just, and should be accepted as an allowable cost of the contract.

The technical service charge of $3,500.00 was paid to C. N. Schuette for consultation service at the rate of $500.00 per month from August 15, 1953 to March 15, 1954, or a period of 7 months. The payment was in accordance with the terms of the contract and did not exceed the "allowable maximum" of $3,500.00

(3) Operating Materials and Supplies $11,489.22

A complete examination was made of invoices charged to this category, which included the verification of footings and extensions, together with examination of cancelled bank checks. The project did not maintain any stores account, and all purchases were charged to the cost of the project. The type of material purchased and the items disallowed can be identified in the following summary:

	K. B. Smith	Jonas & Johnson	Jonas & Johnson Disallowances	Net Total
Timber	$1,781.13	$3,254.44		$5,035.57
Pipe	453.95	1,343.22		1,797.17
Track	208.67	276.98		485.65
Sub-Total	$2,443.75	$4,874.04	- 0 -	$7,317.79
Miscellaneous				
Power - Electricity	121.27	769.48	295.50	595.25
Venturbe	105.75	320.85		426.60
Gas, Diesel & Lub. Oils	133.87	252.28		386.15
1 Die Set	90.75			90.75
Bar Steel	303.56	50.64		354.20
Concrete Mix	174.89			174.89
Drill Steel	53.10			53.10
Electric Switches	37.50			37.50

Oxygen & acetylene	22.78	33.31	15.54	40.75
1000' Bonner Wire		67.30		67.30
Hanging Rods		153.08		153.08
350' Electric Cable		216.30		216.30
2 Stainless Steel Valves		214.50		214.50
Shovels, Picks, Rails, etc.	382.66	801.98	42.59	1,141.65
Freight	89.60			89.60
Bunking Material	738.80	1,680.60	849.59	1,569.81
Material Inventory				
Purchased from R.E. Smith		1,850.00	1,850.00	
Total Misc. Material	$2,254.33	[illegible]	[illegible]	[illegible]
Total Material & Supplies	4,698.28	10,6[illegible].16	2,453.28	12,[illegible].20
Less: Salvage Value		1,500.00		1,500.00
Net Cost Mat'l & Supplies	$4,698.28	$ 9,1[illegible].16	$2,453.28	$11,[illegible]

The salvage value of $1,500.00 set forth above, was an estimated amount for material and supplies on hand after completion of contract, and more fully described under Section XII - Scope of Audit in the narrative of this report. The operator did not take an inventory, however the estimated salvage value of $1,500.00 is considered reasonable.

The above disallowances in amount of $2,453.28 are detailed below, together with reason for disallowance and reference to Jones and Johnson schedule number of their final claim.

Power - Electricity

Electricity consumed in cottages occupied by tenants, should be refunded to operator, due to electricity consumed after mining operations ceased.

Schedules - Period Ending February 28, 1954

Page 2, Line 29, Ck. No. 109	Pac. Gas & Elec. Co.	$ 58.08	
Page 3, Line 1, Ck. No. 112	Pac. Gas & Elec. Co.	59.98	
Page 3, Line 2, Ck. No. 113	Pac. Gas & Elec. Co.	[illegible]	
		$[illegible]	
Add: Elec. Power refunds by employees for 4 mos. ending Feb. 28, 1954 not included by operator		113.92	$295.50

Oxygen & Acetylene

Demurrage charges on one oxygen tank and one acetylene tank, that should have been returned after mining operations ceased.

Schedules - Period Ending February 28, 1954

Page 2, Line 30, Ck. No. 111 Balsam Bros.	$3.66	
Page 3, Line 3, Ck. No. 114 Balsam Bros.	3.60	
Page 3, Line 5, Ck. No. 116 Balsam Bros.	5.28	$15.54

Shovels, Picks, Nails & Misc.

Errors and adjustments in operator's schedules for period ending February 28, 1954.

	Listed As	Should Be	Difference
Page 1, Line 25, Gr. No. 24 Castle & Brunner	$1,743.50	$1,742.50	$1.00
Page 1, Total of Lumber & Timber	513.30	510.30	3.00
Page 1, Total of Equip. & Supplies incorrectly carried forward to summary page 6	1,982.74	1,982.94	(.20)
Page 1-A, Total Labor	563.85	563.85	2.00
Page 1-A, Total Equipment & Supplies	2,764.47	2,746.47	18.00
Page 2, Line 1, Gr. No. 62 Johns Manville	46.86	46.68	.18
Page 3, Total of Fuel Oils	9.30	9.80	(.50)
Page 4, Total Equipment & Supplies	1,327.92	1,329.92	(2.00)
Page 5, Line 3, Cash to Gasket Shop	7.40	7.04	.36
Page 5, Line 10, Cash to Ansel Service (Invoice Missing - Disallowed)	1.73		1.73
Page 5, Line 13, Cash to Diehle Service Co. (Invoice Missing - Disallowed)	1.00		1.00
Add: Cash purchase not listed by operator Petroleum Products Co. 1/9/54 Inv. A833775 7 Gal. Gas		1.68	(1.68)
Net Errors & Adjustments - Disallowed			$[illegible]
Page 1, Line 10, Printing name on check books			4.25

Schedules - March 1954

Page 1, Line 18, Bergants Florist Co. - Flowers	15.45
Total Disallowances - Shovels, Picks, Nails & Misc.	$42.59

Hauling Material

Excessive auto and truck mileage rates and expense, not in accordance with rates and expense discussed with and agreed to by J. L. Jones.

Schedules Period Ending February 28, 1954

Page 5, Line 17, Automobile Mileage at $.12	$312.84
Page 5, Line 18, Station Wagon Hauling at $.12	539.04
Page 5, Line 19, Auto Toll Bridge	9.15
Page 5, Line 20, Station Wagon Tolls	14.10
Page 5, Line 21, Total Phone Bills	45.87
	$919.80

Less: Amount agreed to by J. L. Jones, as per page 4 of Audit Report 2/28/54

Jones personal car 4,498 mi. at $.05	$224.90		
Johnson personal car 2,602 mi. at $.05	130.10		
Bay Bridge toll charges	21.00		
Telephone - re material	45.17	420.87	498.93
Page 5, Line 25, Big Truck Mileage at $.15		273.00	
Less: Allowed 1,824 miles at $.07		127.68	145.32

Schedules - March 1954

Page 2, Line 5, Bridge Tolls		6.05	
Page 2, Line 4, Mileage Expense $.12		232.80	
		238.85	
Less: Amount agreed to by J. L. Jones, as per March 1954 - MP-104 Voucher			
Automobile Tolls	1.85		
Station Wagon Tolls	4.30		
Jones personal car 1,197 mi. at $.05	59.85		
Johnson personal car 411 mi. at $.05	20.55	85.95	152.90
Page 2, Line 6 Big Truck Mileage at $.15		97.80	
Less: Allowed 648 miles at $.07		45.36	52.44
Total Disallowances - Hauling Material			$205.34

Material Inventory Purchased
By Jones and Johnson from R. B. Smith
Schedules Period Ending Feb. 28, 1954

Page 1-A, Line 17, February 8, 1954 check No. 46 represents amount paid by Jones and Johnson to R. B. Smith for material when contract was assigned. As this material has already been included in the material costs applicable to R. B. Smith, the allowance of this item would result in a duplication of costs.	1,250.00
Total Materials and Supplies - Disallowed	$2,453.22

Included in the above summary of materials and supplies are such items as concrete mix, hanging rods and ramon wire which were used in connection with shaft sinking and underground work. Also due to water having excessive corrosion effect on equipment, it was necessary to purchase the stainless steel valves.

The power charge of $595.25 covered the cost of power used in operating hoist, power saws and lights. The gross charge for power amounted to $865.28 of which a credit of $270.03 was applied covering refund of electricity used in cottages situated in mine area. The average rate of electricity consumed was $.089 per KWH. The gasoline, diesel and lubricating oil charge of $386.15 represented gasoline used in tractor and starting compressor. The allowable hauling material charges of $1,569.81 are comprised of the following items:

Did we not agree to a flat rate and also 7¢ per mile charge?

Paid by Bennie B. Smith		
To Via Blomberg, Aug, Sept, & Oct. 1953		
Rent of truck 68 dz. at $6.00	$ 408.00	
Operating truck 2,040 mi. at $.07	142.80	
Personal car 2,000 mi. at $.05	100.00	
Other expenses obtaining material	88.00	$ 738.80
Charges by Jones & Johnson Mar 1953 to Mar 1954		
Jones personal car 5,689 mi. at $.05	$ 284.45	
Johnson personal car 3,013 mi. at $.05	150.65	
1939 International Truck 2,472 mi. at $.07	173.04	
Bay Bridge Tolls	86.55	
Telephone - re material	32.93	
Johnson - hotel and meals, on road purchasing material	143.39	870.01
Total Hauling Cost		$1,569.81

The contract stated that the operator would furnish three Sterling Trucks and one Dodge Pickup Truck at no cost to the project. Upon investigating it was found the trucks were never used, for the reason they were 18 yard dump trucks for hauling ore and not suitable for hauling material. The pickup truck was a 1944 army jeep with box fitted to hold material, and operated with a four wheel drive. This pickup truck had no license or insurance, and could not be operated on highway, and was used most of the time hauling framed timbers from lumber shed to head of shaft and also hauling 50 gallon barrels of diesel oil from storage tank to diesel compressor.

Due to the lack of equipment to obtain and haul material, it was necessary for the operator to use the trucks and automobiles listed in the above summary and a rate of $.07 a mile for trucks and $.05 per mile for private automobiles was allowed, excluding the cost of depreciation which was estimated at $.03 per mile for trucks, and $.02 per mile for automobiles. All of the above hauling costs amounting to $1,569.81 represented the cost of hauling material and traveling to other mine sites and locations to obtain materials at a lower cost. In discussing this haulage cost with S. Hicker, Executive Officer, he was of the opinion that the costs were reasonable and necessary and should be an acceptable cost of the project.

(4) Operating Equipment $1,115.68

All charges for operating equipment were verified to purchase invoices, cancelled bank checks, and items specified in contract. The equipment purchased and rented, together with the items disallowed can be identified as follows:

	R. B. Smith	Jones & Johnson	Jones & Johnson Disallowances	Net Total
Equipment Rentals	-0-	$ 750.00	$ 750.00	-0-
Equipment Purchased	$2,229.18	2,091.75	2,787.85	$2,535.68
Total Operating Equipment	$2,229.18	$3,441.75	$3,537.85	$2,535.68
Less: Salvage Value	-0-	1,200.00	-0-	1,200.00
Net Cost Operating Equip.	$2,229.18	$2,241.75	$3,537.85	$1,335.68

The salvage value of $1,200.00 set forth above, was an estimated amount for equipment purchased and remaining on hand after completion of contract, and described under Section III Scope of Audit in the Narrative of this report. The equipment subject to salvage is listed in detail at the end of this category.

The above disallowances in amount of $3,537.85 are detailed below, together with reason for disallowance and reference to Jones and Johnson schedule number of their final claim.

Equipment Rentals

Rental of Equipment is not specified in contract, therefore all rental of equipment costs, are disallowed.

Schedules - Period Ending Feb. 28, 1954

Page 2, Line 5, Ck. No. 65 F. H. Haley		
Rental Mucking Machine	$ 100.00	
Page 4, Line 11. Cash paid ($306.00) The Hot Mill		
Rental Mucking Machine	100.00	
Page 5, Line 22, No supporting invoice		
Rental Compressor	400.00	$ 600.00

Schedules March 1954

Page 1, Line 1, Pacific Mining Co.		
Rental of Pump	$ 120.00	
Page 1, Line 3, C. J. Holzmeller		
Rental of Cable	15.00	
Page 1, Line 4, C. J. Holzmeller		
Rental of Cable	15.00	150.00
Total Equipment Rentals - Disallowed		$ 750.00

Equipment Purchased

The following Equipment Purchased was not authorized by contract, therefore the items listed hereunder have been disallowed.

Schedules - Period Ending Feb. 28, 1954

Page 1, Line 9, Ck No. 9, Bayshore Machinery Co.		
"Blower"	$ 90.56	
Page 1, Line 21, Ck. No. 20, Bearing Engineering Co.		
"Blower Pulley"	8.93	
Page 2, Line 2, Ck. No. 31, Givale Freight Co.		
"Freight on Blower"	1.92	$ 101.41

Page 1, Line 27, Ck. No. 26 ($213.47) H. T. Neil "Skilsaw"		$ 231.97
Page 1-A, Line 20, Ck. No. 49, B. F. McDonald "Testing Gas Equipment"	$ 164.00	
Page 2, Line 9, Ck. No. 70, B. F. McDonald "Testing Gas Equipment"	237.70	401.70
Page 4, Line 4, Ck. No. 4, Kaplan Army Store "Army Stretcher"		10.87
Page 1, Line 17, Ck. No. 16, Sattlees Co. "Used Water Heater"		10.30
Page 4, Line 11, Cash Paid ($306.00) The Hot Mill "1 Hoist Cage"		206.00
Page 4, Line 29, Cash Paid ($740.54) New Penn Mines Inc. "3 Used Mine Cars"		225.00
Page 5, Line 27, "Mucking Machine" purchased from The Hot Mill Operator paid $200.00 on a/c and 1 old truck valued at $250.00. Mucking Machine is under water in mine		1,200.00
Page 1-A, Line 9, Ck. No. 38 Northen Bradley "1 Used Water Pump"		400.00
Total Equipment Purchased - Disallowed		$2,787.[illegible]
Total Operating Equipment - Disallowed		$1,[illegible]

The final acceptable cost of operating equipment in amount of $1,135.68 is made up of the following items:

	R. B. Smith	Jones & Johnson	Total
1-50 HP Hoist, Motor & Starter	$2,[illegible].50	$ 126.50	$2,135.00
1-60" Sheave	60.00	—	60.00
750' - 5/8" Hoisting Cable	160.68	—	160.68
Total	$2,[illegible].18	$ 126.50	$2,[illegible]
Less: Salvage Value	-0-	1,200.00	1,200.00
Net Cost Operating Equip.	$2,[illegible].18	($1,[illegible].50)	$1,135.68

In the above summary it will be noted that the salvage value of $1,200.00 has been applied against Jones and Johnson with a resultant credit of $1,073.50. This is due to the necessity of maintaining the correct distribution of costs between R. B. Smith and Jones and Johnson, also the fact that Jones and Johnson are at present responsible for the disposal of the equipment.

The Contract called for the purchase of a 50 HP hoist with motor. This motor was purchased and subsequently burned out, and was replaced with a 60 HP motor, see comments under Item (7) Miscellaneous, regarding repairs to hoist motor.

The contract called for the purchase of 1-36" sheave, whereas the operator purchased a 60" sheave which could be used for better operations.

The equipment purchased did not exceed the allowable "maximum" of $2,975.00 as set forth in Exhibit "A" of the contract.

(6) Rev Ridge., Improvements, etc. $1,700.00

A review of the costs under this category were identified as follows:

	R. B. Smith	Jones & Johnson	Total
Rev Ridge., Improvements, etc.	$2,000.00	-0-	$2,000.00
Less: Salvage Value		($300.00)	(300.00)
Net Cost Rev Ridge, Improv. etc.	$2,000.00	($300.00)	$1,700.00

The salvage value of $300.00 set forth above, was an estimated amount, as described in Section III Scope of Audit in the Narrative of this report. The salvage value of $300.00 has been applied against Jones and Johnson with a resultant credit of $300.00. This is due to the necessity of maintaining the correct distribution of costs between R. B. Smith and Jones and Johnson, also the fact that Jones and Johnson are at present responsible for the disposal of property.

The charges were applicable to headstream and headframe and comprised the following items:

Labor	$1,213.33
Material	1,063.16
F/R Taxes	50.96
Comp. Insurance	88.57
Total	$2,416.02
Less: Costs not claimed by operator	416.02
Allowable Maximum	$2,000.00
Less: Salvage Value	300.00
Net Cost Rev Ridge, Improv. etc	$1,700.00

The above "allowable maximum" of $2,000.00 was in agreement with the amount shown in the contract. The payroll taxes and compensation insurance have been included in the net cost, in accordance with contract terms. The labor charges were paid by the operator at $2.00 per hour and the material included such items as timber, truck and concrete mix etc. All payroll charges, invoices and cancelled bank checks were examined during the course of the audit.

(7) Miscellaneous $2,336.97

The audit of miscellaneous charges, included an examination of invoices and cancelled bank checks. The charges under this category can be identified as follows:

	R. B. Smith	Jones & Johnson	Jones & Johnson Disallowances	Net Total
Repairs to Equipment	$ 556.69	$1,507.05		$2,063.74
Payroll Taxes	27.12	28.16	$ 19.32	35.96
Liability Insurance	47.14	250.00		297.14
Accounting Services	160.11	-0-		160.11
Total Miscellaneous	$ 794.06	$1,785.21	$ 19.32	$2,556.95

The above disallowance in amount of $19.32 is described below, together with reason for disallowance and reference to Jones and Johnson schedule number of their final claim.

Payroll Taxes

The payroll taxes claimed were not in agreement with the payroll tax computations on actual payroll payments for March 1954.

Schedule - March 1954

Page 1, Line 14, California Employment Dept.	6.96	
Page 1, Line 15, U.S. Treasury Dept.	21.20	$ 28.16
Less: P/R Taxes on actual P/R for March 1954		
Labor $188.00 Unemployment Tax at 2.7%	5.08	
Labor $188.00 Social Security Tax at 2.0%	3.76	8.84
Total Miscellaneous - Disallowance		$ 19.32

The repairs to equipment charge of $2,063.74 was made up of the following items:

	R. B. Smith	Jones & Johnson	Total
Repairs to:			
Compressor	-0-	$ 54.03	$ 54.03
Hoist	-0-	85.55	85.55
Rock Drill	$ 56.69	6.93	63.62
Truck	-0-	27.09	27.09
Service and replacement of hoist motor	350.00	-0-	350.00
Moving power line, changing size of wire and install switch boxes for hoist	150.00	584.75	734.75
Replacement costs of hoist motor burned out	-0-	748.70	748.70
Total Repairs to Equipment	$ 556.69	$1,507.05	$2,063.74

During operations the 50 HP hoist motor burned out and in order to avoid a shut down a new hoist motor was loaned pending survey of repair costs to original motor. The service charge for this transaction was $350.00 as listed above. After survey of burned out motor, it was estimated the rewinding job would run about $1,200.00 and as the operator was able to obtain a 60 HP motor for an additional amount of $748.70, which was considerably less than repairing the original motor, the additional cost of $748.70 listed above was considered a repair item. The moving of power lines and installing switch boxes for hoist at a cost of

$734.75, as listed above, was performed by the same jobber simultaneously. The power lines had to be moved as a safety precaution, at the request of the State Safety Engineer. All of the above repairs were discussed with S. Richar, Executive Officer, and it was concluded they were a necessary cost for the operation of the project.

The charges for payroll taxes and compensation insurance were verified at the rates used by the operator, which were as follows:

Payroll Tax Rates	1953	1954
Federal Old Age Benefit	1.5%	2.0%
Unemployment - California	2.7%	2.7%
Total Payroll Tax Rates	4.2%	4.7%
Compensation Insurance	7.3%	7.3%

The verification of payroll taxes disclosed an overcharge of $19.32, which has been disallowed in accordance with details heretofore described. The charge of $297.14 for liability insurance, included a deposit of $250.00 with the Zenith National Insurance Company under date of March 3, 1954. Attached to Policy No. M57797 is a rider which states that if the policy is cancelled, the Insurance Company shall retain the entire minimum premium of $250.00 In this connection the liability insurance was effective March 3, 1954 and on March 4, 1954, Howard Castle, a miner was killed. This unfortunate accident held the Insurance Company liable for death benefits under the terms of the policy, therefore under the circumstances the deposit of $250.00 has been accepted as a cost of the contract.

The accounting service charge of $160.11 covered payment to V. H. Blemberg, Public Accountant for services rendered to H. B. Smith. This covered the preparation of voucher distribution work sheet which listed name of vendor, amount and distribution of costs, also preparation of payroll work sheets, preparation of State and Federal Government forms for unemployment and social security taxes. Trips to mine to obtain information on costs and balancing revolving fund maintained at mine site.

IV. CONCLUSIONS AND RECOMMENDATIONS

The audit disclosed that all costs charged to this project, with the exception of the disallowances aggregating $5,990.55 as itemized in the preceding section of this report, are reasonable and proper under the terms of the contract.

The adjustments between "Items of Cost" which are attributable to Bennie B. Smith operations for the period August 15, 1953 to October 31, 1953 and Jones and Johnson Revised Claims covering operations for the period November 1, 1953 to March 31, 1954, together with the disallowances, and the accepted costs as disclosed by this audit are summarized in Exhibit "A" attached hereto.

This contract contained several items of cost expressly designated as "allowable maximums"; the status of these allowable maximums, after deduction of the disallowances and salvage values as heretofore discussed in Section III of this report, is summarized as follows:

	Allowable Maximum	Total Costs	Balance
Independent Contracts, including work performed by Operator	$64,996.00	$38,064.36	$26,931.64
Labor, Supervision, Consultants	3,500.00	3,500.00	-0-
Purchased Equipment	2,575.00	1,135.68	1,439.32
New Bldgs., Improvements, etc	2,000.00	1,700.00	300.00

The operator has been overpaid by the Government the sum of $3,281.97 which includes the sum of $2,250.00 representing the Government's equity of 75% in the salvage value of $3,000.00 covering materials and supplies, equipment and improvements, which have not as yet been settled by the operator. This condition is further illustrated in a statement of account as set forth below:

STATEMENT OF ACCOUNT
1953-1954, BOOK, W. VIRGIN SUPERSILVER MINE

Bennie B. Smith, Trustee

Accepted Costs as determined by Final Audit for period Aug. 15, 1953 to Oct. 31, 1953	$17,164.32
Proper Government Participation (75%)	12,873.24
Paid by Government	14,760.10
Overpaid by Government	$ 1,886.86

Jones and Johnson

Revised Claim filed for period Nov. 1, 1953 to Mar. 31, 1954	$36,164.27
Disallowed by Final Audit	1,950.33
Accepted Costs as determined by Final Audit	34,213.94
Less: Salvage Value of Project Property	3,000.00
Net Total Accepted Costs per Final Audit	31,213.94
Proper Government Participation (75%)	23,410.45
Paid by Government	21,776.70
Overpaid by Government	$ 1,633.75

Summary for Contract

Based on Accepted Costs

Accepted Costs - Bennie B. Smith	$17,164.32
Jones and Johnson	30,175.72
Total	$47,340.04
Less: Salvage Value of	
Project Property - Jones and Johnson	1,000.00
Net Total Accepted Cost	46,340.04
Proper Government Participation (75%)	35,055.03
Paid by Government	36,337.00
Overpayment	$ 1,281.97

The final determination of the accepted costs of this contract were discussed in detail with Mr. Vic Blomberg, representing Mr. Bennie B. Smith and Mr. John L. Jones, representing the partnership of Jones and Johnson, also discussions were held with Mr. S. Richter, Executive Officer, HUD Field Team, Region II.

George Mavor
George Mavor
Auditor

May 18, 1956

EXHIBIT "A"

AUDIT SUMMARY

Mm-R544

	Jones and Johnson Claim 11/1/53 to 2/28/54	Jones and Johnson Claim March 1954	Jones and Johnson Total Claims	Transactions 11/1/53 to 3/31/54 Corrected Distribution	Transactions 11/1/53 to 3/31/54 Disallowed By Audit	Transactions 11/1/53 to 3/31/54 Accepted Costs	R.B. Smith 8/15/53 to 10/31/53	Total Accepted Costs
(1) Independent Contracts								
Shaft				$11,150.00		$11,150.00	$5,550.00	$16,700.00
Crosscutting				2,100.00		2,100.00		2,100.00
Contractor	$13,251.00		$13,251.00					
(2) Labor and Supervision								
Labor				4,553.15	* (19.24)	4,572.39	645.80	5,218.19
Supervision				2,250.00		2,250.00	1,250.00	3,500.00
Supervision and Labor	6,722.39	$ 730.76	7,453.15					
(3) Operating Mat'ls and Supplies								
Timber	3,218.47		3,218.47	3,254.44		3,254.44	1,781.13	5,035.57
Pipe				1,343.22		1,343.22	453.95	1,797.17
Track				276.38		276.38	208.67	485.05
Miscellaneous				5,810.12	2,453.22	3,356.90	2,254.53	5,611.43
Fuels & Oils	253.42		253.42					
Mileage Phone & Tolls	1,342.22	345.61	1,687.83					
Electric Power	687.12	82.36	769.48					
(4) Operating Equipment								
Rental	500.00	150.00	650.00	750.00	750.00			
Purchase				2,893.75	2,787.25	106.50	2,229.18	2,335.68
Equipment & Supplies	8,439.68	165.08	8,604.76					
(6) New Bldgs., Improvements, etc.							2,000.00	2,000.00

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EXHIBIT "A"

AUDIT SUMMARY - (Cont'd)

Idm-E544

	Claim 11/1/53 to 2/28/54	Jones and Johnson Claim March 1954	Total Claims	Transactions Corrected Distribution	11/1/53 to 3/31/54 Disallowed By Audit	Accepted Costs	R.B. Smith 8/15/53 to 10/31/53	Total Accepted Costs
(7) Miscellaneous								
Repairs to Equipment				$1,507.05		$1,507.05	$ 556.69	$2,063.74
Payroll Taxes				28.16	$ 19.32	8.84	27.12	35.96
Liability Insurance				250.00		250.00	47.14	297.14
Accounting							160.11	160.11
Insurance Tax & Attorneys		$ 278.16	$ 278.16					
Totals	$34,414.30	$1,751.97	$36,166.27	$36,166.27	$5,990.55	$30,175.72	$17,164.32	$44,340.04
Less: Salvage Value of Property	3,000.00		3,000.00	3,000.00		3,000.00		3,000.00
Net Totals	$31,414.30	$1,751.97	$33,166.27	$33,166.27	$5,990.55	$27,175.72	$17,164.32	$44,340.04

* Additional cost allowed for labor

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

JUN - 1 1956

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

Re: Audit Report
James & Johnson
E-544, DMEA-2448

Dear Mr. Mayer:

Receipt is acknowledged of your Audit Certificate and Report covering the above-cited project.

The Report is acceptable and normal distribution is authorized.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

WBorovies/wb
June 1, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

Extra copy

AUDIT REPORT

I. INTRODUCTION

On March 26, 27 and 28, 1956, a final audit (covering operations for the period of August 15, 1953 to March 31, 1954) was made of the records and transactions pertaining to Exploration Project Contract No. [illegible], Docket No. [illegible], dated June 5, 1953, including Amendments Nos. 1 and 2, with:

Dennis B. Smith, Trustee for
Dennis B. Smith, Jane Harper & James F. Donnigan, Assignees
2106 Tower Petroleum Building
Dallas 1, Texas
and
John L. Jones & John E. Johnson, Assignees
166 Los Robles Drive
Burlingame, California

covering a project for the exploration of mercury, on property known as Mt. Diablo Quicksilver Mine, located in Contra Costa County, California.

This contract was prepared on a long form contract and was reimbursable on a cost basis, however, due to a misinterpretation of the contract, the sinking and crosscutting were claimed and paid on a unit rate basis from August 15, 1953 to January 31, 1954. The last voucher paid was for the month of January 1954, and the total accumulated costs reported on Form RP-104 as of January 31, 1954 were as follows:

	D. B. Smith 8-15-53 to 12-31-53	Jones & Johnson 11-1-53 to 1-31-54	Total 8-15-53 to 1-31-54
Sinking	$14,180.40	$25,815.60	$39,996.00
Crosscutting	--0--	1,780.00	1,780.00
Supervision	1,250.00	1,500.00	2,750.00
Equipment Purchased	2,250.00	--0--	2,250.00
New Bldgs., Improvements, etc.	2,000.00	--0--	2,000.00
Total Costs Claimed	$19,680.40	$29,095.60	$48,776.00
75% Paid by Government	$14,760.30	$21,776.70	$36,537.00

Due to the misunderstanding of claims being presented and paid on a unit rate basis, the Forms RP-104 did not have any cost documents attached, other than the documents required for purchased equipment, therefore in order to compute the operating costs of

this exploration project for the audit period August 15, 1953 to March 31, 1954, inclusive, including closing costs, it was necessary to obtain the supporting documents from the following sources:

For period August 15 to October 31, 1953

Bonnie B. Smith, representing assignors
Dallas, Texas
Harold Bloomberg, accountant
San Francisco, California
Vic Bloomberg, representing B. B. Smith
Concord, California

For period November 1, 1953 to March 31, 1954

Jones and Johnson, assignees
Burlingame, California

All of the cost data necessary to make the audit was assembled by this HEEA auditor in San Francisco, California, and all of the parties listed above (other than B. B. Smith) were present when required, in order to explain any questionable costs of the project. Their cooperation and assistance greatly facilitated the audit.

II GENERAL INFORMATION ON RECORDS

The operator did not maintain any general ledger to record the project costs, however, work sheets were available, which recorded the cash disbursements and showed the name of vendor, date of invoice, amount and material description. These work sheets were used as a basis to perform the audit and the operator furnished original invoices or certified copies of invoices in order to support the costs properly chargeable to the project. Extracts of payrolls were prepared on work sheets and certified to by the operator. The operator also furnished consolidated bank checks, which were verified to the cash disbursement work sheets and to payroll summaries.

III SCOPE OF AUDIT

The first interim audit was made for the period August 15, 1953 to February 28, 1954, and Audit Report issued June 7, 1954. This final audit covered a complete review of all costs reimbursable under the terms of the contract, for the period August 15, 1953 to March 31, 1954, inclusive, including closing costs. This complete review was necessitated by revised claim submitted by Jones and Johnson with their letter dated February 21, 1956 to Mr. C. O. Mittendorf, administrator. The source of costs on which the final audit is based can be identified as follows:

Ronnie R. Smith 8-15-53 to 10-31-53		
Costs determined by 1st Interim Audit Report		$17,164.32
Jones and Johnson - Revised Claim		
as set forth in the following Schedules		
Schedules 1 to 6 Incln. 11-1-53 to 8-28-54	$34,414.90	
Schedules 1 & 2 - Month of March 1954	1,771.27	
Total Revised Claim	$36,186.17	
Less: Audit Disallowances	1,886.55	34,299.62
Total Accepted Costs		$51,463.94
Less: Salvage value of Project Property		3,000.00
Net Total Accepted Cost		$48,463.94

The salvage value of Project Property in amount of $3,000.00 as set forth in the above summary was in accordance with statement made in letter dated June 24, 1953 from Mr. John L. Jones to Acting Assistant Solicitor that "The sale price should be about $3,000.00", and in letter dated February 13, 1954 from Mr. C. O. Mittendorf, Administrator to Mr. John L. Jones the amount of $3,000.00 was agreed to as being reasonable and the Administrator demanded payment of $2,250.00, representing the Government's 75% equity in the salvage value of $3,000.00. The salvage value of $3,000.00 has not as yet been settled by Mr. John L. Jones, however for audit report purposes, the salvage value has been applied to the following cost items on an estimated basis.

Item (3) Operating Materials and Supplies	$1,500.00
Item (4) Operating Equipment	1,400.00
Item (6) New Bldgs., Improvements, etc.	100.00
Total Salvage Value of Project Property	$3,000.00

The above salvage value of $3,000.00, has been deducted from the "Items of Cost", in order to properly account for all existing items, which effect the final audit of this contract. The operator did not prepare an inventory of materials and equipment, however on the basis of available information the estimated amount of $3,000.00 is considered reasonable.

The above net total accepted cost in amount of $48,463.94 is reflected in detail in the narrative of this report. Also a statement of account with the operator is shown under Section IV, Conclusions of this report.

The audit consisted of a complete analysis of all expenditures in order to ascertain the accuracy, propriety and validity of the costs, properly chargeable and reimbursable under the terms of the contract. For audit report purposes the costs have been distributed between R. R. Smith for the period August 15, 1953 to October 31, 1953, and

Jones and Johnson for the period November 1, 1953 to March 31, 1954, including closing costs. The extent of the audit and findings under each of the "Items of Cost" follows:

(1) Independent Contracts $18,800.00

A signed agreement was in effect between the operator and Castle and Brunner, who performed the following work on a footage basis.

	R. B. Smith	Jones & Johnson	Total
Sinking Shaft 111' at $50.00	$5,550.00	$	$5,550.00
Sinking Shaft 213' at $50.00		10,650.00	10,650.00
Haulage Cable Works from Shaft		500.00	500.00
Overcutting 188' at $27.50		2,100.00	2,100.00
Total Independent Contracts	$5,550.00	$13,250.00	$18,800.00

There were four to five men employed on the above work and the agreement stipulated that the independent contractors would furnish their own explosives and small hand tools and also pay their own payroll taxes and compensation insurance. During the course of the audit cancelled bank checks were examined covering payments made to the independent contractors, and the costs did not exceed the "allowable maximum" as set forth in Exhibit "A" of the contract.

(2) Labor and Supervision $8,718.19

The payroll records for the period August 15, 1953 to March 31, 1954 were examined, together with cancelled payroll checks. The charges under this category are summarized as follows:

	R. B. Smith	Jones & Johnson	Total
Labor Claimed	$ 645.80	$4,553.15	$5,198.95
Add: Add'l Labor Allowed		19.24	19.24
Total Labor Allowed	$ 645.80	$4,572.39	$5,218.19
Supervision	1,050.00	2,450.00	3,500.00
Total Labor & Supervision	$1,695.80	$6,022.39	$8,718.19

The additional labor allowed Jones and Johnson in amount of $19.24 as shown above, was due to listing the net amount of the employees checks instead of the gross amount on Schedule No. 1 of their March 1954 claim and accounted for as follows:

March 1954 Schedule No. 1	Net	Gross	Add'l Amt. Allowed
Line 6 Howard Castle	$40.72	$46.00	$ 5.28
Line 7 Melvin Brunner	40.36	48.00	7.64
Line 8 George Bartone	43.02	46.00	2.98
Line 9 Hunter Huntley	21.36	24.00	2.64
Line 10 Guy Castle	23.88	24.00	.12
Totals	$169.76	$188.00	$19.24

The contract did not specify any labor rates, however, the hourly rates were $2.00 an hour and time and one-half for overtime. The labor cost for sinking 6 feet of shaft is included in the labor charge, also the following labor charges claimed by Jones and Johnson, Co-Partners:

John L. Jones 59 da.(12 hr. da.) at $24.00	$1,416.00
John E. Johnson 85 da. (12 hr. da.) at $24.00	2,040.00
Total	$3,456.00

Both of the partners had quarters at the mine and a time record was maintained of the hours worked. John L. Jones worked underground, also performed electrical work and administrative duties. John E. Johnson worked underground and drove truck when obtaining material for project. The question of allowing the labor charges for partners was discussed with E. Richer, Executive Officer, and he was of the opinion that the charge was reasonable and just, and should be accepted as an allowable cost of the contract.

The technical service charge of $3,500.00 was paid to C. H. Schaette for consultation service at the rate of $500.00 per month from August 15, 1953 to March 15, 1954, or a period of 7 months. The payment was in accordance with the terms of the contract and did not exceed the "allowable maximum" of $3,500.00

(3) Operating Materials and Supplies $11,489.29

A complete examination was made of invoices charged to this category, which included the verification of footings and extensions, together with examination of cancelled bank checks. The project did not maintain any stores account, and all purchases were charged to the cost of the project. The type of material purchased and the items disallowed can be identified in the following summary:

	L. B. Smith	Jones & Johnson	Jones & Johnson Miscellaneous	Net Total
Timber	$1,781.13	$3,254.44		$5,035.57
Pipe	453.95	1,343.22		1,797.17
Truck	208.67	276.28		484.95
Sub-Total	$2,443.75	$4,874.04	- 0 -	$7,317.79
Miscellaneous				
Power - Electricity	121.87	769.48	895.50	995.25
Ventube	105.75	320.85		426.60
Gas, Diesel & Lub. Oils	133.87	252.28		386.15
1 Bin Set	90.75			90.75
Rer Steel	303.56	50.64		354.20
Concrete Mix	174.89			174.89
Drill Steel	53.10			53.10
Electric Switches	37.50			37.50

Oxygen & acetylene	22.78	33.51	15.54	40.75
1000' Bonnet Wire		67.30		67.30
Hanging Rods		153.08		153.08
350' Electric Cable		216.30		216.30
2 Stainless Steel Valves		224.50		224.50
Shovels, Picks, Nails, etc.	382.66	801.58	42.59	1,141.65
Freight	89.60			89.60
Hauling Material	730.00	1,680.60	869.59	1,369.01
Material Inventory				
Purchased from R.B. Smith		1,250.00	1,250.00	
Total Misc. Material	$2,274.33	$7,[illegible]	$[illegible]	$7,[illegible]
Total Material & Supplies	4,698.83	10,684.16	2,453.82	12,[illegible]
Less: Salvage Value		1,500.00		1,500.00
Net Cost Mat'l & Supplies	$4,698.83	$ 9,184.16	$2,453.82	$11,[illegible]

The salvage value of $1,500.00 set forth above, was an estimated amount for material and supplies on hand after completion of contract, and more fully described under Section XII - Scope of Audit in the narrative of this report. The operator did not take an inventory, however the estimated salvage value of $1,500.00 is considered reasonable.

The above disallowances in amount of $2,453.82 are detailed below, together with reason for disallowance and reference to Jones and Johnson schedule number of their final claim.

Power - Electricity

Electricity consumed in cottages occupied by tenants, should be refunded to operator, due to electricity consumed after mining operations ceased.

Schedules - Period Ending February 28, 1954

Page 2, Line 29, Ck. No. 109	Pac. Gas & Elec. Co.	$ 32.08	
Page 3, Line 1, Ck. No. 112	Pac. Gas & Elec. Co.	39.38	
Page 3, Line 2, Ck. No. 113	Pac. Gas & Elec. Co.	[illegible]	
		$[illegible]	
Add: Elec. Power refunds by employees for 4 mos. ending Feb. 28, 1954 not included by operator		132.00	$[illegible]

Oxygen & Acetylene

Demurrage charges on one oxygen tank and one acetylene tank, that should have been returned after mining operations ceased.

Schedules - Period Ending February 28, 1954

Page 2, Line 30, Ck. No. 111 Balsam Bros.	$3.46	
Page 3, Line 3, Ck. No. 114 Balsam Bros.	3.40	
Page 3, Line 5, Ck. No. 116 Balsam Bros.	6.08	$13.94

Shovels, Picks, Nails & Misc.

Errors and adjustments in operator's schedules for period ending February 28, 1954.

	Listed As	Should Be	Difference
Page 1, Line 25, Ck. No. 24 Castle & Brunner	$1,742.50	$1,742.50	$1.00
Page 1, Total of Lumber & Timber	513.50	516.50	3.00
Page 1, Total of Equip. & Supplies			
Incorrectly carried forward to summary page 4			
Page 1-A, Total Labor	1,982.74	1,982.94	(.20)
Page 1-A, Total Equipment & Supplies	563.85	563.85	2.00
Page 2, Line 1, Ck. No. 68 Johns Manville	2,764.47	2,746.47	18.00
Page 3, Total of Fuel Oil	46.86	46.68	.18
Page 4, Total Equipment & Supplies	9.30	9.60	(.30)
Page 5, Line 3, Cash to Socket Shop	1,387.92	1,389.92	(2.00)
Page 5, Line 10, Cash to Ansul Service (Invoice Missing - Misclosed)	7.40	7.04	.36
Page 5, Line 13, Cash to Nimble Service Co. (Invoice Missing - Misclosed)	1.73		1.73
Add: Cash purchase not listed by operator Petroleum Products Co. 1/9/54 Inv. A033773 7 Gal. Gas	1.00		1.00
Net Errors & Adjustments - Misclosed	———	1.68	(1.68)
Page 1, Line 10, Printing name on check books			[illegible]
			4.85

Schedules - March 1954

Page 1, Line 18, Burgunto Florist Co. - Flowers	15.45
Total Misclosures - Shovels, Picks, Nails & Misc.	$48.99

Hauling Material

Excessive auto and truck mileage rates and expense, not in accordance with rates and expense discussed with and agreed to Mr. J. L. Jones.

Schedules Period Ending February 28, 1954

Page 5, Line 17, Automobile Mileage at $.12	$312.84
Page 5, Line 18, Station Wagon Hauling at $.12	539.04
Page 5, Line 19, Auto Toll Bridge	9.15
Page 5, Line 20, Station Wagon Tolls	14.10
Page 5, Line 21, Total Phone Bills	45.87
	$919.00

Less: Amount agreed to by J. L. Jones, as per page 4 of Audit Report 2/28/54

Jones personal car 4,492 mi. at $.05	$224.60		
Johnson personal car 2,602 mi. at $.05	130.10		
Bay Bridge toll charges	21.00		
Telephone - re material	45.17	420.87	496.93
Page 3, Line 23, Big Truck Mileage at $.15		273.65	
Less: Allowed 1,824 miles at $.07		127.68	145.98

Schedules - March 1954

Page 2, Line 3, Bridge Tolls		6.05	
Page 2, Line 4, Mileage Expense $.12		212.80	
		218.85	
Less: Amount agreed to by J. L. Jones, as per March 1954 - MP-104 Voucher			
Automobile Tolls	1.25		
Station Wagon Tolls	4.30		
Jones personal car 1,197 mi. at $.05	59.85		
Johnson personal car 411 mi. at $.05	20.55	85.95	132.90
Page 2, Line 6 Big Truck Mileage at $.15		97.80	
Less: Allowed 648 miles at $.07		45.36	51.84
Total Disallowances - Hauling Material			$365.55

Material Inventory Purchased
By Jones and Johnson from R. B. Smith
Schedules Period Ending Feb. 28, 1954

Page 1-A, Line 17, February 8, 1954 check No. 46 represents amount paid by Jones and Johnson to R. B. Smith for material when contract was assigned. As this material has already been included in the material costs applicable to R. B. Smith, the allowance of this item would result in a duplication of costs.	1,250.00
Total Materials and Supplies - Disallowed	$2,453.88

Included in the above summary of materials and supplies are such items as concrete mix, hanging rods and rewire wire which were used in connection with shaft sinking and underground work. Also due to water having excessive corrosion effect on equipment, it was necessary to purchase the stainless steel valves.

The power charge of $595.85 covered the cost of power used in operating hoist, power saws and lights. The green charge for power amounted to $365.28 of which a credit of $270.03 was applied covering refund of electricity used in cottages situated in mine area. The average rate of electricity consumed was $.089 per KWH. The gasoline, diesel and lubricating oil charge of $386.15 represented gasoline used in tractor and starting compressor. The allowable hauling material charges of $1,569.81 are comprised of the following items:

Paid by Bennie B. Smith		
To Vic Blomberg, Aug. Sept. & Oct. 1953		
Rent of truck 68 dn. at $6.50	$ 442.00	
Operating truck 2,040 mi. at $.07	142.80	
Personal car 2,000 mi. at $.05	100.00	
Other expenses obtaining material	52.00	$ 736.80
Charges by Jones & Johnson Nov 1953 to Mar 1954		
Jones personal car 5,089 mi. at $.05	$ 254.45	
Johnson personal car 3,013 mi. at $.05	150.65	
1950 International Truck 2,472 mi. at $.07	173.04	
Bay Bridge Tolls	26.95	
Telephone - re material	72.93	
Johnson - hotel and meals, on road purchasing material	143.39	831.01
Total Hauling Cost		$1,569.81

The contract stated that the operator would furnish three Sterling Trucks and one Dodge Pickup Truck at no cost to the project. Upon investigating it was found the trucks were never used, for the reason they were 12 yard dump trucks for hauling ore and not suitable for hauling material. The pickup truck was a 1944 army jeep with box fitted to hold material, and operated with a four wheel drive. This pickup truck had no license or insurance, and could not be operated on highway, and was used most of the time hauling framed timbers from lumber shed to head of shaft and also hauling 50 gallon barrels of diesel oil from storage tank to diesel compressor.

Due to the lack of equipment to obtain and haul material, it was necessary for the operator to use the trucks and automobiles listed in the above summary and a rate of $.07 a mile for trucks and $.05 per mile for private automobiles was allowed, excluding the cost of depreciation which was estimated at $.03 per mile for trucks, and $.02 per mile for automobiles. All of the above hauling costs amounting to $1,569.81 represented the cost of hauling material and traveling to other mine sites and locations to obtain materials at a lower cost. In discussing this haulage cost with S. Richer, Executive Officer, he was of the opinion that the costs were reasonable and necessary and should be an acceptable part of the project.

(4) **Operating Equipment** **$1,135.68**

All charges for operating equipment were verified to purchase invoices, cancelled bank checks, and items specified in contract. The equipment purchased and rented, together with the items disallowed can be identified as follows:

	R. B. Smith	Jones & Johnson	Jones & Johnson Disallowances	Net Total
Equipment Rentals	-0-	$ 750.00	$ 750.00	-0-
Equipment Purchased	$8,889.18	2,[illegible].75	2,787.85	$8,335.68
Total Operating Equipment	$8,889.18	$3,[illegible].75	$3,537.85	$8,335.68
Less: Salvage Value	-0-	1,800.00	-0-	1,800.00
Net Cost Operating Equip.	$8,889.18	$2,[illegible].75	$3,537.85	$6,535.68

The salvage value of $1,800.00 set forth above, was an estimated amount for equipment purchased and remaining on hand after completion of contract, and described under Section III Scope of Audit in the Narrative of this report. The equipment subject to salvage is listed in detail at the end of this category.

The above disallowances in amount of $3,537.85 are detailed below, together with reason for disallowance and reference to Jones and Johnson schedule number of their final claim.

Equipment Rentals

Rental of Equipment is not specified in contract, therefore all rental of equipment costs, are disallowed.

Schedules - Period Ending Feb. 28, 1954

Page 2, Line 5, Ck. No. 66 E. E. Haley		
Rental Mucking Machine	$ 100.00	
Page 4, Line 11. Cash paid ($306.00) The Hot Mill		
Rental Mucking Machine	100.00	
Page 5, Line 22, No supporting invoice		
Rental Compressor	400.00	$ 600.00

Schedules March 1954

Page 1, Line 1, Pacific Mining Co.		
Rental of Pump	$ 120.00	
Page 1, Line 3, C. J. Kalsmeiler		
Rental of Cable	15.00	
Page 1, Line 4, C. J. Kalsmeiler		
Rental of Cable	15.00	150.00
Total Equipment Rentals - Disallowed		$ 750.00

Equipment Purchased

The following Equipment Purchased was not authorized by contract, therefore the items listed hereunder have been disallowed.

Schedules - Period Ending Feb. 28, 1954

Page 1, Line 9, Ck No. 9, Keystone Machinery Co.		
"Blower"	$ 90.56	
Page 1, Line 21, Ck. No. 20, Bearing Engineering Co.		
"Blower Pulley"	8.93	
Page 2, Line 2, Ck. No. 31, Circle Freight Co.		
"Freight on Blower"	1.92	$ 101.41

Page 1, Line 27, Ck. No. 26 ($813.47) E. T. Neil		
"Stilson"		$ 231.97
Page 1-A, Line 20, Ck. No. 49, B. F. McDonald		
"Testing Gas Equipment"	$ 164.00	
Page 2, Line 9, Ck. No. 70, B. F. McDonald		
"Testing Gas Equipment"	237.70	401.70
Page 4, Line 4, Ck. No. 4, Eglin Army Store		
"Army Stretcher"		10.87
Page 1, Line 17, Ck. No. 16, Entlinee Co.		
"Used Water Heater"		10.30
Page 4, Line 11, Cash Paid ($206.00) The Hot Mill		
"1 Hoist Cage"		206.00
Page 4, Line 29, Cash Paid ($740.94) New Penn Mines Inc.		
"3 Used Mine Cars"		225.00
Page 5, Line 27, "Mucking Machine" purchased from The Hot Mill Operator paid $800.00 on a/c and 1 old truck valued at $250.00.		
Mucking Machine is under water in mine		1,200.00
Page 1-A, Line 9, Ck. No. 38 Northam Bradley		
"1 Used Water Pump"		400.00
Total Equipment Purchased - Disallowed		[illegible]
Total Operating Equipment - Disallowed		[illegible]

The final acceptable cost of operating equipment in amount of $1,135.68 is made up of the following items:

	E. B. Smith	Jones & Johnson	Total
1-50 HP Hoist, Motor & Starter	$2,[illegible]	$ [illegible]	$2,[illegible].00
1-60" Sheave	60.00	---	60.00
750' - 5/8" Hoisting Cable	160.68	---	160.68
Total	$2,[illegible].18	$ [illegible]	$2,[illegible]
Less: Salvage Value	-0-	1,[illegible].00	1,[illegible].00
Net Cost Operating Equip.	$2,[illegible].18	($1,[illegible].50)	$1,[illegible]

In the above summary it will be noted that the salvage value of $1,800.00 has been applied against Jones and Johnson with a resultant credit of $1,093.50. This is due to the necessity of maintaining the correct distribution of costs between E. B. Smith and Jones and Johnson, also the fact that Jones and Johnson are at present responsible for the disposal of the equipment.

The Contract called for the purchase of a 50 HP hoist with motor. This motor was purchased and subsequently burned out, and was replaced with a 60 HP motor, see comments under Item (7) Miscellaneous, regarding repairs to hoist motor.

The contract called for the purchase of 1-36" sheave, whereas the operator purchased a 60" sheave which could be used for better operations.

The equipment purchased did not exceed the allowable "maximum" of $2,375.00 as set forth in Exhibit "A" of the contract.

(6) New Bldgs., Improvements, etc. $1,700.00

A review of the costs under this category were identified as follows:

	R. B. Smith	Jones & Johnson	Total
New Bldgs., Improvements, etc.	$2,000.00	-0-	$2,000.00
Less: Salvage Value		($300.00)	($300.00)
Net Cost New Bldgs, Improv. etc.	$2,000.00	($300.00)	$1,700.00

The salvage value of $300.00 set forth above, was an estimated amount, as described in Section III Scope of Audit in the Narrative of this report. The salvage value of $300.00 has been applied against Jones and Johnson with a resultant credit of $300.00. This is due to the necessity of maintaining the correct distribution of costs between R. B. Smith and Jones and Johnson, also the fact that Jones and Johnson are at present responsible for the disposal of property.

The charges were applicable to hoistroom and headframe and comprised the following items:

Labor	$1,813.33
Material	1,063.16
F/R Taxes	50.96
Comp. Insurance	88.37
Total	$3,016.02
Less: Costs not claimed by operator	416.02
Allowable Maximum	$2,600.00
Less: Salvage Value	300.00
Net Cost New Bldgs, Improv. etc	$1,700.00

The above "allowable maximum" of $2,000.00 was in agreement with the amount shown in the contract. The payroll taxes and compensation insurance have been included in the net cost, in accordance with contract terms. The labor charges were paid by the operator at $2.00 per hour and the material included such items as timber, track and concrete mix etc. All payroll charges, invoices and cancelled bank checks were examined during the course of the audit.

(7) Miscellaneous $2,356.95

The audit of miscellaneous charges, included an examination of invoices and cancelled bank checks. The charges under this category can be identified as follows:

	R. B. Smith	Jones & Johnson	Jones & Johnson Disallowances	Net Total
Repairs to Equipment	$ 996.69	$1,997.05		$2,063.74
Payroll Taxes	27.12	28.16	$ 19.32	35.96
Liability Insurance	47.14	250.00		297.14
Accounting Services	160.11	-0-		160.11
Total Miscellaneous	$ 1,231.06	$2,275.21	$ 19.32	$2,556.95

The above disallowance in amount of $19.32 is described below, together with reason for disallowance and reference to Jones and Johnson schedule number of their final claim.

Payroll Taxes

The payroll taxes claimed were not in agreement with the payroll tax computations on actual payroll payments for March 1954.

Schedule - March 1954

Page 1, Line 14, California Employment Dept.	6.96	
Page 1, Line 19, U.S. Treasury Dept.	21.20	$ 28.16
Less: P/R Taxes on actual P/R for March 1954		
Labor $188.60 Unemployment Tax at 2.7%	5.08	
Labor $188.60 Social Security Tax at 2.0%	3.76	8.84
Total Miscellaneous - Disallowance		$ 19.32

The repairs to equipment charge of $2,063.74 was made up of the following items:

	R. B. Smith	Jones & Johnson	Total
Repairs to:			
Compressor	-0-	$ 54.03	$ 54.03
Hoist	-0-	85.55	85.55
Rock Drill	$ 56.69	6.93	63.62
Truck	-0-	27.09	27.09
Service and replacement of hoist motor	350.00	-0-	350.00
Moving power line, changing size of wire and install switch boxes for hoist	150.00	584.75	734.75
Replacement costs of hoist motor burned out	-0-	748.70	748.70
Total Repairs to Equipment	$ 996.69	$1,997.05	$2,063.74

During operations the 50 HP hoist motor burned out and in order to avoid a shut down a new hoist motor was loaned pending survey of repair costs to original motor. The service charge for this transaction was $350.00 as listed above. After survey of burned out motor, it was estimated the rewinding job would run about $1,800.00 and as the operator was able to obtain a 60 HP motor for an additional amount of $748.70, which was considerably less than repairing the original motor, the additional cost of $748.70 listed above was considered a repair item. The moving of power lines and installing switch boxes for hoist at a cost of

$734.75, as listed above, was performed by the same jobber simultaneously. The power lines had to be moved as a safety precaution, at the request of the State Safety Engineer. All of the above expense were discussed with S. Richer, Executive Officer, and it was concluded they were a necessary cost for the operation of the project.

The charges for payroll taxes and compensation insurance were verified at the rates used by the operator, which were as follows:

Payroll Tax Rates	1953	1954
Federal Old Age Benefit	1.5%	2.0%
Unemployment - California	2.7%	2.7%
Total Payroll Tax Rates	4.2%	4.7%
Compensation Insurance	7.3%	7.3%

The verification of payroll taxes disclosed an overcharge of $19.38, which has been disallowed in accordance with details heretofore described. The charge of $897.14 for liability insurance, included a deposit of $250.00 with the Zenith National Insurance Company under date of March 3, 1954. Attached to Policy No. XS7197 is a rider which states that if the policy is cancelled, the Insurance Company shall retain the entire minimum premium of $250.00 In this connection the liability insurance was effective March 3, 1954 and on March 4, 1954, Howard Curtis, a miner was killed. This unfortunate accident held the Insurance Company liable for death benefits under the terms of the policy, therefore under the circumstances the deposit of $250.00 has been accepted as a cost of the contract.

The accounting service charge of $160.11 covered payment to V. K. Blackburn, Public Accountant for services rendered to R. B. Smith. This covered the preparation of voucher distribution work sheet which listed name of vendor, amount and distribution of costs, also preparation of payroll work sheets, preparation of State and Federal Government forms for unemployment and social security taxes. Trips to mine to obtain information on costs and balancing revolving fund maintained at mine site.

IV. CONCLUSIONS AND RECOMMENDATIONS

The audit disclosed that all costs charged to this project, with the exception of the disallowances aggregating $5,990.53 as itemized in the preceding section of this report, are reasonable and proper under the terms of the contract.

The adjustments between "Items of Cost" which are attributable to Ronnie B. Smith operations for the period August 15, 1953 to October 31, 1953 and Jones and Johnson Revised Claim covering operations for the period November 1, 1953 to March 31, 1954, together with the disallowances, and the accepted costs as disclosed by this audit are summarized in Exhibit "A" attached hereto.

This contract contained several items of cost expressly designated as "allowable maximum"; the status of these allowable maximum, after deduction of the disallowances and salvage values as heretofore discussed in Section III of this report, is summarized as follows:

	Allowable Maximum	Total Costs	Balance
Independent Contracts, including work performed by Operator	$64,996.00	$38,034.36	$26,961.64
Labor, Supervision, Consultants	3,500.00	3,500.00	-0-
Purchased Equipment	2,575.00	1,135.68	1,439.32
New Bldgs., Improvements, etc	2,000.00	1,700.00	300.00

The operator has been overpaid by the Government the sum of $3,261.97 which includes the sum of $2,890.00 representing the Government's equity of 75% in the salvage value of $3,000.00 covering materials and supplies, equipment and improvements, which have not as yet been settled by the operator. This conditions further illustrated in a statement of account as set forth below:

STATEMENT OF ACCOUNT
1954-1944, NMA, BY, HARLO QUICKSILVER MINE

Ronnie B. Smith, Trustee

Accepted Costs as determined by Final Audit for period Aug. 15, 1953 to Oct. 31, 1953	$17,164.38
Proper Government Participation (75%)	12,873.24
Paid by Government	14,760.30
Overpaid by Government	$ 1,887.06

Jones and Johnson

Revised Claim filed for period Nov. 1, 1953 to Mar. 31, 1954	$36,166.87
Disallowed by Final Audit	5,990.55
Accepted Costs as determined by Final Audit	30,175.72
Less: Salvage Value of Project Property	3,000.00
Net Total Accepted Costs per Final Audit	27,175.72
Proper Government Participation (75%)	20,381.79
Paid by Government	21,776.70
Overpaid by Government	$ 1,394.91

Summary for Contract

Based on Accepted Costs

Accepted Costs - Bennie B. Smith	$17,164.38
Jones and Johnson	30,175.72
Total	$47,340.04
Less: Salvage Value of	
Project Property - Jones and Johnson	1,000.00
Net Total Accepted Cost	$46,340.04
Proper Government Participation (75%)	34,755.03
Paid by Government	38,117.00
Overpayment	$ 3,361.97

The final determination of the accepted costs of this contract were discussed in detail with Mr. Vic Blumberg, representing Mr. Bennie B. Smith and Mr. John L. Jones, representing the partnership of Jones and Johnson, also discussions were held with Mr. S. Richer, Executive Officer, HHFA Field Team, Region II.

George Mavor

George Mavor
Auditor

May 18, 1956

EXHIBIT "A"

AUDIT SUMMARY

Idn-2544

	Jones and Johnson Claim 11/1/53 to 2/28/54	Jones and Johnson Claim March 1954	Jones and Johnson Total Claims	Transactions 11/1/53 to 3/31/54 Corrected Distribution	Transactions 11/1/53 to 3/31/54 Disallowed By Audit	Transactions 11/1/53 to 3/31/54 Accepted Costs	R.B. Smith 8/15/53 to 10/31/53	Total Accepted Costs
(1) Independent Contracts								
Shaft				$11,150.00		$11,150.00	$5,550.00	$16,700.00
Crosscutting				2,100.00		2,100.00		2,100.00
Contractor	$13,251.00		$13,251.00					
(2) Labor and Supervision								
Labor				4,553.15	* (19.24)	4,572.39	645.80	5,218.19
Supervision				2,250.00		2,250.00	1,250.00	3,500.00
Supervision and Labor	6,722.39	$ 730.76	7,453.15					
(3) Operating Mat'ls and Supplies								
Timber	3,218.47		3,218.47	3,254.44		3,254.44	1,781.13	5,035.57
Pipe				1,343.22		1,343.22	453.95	1,797.17
Track				276.38		276.38	208.67	485.05
Miscellaneous				5,810.12	2,453.22	3,356.90	2,254.53	5,611.43
Fuels & Oils	253.42		253.42					
Mileage Phone & Tolls	1,342.22	345.61	1,687.83					
Electric Power	687.12	82.36	769.48					
(4) Operating Equipment								
Rental	500.00	150.00	650.00	750.00	750.00			
Purchase				2,893.75	2,787.25	106.50	2,229.18	2,335.68
Equipment & Supplies	8,439.68	165.08	8,604.76					
(6) New Bldgs., Improvements, etc.							2,000.00	2,000.00

EXHIBIT "A" — AUDIT REPORT - (Cont'd) — Jan-1954

	Claim 11/1/53 to 2/28/54	Jones and Johnson Claim March 1954	Jones and Johnson Total Claims	Transactions Corrected Distribution	11/1/53 to 3/31/54 Disallowed By Audit	11/1/53 to 3/31/54 Accepted Costs	R.R. Smith 8/25/53 to 10/31/53	Total Accepted Costs
(7) Miscellaneous								
Repairs to Equipment				$1,507.05		$1,507.05	$ 556.69	$2,063.74
Payroll Taxes				28.16	$ 19.32	8.84	27.12	35.96
Liability Insurance				250.00		250.00	47.14	297.14
Accounting							160.11	160.11
Insurance Tax & Attorneys		$ 278.16	$ 278.16					
Totals	$36,414.36	$1,751.97	$36,166.27	$36,166.27	$5,990.55	$30,175.72	$17,164.38	$47,340.06
Less: Salvage Value of Property	3,000.00		3,000.00	3,000.00		3,000.00		3,000.00
Net Totals	$33,414.36	$1,751.97	$33,166.27	$33,166.27	$5,990.55	$27,175.72	$17,164.38	$44,340.06

* Additional cost allowed for labor

to be in order, however, and it is suggested that the salvage value be deducted from the total accepted cost to arrive at a net total accepted cost. (See the Report of Review on United Minerals Corp., Idm-2302, DMEA-1948, as an example of this treatment.)

Another statement in your letter which is not understood is:

> There will be no disallowances shown for R. B. Smith portion of costs ***." (Underscoring supplied.)

The statements of account furnished the Operators with the Administrator's letters of July 14, 1955, and February 13, 1956, specifically indicated a disallowance of $2,516.08 against R. B. Smith. Such disallowance was premised on the difference between the amount claimed ($19,680.40) on a unit cost basis by R. B. Smith's forms MF-104 through October 31, 1953, and the amount ($17,164.32) allowed on an actual cost basis by your interim audit. To my knowledge there has been no change in the portion of your audit findings pertaining to R. B. Smith's claims. I presume, therefore, that your statement means there will be no disallowance against the actual cost built up by you during the audit of R. B. Smith's records.

In preparing the Audit Certificate please correct the introduction to read:

"I have examined the records and transactions of:

Ronnie B. Smith, Trustee for
Ronnie B. Smith, Jene Harper & James F. Dunnigan, Assignors
2106 Tower Petroleum Building
Dallas 1, Texas

and

John L. Jonas & John E. Johnson, Assignees
166 Los Robles Drive
Burlingame, California"

The Operators' names and addresses should be shown in a like manner in the introductory paragraph of the Audit Report.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
April 13, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

MEMO

San Francisco, Cal.
April 10, 1956

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

RE: Adm-E 544, DMEA-2448
Jonas & Johnson
Mt. Diablo
Quicksilver Mine

RECEIVED
APR 12 1956

Dear Mr. Chambers:

Reference is made to your letter dated April 4, 1956, in connection with preparation of Final Audit Report for subject contract.

Your instructions will be carried out, and I am sorry I was unable to write the report before going on annual leave, however I have accomplished a certain amount of the work required, by starting out with the cost of the contract as per schedule recently submitted by John L. Jonas, making a redistribution of costs, less disallowances and winding up with the allowable cost of the contract, which will include Ronnie R. Smiths costs. All items of cost will be listed in the audit report as follows:

	R. B. Smith	Jonas & Johnson	Total
(2) Labor and Supervision			
Labor	$ 645.80	$4,572.39	$5,218.19
Supervision	1,250.00	2,250.00	3,500.00
Total Labor and Supervision	$1,895.80	$6,822.39	$8,718.19

The material and equipment salvage value of $3,000.00 will not be deducted from final cost of contract but will be reflected and discussed in the report with appropriate references as you suggest.

Ronnie R. Smith costs aggregating $17,164.31 were costs built up by myself, similar to the procedure I used when constructing Jonas and Johnson costs. There will be no disallowances shown for R. R. Smith portion of costs and all the disallowances reflected in my reconciliation of Jonas and Johnson will be applicable only to the Jonas and Johnson portion of the total contract costs.

I sent Norman E. Spray, Accountant for R. R. Smith a complete set of my audit work papers in detail and I have not heard anything from either N. E. Spray or R. R. Smith whereby they disagreed with the costs attributable to R. R. Smith.

I will complete the audit report within a few days after I return from annual leave.

Sincerely yours

George Mavor
Auditor

NORMAN E. SPRAY
CERTIFIED PUBLIC ACCOUNTANT
NATIONAL CITY BUILDING
DALLAS, TEXAS

RANDOLPH 5520

RECEIVED
APR 9 - 1956

April 5, 1956

Mr. George Mavor, Auditor
U. S. Department of the Interior
420 Custom House
555 Battery Street
San Francisco, California

Re: Idm-E544, DMEA-2448
Jonas and Johnson
Assignees
for Ronnie B. Smith
Mt. Diablo Mine

Dear Mr. Mavor:

This reply to your letter of March 13, relative to the subject contract, has been delayed due to an extended absence from the city on business. I just this morning had the benefit of a conversation with Mr. Smith, wherein he advised me that your workpapers, together with mine, have been turned over to an appropriate official in Washington for clarification. This clarification is not based on either of our workpapers so much as it is on the interpretation Mr. Smith originally put on the contract at the time it was executed.

Mr. Smith understands if and when this interpretation is settled that you will probably be advised through the necessary governmental channels. Mr. Smith wanted me to also thank you for your past cooperation in furnishing all information requested of you.

Sincerely yours,

Norman E. Spray

Norman E. Spray

mc

Martin advises that Senator Johnson's office called him in regard to this matter on 3/19/56.

cc: 400

4/9/56

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

APR 4 1956

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

Re: Idm-2544, DMEA-2445
Jones and Johnson
Mt. Diablo
Quicksilver Mine

Dear Mr. Mayer:

Receipt is acknowledged of your letter of March 30, 1956, enclosing copies of your letter of March 30, 1956, to Mr. Jones and the three schedules resulting from your recendit of the assignee's operations under the referenced contract. The enclosures indicate a job well done.

In the last paragraph of your letter advice is requested relative to the preparation of a Report of Review, in lieu of a final audit, as was suggested by my letter of October 22, 1954. In view of the developments in this case since 1954 and the fact that the entire matter possibly may result in litigation, it appears that a final Audit Report and Certificate would be preferable to a Report of Review.

The final audit report should be premised on the findings of your interim audit report with regard to the costs claimed by the assignor and the findings of your recent recendit with regard to the costs claimed by the assignee. It is not necessary for Mr. Jones to file a supplemental MF-104 as the costs claimed on the two work sheets submitted to the Administrator with his letter of February 21, 1956, may be accepted as his final claim.

With regard to the salvage value of project property Mr. Jones stated in a letter dated June 24, 1955, addressed to the Acting Assistant Solicitor that "The sale price should be about $3,000" and the Administrator in a letter to Mr. Jones under date of February 13, 1956, demanded that he pay "$2,250 as the Government's 75% interest in the aforementioned salvage value of $3,000.00". (See sections III and IV of the February 13, 1956, letter, a copy of which was enclosed with my March 2, 1956, letter to you.) Accordingly, your final audit report should reference this correspondence in discussing the property disposal and the audit findings should reflect the $3,000 salvage value.

It also is suggested that a summary similar to the "Revised Statement of Account" enclosed with the Administrator's February 13 letter be included in Section IV, Conclusions, of your audit report.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
April 3, 1956

Copy to: Docket
Admr. Reading File
Mr. Chambers

C
O
P
Y

March 29, 1956.
166 Los Robles Dr.
Burlingame, Calif.

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

Re: Docket No. DMEA 2448-Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif
Contract No. Idm-E544

Sir:

Reference is made to the reaudit of the account of the above mining venture.

I spent Monday afternoon with Mr. Mavor, your DMEA auditor in San Franisico, going over the various accounts. The items necessary for mining, such as hoist cage, ore buckets, mine cars, air blowers, etc, are stil not allowable but we do hope you can see your way clear to allow the mucking machine. It was very necessary and saved a great deal of labor costs which otherwise would have been added to the cost of the contract. With this allowed perhaps we can then borrow the balance to settle the account. We too would like to have it settled.

Thank you very much for your letter of March 22, 1956. It clearifies several misleading reports which have been told to me.

Sincerely,

/s/ J. L. Jonas

of the contract for my audit report of February 28, 1954. I might state that when the audit commenced Mr. Jonas prepared a list of disbursements showing the date, check number, Vendor and total amount of check, but no distribution of cost, under the circumstances it was necessary to have Mr. Jonas present to assist me in the distribution of costs, and as the major portion of the items not taken into cost was equipment rental and equipment purchased, I am sure that Mr. Jonas was well aware of these facts.when preparing my audit report of February 28, 1954, I took the view point that it would be incorrect to include equipment rentals and equipment purchases and then disallow the entire amount, especially when costs of this description were not even mentioned in the contract.

As an example of the inefficient method the operator used when preparing his new claim, you will note the last item on page 5 of his work sheet in amount of $1,200.00 for a compressor, and there is no evidence when the item was purchased or paid. Upon questioning Mr. Jonas about the purchase of this compressor, he produced a letter from "The Hotmill" dated January 13, 1956, and I am attaching hereto two copies for your information. Mr. Jonas stated that the compressor was now under water in the mine and that he still had to pay the $1,200.00, for which he gave a check dated January 28, 1956 for $200.00 and turned over the 1939 International Truck at an estimated value of $250.00, which leaves an unpaid balance of $750.00.

The present status of the contract can now be accounted for as follows:

Ronnie B. Smith costs Aug. 15, 1953 to Oct 31, 1953		$17,164.32
Jonas and Johnson Costs Nov. 1, 1953 to Feb 28, 1954		28,502.66
Accepted Costs per Audit Feb. 28, 1954		$45,666.98
Add:		
March 1954 MF-104	$1,336.34	
Final Costs per DMEA Audit Schedule No. 3	336.72	1,673.06
Total Acceptable Cost of Contract		$47,340.04
Proper Government Participation (75%)		$35,505.03
Paid by Government		36,537.00
Overpayment		$1,031.97

I always had it in mind that a Report of Review would complete the final audit of this contract, after the disposition of property and this procedure I believe you more or less agreed to, in your letter of October 22, 1954. Therefore in view of the detailed reconciliations made of the February 1954 costs $45,666.98, and the March 1954 MF-104 costs $1,336.34, I would like to know if Jonas and Johnson should submit a Final MF-104 for $336.72 in order to complete the cycle of audit procedure I have used in auditing the cost of this contract. If you agree to this procedure then I would like to know if the Report of Review should be prepared without giving consideration to the disposal

of property and what comments should be made about the salvage value which was estimated at $3,000.00

Sincerely yours,

George Mavor

George Mavor
Auditor

Copy to: S. Ricker

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

420 Custom House
555 Battery Street
San Francisco, California

March 30, 1956

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

Re: Idm-E544, DMEA-2448
Jonas and Johnson
Mt. Diablo
Quicksilver Mine

Dear Mr. Chambers:

Reference is made to your letters dated March 2, 1956 and March 16, 1956 in connection with reconciling cost sheets, prepared by the operator, with the DMEA Audit Report of February 28, 1954 and the March 1954 MF-104, for the purpose of detailing all unallowable costs and any other costs which could be accepted as an additional cost of the contract.

Under date of March 26, 1956, Mr. John L. Jonas called at the office, and I discussed with him in detail all of the various items that could not be allowed in the cost of the contract. I also developed additional costs, mostly truck mileage and labor aggregating $336.72. After the discussion I prepared schedules which showed in detail all items disallowed together with schedule for final costs of $336.72. These schedules were sent to Mr. Jonas under date of March 30, 1956 and I am attaching hereto three copies of the following:

Letter dated March 30, 1956 to John L. Jonas
Schedule No. 1. Reconciliation and detailed disallowances as of Feb. 28, 1954
Schedule No. 2. Reconciliation and detailed disallowances for March 1954
Schedule No. 3. Final allowable costs of contract aggregating $336.72

In the second paragraph of your letter dated March 16, 1956, you state that the operator made a statement in his letter of February 21, 1956, that he had never been told "which costs are allowed and which ones are not allowed and why not". In the second paragraph of page 3 of my letter to you dated March 12, 1956, I stated that unallowable costs were discussed with Mr. Jonas when I was detailing the cost

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

420 Custom House
555 Battery Street
San Francisco, California

March 30, 1956

Mr. John L. Jonas
166 Los Robles Drive
Burlingame, California

Re: Idm-E544, DMEA-2418
Jonas and Johnson
Mt. Diablo
Quicksilver Mine

Dear Mr. Jonas:

In accordance with our conference of March 26, 1956, I am attaching hereto the following schedules:

Schedule No. 1 Reconciliation of your listed items of contract costs for the period November 1, 1953 to February 28, 1954, and DMEA Audit Report of February 28, 1954.

Schedule No. 2 Reconciliation of your listed items of contract costs for March 1954 and costs previously claimed on March 1954, MF-104.

Schedule No. 3 List of items representing final costs of contract, compiled from review of disallowed items subject to reclaim listed in Schedule No. 1 and No. 2.

You will note that the above schedules Nos. 1, 2 and 3 have been prepared in detail, together with cross references to your schedules of costs, therefore you should have no difficulty in determining each and every item of cost claimed in your schedules, which has been disallowed as an acceptable cost of the contract.

After giving effect of Schedule No. 3, covering final costs of the contract, in amount of $336.72, the revised amount due the Government can be accounted for as follows:

Ronnie B. Smith costs, Aug. 15, 1953 to Oct. 31, 1953	$17,164.32
Jonas and Johnson Costs Nov 1, 1953 to Feb. 28, 1954	28,502.66
Total costs per Audit Report February 28, 1954	$45,666.98

Add:

Costs claimed Mar. 1-4, 1954 per MF-104	1,336.34
Final Costs, Schedule No. 3 attached	336.72
Total Acceptable Costs	$47,340.04
Proper Government Participation (75%)	$35,505.03
Paid by Government	36,537.00
Overpayment	$1,031.97

Trusting the inclosures will bring about an early settlement of the contract, for the above amount of $1,031.97 due the Government, together with the 75% equity in supplies, materials and equipment which you estimated had a salvage value of $3,000.00 of which $2,250.00 would be payable to the Government.

Sincerely yours,

"(SIGNED) GEORGE MAVER"

George Maver

Copy to: Jay L. Chambers
S. Ricker

JONAS AND JOHNSON
MT. DIABLO QUICKSILVER MINES
CONTRACT NO. Idm-E544, DOCKET NO. DSEA-2478
RECONCILIATION BETWEEN AMOUNTS CLAIMED BY OPERATOR AS PER
SCHEDULES 1 TO 6, INCLUSIVE AND DSEA AUDIT REPORT FEBRUARY 28, 1954

SCHEDULE NO. 1
PAGE 1 OF 3

	LISTED AS	SHOULD BE	DIFFERENCE	TOTALS
Total amount claimed by operator as per page No. 6				$34,414.30
Deduct: Errors or adjustments in schedules				
Page 1, Line 25, January 9, 1954, Check No. 24 to Castle and Brunner	$1,743.50	$1,742.50	$1.00	
Page 1, Total of Lumber & Timber	513.30	510.30	3.00	
Page 1, Total of Equipment and Supplies, incorrectly carried forward to summary, page 6	1,982.74	1,982.94	(.20)	
Page 1-A, Total Labor	565.25	563.25	2.00	
Page 1-A, Total Equipment and Supplies	2,764.47	2,746.47	18.00	
Page 2, Line 1, February 20, 1954, Check No. 62 to Johns Manville	46.86	46.68	.18	
Page 3, Total of Fuels & Oils	9.30	9.80	(.50)	
Page 4, Total Equipment & Supplies	1,327.92	1,329.92	(2.00)	
Page 5, Line 3, February 3, 1954, Cash Paid to The Gasket Shop	7.40	7.04	.36	
Page 5, Line 10, February 19, 1954 Cash Paid to Al Ansel Service (Invoice Missing - Disallowed)	1.73	-0-	1.73	
Page 5, Line 13, February 20, 1954 Cash Paid to Diablo Service Co. (Invoice Missing - Disallowed)	1.00	-0-	1.00	
Add cash purchase not listed by operator - The Petroleum Products Co. 1/9/54 Inv. A033775 - 7 Gal Gaso.	-0-	1.68	(1.68)	22.89
				$34,391.41

Deduct Items Disallowed and subject to partial reclaim by operator (See Schedule No. 3)

Page 4, Line 5, January 11, 1954, cash paid to W. R. Ames, sales tax of $3.68 omitted in error Audit Report 2/28/54		$108.74	$ 105.06	$3.68
Page 5, Line 17, Automobile Mileage at $.12	$ 312.24			
Page 5, Line 18, Station Wagon Hauling at $.12	539.04			
Page 5, Line 19, Auto Toll Bridge	9.15			
Page 5, Line 20, Station Wagon Tolls	14.10			
Page 5, Line 21, Total Phone Bills	45.27			
Page 5, Line 25, Big Truck Mileage at $.15 (subject to partial reclaim)	273.60			
	$1,193.40			

			LISTED AS	SHOULD BE	DIFFERENCE	TOTALS
Less: Amount agreed to by J. L. Jones, as per page 4 of Audit Report 2/28/54						
Jones personal car 4,492 mi at $.05	$ 224.60					
Johnson personal car 2,602 mi. at $.05	130.10					
By Bridge toll charges	21.00					
Telephone - re material	45.17	$ 420.87			772.53	
Page 3, Line 4, July 22, 1954, Check No. 115 to Sam Kitchen (to be reclaimed)					160.00	936.21
						$33,455.20
Deduct: Items not allowable under contract terms						
Rental of Equipment						
Page 2, Line 5, February 21, 1954, Check No. 66 to H. M. Haley Rental Macking Machine		$ 100.00				
Page 4, Line 11, January 22, 1954, cash paid to The Hot Mill ($306.00) Rental Macking Machine		100.00				
Page 5, Line 22, Compressor Rental (No supporting invoice)		400.00			600.00	
Purchase/Equipment						
Page 1, Line 9, December 19, 1953 Check No. 9 Bayshore Machinery Co. "Blower"	$ 90.56					
Page 1, Line 21, December 29, 1953 Check No. 20 Bearing Engineering Co. "Blower Pulley"	8.93					
Page 2, Line 2, January 21, 1954 Check No. 31 Circle Freight Co. Frt. on Blower	1.92	$ 101.41				
Page 1, Line 27, January 20, 1954 Check No. 26 ($813.47) H. T. Neil "Skilsaw"		231.97				
Page 1-A, Line 20, February 8, 1954 Check No. 49 B. F. McDonald "Testing Gas Equip."	164.00					
Page 2, Line 9, February 24, 1954 Check No. 70 B. F. McDonald "Testing Gas Equip."	237.70	401.70				
Page 4, Line 4, December 4, 1953, Check No. 4 Kaplan Army Store "Army Stretcher"		10.87				
Page 1, Line 17, December 24, 1953 Check No. 16, Sattless Co. "Used Water Heater		10.30				
Page 4, Line 11, January 22, 1954, cash paid to The Hot Mill ($306.00) "1 Hoist Cage"		206.00				
Page 4, Line 29, January 25, 1954 cash paid to New Penn Mines Inc ($740.54) "3 Used Mine Cars"		225.00				
Page 5, Line 27, Macking Machine, purchased from The Hot Mill. Operator has paid on a/c $200.00 and 1 old truck valued at $250.00 - Macking Machine is under water in mine		1,200.00				
Page 1-A, Line 9, January 25, 1954, Check No. 38 Worthen Bradley "1 Used Water Pump"		400.00			2,787.25	

Other Items: Not Accepted Costs of the Contract		LISTED AS	SHOULD BE	DIFFERENCE	TOTALS
Electricity consumed in cottages occupied by tenants, should be refunded to operator					
Page 2, Line 29, May 17, 1954 Check No. 109 Pacific Gas & Electric Co.	$ 52.08				
Page 3, Line 1, June 10, 1954, Check No. 112 Pacific Gas & Electric Co	59.52				
Page 3, Line 2, July 19, 1954, Check No. 113 Pacific Gas & Electric Co	50.00			161.60	
One Oxygen Tank and One Acetylene Tank - Demurrage Charges These tanks should have been returned when mining operations ceased.					
Page 2, Line 30, June 10, 1954 Check No. 111, Balaam Bros	3.66				
Page 3, Line 3, July 19, 1954 Check No. 114, Balaam Bros	3.60				
Page 3, Line 5, July 22, 1954 Check No. 116, Balaam Bros	8.28			15.54	
Page 1, Line 10, Printing name on check books				4.25	
Page 1-A, Line 17, February 8, 1954 Check No. 46, represents amount paid by Jonas and Johnson for material, when contract was assigned. Material costs applicable to Ronnie B. Smith has already been included in audit of February 28, 1954. If allowed same would result in a duplication of costs.				1,250.00	4,818.64
					$28,636.56
Deduct: Electric Power refunds by employees, not included by operator					133.90
Net cost February 28, 1954, as shown in page 8 of Audit Report dated June 7, 1954					$28,502.66

JONAS AND JOHNSON
MT. DIABLO QUICKSILVER MINE
CONTRACT NO. Idm-E544, DOCKET NO. DMEA-2478
RECONCILIATION BETWEEN AMOUNTS CLAIMED BY OPERATOR AS PER
SCHEDULES NOS. 1 AND 2, AND OPERATOR'S MONTHLY REPORT AND VOUCHER - MF-104, MARCH 1954

SCHEDULE NO. 2

				LISTED AS	SHOULD BE	DIFFERENCE	TOTALS
Total amount claimed by operator as per page No. 2							$1,751.97
Deduct: Items not allowable under contract terms							
Rental of Equipment							
Page 1, Line 1, Pacific Mining Co. - Rental of Pump			$ 120.00				
Page 1, Line 3, C. J. Holzmueller - Rental of Cable			15.00				
Page 1, Line 4, C. J. Holzmueller - Rental of Cable			15.00			$150.00	
Deduct: Other Disallowances, Errors and Corrections							
Page 1, Line 18, Bergants Florist Co. (FLOWERS)			15.45				
Page 1, Line 14, California Employment Dept.	$6.96						
Page 1, Line 15, W. S. Treasury Dept	21.20	28.16					
Less P/R Taxes on actual P/R for March 1954							
Labor $188.00 Unemployment Tax at 2.7%	5.08						
Labor $188.00 Social Security at 2.0%	3.76	8.84	19.32			34.77	
Deduct: Items Disallowed and Subject to partial reclaim by operator (See Schedule No. 3)							
Page 2, Line 6, Big Truck Mileage at $.15 (Subject to partial reclaim)						97.20	
Page 2, Line 5, Bridge Tolls		6.05					
Page 2, Line 4, Mileage Expense $.12		$232.80	238.85				
Less: Amount agreed to by J. L. Jonas, as per March 1954 MF-104 Vou.							
Auto Tolls		1.25					
Station Wagon Tolls		4.30					
Jonas personal car (Station Wagon) 1197 mi. at $.05		59.85					
Johnson personal car 411 mi. at $.05		20.55	85.95			152.90	434.87
							$1,317.10
Add: Payroll adjustment Due to operator claiming net instead of gross amount							
		Net	Gross				
Page 1, Line 6, Howard Castle		40.72	46.00				
Page 1, Line 7, Melvin Brunner		40.36	48.00				
Page 1, Line 8, George Bartono		43.02	46.00				
Page 1, Line 9, Dexter Barkley		21.38	24.00				
Page 1, Line 10, Guy Castle		23.28	24.00				
		$168.76	$188.00				19.24
Net cost as per operator's March 1954 MF-104 voucher							$1,336.34

JONAS AND JOHNSON
MT. DIABLO QUICKSILVER MINE
CONTRACT NO. Idm-E544, DOCKET NO. DMEA-2478
FINAL COSTS OF CONTRACT, BASED ON REVIEW OF COSTS
AND DISCUSSION BETWEEN GEORGE MAVOR, DMEA AUDITOR AND JOHN L. JONAS, MARCH 26, 1956

SCHEDULE NO. 3

Final Costs of Contract		Additional Allowable Costs
From Schedule No. 1		
Page 4, Line 5, January 11, 1954, cash paid to W. R. Ames, sales tax of $3.68, omitted prior audit, Invoice Amount	$108.74	
Taken up in audit report, February 28, 1954	105.06	$ 3.68
Page 3, Line 4, July 22, 1954 Check No. 115 to Sam Kitchen, part time watchman during April, May, June and July 1954, 4 months at $40.00		160.00
Page 5, Line 25, Big Truck Mileage (claimed $273.60 at $.15 per mile) Allowed 1.824 miles at $.07		* 127.68
From Schedule No. 2		
Page 2, Line 6, Big Truck Mileage (Claimed $97.20 at $.15 per mile) Allowed 648 miles at $.07		* 45.36
Total Final Costs of Contract		$ 336.72

* Big Truck was used in hauling material from January 10, 1954 to March 11, 1954. The mileage claim was excessive, and $.07 per mile allowed was considered reasonable.

The Big Truck was an old 1939 International Truck purchased January 7, 1954 at a cost of $273.60 and subsequently turned over to The Hot Mill at a value of $250.00 to apply on account of compressor purchased for $1,200.00. The compressor is under water in mine.

Hotmilling
Steel Conversion

The Hotmill

Authorized Timken
Bit Distributors

Telephone 105
122 Broad Street
NEVADA CITY, CALIFORNIA

RECEIVED
APR 3 - 1950

Jan. 13th 1950.

Mr. J.L.Jones.
1100 Los Robles Drive.
Burlingame, Calif.

Dear Mr. Jones:-

Please excuse the delay in answering your last letter. I have been in Silverton, Colorado and am now home in Nevada City.

The price of $1,200.00 seems to be about average and will be satisfactory. If my memory serves me correctly, in our last telephone conversation, you said that you could pay $500.00 down or thereabouts and the monthly payments which will have to suffice under the circumstances. I do appreciate your position because I, too, have a similar if not worse one at the present time with absolutely no income.

I am endeavoring to convert my business strictly to ornamental iron. Should you hear of any designers, architects or contractors that need a source of manufacture, kindly let me know . I will appreciate it.

I hope to hear from you in the near future, regarding this matter.

Sincerely
W. M. Haley

(2) the disallowances of $600.00 for rentals (the total for which is shown on the work sheets as $500.00); and (3) items of purchased equipment in the amounts of $231.97, $206.00 and $225.00.

You indicate that the disallowance of amounts aggregating $337.14 was "due to payment after mining operations were discontinued." It is presumed that this reason for the disallowance is a misstatement on your part. I am sure that you are well aware of the fact that the contract provides for the Government's contribution to be based on "allowable costs incurred" and that you have determined that these costs were in fact incurred (as distinguished from paid for) subsequent to March 11, 1954, the date operations ceased.

It also appears that you have given no reasons for some of the disallowances, for example: (1) the mileage in the amount of $273.60 (for a "big truck", as distinguished from the mileage for "automobiles" and a "station wagon" which were considered in your audit); (2) bridge tolls of $5.95 (in excess of the $21.00 accepted by your audit); and (3) an unidentified item of $1.73 (the tenth line item on page 5 of the work sheets).

Undoubtedly your own work papers clearly indicate all differences resulting from your audit, review and reconciliation and, also, specifically justify your audit disallowances. However, we have only your audit report, your letters and the Operator's work sheets. Since it appears that ultimate disposition of this case may require referral to the Attorney General, it is of paramount importance that our docket contain a complete identification of the items disallowed and also evidence that the Operator has been fully informed both as to the items and the reasons for disallowance.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
March 16, 1956

Copy to: Docket
Admr. Reading File
Mr. Ricker, Region II
Mr. Martin
Mr. Chambers

Dev. Contracts

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

MAR 16 1956

Mr. George Meyer
DMEA Auditor
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMEA-3148 (Recovery)
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. DMA-8344

Dear Mr. Meyer:

Receipt is acknowledged of your letter of March 12, 1956, relative to the costs of the referenced project as stated on the work sheets submitted by Mr. James as enclosures with his letter of February 21, 1956, to the Administrator.

It is appreciated that you have put more than normal effort and time in the audit of this contract due to the Operator's failure to maintain adequate accounts and submit proper claims. However, the fact remains that the Operator has stated in his letter of February 21, 1956, which is now a part of the docket on this case, that he has never been told "which costs are allowed and which ones are not allowed and why not." Furthermore, he has presented his work sheets as purported evidence of additional costs in accordance with the Administrator's statement in his letter of February 23, 1956, that the "disbursements would be adjusted if you can reasonably establish that any additional costs are properly allowable."

Accordingly, in order to conclusively clear the docket of these matters in dispute, it is considered to be best interest of the Government that you perform the assignment as set forth in the penultimate paragraph of my letter of March 2, 1956, a copy of which was sent to Mr. James. However, if you are unsuccessful in further attempts to contact Mr. James, he should be informed by letter (referencing the copy furnished him of my letter to you under date of March 2, 1956, and advising of your inability to contact him) of the specific line items of his work sheets which have been disallowed by your audit or review.

Incidentally, the statement in my letter that your findings should detail "the items disallowed" was intended to refer to the line items of the work sheets. This is necessary in order to correlate your audit findings with the Operator's latest claim as represented by his work sheets. The recommendations, as presented in the third and fourth paragraphs of your letter, together with the attached schedule of disallowances are acceptable summarizations, but we have been unable to (and certainly the Operator will not be able to) correlate these summary figures with the work sheets. Examples of some of the items we have been unable to correlate are: (1) errors in addition, transportation, etc., of $21.14 (we can locate only an aggregate of $20.30);

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION
WASHINGTON 25, D. C.
420 Custom House
555 Battery Street
San Francisco, California

RECEIVED
MAR 15 1956

March 13, 1956

Mr. Norman E. Spray
Certified Public Accountants
National City Building
Dallas, Texas

Re: Idm-E544, DMEA-2448
Jonas and Johnson
Assignees
for Ronnie B. Smith
Mt. Diablo Mine

Dear Mr. Spray:

Reference is made to your letter dated December 12, 1955, wherein you requested copies of my audit work papers covering the cost of subject contract attributed to Mr. Ronnie B. Smith in amount of $17,164.32 for the period August 15, 1953 to October 31, 1953.

Under date of December 14, 1955, I airmailed to your office copies of audit work papers as requested. I also note in your letter of December 12, 1955, that these audit work papers would assist you in determining certain questions in connection with the audit you were making for Mr. Smith.

In my letter to you dated November 28, 1955, I showed the status of the amount overpaid by the Government as follows:

	75% Gov't Participation
Overpaid R. B. Smith	$1,887.06
Underpaid Jonas and Johnson	602.55
Amount due Government	$1,284.51

If you have arrived at any conclusion as to the method Mr. Smith will use in settling his portion of the contract, I would appreciate hearing from you.

Sincerely yours,

"(SIGNED) GEORGE MAYOR"
George Mayor
Auditor

Copy to: Jay L. Chambers
S. Ricker

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

RECEIVED
MAR 14 1956

420 Custom House
555 Battery Street
San Francisco, California

March 12, 1956

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

Re: Idm E-544, DMEA-2448
Jonas and Johnson
Mt. Deable
Quicksilver Mine

Dear Mr. Chambers:

Reference is made to your letter dated March 2, 1956, wherein you enclosed work sheets prepared by Mr. J. L. Jonas covering costs of subject contract, which you requested should be reconciled with my audit report and work papers.

I have been unable to contact Mr. Jonas at his home in Burlingame, and before making any further effort, I thought I should present my findings to you together with certain information covering the difficulty I had in performing this audit.

The reconciliation of the work sheets submitted by Mr. J. L. Jonas and my audit report as of February 28, 1954, is as follows:

Total claimed by operator		$34,414.30
Less: Errors in addition, transpositions, etc.		21.14
Adjusted Operator's Claim		$34,393.16
Less: Disallowances		
Rental of Equipment	$ 600.00	
Equipment Purchased	2,787.25	
Material Inventory purchased from R. B. Smith	1,250.00	
Excess mileage costs	777.96	
Payments after operations ceased	337.14	
Printing name on checks	4.25	
Total Disallowance (Schedule attached)		5,756.60
Net claim after disallowances		28,636.56
Less: Electric power refunds by employees, not included by operator		133.90
Net cost Feb. 28, 1954 per Audit Report		$28,502.66

The reconciliation of the March 1954 work sheets submitted by Mr. J. L. Jonas and my audit work sheets, is as follows:

Total claimed by operator		$1,751.97
Less: Disallowances		
Flowers	15.45	
Excess mileage costs	250.10	
Excess P/R Taxes	19.32	
Rental - Pump and cable	150.00	434.87
		$1,317.10
Add: P/R adjustment due to error		19.24
Balance per March 1954 MF-104		$1,336.34

The work sheets you submitted was in Mr. J. L. Jonas' handwriting and was not prepared by any outside accountant. These sheets were copied from similar summaries which I have in my possession. The only differences were the numerous errors made by Mr. Jonas when he transcribed the sheets, plus the additional checks issued after mining operations ceased March 11, 1954, and included with the above disallowances, also $1,200.00 for purchase of mucking machine which had not been heretofore claimed.

When the audit first got under way, it was necessary for Mr. Jonas to prepare work sheets, covering the cost of the project from November 1, 1953 to February 28, 1954. In addition he was to furnish invoices, cancelled bank checks, payrolls, auto mileage, telephone and toll charges, for audit purposes. As Mr. Jonas was not familar with the requirements of presenting a claim to the Government on a cost basis, I set about the task of preparing my audit report as of February 28, 1954, based on the information furnished by Mr. Jonas. Every cost included in my audit report was discussed with Mr. Jonas, as some of costs required explanation and also obtaining copies of invoices, etc. During the preparation of the audit report, all disallowances for rental of equipment, purchase of equipment, excess mileage costs, etc., were discussed at length in the presence of Mr. H. C. Miller (now deceased). In fact Mr. Miller wrote to Mr. Mittendorf under date of March 19, 1954 to find out if any consideration could be given the operator for the purchase of equipment, depreciation, etc., and I understand this request was denied. I have in my possession the following schedules which I had Mr. Jonas certify as being correct.

1. Payrolls
2. Invoices
3. Mileage, Telephone and Tolls

In addition I also have in my possession the final MF-104 for March 1954, signed by J. L. Jonas, which shows the total accumulated costs as $47,003.32, which is in agreement with my audit findings. This

MF-104 for March 1954, was prepared by me and agreed to by Mr. Jonas, however same has not been processed due to overpayment.

I have spent a great deal of time auditing this contract, including 2 Sundays. I had Mr. Jonas at my home, discussing costs which could be included in my audit report of February 28, 1954.

When preparing the audit report of February 28, 1954, I only included acceptable costs of the contract, for the reason that all unallowable costs were discussed with Mr. Jonas and I am sure we impressed him that the contract did not call for the rental of equipment or purchase of miscellaneous equipment, other than the hoist motor included in the contract. We also advised him the Government would allow 5¢ per mile on personal car and 7¢ per mile for truck, but could not pay the 10¢ per mile as claimed. In fact his revised work sheet shows 12¢ per mile for private car and 15¢ per mile for truck. The inventory disallowance of $1,250.00 covering material purchased from R. B. Smith is included in the costs of R. B. Smith for the period August, September, and October 1953, the acceptance of this amount in Jonas and Johnson material purchases, would have been a duplication of costs.

In connection with disallowance of checks in amount of $337.14, due to payment after mining operations were discontinued. It should be noted that due to the death of a miner March 4, 1954, the mine was not allowed to operate and it was agreed that Jonas and Johnson had performed work up to March 11, 1954, and we allowed them $312.00 up to this date, when all operations were at a standstill. Therefore the checks issued from May 1954 to July 1954 in amount of $337.14 have been disallowed. In fact the March 1954 MF-104 in amount of $1,336.34 was not prepared until October 28, 1954, and Mr. Jonas did not mention anything about the checks for $337.14 which have been disallowed. Also the mining lease to Jonas and Johnson expired June 30, 1954.

Jonas and Johnson were in the office several times, when Mr. Miller was the Executive Officer, and everything possible was done in trying to explain the necessity of settling the contract, however both Jonas and Johnson were very evasive and could not be appeased, for they thought that the contract was reimbursable on a footage basis and that they should not be penalized for any overpayment due to the final determination that the contract was on a cost basis. Mr. Jonas promised to take an inventory of material and equipment, and submit it to both Mr. Miller and Mr. Ricker, however this was never accomplished.

It is two years since operations were discontinued, and Jonas and Johnson are still trying to avoid refunding the overpayment of $1,284.51. It appears to me that if Ronnie B. Smith would refund the overpayment of $1,887.06, then the Government could refund Jonas and Johnson the underpayment of $602.55 and the case could be settled after refunding the Government's equity in material and equipment.

You can readily see that I am not in favor of making any further concessions based on my audit findings, however, I could furnish Mr. Jonas a copy of my reconciliation and state that my audit findings are final, however before making a final effort to contact Mr. Jonas I would appreciate receiving youropinion based on the information furnished above.

Sincerely yours,

George Mavor

George Mavor
Auditor

Copy to: S. Ricker

RECEIVED
MAR 14 1956

Schedule of Disallowances

Jonas and Johnson	DMEA-2448		Idm-E544
Rentals:			
Mucking Machine		$200.00	
Compressor		400.00	$600.00
Equipment Purchased			
Blower ~~Frt~~	$ 90.56		
Blower Pulley	8.93		
Blower Frt.	1.92	101.41	
Skilsaw		231.97	
Testing Gas Equipment	237.70		
Testing Gas Equipment	164.00	401.70	
Used Water Pump		400.00	
Used Water Heater		10.30	
Army Stretcher		10.87	
1 Mine Car		206.00	
3 Used Mine Cars		225.00	
Mucking Machine		1,200.00	2,787.25
Other Disallowances			
Printing name on check books		4.25	
Payment to R. B. Smith for material inventory			
This material already included in R. B. Smith costs		1,250.00	
Payments after operations ceased 3/11/54			
5/17/54 Ch. No. 109 Pac. Gas & Elec. Co.	52.08		
6/10/54 Ch. No. 111 Balaam Bros	3.66		
6/10/54 Ch. No. 112 Pac. Gas & Elec. Co.	59.52		
7/19/54 Ch. No. 113 Pac. Gas & Elec. Co.	50.00		
7/19/54 Ch. No. 114 Balaam Bros	3.60		
7/22/54 Ch. No. 115 Sam Ketchen	160.00		
7/22/54 Ch. No. 116 Balaam Bros	8.28	337.14*	
Mileage Phones & Tolls			
Amount claimed	$1,342.22		
Less: Amount certified as being correct by J. L. Jonas	564.26	777.96	2,369.35
			$5,756.60

* Note: Mining operations ceased March 11, 1954
Mining Lease to Jonas and Johnson was not renewed after June

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

MAR - 2 1956

Mr. George Never
DMEA Auditor
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMEA-3448 (Marvery)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. 16n-2544

Mr. Jonas
Mr. Martin
Mr. Chambers

Dear Mr. Never:

Enclosed is a copy of the Administrator's letter of February 13, 1956, to Messrs. Jones and Johnson, partners and assignees under the referenced contract, and a copy of Mr. Jones' reply dated February 21, 1956, to which is attached a copy of the work sheets prepared by Mr. Jones' accountant showing "the accounts, amounts and the total funds disbursed on this project."

The work sheets indicate total disbursements from November 1, 1953, to February 28, 1954, of $34,411.30 (exclusive of attorney fees, taxes and insurance), whereas your interim audit allowed only $26,982.66 for that period. These work sheets also show disbursements of $1,751.97 for the month of March, 1954, whereas the amount claimed on the Form DF-104 for that month was $1,336.34. Mr. Jones requests that we give "these figures further consideration."

It is requested that you check the work sheets prepared by Mr. Jones' accountant against your audit work papers to determine which items have not been allowed heretofore by your audit and review. You should then arrange with Mr. Jones to perform a resudit of his records to ascertain whether any such items are allowable costs under the provisions of the contract.

Upon completion of your resudit the findings should be discussed in detail with Mr. Jones. If the findings are that no additional costs are allowable, these findings should be confirmed by a letter to Mr. Jones (with three copies to this Division) detailing the items disallowed and the reasons therefor. If, on the other hand, it is found that additional costs are allowable, a second interim audit report (including the claim for March, 1954) should be prepared. This audit report likewise should specify the items found not to be acceptable as costs for contribution by the Government under the terms of the contract.

Please give this matter the highest priority in scheduling your audit work.

Sincerely yours,

(Signed) J. L. Chambers
Jay L. Chambers, Chief
Contract Administration
and Audit Division

Copy to: Docket
Admr. Reading File
Mr. Ricker, Region II

EDTalbert/wb
March 2, 1956

Enclosures-2

COPY

DMEA 2448

February 21, 1956
166 Los Robles Dr.
Burlingame, Calif.

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

Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Idm-E544

Sir:

We had the enclosed work sheets and a report ready to mail today, as we received your letter of February 13, 1956. The accountants' work sheets show the accounts, amounts and the total funds disbursed on this project. We realize the Attorney fees, taxes and insurance is not allowable and the mileage will probably be reduced. Our deductable expense is greater than the allowable maximum because we had purchased such items as lumber, rail and pipe to complete the tunnel work. These items were stored on the property for future use. If our allowable maximum is reached without these items we will set them aside from the contract otherwise include them in the project.

Mr. Mittendorf; we do not want to seem rude or unreasonable about this matter but if we are being asked to reimburse you for these funds we feel we have a right to know which costs are allowed and which ones are not allowed and why not. The only statement we have ever received is the audit report from Mr. Mayer which merely stated totals. In our conversation with him he did state that items such as mine cars, hoisting cage, ore buckets, all gas testing equipment, battery charger, water pump, and mucking machine are not allowable. A number of these items are required by our state laws and they demanded we have them before further work be performed.

The allowable maximum for the footage completed as per your report is $32,615.60, our expenditures (less attorney fees, taxes and insurance) on this footage is $34,414.30. This amount differs slightly from our first report to Mr. Mayer because at that time we did not have our books set up and did not know what to include and what not to include. We were assured it was a footage contract.

Due to the fact our costs are more than the allowable maximum for this footage we feel the payments can be either on the footage basis or the cost basis. If the cost basis is the only one permitted by your office we feel, as Mr. Rudy pointed out in his letter to you, that the cost should be all the actual mining costs and not a selected number.

In your letter in paragraph 3 you stated you asked us on February 18, 1954, to dispose of the supplies and equipment in which you had an interest. That seemed unfair and still does because at that time the present operator had already broken into the building and was using the supplies and equipment and had been operating for three and one half months and we still do not know what is owned jointly or seperately. We understand Mr. Willistons former connection with your office but we can see no justification for his act in regards to this project. We have consulted Mr. Williston and he seems confident of his acts at Mt. Diablo. We have heard on the grape vine that your Engineer gave him permission to use the items but to us this is only hear say of coarse.

If you will give these figures further consideration we will greatly appreciate it. We have tried to settle this misunderstanding with as little aid from the attorneys as possible because we are small individuals and we must keep our expenses as low as possible. Please excuse us if we do not perform with better elegance.

Please advise us as to your decision so we can act accordingly.

Sincerely,

/s/ J. L. Jonas
J. L. Jonas

/s/ John Johnson
John Johnson

Mt. Diablo Mercury Co — March 1954 — Flood

	Amount	Labor	Equipment Supplies	Lumber Timber	Fuel & Oils	Mileage Phone & Tolls	Equipment Rental	Electric Hour	Inc. Tax & Attorney's
Pacific Mining Co.	130 - x						130 - x		
Berkeley Welding Co.	6.65		6.65						
C.O. Nellenmeller Co.	15 - x								
C.O. Nellenmeller Co.	15 - x								
Walter Butler Co.	60 -								60 -
Howard Cattell	90.72	90.72							
Mahlon Brunner	60.36	60.36							
George Barton	93.60	93.60							
Dalton Bardsley	31.50	31.50							
[illegible]	23.20	23.20							
C.H. Lebutti	30 -	30 -							
G.F. McDonald Co.	33.99		33.99						
[illegible] Electric Co.	22.36								
[illegible] Dept.	6.96								6.96
[illegible] Dept.	31.20								31.20 x
[illegible]	18 -	18 -							
[illegible]	18 -	18 -							
Berkeley Steel Co.	15.95 x		15.95 x						
[illegible] Electric Co.	4.05		4.05						
S.F. Oakland Bridge	50					50			
S.F. Oakland Bridge	50					50			
[illegible] Co.	30.50		30.50						
Hunter & Zimmerman	3.06		3.06						
[illegible] Gas Co.	2.07		2.07						
[illegible] Hardware	3.04		3.04						
S.F.-Oakland Bridge	50					50			
Pa. Electric Co.	5.34		5.34						
General Machine Co.	79		79						
Enterprise Electric Co.	3.11		3.11						
Cleveland Farm Implement Co.	5.80		5.80			180	150 -		57.16
			157.16						

Mt Diablo Mercury Co.

March - 1954 Final

	Amount	Labor	Equipment Supplies	Lumber + Timbers	Fuel + Oils	Mileage Phone + Toll	Equipment Rentals	Electric Power	Inc. Taxes Attorneys
Totals Page I		2307.16	157.65	—	—	180	150	82.36	378.16
Superior Blacksmith	871		871						
Steve Rockwell	499		499						
C. H. Marshall	70		70						
Mileage Report 10/10	332.10					332.10 x			
Traffic Toll	6.05					6.05			
Telephone	2.75					2.75			
[illegible]	[illegible]					77.00 x			
[illegible]	[illegible]	6.74	[illegible]			[illegible]	[illegible]	82.36	378.16
Grand Total									
								[illegible]	[illegible]
								Amount	[illegible]

1307.48 3381

Mt. Diablo Mercury Co.

November, December, January + February

Date	Check No.	Paid To	Amount	Labor	Contractors	Equipment + Supplies	Lumber + Timbers	Fuels + Oils	Mileage Phone + Tolls	Equipment Rentals	Electric Power	Exp. + Trans. Attorneys
11/26	1	Cobb + Brunner	1955 -		1955 -							
11/26	2	Frank Sullivan	500 -			500 -						
11/26	3	Olympic Lumber Co.	500 -						500 -			
11/26	4	Xylon Gas Co.	1087			1087 X						
11/26	5	Val Blomfield	318 10	318 10								
11/26	6	Sam Kittle	1325 39	1325 39								
11/26	7	R. R. Talbot	500 -	500 -								
[illegible]	[illegible]	[illegible]	1992 57	[illegible]								
[illegible]	[illegible]	[illegible]	[illegible]			[illegible] X						
[illegible]	[illegible]	[illegible]	[illegible]			[illegible] X						
[illegible]	[illegible]	[illegible]	[illegible]									
[illegible]	[illegible]	[illegible]	[illegible]			[illegible]						
[illegible]	[illegible]	[illegible]	[illegible]									
[illegible]	[illegible]	[illegible]	[illegible]			[illegible]						
12/14	[illegible]	[illegible]	107 52			107 52						
[illegible]	15	[illegible]	10 30				10 30					
[illegible]	16	[illegible]	10 30			10 30 X						
[illegible]	17	[illegible] Oil Co.	19 65						19 65			
[illegible]	18	[illegible] Oil Co.	9 03						9 03.			
[illegible]	19	[illegible]	201 73									[illegible]
[illegible]	20	[illegible] Company Co.	[illegible]			[illegible] X						
[illegible]	21	[illegible]	[illegible]	[illegible]								
	22	[illegible]										
	23	" "										
1/9	24	Cobb + Brunner	1771 50		1771 50							
1/10	25	Xylon Gas Co.	100 70			100 70						
1/20	26	M. S. Nielsen	813 47			813 47						
1/20	27	—										
1/15	28	Pine Cone Mfg.	410 20			410 20						
1/21	29	Robert Rutherford	138	138 39	3523 50	138	513 30	23 66				
						1982 94						

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplies	Lumber Timbers	Fuels + Oils	Hardware Ammo + Tools	Equipment Repairs	Electric Power	Inc. Taxes Attorneys
1/31	30	Smith Lindstrom + Duncan	57 75	57 75								
1/31	31	Cindy Freight Co.	192			192 X						
1/31	32	Anglo Bay Lumber Co.	25 25				25 25					
1/31	33	Shell Oil Co.	36 25					36 25				
1/19	34	Castle + Bergner	150 –		150 –							
1/25	35	T. N. Hook	160			160						
1/25	36	Mary Brown Hardware Co.	9 59			9 59						
1/[illegible]	37	[illegible]	[illegible]			[illegible]						
1/[illegible]	38	[illegible]	[illegible]			[illegible]						
1/[illegible]	39	[illegible]	[illegible]				[illegible]					
1/[illegible]	40	[illegible]	[illegible]			[illegible]						
1/[illegible]	41	[illegible]	[illegible]			[illegible]						
1/[illegible]	42	[illegible]	[illegible]									
1/[illegible]	43	[illegible]	[illegible]									
1/[illegible]	44	[illegible]	[illegible]									
1/[illegible]	45	Gerard [illegible]	1 66			1 66						
1/[illegible]	46	[illegible]	[illegible]	[illegible]								
1/[illegible]	47	[illegible]	[illegible]			[illegible]						
1/[illegible]	48	C.R. [illegible]	[illegible]									
1/[illegible]	49	[illegible]	[illegible]									[illegible]
1/[illegible]	50	R. K. McDonald Co.	[illegible]			1 69 – X						
[illegible]	51	[illegible]	[illegible]									
1/[illegible]	52	[illegible]	[illegible]			[illegible]						
1/[illegible]	53	Griffith Oil Co.	33 77					33 77				
1/[illegible]	54	John Mancuso	93 52			93 52						
1/[illegible]		Paul Cooper	6 25									[illegible]
1/20	56	Balcom Rittler	1 96			1 96						
1/20	57	Copper Pacific Co.	6 93			6 93						
1/20	58	Stengel Machine Co.	51 82	[illegible]	[illegible]	51 82						
1/21	61	Frank C. Bowman	35 34			35 34	1 [illegible]575	76 12				
						224 97						5983

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber + Timbers	Fuels + Oils	Mileage Phone + Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
2/20	62	John Manville	46 86			46 86						
2/20	63	El Monte Lumber Co.	641 30				641 30					
2/20	64	Frank Sullivan	160 80			160 80						
2/21	65	— —										
2/21	66	H. M Waley	100 -							100 -		
2/21	67	Mt. Diablo Quicksilver Co.	387 35									387 35
2/21	68	Pacific Gas + Electric Co.	240 80								240 80	
[illegible]	69	Castle + Brunner	1327 50		1327 50							
2/24	70	R. F. McDonald	237 70			237 70 x						
2/25	71	Castle + Brunner	788 38		788 38							
2/27	72	Municipal Court Tax	27 -									27 -
2/1	73	Walter Bunker	375 -									375 -
3/5	81	Castle + Brunner	270 -		270 -							
3/9	82	John Manville	47 25			47 25						
3/9	83	Balaam Brothers	14 73			14 73						
3/9	84	Quilfeldt Oil Co.	8 62					8 62				
3/9	85	General Co. of Pacific	29 10			29 10						
3/9	86	Quilfeldt Oil Co.	125 56					125 56				
3/9	87	General Machinery Co.	7 27			7 27						
[illegible]	89	Frank J. Sullivan	149 20			149 20						
3/9	90	Sidney Rudy	192 -									192 -
3/9	91	Almond Reid	125 -									125 -
3/9	92	Turner + Robertson	32 34									32 34
3/10	96	C. N Lafuette	500 -	500 -								
3/10	97	Wyman Meikle	250 63			250 63						
3/10	98	Concord Hardware Co.	875 57				875 57					
3/22	101	Mt. Diablo Quicksilver Co.	34 43									34 43
4/4	102	Mt. Diablo Quicksilver Co.	387 34									387 34
5/17	109	Pacific Gas + Electric Co.	52 08 x								52 08 x	
6/10	111	Balaam Brothers	3 66 x		228 58	3 66 x	1316 87	134 18			392 88	1560 [illegible]
						943 20						

Mt. Diablo Mercury Co.

Date	Check No.	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber & Timbers	Fuels & Oils	Mileage Phone & Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
7/10	112	Pacific Gas & Electric Co.	59.52 x								59.52 x	
7/19	113	Pacific Gas & Electric Co.	50 - x								50 - x	
7/19	114	Balsam Brothers	360 x			360 x						
7/22	115	Sam Hatcher	160 - x	160 - x								
	116	Balsam Brothers	828 x			828 x						
		PAID BY CASH										
	7	Frank C Bowman	438.6			438.6						
	9	Alan Ridlefuse	21.50			21.50						
	9	B. L. Keller	1.73			1.73						
	28	B. L. Keller	95			95						
	29	The Rig Co.	27.03			27.03						
	30	Louis Lafferse	584.25	584.25								
	22	B. L. Keller	1.75			1.75						
"	5	Heating & Sheet Metal Co	3.12			3.12						
"	11	Auto Parts Sales Co.	1.09			1.09						
	5	Herbs Hardware	3.73			3.73						
"	12	Danley Hardware	4.69			4.69						
	12	The Bearing Supply Co.	2.30			2.30						
"	13	Superior Blacksmith	7.82			7.82						
"	19	Concord Farm Implements Co.	4.75			4.75						
"	27	Mid City Auto Supply Co.	3.28			3.28						
"	22	Concord Lumber Co.	98				98					
	31	Elmonte Variety Co.	51			51						
Jan.	6	Concord Hardware	38			38						
"	9	Golenfo Hardware	15.23				15.23					
"	10	Petroleum Products	2.20					2.20				
"	10	Diggs Service Station	1.57					1.57				
"	11	Johnson Holden Equip. Co.	3.40					3.40				
"	11	Standard Service Co.	263	74.75		140.37	16.21	2.63			109.52	
								9.60				
								9.60				

Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber Timber	Fuels & Oils	Mileage Phone Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Jan. 11	Penney Store	21			21						
" 11	Rossbilly Auto Supply	123			123						
" 11	Matson Lumber Co.	3236				3236					
" 11	Balmain Lumber Co.	11408				11408					
" 12	H. R. Amen Co.	10874			10874						
" 12	S.F.-Oakland Bridge	50						50			
" 13	S.F.-Oakland Bridge	50						50			
" 13	Concord Hardware	40			40						
" 15	C. L. Keller	72			72						
" 21	Clarke Service Station	327					327				
" 22	Ish Hot Mill	306 -			306 -						
" 22	Gordey Gas Service	285					285				
" 22	Hercules Gas Co.	7675			7675						
" 23	Cornell Motor Co.	2575			2575						
" 25	Clark Hog Supply	332					332				
" 25	Mt. Diablo Service	157					157				
" 26	Concord Farm Implement	485			485						
" 27		175			175						
" 28	Kelly Bearing Co.	664			664						
" 27	General Machinery Co.	38			38						
" 28	Superior Blacksmith	590			590						
" 29	Grinnel Co.	4336			4336						
" 28	S.F. Oakland Bridge	50						50			
" 29	S.F. Oakland Bridge	45						45			
" 29	Martinez Benicia Ferry	125						125			
" 29	Standard Station	220					220				
" 29	Truck Working Co.	310			310						
" 29	Standard Station	150					150				
" 30	New Penn Mines Inc.	74054			74054						
" 30	Cornell Motor Co.	330			330	1463	1471	330			
					133762						

Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractor	Equipment Supplys	Lumber Timber	Fuel + Oils	Mileage Phone Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Feb 4	The Electric Co.	25.95			25.95						
4	Pacific Gas Co.	3.20			3.20						
4	The Market Shop	7.40			7.40						
5	Petroleum Products Co.	1.45					1.45				
4	Superior Blacksmith	3.31			3.31						
4	Superior Blacksmith	3.75			3.75						
10	Norman Miller Co.	1.81			1.81						
11	Municipal Court Trg.	1.00									1.00
15	S. F. Caffarf Co.	.50						.50			
19	Al Ansel Service	1.73						1.73			
19	Beafer Automotive Co.	27.69			27.69						
4	Superior Blacksmith	1.87			1.87						
20	Dibble Service Co.	1.00			1.00						
17	Bonomi Store	.77			.77						
17	Automotive Parts Co.	3.08			3.08						
17	Automotive Parts Co.	3.05			3.05						
	Automobile Mileage 13¢ @	312.24						312.24			
	Station Wagon Hauling 12¢ @	539.04						539.04			
	Auto Toll Bridge	9.15						9.15			
	Station Wagon Tolls	14.10						14.10			
	Total Phone Bill	45.27						45.27			
	Compressor Rental	4.00							4.00		
	Toll Labor	34.56	34.56								
	Castle + Brenner	671.99		671.99							
	Big Truck Mileage 15¢ @	273.60						273.60			
	Truck Drivers Hotel + Meals	143.39						143.39			
	Marking Machine	12.00			12.00 — X						
					12.00						

Mt. Diablo Mercury Co.

November December January & February

Item	Supervision & Labor	Contractors	Equipment & Supplies	Lumber & Timber	Fuel & Oils	Mileage Phone & Tolls	Equipment Rental	Electric Power	Ins. Taxes Attorneys
Totals from Page # 1	145639	95235 50	198274	51330	2366			28472	
" " " # 1-A	56525	244943	276447	102575	7012				5483
" " " 2	500 -	238588	94220	151687	13418		100 -	29298	156036
" " " 3	74475		14037	1621	930			10952	
" " " 4			132762	14634	1471	320			
" " " 5	3456 -	67199	128228		145	133902	400 -		100
Totals	679239	13251 -	843968	321847	25342	134222	500 -	68712	161619

Sum Total less Attorneys, Taxes & Ins. 3471850

Code 800

400

DEC 13 1955

Mr. John L. Jonas
166 Los Robles Drive
Burlingame, California

Mr. John E. Johnson
520 South Van Ness Avenue
San Francisco, California

Re: Docket No. DMRA 2448-Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Idm-E544

Dear Sirs:

Reference is made to Mr. Jonas' letter of November 24, 1955, replying to our letter of November 3, 1955.

Your letter says that you believe there is due to you an additional payment from the Government for the months of February and March 1954. Your letter of June 24, 1955, stated this amount as $3,687.26. You also state that Mr. Ronnie B. Smith, one of the three partners from whom you received the assignment of Contract Idm-E544, has not yet responded to your letters. In addition, you mention that most of the supplies and materials, as well as the equipment, which we had asked you to dispose of for the joint account of the Government and yourself pursuant to the provisions of the contract, have been used or consumed by the present operator of the mine, presumably meaning the Cordero Mining Company.

I.

As indicated in our letter to you of July 14, 1955, the contract authorizes payment by the Government only on the basis of actual costs, and therefore we can not make payment on a footage basis as you had requested.

II.

In our letter of July 14, 1955, we further advised you that the Government has made an overpayment under the contract. The amount of that overpayment was stated as $1,230.94, on the basis of the Statement of Account attached to our letter of July 14. However, that Statement of Account was based on an Operator's Monthly Report and Voucher Form MF-104, submitted during May 1954, in which you claimed $1,557.77 for costs during March 1954. A revised Form MF-104 submitted by

you during October 1954 showed costs of $1,336.34 during March 1954. Accordingly, our previous Statement of Account is herewith replaced by the attached Revised Statement of Account indicating your indebtedness to the Government in the amount of $1,284.51.

Our letter of July 14 also advised you that the amount of your indebtedness would be adjusted if you can reasonably establish that any additional costs are properly allowable. In the absence of any showing by you that there have been any such additional allowable costs, we must call upon you to pay the sum of $1,284.51 to satisfy your indebtedness on account of previous overpayment by the Government.

III.

With respect to the supplies, materials, and equipment in which the Government has a 75% interest under the contract, we had advised you in our letters of February 13, June 1, and July 14, 1955, that you are obliged to liquidate and account to the Government for the Government's interest therein, and that you should protect the Government's interest therein until they are satisfactorily liquidated. It appears that you have done neither, although your letter of June 24, 1955, stated that, "The sale price should be about $3,000." On the basis of available information, we concur in your estimate that $3,000.00 is the reasonable salvage value of the supplies, materials, and equipment for purposes of disposal under this contract.

IV.

We now demand that you pay to the Government the sum of $3,534.51, representing $1,284.51 for overpayment and $2,250 as the Government's 75% interest in the aforementioned salvage value of $3,000.00. Upon payment of such sum, the Government will agree to terminate the contract and relieve you from any further obligations thereunder, but without waiving lien on the land and such rights to royalty payments out of production as the Government may have in the event that the Government certifies the project within the time available for such certification.

The Government does not, by this demand, waive any claim, demand, or right which it had against the assignors, Messrs. Ronnie B. Smith, Jene Harper, and/or James F. Dunnigan, on or prior to January 20, 1954, on which date the assignment from Messrs. Smith, Harper and Dunnigan to you was executed by the assignors and assignees. Furthermore, this demand does not in any way prejudice whatever rights you may have

against the Cordero Mining Company for having used or disposed of any property mentioned above. Nor does this demand prejudice whatever rights you may have against Messrs. Smith, Harper and Dunnigan, with respect to the overpayment of $1,887.06 to them, which, by virtue of the assignment of the contract to you, has caused you to become indebted to the Government for overpayment as shown in the Revised Statement of Account attached hereto.

Sincerely yours,

C. O. Mittenthal

Administrator

Enclosure

cc: Docket
Code 400
Code 800
Oper. Committee
Adm. Read. File
Thor Kiilsgaard, USGS
Helena Meyer, USBM
Assoc. Solicitor Dwyer, Div. Min. Resources
Field Team, Region 2

PIndritz/ls
2/3/56

REVISED STATEMENT OF ACCOUNT

IIM-8544, DMEA-2448, MT. DIABLO QUICKSILVER MINE

Ronnie B. Smith, Trustee

Costs Claimed Aug. 15, 1953, to Oct. 31, 1953	$19,680.40
Disallowed by audit	2,516.08
Accepted Costs per audit	17,164.32
Proper Government Participation (75%)	12,873.24
Paid by Government	14,760.30
Overpayment by Government	$ 1,887.06

Jonas & Johnson

1/	Costs Claimed Nov. 1, 1953, to Feb. 28, 1954	$32,615.60
	Disallowed by audit	4,112.94
	Accepted Costs per audit	28,502.66
	Costs Claimed March 1-4, 1954	1,336.34
	Total Acceptable Costs	29,839.00
	Proper Government Participation (75%)	22,379.25
	Paid by Government	21,776.70
2/	Balance Due Operator	$ 602.55

Summary for Contract

Costs Claimed	$53,632.34
Disallowances	6,629.02
Acceptable Costs	47,003.32
Proper Government Participation (75%)	35,252.49
Paid by Government	36,537.00
3/ Overpayment	$ 1,284.51

1/ Includes costs claimed by Ronnie B. Smith for the period of November 1, 1953, to December 31, 1953, aggregating $21,846.40, based on which the Government paid $16,384.80. It is assumed that these payments were turned over to Jonas & Johnson by Ronnie B. Smith.

2/ This balance is set off against the overpayment of $1,887.06, resulting in a net overpayment of $1,284.51.

3/ In addition, the Government has an estimated claim of $2,250.00 for its 75% equity in equipment, facilities, and supplies (the estimated value of which is $3,000.00).

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

L00

FEB 13 1956

Mr. Ronnie B. Smith
Tower Petroleum Building
Dallas, Texas

Mr. Jack Harper
c/o Franklin Supply Company
[illegible] S. Michigan Avenue
Chicago, Illinois

Mr. James F. Dunnigan
c/o Producers Refining, Inc.
[illegible] W. Houghton Avenue
West Branch, Michigan

Re: Docket No. [illegible] - Harper
Smith and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. [illegible]

Gentlemen:

The above mentioned exploration project contract, which you entered into on June 5, 1953, was assigned by you to Messrs. John L. Jones and John E. Johnson on January 20, 1954. In connection to that assignment, the Government reserved "to the Government all claims, demands, causes of action, or rights whatsoever, that the Government has or may have had against the said Operator on or prior to the date of assignment hereof." (The reference to "said Operator" is to Messrs. Smith, Harper, and Dunnigan, collectively designated as Operator).

Audit of payments made by the Government, with respect to costs under that contract claimed for the period from August 25, 1953 to October 31, 1953, indicates that the Government made an overpayment to you of $1,087.06. Attached is a Statement of Account showing the basis for that account.

Demand is herewith made that you pay to the Government the sum of $1,087.06 for the overpayment stated above.

Sincerely yours,

Administrator

FIHERRIZ:fec
2/7/56
cc to: Docket
Code L00
Adm. Rand. File
FT. BED. II
E. M. Meyer, USBM
T. H. Kiilsgaard, USGS

cc to: Audit Div.
Mr. Indrika - Rm. 7343

STATEMENT OF ACCOUNT SERVING BASIS FOR
GOVERNMENT'S CLAIM AGAINST BONNIE B. SMITH,
JEAN HARPER, AND JAMES F. DONEGAN, FOR
$1,537.07

Contract No. [illegible], DSA Project No. [illegible],
[illegible] Subcontractor [illegible]

Costs claimed August 15, 1953 to October 31, 1953	$15,630.40
Disallowed by audit	2,526.08
Accepted costs per audit	13,104.32
Proper Government participation (75%)	12,873.24
Paid by Government	14,410.30
Overpayment by Government	1,537.06

AUDIT DIV.

FEB 13 1956

Mr. Spangler Richmond, Executive Officer
DMEA Field Team, Region II
1605 Dunne Avenue
Reno, Nevada

Re: Docket No. DMEA 2440 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-554

Dear Mr. Richmond:

Enclosed are copies of the following letters:

Mr. Jones' letter of November 24, 1955, to Mr. Mittendorf.

Mr. Mittendorf's letter of today to Messrs. Jones and Johnson concerning the disposal of the equipment, materials, and supplies, and payment to the Government of the amounts due to the Government for such property and the Government's previous overpayment under the contract.

Mr. Mittendorf's letter of today to Messrs. Smith, Harper and Dunnigan concerning the Government's previous overpayment to them.

The information Mr. Jones offers from his observations at the Mt. Diablo Quicksilver Mine as to the ore on surface and mill preparation indicates that the Cordero Mining Company (the present lessee of the mine) has discovered some milling material since Mr. Gilbert's letter to you dated October 4, 1955. It would now appear advisable for the Field Team to determine by an examination of the property whether or not the work on the shaft sunk under this contract No. Idm-554 has resulted in a discovery or development of minerals in the target area on the basis of which a certification may be made, and to advise us accordingly.

Your attention is particularly called to the statement in Mr. Jones' letter that the supplies, materials and equipment in which

the Government has a 75% interest, have been used or consumed by the present lessee of the mine, the Cerdero Mining Company. If these statements are true, the Government has and could assert a claim against the company for the value of the Government's interest in the property so used and consumed. Accordingly, it would be appreciated if you would investigate and advise us, as best you can, as to whether the company has used or consumed such property, and as to the amount and value of the property so used and consumed.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures

APPROVED:

P. F. Yopes

Member, Bureau of Mines

ADMcMAHON/PINDRITZ/foc
2-8-56 Thor H. Kiilsgaard

Member, Geological Survey

cc to: Docket
Code 100
Admr. Read. File
Operating Comm.
FT. REG. II
H. M. Meyer, USBM
T. H. Kiilsgaard, USGS
AUDIT DIV. - Mr. Talbert
Mr. Indritz - Rm. 7313

P. S. -- Since writing the above, we have received your January Summary of DMEA Activities, in which we note the following:

"After exploring the 300-foot level of the mine, the Cerdero Mining Company discontinued operations and water flooded the new workings. Significant ore discoveries were not made."

Your further comments on the subject would be appreciated.

COPY

November 24, 1955
166 Los Robles Dr.
Burlingame, Calif.

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

Re: Docket No. DMEA 2448
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Sir:

In response to your letter of November 3, in regards to Mr. Ronnie B. Smith. To date we have received no answer to our last three letters. He was in San Francisco about two weeks ago but was affected with a heart attact and left immediately. He did not even confer with his attorney, except by phone. His attorney stated he would go to Washington to see you personally.

I have just returned from the Mt. Diablo Quicksilver mine. They are progressing very well and have completed considerable work. The mill has been made ready for operation, the ore bins are full and a stock pile near the upper ore bin. Mr. Blumberg, the superintendent, informed me they will start the mill a little later as more ore is being developed.

You mentioned selling the supplies and equipment. Our attorneys advise this is not quite in keeping with this situation as the operator who broke our locks has taken and used most all the supplies and materials. For instance, a few days before Mr. Schaahn closed us down we received delivery of two tons of rail, belts, and fish plates and thirteen thousand feet of lumber. It has all been used along with two truck loads of mine post. He has been using the equipment for over one year. There are other items too numerous to mention.

Mr. Mittendorf, do you have an attorney on your staff in San Francisco with whom we, or our attorneys, can discuss this situation? I believe that if you have we can discuss these problems and consummate an amicable conclusion. We want to settle this situation as much as you do but we still feel our February and March wheels, which you are holding, are due us.

I have discussed the equipment with several mining men and they are very interested but we would like to clear the present situation first.

Sincerely

Mt. Diablo Mercury Co.

/s/ J. L. Jonas
J. L. Jonas

REVISED STATEMENT OF ACCOUNT

IDM-8344, DMSA-8448, MT. DIABLO SUPERFUND SITE

Ronnie B. Smith, Trucker

Costs Claimed Aug. 15, 1953 to Oct. 31, 1953	$19,680.40
Disallowed by audit	[illegible]
Accepted Costs per audit	[illegible]
Proper Government Participation (75%)	[illegible]
Paid by Government	[illegible]
Overpayment by Government	$ [illegible]

James A. Johnson

1/ Costs Claimed Nov. 1, 1953 to Feb. 28, 1954	$32,615.40
Disallowed by audit	[illegible]
Accepted Costs per audit	[illegible]
Costs Claimed March 1-4, 1954	[illegible]
Total Acceptable Costs	[illegible]
Proper Government Participation (75%)	[illegible]
Paid by Government	[illegible]
2/ Balance Due Operator	$ [illegible]

Summary for Contract

Costs Claimed	$53,632.34
Disallowances	[illegible]
Acceptable Costs	[illegible]
Proper Government Participation (75%)	[illegible]
Paid by Government	[illegible]
Overpayment	$ [illegible]

1/ Includes costs claimed by Ronnie B. Smith for the period of November 1, 1953 to December 31, 1953, aggregating $21,846.40, based on which the Government paid $16,384.80. It is assumed that these payments were turned over to James A Johnson by Ronnie B. Smith.

2/ Subject to adjustment upon liquidation of equipment, facilities and supplies in which the Government has a 75% equity.

Original + 8 copies to Industry (Solicitor's Office) on 2/3/56

EW

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

420 Custom House
555 Battery Street
San Francisco 11, California

RECEIVED
DEC 16 1955

December 14, 1955

Mr. Norman E. Spray
Certified Public Accountant
National City Building
Dallas, Texas

Re: Idm-E544, DMEA-2448
Jones and Johnson
Assignees
for Rennie B. Smith
Mt. Diablo Mine

Dear Mr. Spray:

In accordance with your letter dated December 12, 1955 and telephone conversation today, you will find attached hereto copies of audit work papers covering the cost of subject contract attributed to Mr. Rennie B. Smith in amount $17,164.32 for the period August 15, 1953 to October 31, 1953.

Should you desire any additional information, please let me know.

Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor
Auditor

Enclosure

cc: Jay L. Chambers
S. Rieker

NORMAN E. SPRAY
CERTIFIED PUBLIC ACCOUNTANT
NATIONAL CITY BUILDING
DALLAS, TEXAS

RANDOLPH 5520

RECEIVED
DEC 16 1955

December 12, 1955

Mr. George Mavor, Auditor
Defense Minerals Exploration
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket DMEA-2488
Mt. Diablo Mine

Dear Mr. Mavor:

This will acknowledge with thanks you letter of November 28, wherein you reply in great detail to my letter of November 21 as to the subject contract.

Only yesterday morning when Mr. Smith was in my office was I able to confer with him further as to disposing of the problems remaining as to the subject contract. It appears, inasmuch as I have no accounting records available to me relative to this contract, that I must request more detailed information as to the individual items disallowed in your audit report for the period August 15, 1953 to February 28, 1954. This request is primarily for two purposes, uppermost of which is to determine if certain payments by Mr. Smith subsequent to October 31, 1953, were given effect to in your audit report. I understand the majority of invoices and other data originally in Mr. Smith's file was furnished to you to substantiate the majority of the charges made by Mr. Smith. If at all possible, I am of the opinion that a copy of your audit workpapers, which set forth the individual invoice and check numbers, will be required for me to determine certain questions remaining at this time.

If for any reason you are unable to furnish at my expense a copy of your audit workpapers, I will appreciate your telephoning me collect at the above telephone as soon as possible. Mr. Smith expects to be in my office Friday, December 16 and he too is quite anxious to close this matter as soon as possible. Your continued cooperation will certainly be appreciated.

Very truly yours,

Norman E. Spray

Norman E. Spray

mc

cc: Mr. H. C. Miller, Regional Director

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.
420 Custom House
555 Battery Street
San Francisco, California

RECEIVED
DEC 15 1955

Noted JLC

December 13, 1955

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

RE: Idm-E544, DMEA-2448
Jonas and Johnson
Assignees
for Ronnie B. Smith

Dear Mr. Chambers:

Reference is made to your letter dated December 2, 1955, in connection with difference in amount due from subject operator, shown in my letter to you dated October 19, 1954, as $1,230.94 and in my letter dated November 28, 1955 to Norman E. Spray, Certified Public Accountant as $1,284.51, which is the correct amount.

In my letter to you dated October 19, 1954, I listed the costs, taken from the MF-104 for March 1954, as $1,557.77. This voucher was received by the Finance Office on May 11, 1954. The costs shown on this voucher had not been audited, and it was along about October 28, 1954 that Mr. Jonas finally brought his records to my office for audit purposes. It was determined that the acceptable costs for March 1954 should be $1,336.34, and that a revised MF-104 for March 1954 should be prepared and submitted for approval. The figures shown on the two vouchers are as follows:

	First MF-104 March 1954 Rec'd. 5-11-54	Revised MF-104 March 1954 Rec'd. 11-12-54
Labor and Supervision		
Labor	$ 480.76	$ 500.00
Supervision	250.00	250.00
Operating Mat'ls. & Supplies		
Miscellaneous	-0-	327.50
Operating Equipment		
Rental	150.00	-0-
Purchase	249.24	-0-

Miscellaneous		
Payroll Taxes	$ 28.16	$ 8.84
Liab. Insurance	250.00	250.00
Mileage, Bridge Toll and Phone	149.61	-0-
Totals	$1,557.77	$1,336.34

The revised MD-104 and MF-104A for March 1954, in amount of $1,336.34 were prepared by myself and one original and five copies were sent to John L. Jonas for signature and resubmittal to Reno and San Francisco, as per letter dated October 28, 1954 from H. C. Miller to John L. Jonas. A copy of this letter was also sent the Operating Committee in Washington which showed the amount due from Jonas and Johnson as $1,284.51.

Copies of letters dated March 23, 1955 and April 28, 1955 from S. Ricker to J. L. Jonas, were sent to the Operating Committee in Washington, and in both letters the overpayment is shown as $1,284.51.

In letter dated February 18, 1955 from Frank E. Johnson, Acting Administrator to J. L. Jonas, the overpayment is shown as $1,284.51.

Trusting the above explanations clarify your questions.

Sincerely yours,

George Mavor

George Mavor
Auditor

DEC -3 [illegible]

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

Re: [illegible], DMEA-2448
Jonas and Johnson, Assignees
for Ronnie B. Smith

Dear Mr. Mayer:

Receipt is acknowledged of a copy of your letter dated November 28, 1955, addressed to Mr. Norman E. Spray, Certified Public Accountant, relative to the referenced project contract.

In the second paragraph of this letter you state "Since rendering the above audit report for the period ending February 28, 1954, Jonas and Johnson rendered a final voucher in the amount of $1,336.34 for certain costs incurred during March 1954". This statement is at variance with the information furnished in your letter to me, under date of October 19, 1954, wherein you state that the final Form MF-104 for March 1 to 4, 1954, claimed costs in the amount of $1,557.77, including pump rental costs of $150.00, which were to be disallowed.

On the basis of your Interim Audit Report and your letter of October 19, 1954, this Division prepared a statement indicating $1,230.94 as the amount of the overpayment. This statement was sent to Jonas and Johnson by the Administrator as an attachment to a letter dated July 14, 1955. A copy of the letter and statement is enclosed.

Your letter to Mr. Spray indicates the overpayment as amounting to $1,284.51, i.e., $53.57 more than the $1,230.94 stated in the Administrator's letter to Jonas and Johnson. This $53.57 represents 75% of the $71.43 difference between the two amounts of $1,336.34 and $1,557.77 (less the $150.00 disallowance) variously indicated as being the costs claimed on the final MF-104.

It will be appreciated if you will furnish this office an explanation of the discrepancy.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosures

EDTalbert/ama
December 2, 1955

Copies to: Docket
Admr. Reading File
Mr. Chambers

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

RECEIVED
DEC - 1 1955

420 Custom House
555 Battery Street
San Francisco, California

November 28, 1955

Mr. Norman E. Spray
Certified Public Accountant
National City Bank
Dallas, Texas

RE: Idm-E544, DMEA-2448
Jonas and Johnson
Assignees
for Ronnie B. Smith
Mt. Diablo Mine

Dear Mr. Spray:

Reference is made to your letter dated November 21, 1955, addressed to Mr. H. C. Miller, in connection with disallowed costs reflected in Audit Report of subject contract, covering operations for the period August 15, 1953 to February 28, 1954.

Since rendering the above audit report for the period ending February 28, 1954, Jonas and Johnson rendered a final voucher in amount of $1,336.34 for certain costs incurred during March 1954. As you no doubt know, the mine was closed down March 5, 1954, due to the accidental death of a miner.

The revised and final cost of the contract is accounted for as follows:

	Costs
Audit Report 8/15/53 to 2/28/54	$45,666.98
Add: March 1954	1,336.34
Total Final Cost of Contract	$47,003.32

Before any credit to the contract from sale of salvaged material and equipment there is an overpayment to Jonas and Johnson in amount of $1,284.51, as indicated below:

	Cost Claimed	75% Gov't. Participation
Claimed and paid to 1/31/54	$48,716.00	$36,537.00
Less: Actual Costs to March'54	47,003.32	35,252.49
Overpaid to March 1954	$ 1,712.68	$ 1,284.51

In the first paragraph of your letter you ask for an explanation of the disallowed items. The disallowance of $6,629.02 as

shown on page 8 of audit report, can be accounted for in the following manner:

Claimed by Operator		
Sinking 330 ft. at $121.20 per ft.	$39,996.00	
Crosscutting 120 ft. at $40.00 per ft.	4,800.00	
Supervision	3,250.00	
Equipment Purchased	2,250.00	
New Bldgs. Improvements, etc.	2,000.00	$52,296.00
Less: Actual Costs of Contract		
Independent Contracts	$18,800.00	
Labor and Supervision	7,808.19	
Operating Materials and Supplies	12,425.00	
Operating Equipment	2,335.68	
New Bldgs., Improvements, etc.	2,000.00	
Miscellaneous	2,298.11	45,666.98
Disallowed		$ 6,629.02

As explained in page one of the audit report, the sinking and crosscutting costs were claimed and paid on a unit rate basis instead of an actual cost basis, as set forth in the terms of the contract. Therefore, all costs claimed in amount of $52,296.00 during the period August 15, 1953 to February 28, 1954, were disallowed, and in lieu thereof, actual costs were substituted in amount of $45,666.98, with the resultant net disallowance of $6,629.02.

In the second paragraph of your letter, you ask how the disallowed amount of $6,629.02 and the overpayment of $3,049.02 should be applied between R. B. Smith and Jonas and Johnson. Due to receiving voucher in amount of $1,336.34, covering March 1954 costs, the cost summary showing the disallowance of $6,629.02 on page 8 of audit report is changed as follows:

	Cost Claimed	75% Gov't Participation
Claimed and Paid Contractor		
MF-104's 8/15/53 to 1/31/54	$48,716.00	$36,537.00
Add: MF-104 Feb. 1954 Unpaid	3,580.00	2,685.00
MF-104 March 1954 Unpaid	1,336.34	1,002.25
Total Claimed by Operator	$53,632.34	$40,224.25
Less: Actual Costs per Audit 8/15/53 to 3/5/54	47,003.32	35,252.49
Claims in excess of allowable Costs	$ 6,629.02	$ 4,971.76

From the above you will note there is no change in the disallowed costs of $6,629.02, however, the March 1954 voucher in amount of $1,336.34, reduces the overpayment from $3,049.02 to $1,712.68 and accounted for as follows:

	Cost Claimed	75% Gov't. Participation
Claimed and paid to 1/31/54	$48,716.00	$36,537.00
Less: Actual Costs to Mar. 1954	47,003.32	35,252.49
Overpaid to 3/5/54	$ 1,712.68	$ 1,284.51

The above overpayment of $1,284.51, can be further reconciled as follows:

	Cost Claimed	75% Gov't. Participation
Claims in excess of allowable costs	$6,629.02	$4,971.76
Less: NF-104's Feb. and March '54 Unpaid	4,916.34	3,687.25
Overpaid to 3/5/54	$1,712.68	$1,284.51

From invoices, payrolls and other data furnished by R. B. Smith and Jonas and Johnson, the division of actual costs in amount of $47,003.32 can be identified between parties, together with Government payments and resultant overpayment as follows:

	R.B.Smith Records 8/15/53 to 10/31/53	Jonas & Johnson Records 11/1/53 to 3/5/54	Total
Claimed and Paid to 1/31/54	$19,680.40	$29,035.60	$48,716.00
Less: Actual Costs to 3/5/54	17,164.32	29,839.00	47,003.32
Overpaid to 3/5/54	$ 2,516.08	$ (803.40)	$ 1,712.68
75% due Government	$ 1,887.06	$ (602.55)	$ 1,284.51

From the above allocation of costs and payments, it can be seen that R. B. Smith has been overpaid in amount of $1,887.06 and Jonas and Johnson underpaid by $602.55, making a net overpayment on the contract of $1,284.51, for which the Government has been trying to collect from Jonas and Johnson, without results up to date.

In addition to the $1,284.51 due the Government, there still remains to be settled the dispostion of property in which the Government is entitled to 75% of any salvage, and under date of April 21, 1955 Mr. S. Ricker, Executive Officer, Region II, Defense Minerals Exploration Administration, 1605 Evans Avenue, Reno, Nevada, wrote to Mr. J. L. Jonas and requested that efforts be made to dispose of all salvageable property in which the Government has a 75% equity and to obtain 3 competitive bids on the property and submit them to him for approval, however, up to date Mr. J. L. Jonas has not replied to Mr. Ricker's letter. The property subject to disposal is listed in detail in the audit report on the following pages:

Audit Report		
Page 4	Materials and Supplies	$12,425.00
Page 5	Operating Equipment	2,335.68
Page 6	New Bldgs., Improvements, etc.	2,000.00

Included in Materials and Supplies, are certain items remaining on the mining property, which had a salvage value, such as timber, pipe, track, ventube, etc., and all of the Operating Equipment and New Buildings, Improvements, etc., have a salvage value. I understand that Jonas and Johnson did take an inventory of all salvageable property after the mine was closed down, however, they have never submitted any bids to the Government.

As the settlement of this contract is long past due, anything you can do to bring the settlement to a satisfactory conclusion will be appreciated.

Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor
Auditor

Copy to: Jay L. Chambers
S. Ricker

C
O
P
Y

September 20, 1955.
166 Los Robles Dr.
Burlingame, Calif.

C. O. Mithendorf
Defense Minerals Exploration Administration
Washington 25, D. C.

Mr. Mithendorf:

Re: Docket No. DMEA-2448
Contract No. Idm-E544
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Sir:

In response to your letter regarding the overpayment on the above mentioned DMEA contract.

As per your audit the overpayment which you are asking is from the operation of Ronnie B. Smith. I wrote to him some three weeks ago, but to date I have received no reply.

As soon as work is received from him I will contact your office.

Sincerely,

/s/ J. D. Jonas
J. L. Jonas

Copy to

Ronnie B. Smith
Tower Petrolium Bldg.
Dallas, Texas

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

July 14, 1955

Messrs. J. L. Jones and
John Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-[redacted]
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Gentlemen:

Thank you for your letter of June 24 to Mr. J. L. Hofflund, Acting Assistant Solicitor, in response to his of June 1 to your attorney, Mr. Sidney Rudy. Your letter seems to us to indicate a desire to settle this matter on a reasonable and equitable basis.

In his letter to your attorney of June 1, Mr. Hofflund points out that the contract plainly provides for payments to the operator on a basis of actual costs, and I am without authority to settle the matter on any other basis than that provided in the contract. With this in view, there is attached hereto a copy of Statement of Account, on the basis of actual costs, showing a total overpayment under the contract in the sum of $1,230.94. This amount, of course, would be subject to any adjustments that may arise out of the liquidation of equipment, facilities, and supplies in which the Government has an equity. It would also be subject to adjustment on account of any allowable costs incurred by you which are not now included in the account and which you can establish by any reasonable statement and showing of their necessity and propriety.

Please advise us if this Statement of Account affords a satisfactory basis for the settlement of this matter; and whether you would wish to take over the equipment, facilities, and supplies, or to dispose of them for the joint account of yourself and the Government. In any

case, you should, of course, protect the Government's interest in equipment, facilities, and supplies until it is satisfactorily liquidated.

Your prompt reply is requested.

Sincerely yours,

/S/ C. O. Mittendorf

Administrator

Attachment

JLHamberg/JLHofflund/emd
July 13, 1955

Copy to: DMEA Docket
Adm. R. File
Field Team, Reg. II (2)
W. S. Martin
H. M. Meyer, Mines
T. H. Killagaard, GS
Operating Committee
J. L. Hofflund
chron.
pending

STATEMENT OF ACCOUNT

IDM-2544, DMEA-2448, MT. DIABLO QUICKSILVER MINE

Ronnie B. Smith, Trustee

Costs Claimed Aug. 15, 1953 to Oct. 31, 1953		$19,680.40
Disallowed by audit		2,516.08
Accepted Costs per audit		17,164.32
Proper Government Participation (75%)		12,873.24
Paid by Government		14,760.30
Overpayment by Government		$ 1,887.06

Jonas & Johnson

1/	Costs Claimed Nov. 1, 1953 to Feb. 28, 1954		$32,615.60
	Disallowed by audit		4,112.94
	Accepted Costs per audit		28,502.66
	Costs Claimed March 1-4, 1954	$1,557.77	
	Indicated Disallowance	150.00	1,407.77
2/	Indicated Total Acceptable Costs		29,910.43
	Proper Government Participation (75%)		22,432.82
	Paid by Government		21,776.70
3/	Balance Due Operator		$ 656.12

Summary for Contract

	Costs Claimed	$53,853.77
	Disallowances	6,779.02
2/	Indicated Acceptable Costs	47,074.75
	Proper Government Participation (75%)	35,306.06
	Paid by Government	36,537.00
	Overpayment	$ 1,230.94

1/ Includes costs claimed by Ronnie B. Smith for the period of November 1, 1953 to December 31, 1953, aggregating $21,846.40, based on which the Government paid $16,384.80. It is assumed that these payments were turned over to Jonas & Johnson by Ronnie B. Smith.

2/ As indicated by a preliminary review of the March 1-4, 1954, MF-104.

3/ Subject to adjustment upon liquidation of equipment, facilities and supplies in which the Government has a 75% equity.

STATEMENT OF ACCOUNT

IDM-E544, DMEA-2448, MT. DIABLO QUICKSILVER MINE

Rennie B. Smith, Trustee

Costs Claimed Aug. 15, 1953 to Oct. 31, 1953		$19,680.40
Disallowed by audit		2,316.08
Accepted Costs per audit		17,364.32
Proper Government Participation (75%)		12,873.24
Paid by Government		14,760.30
Overpayment by Government		$ 1,887.06

Jonas & Johnson

*Costs Claimed Nov. 1, 1953 to Feb. 28, 1954		$32,615.60
Disallowed by audit		4,112.94
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Disallowances	6,779.02
Indicated Acceptable Costs	47,074.75
Proper Government Participation (75%)	35,306.06
Paid by Government	36,537.00
Overpayment	$ 1,230.94

*Includes costs claimed by Rennie B. Smith for the period of November 1, 1953 to December 31, 1953, aggregating $21,846.40, based on which the Government paid $16,384.80. It is assumed that these payments were turned over to Jonas & Johnson by Rennie B. Smith.

**Subject to adjustment upon liquidation of equipment, facilities and supplies in which the Government has a 75% equity.

Prepared for Mr. Hoffland on July 12, 1956.

EW

STATEMENT OF ACCOUNT

IDM-2544, DMTA-2448, MT. DIABLO QUICKSILVER MINE

Ronnie B. Smith, Trustee

Costs Claimed Aug. 15, 1953 to Oct. 31, 1953		$19,680.40
Disallowed by audit		2,516.08
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Overpayment	$ 1,230.94

*Includes costs claimed by Ronnie B. Smith for the period of November 1, 1953 to December 31, 1953, aggregating $21,846.40, based on which the Government paid $16,384.80. It is assumed that these payments were turned over to Jonas & Johnson by Ronnie B. Smith.

**Subject to adjustment upon liquidation of equipment, facilities and supplies in which the Government has a 75% equity.

July 11, 1955

Supersedes attached memo of 7/7/55.

Memorandum

To: Files

From: Acting Assistant Solicitor, Defense Minerals

Subject: Jonas and Johnson, Docket No. DMEA-2448, Contract Idm-E544 (mt. Diablo Quicksilver Mine)

This memorandum for the files supercedes one dated July 7, which is now withdrawn. This contract was originally with Ronnie B. Smith, and was assigned to Jonas and Johnson by Assignment dated January 20, 1953. The Assignment was accepted by the Assignee under date of January 20, 1953; but the Government's Consent to Assignment is dated ~~February~~ Dec. 7, 1953; ~~and therefore its effective date as to the Government is February 7, 1953~~. As between Smith and J and J the docket indicates that they agreed on October 30, 1953 ~~as~~ the cut-off date, and the Government's audits reflect that date. However, it is my understanding that payments for November and December were made to Smith ~~(why I don't know)~~ and presumably were paid over by Smith to J and J.

By the Government's acceptance of the Assignment, it expressly preserved all claims against Ronnie B. Smith arising on or prior to ~~February~~ December 7, 1953.

At the date of the Assignment of Smith to J & J, Smith had been overpaid some $1,880 because of misconstruction of the contract by the Certifying Officer in the field and presumably by Smith, i.e., considering it to be a unit-cost contract instead of an actual cost contract. Moreover, even after the Assignment this misconstruction continued and payments were continued on an ~~actual~~ unit cost basis for ~~more than six months~~ one month to J & J. Upon discovering these overpayments, and the misconstruction of ~~the~~ the contract, the Government withheld ~~several of~~ the last payments to J & J, and they are still pending.

Apparently it was not until just before the amendment of the contract to provide for dewatering the mine after the catastrophic inrush of water and the loss of the life of a man, that it was discovered that the contract had been misconstrued. At any rate, claims for reimbursement arising out of the amendment have been presented upon the basis of actual cost (as I undertand it). J & J also contend that at the time of the assignment they and Smith conferred with Miller in San Francisoo, and he assured them that payments would be continued on the same basis as before, i.e., on the basis of the unit cost (see correspondence).

The immediate problem is a reply to the letter of Jonas and Johnson of recent date, in reply to mine of June 1 to Sidney Rudy, Attorney. On July 7, I discussed a reply with Jay Chambers, and he undertook to review the matter and formulate a draft of a reply. This draft was received by me on Friday, July 8, and on this date July 11 (Mr. Chambers being absent for a day or so) I took it to Talbert and discussed it with him. Talbert believes that some review and probably revision and restatement of the account is necessary; and that they actually have at this time everything in hand that is required to make a full statement of the matter to J & J. In this view of the case he will draft a new statement of the account and possibly some suggestions as to a proposal to J & J.

Up to this point, no segregation of the overpayments to Smith from the overpayments to J & J has ever been made; nor have any representations ever been made to Smith with respect to this overpayment. Under all of the circumstances it may be that both Smith and J & J have good equitable defenses to any claim for recovery of the overpayment, on the theory that both of these parties changed their position in reliance upon the Government's construction of the contract. However, there is some indication in the letter of J & J that they might accept responsibility for the whole overpayment if they can arrive at a satisfactory settlement with the Government, therefor, I think the best thing to do is to arrive at a correct statement of the whole account, without any segregation as between Smith and J & J, and present the whole thing to J & J to see if they will accept it as a basis for settlement.

The letter to J & J should make it plain that the Government cannot settle the account on any other basis than that provided in the contract, i.e., the basis of actual cost. If J & J insist on segregating the account as between themselves and Smith, it may be that we could ~~make~~ ~~xxxxxx~~ nevertheless make a settlement with J & J, and thereupon make a claim against Smith for whatever overpayment he has had, presumably some $1,880. J & J own the equipment by transfer from Smith, and therefor they will be able to set off the Government's equity in the equipment against anything ~~they~~ would have to pay them ~~Government~~, i.e., assuming that they wish to take over the equipment. Smith has no interest in the equipment, having transferred it to J & J. The fact is that Sam Williston has the equipment in possession and has been using it all this time, and it is not known whether J & J really can realize anything upon it, although they represent now that it ought to be disposed of for some $3,000.

I had thought that we might be able to settle the matter on the basis of unit costs as demanded by J & J; but I now come to the conclusion that this is not practical. Dal points out that they have already audited the transaction on the basis of actual costs, and if J & J think that any other costs should be allowed, all they have to do is to make a showing of what they are and the Government can be liberal with respect to evidence in view of all of the circumstances of the case. Dal points out that they actually did perform some $18,000 of the work under independent contracts, and then took over the work on their own account. The Government paid for this on the basis of the maximum estimated costs for the work, but J & J (or Smith) made payments to the independent contractor on the basis of $50 a foot. Under all the circumstances it would seem difficult to justify a settlement on the basis of unit costs if the maximum estimated costs are taken as the units. In conclusion; write J & J sending them a statement of the entire account on the basis of actual costs, and inquire if they wish to settle on that basis, probably including taking over the equipment.

J. L. Hofflund

July 7, 1955

Memorandum

To: File

From: Acting Assistant Solicitor, Defense Minerals

Subject: Jonas and Johnson, Docket No. DMEA-2448, Contract Idm-E544 (Mt. Diablo Quicksilver Mine)

This contract was originally with Ronnie L. Smith, and assigned to Jonas and Johnson by Assignment dated January 29, 1953, and accepted by the assignee on that date; but The Government's Consent to the Assignment is dated February 7, 1953; (and preserved all claims against Ronnie L. Smith arising on or prior to that date) it is expressly subject to that consent; and therefore its effective date is Feb. 7, 1953.

At the date of the Assignment and of the Government's acceptance of the Assignment, Ronnie Smith had been overpaid some $1880.00 because of the misconstruction of the contract, i.e., considering it to be a unit cost instead of an actual cost contract. According to Jay Chambers, as between Ronnie Smith and Jonas and Johnson they adopted November 1 as the cutoff date and any payments received by Smith on and after that date presumably were paid over by him to Jonas and Johnson. After the assignment, Jonas and Johnson were overpaid some $330.00 on account of the same mistake as to the nature of the contract.

Jonas and Johnson contend that at the time of the assignment they and Ronnie Smith conferred with Miller in San Francisco, and he assured that payments would be continued after the assignment as before on the theory of unit costs. (See correspondence)

Up to this date and conference this date with Jay Chambers, Jonas and Johnson have been viewed as responsible for the entire overpayment, both that to Smith and to Jonas and Johnson. The Demand has been made upon Jonas and Johnson for repayment, but I connot find that any demand has ever been made upon Ronnie Smith for repayment of the overpayment to him. Of course, any demand for overpayment is to be adjusted upon final audit and settlement of the account including the disposal of equipment.

Under these circumstances it would seem that both Ronnie Smith and Jonas and Johnson might have good

equitable defenses to any claim for recovery of the overpayments. Jonas and Johnson, however, seem to be disposed to accept responsibility for the whole overpayment, providing the Government will complete payments that they consider to be due under the Contract (I do not know if they are claiming on the basis of actual costs or unit costs). The net effect would be a balance due to Jonas and Johnson from the Government, subject to deductions by the returns from the disposition of equipment.

Jay Chambers, auditor, did not perceive the necessity for making a distinction between the overpayments to Ronnie Smith on one hand and to Jonas and Johnson on the other hand; and Jay is dissatisfied in general with the sufficiency of the audits made up to this point. He will reply to the letter from Jonas and Johnson to me (which he now has in hand) to the effect that further consideration of the matter is necessary and possibly further audits necessary in the field.

In view of the mutual mistake of fact as to the nature of the contract, it may be that we could settle up the whole thing as suggested by Jonas and Johnson, particularly so if they are willing to assume the overpayment to Ronnie Smith. Until Chambers has completed his audit there will be nothing for me to do, but when it is completed, as I see it now, I think that we should attempt a settlement agreement with Jonas and Johnson as suggested above, and pay to them any balance that may be due.

Note that Ronnie Smith does not in any case have any interest in the equipment to be disposed of, as he transferred all his interest therein to Jonas and Johnson. It follows that if we should look to Smith for repayment, he could not have a setoff on account of the equipment.

J. L. Hofflund
Acting Assistant Solicitor,
Defense Minerals

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

APR 27 1955

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

Re: Idm-F544, DMEA-2448 (Mercury)
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Dear Mr. Mavor:

Reference is made to your letter of April 22, 1955, in regard to the disposal of property purchased for use on the above-cited project.

There is no reason why Jonas and Johnson should not be allowed to bid on the property, provided that it is understood that the entire bid price of the property or as much of their interest in it as is necessary to liquidate their overpayment, is given to the Government prior to their removal of the property. The Government should insist on a certified check from Jonas and Johnson before it gives its permission to remove the equipment from the project site.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
April 26, 1955

Copy to: Docket
Admr. Reading File
Mr. Ricker
Mr. Ellis
Mr. Chambers

E-544 Jonas & Johnson

	Costs	Govt. Part.
MF-104 – Aug. 1953 thru Feb. 1954	$52,296.00	$39,222.00
Disallowed by Audit	6,629.02	4,971.76
Accepted Costs	$45,666.98	$34,250.24
MF-104 – Mar. 1 to 4, 1954	$1,557.77	$1,168.32
To be disallowed on Review	150.00	112.50
Accepted Costs	$1,407.77	$1,055.82
Total Acceptable Costs*	$47,074.75	$35,306.06
Payments thru Jan 1954 MF-104		36,537.00
Overpayment		$1,230.94

(Proceeds from salvage required to recover overpayment by appropriation of Electric 25% equity = $4,923.75)

* Includes salvageable materials:

50 HP Hoist w/motor & Starter	$2,115.00	$1,586.25
36' Sheaves	60.00	45.00
750' – 5/8" Hoisting Cable	160.68	120.51
	$2,335.68	$1,751.76
Headframe, Ore Bin, Tramway #	2,416.02	1,500.00
Pipe, Track, Ventilation	2,705.14	2,028.86
2 Stainless Steel Valves	214.50	160.87
Total	$7,671.34	$5,441.49

Govt. Part. based on $2,000.00 allowable maximum.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 1 - 1954

420 Custom House
555 Battery Street
San Francisco 11, California

October 28, 1954

Registered Mail
Return Receipt Requested

Mr. John L. Jonas
166 Los Robles Drive
Burlingame, California

Re: Idm-E544, DMEA-2448
Jonas and Johnson
Mt. Diablo Quicksilver Mine

Dear Mr. Jonas:

Enclosed you will find cancelled bank checks, together with Workmen's Compensation and Employers' Liability Policy No. N-57797, which are now returned after having served their purpose, in connection with subject contract audit.

Sincerely yours,

George Mavor
Auditor

Enclosures

Copy - Jay L. Chambers

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

OCT 22 1954

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

Re: Idm-E544, DMEA-2448
Jonas and Johnson
Mt. Diablo Quicksilver Mine

Dear Mr. Mayer:

Receipt is acknowledged of your letter of October 19, 1954 with reference to several problems involved in the audit of the subject Exploration Project Contract.

I concur with your determination that the rental charge of $150.00 for the pump should be disallowed. Likewise, I concur that the minimum premium of $250.00 on the employer's liability insurance policy is an allowable cost. Both of these concurrences, however, are premised on the March, 1954, costs being for work performed under the basic contract, including Amendment No. 1, and not for the dewatering and other work authorized by Amendment No. 2.

The justification to Amendment No. 2 indicates that an "Inflow of water on February 18, 1954, flooded the workings and stopped all exploration endeavors." Amendment No. 2, authorizing the dewatering and other work, was not effective until April 22, 1954. Therefore, if the March MF-104 covers costs authorized by this Amendment, it appears that such costs should be disallowed in their entirety. However, it is possible that the effective date of April 22, 1954 is in error and should properly be February 18, 1954, the date of the flooding. It is suggested that you discuss this matter with the Executive Officer. If he determines this to be the case, he should write the Operating Committee giving his recommendations for change in the effective date and justifications therefore. Please investigate this matter and advise me of your findings.

In the event that the project is terminated, and after the disposition of the project property has been effected, the issuance of a Report of Review in lieu of final audit would be in order. The Report of Review should cite, as reasons for the review in lieu of audit, the following:

"(a) the administrative cost to the Government of an audit would be excessive in relation to the estimated amount of possible further disallowances thereunder;
(b) the accepted costs ($45,666.98) of all work performed

through February 28, 1954 were covered by an Interim Audit Report and Certificate, dated June 7, 1954, issued by this auditor; and

(c) the Monthly Report covering subsequent costs was supported by documentary proof of the costs incurred under the contract."

In the event, however, that the contract is assigned and work is continued a Report of Review should not be issued at this time, since such reports are issued only in lieu of final audit.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
October 22, 1954

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

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 21 1954

420 Custom House
555 Battery Street
San Francisco 11, California

October 19, 1954

Air Mail

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

Re: Idm-E544, DMEA-2448
Jonas and Johnson
Mt. Diablo Quicksilver Mine

Dear Mr. Chambers:

Reference is made to subject contract and Audit Report dated June 7, 1954, covering the period August 15, 1953 to February 28, 1954, showing total accepted costs of $45,666.98 and an overpayment of $3,049.02 of which 75% participation by the Government amounts to $2,286.76.

As you no doubt know, operations were suspended March 4, 1954, following the accidental death of Howard Castle, a miner employed underground, who was killed March 4, 1954. The contract expired April 5, 1954, and the lease of the mining property expired June 23, 1954, and I understand the lease will not be renewed.

A few days ago John L. Jonas brought into the office, Form MF-104 for costs covering the first four days of March 1954, which were presented as follows:

Labor and Supervision		
Labor	$480.76	
Supervision	250.00	$ 730.76
Operating Mat'ls & Supplies		
Miscellaneous		398.85
Operating Equipment		
Rental		150.00 X
Miscellaneous		
Payroll Taxes		28.16
Liability Insurance		250.00
Total March 1 to 4, 1954 Inclu.		$1,557.77

The rental charge of $150.00 for pump and cable will be disallowed, for the reason Amendment No. 2 states this item will be furnished by the operator.

The liability insurance of $250.00 covers a deposit made with the Zenith National Insurance Company under date of March 3, 1954. Attached to Policy No. N57797 is a rider which states that if the policy is cancelled, the Insurance Company shall retain the entire minimum premium of $250.00. In this connection it is pointed out that the liability insurance was effective March 3, 1954 and on March 4, 1954, Howard Castle, a miner was killed. This unfortunate accident held the Insurance Company liable for death benefits under the terms of the policy, therefore, under the circumstances I believe the $250.00 deposit should be accepted as a cost of the contract. Please let me know if you agree.

This office is anxious to collect the overpayment, and after applying the March 1954 costs $1,557.77, less $150.00 disallowance, the net costs of $1,407.77 would be applied as follows:

	Costs Claimed	75% Government Participation
Claimed and paid to 1/31/54	$48,716.00	$36,537.00
Less: Actual Costs to 2/28/54	45,666.98	34,250.24
Overpaid 2/28/54	$ 3,049.02	$ 2,286.76
Less: March 1954 MF-104 unpaid	1,407.77	1,055.82
Net overpayment	$ 1,641.25	$ 1,230.94

An effort will be made to collect the $1,230.94 from Jonas and Johnson in order to eliminate the overpayment from the Government records. As the contract has not yet been terminated, there still remains the disposal of property problem.

If the contract is terminated and property disposed off, would it be in order to prepare a Report of Review, due to the small number of March 1954 transactions which are fully supported by payrolls and invoices.

On the other hand if the contract is assigned to some other operator, would it still be in order to prepare a Report of Review. Of course if an assignment is made, the purchased equipment would be transferred as part of the cost.

Sincerely yours,

George Mavor

George Mavor
Auditor

FIRST INTERIM
AUDIT REPORT

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

INTERIM AUDIT CERTIFICATE

I have examined the records and transactions of:

John L. Jonas and John E. Johnson, co-partners
Assignees
for Ronnie B. Smith
166 Los Robles Drive
Burlingame, California

pertaining to Exploration Project Contract No. Idm-E544, Docket No. DMEA-2448, including Amendment No. 1, for the period of August 15, 1953 to February 28, 1954, covering a project of exploration for mercury, located in Contra Costa County, California, and commonly known as the Mt. Diablo Quicksilver Mine.

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

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

Total cost as billed by contractor		$52,296.00
Exceptions (see Audit Report for details)		
Prior to this audit	$ -0-	
During this audit	6,629.02	6,629.02
Total accepted cost		$45,666.98

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 Thirty Four Thousand Two Hundred Fifty and 24/100 Dollars

$34,250.24

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.

George Mavor
George Mavor
Auditor

June 7, 1954

I INTRODUCTION

During the period April 26 to 30, 1954, an interim audit (covering operations for the period August 15, 1953 to February 28,1954) was made of the records and accounts pertaining to Exploration Project Contract No. Idm-E544, Docket No. DMEA-2448, including Amendment No. 1, with:

John L. Jonas and John E. Johnson, Co-Partners
Assignees
for Ronnie B. Smith
166 Los Robles Drive
Burlingame, California

covering a project for the exploration of mercury, located in Contra Costa County, California, and commonly known as the Mt. Diablo Quicksilver Mine.

This contract was prepared on a long form contract and was reimbursable on a cost basis, however, due to a misinterpretation of the contract, the sinking and crosscutting were claimed and paid on a unit rate basis from August 15, 1953 to January 31, 1954. The MF-104 for the month of February 1954 in amount of $3,580.00 remains unpaid pending the completion of this audit on a cost basis. The total accumulated costs reported on Form MF-104 to February 28, 1954, were as follows:

Sinking 330 ft. at $121.20 per ft.	$ 39,996.00
Crosscutting 120 ft. at $40.00 per ft.	4,800.00
Supervision	3,250.00
Equipment Purchased	2,250.00
New Bldgs., Improvements, etc.	2,000.00
Total costs to Feb. 28, 1954 per MF-104	$ 52,296.00

Due to the misunderstanding of claims being presented and paid on a unit rate basis, the Forms MF-104 did not have any cost documents attached, other than the documents required for purchased equipment, therefore, in order to compute the operating costs of this exploration project for the period August 15, 1953 to February 28, 1954, it was necessary to obtain the supporting documents from the following sources:

For period August 15 to October 31, 1953
Ronnie B. Smith, Assignor
Dallas, Texas
Harold Blomberg, Accountant
San Francisco, California
Vic Blomberg, Prepresenting R. B. Smith
Concord, California

For period November 1, 1953 to February 28, 1954
Jonas and Johnson, Assignees
Burlingame, California

All of the cost data necessary to make the audit was assembled by this DMEA Auditor in San Francisco, California, and all of the parties listed above (other than R. B. Smith) were present when required, in order to explain any questionable costs of the project. Their cooperation and assistance greatly facilitated the audit.

II GENERAL INFORMATION ON RECORDS

The operator did not maintain any general ledger to record the project costs, however, work sheets were available, which recorded the cash disbursements and showed the name of vendor, date of invoice, amount and material description. These work sheets were used as a basis to perform the audit and the operator furnished original invoices or certified copies of invoices in order to support the costs properly chargeable to the project. Extracts of payrolls were prepared on work sheets and certified to by the operator. The operator also furnished cancelled bank checks, which were verified to the cash disbursement work sheets and to payroll summaries.

III SCOPE OF AUDIT

The audit consisted of a complete analysis of all expenditures in order to ascertain the accuracy, propriety and validity of the costs, properly chargeable and reimbursable under the terms of the contract. The extent of the audit and findings under each of the "Items of Cost" follows:

(1) Independent Contracts $18,800.00

A signed agreement was in effect between the operator and Castle and Brunner, who performed the following work on a footage basis.

Sinking of shaft 324 ft. at $50.00	$16,200.00	
Extra Cubic Yards from shaft	500.00	$16,700.00
Crosscutting 120 ft. at $17.50		2,100.00
Total Independent Contracts		$18,800.00

There were four to five men employed on the above work and the agreement stipulated that the independent contractors would furnish their own explosives and small hand tools and also pay their own payroll taxes and compensation insurance. During the course of the audit cancelled bank checks were examined covering payments made to the independent contractors, and the costs did not exceed the "allowable maximum" as set forth in Exhibit "A" of the contract.

(2) Labor and Supervision $7,808.19

The payroll records for the period August 15, 1953 to February 28, 1954 were examined, together with cancelled payroll checks. The charges under this category are summarized as follows:

Labor, hourly rates	$4,558.19
Technical services	3,250.00
Total Labor and Supervision	$7,808.19

The contract did not specify any labor rates, however, the hourly rates were $2.00 an hour and time and one-half for overtime. The labor cost for sinking 6 feet of shaft is included in the labor charge, also the following labor charges claimed by Jonas and Johnson, Co-Partners:

John L. Jonas	59 da. (12 hr. da.)	at $24.00	$1,416.00
John E. Johnson	85 da. (12 hr. da.)	at 24.00	2,040.00
Total			$3,456.00

Both of the partners had quarters at the mine and a time record was maintained of the hours worked. John L. Jonas worked underground, also performed electrical work and administrative duties. John E. Johnson worked underground and drove truck when obtaining material for project. The question of allowing the labor charges for partners was dissussed with H. C. Miller, Executive Officer and he was of the opinion that the charge was reasonable and just, and should be accepted as an allowable cost of the contract.

The technical service charge of $3,250.00 was paid to C. N. Schuette for consultation services at the rate of $500.00 per month from August 15, 1953 to February 28, 1954, or a period of six and one-half months. The payment was in accordance with the terms of the contract and did not exceed the "allowable maximum" of $3,500.00.

(3) Operating Materials and Supplies $12,425.00

A complete examination was made of invoices charged to this category, which included the verification of footings and extensions, together with examination of cancelled bank checks. The project did not maintain any stores account, and all purchases were charged to the cost of the project. The type of material purchased can be identified in the following summary:

Timber		$5,035.57
Pipe		1,793.49
Track		485.05
Miscellaneous		
Power-Electricity	$ 512.89	
Ventube	426.60	
Gaso. Diesel & Lub. Oil	386.15	
1 Die Set	90.75	
Bar Steel	354.20	
Concrete Mix	174.89	
Drill Steel	53.10	
Electric Switches	37.50	
Oxygen and Accetylene	40.75	
1000' Romex Wire	67.30	
Hanging Rods	153.08	
350' Electric Cable	216.30	
2-Stainless Steel Valves	214.50	
Shovels, Picks, Nails, etc.	990.22	
Freight	89.60	
Hauling & Material charges	1,303.06	5,110.89
Total Materials and Supplies		$12,425.00

Included in the above material are such items as concrete mix, hanging rods and romex wire which were used in connection with shaft sinking and underground work. Also due to water having excessive corrosion effect on equipment, it was necessary to purchase the stainless steel valves.

The power charge of $512.89 covered the cost of power used in operating hoist, power saws and lights. The gross charge for power amounted to $753.68 of which a credit of $240.79 was applied covering refund of electricity used in cottages situated in mine area. The average rate of electricity consumed was .029 cents (two and ninetenth cents) per KWH. The gasoline, diesel and lubricating oil charge of $386.15 represented gasoline used in tractor and starting compressor, and the diesel oil was used in operating compressor. The hauling and material charges of $1,546.14 are comprised of the following items:

Paid by Ronnie B. Smith		
To Vic Blomberg, August, September, October 1953		
Rent of truck 68 da. at $6.00	$408.00	
Operating truck 2,040 mi. at .07	142.80	
Personal car 2,000 mi. at .05	100.00	
Other expenses obtaining material	88.00	$738.80
Charges by Jonas & Johnson November 1953 to February 1954		
Jonas personal car 4,492 mi. at .05	224.60	
Johnson personal car 2,602 mi. at .05	130.10	
Bay Bridge toll charges	21.00	
Telephone - re material	45.17	
Johnson - hotel and meals, on road purchasing material	143.39	564.26
Total hauling cost		$1,303.06

The contract stated that the operator would furnish three Sterling Trucks and one Dodge Pickup Truck at no cost to the project. Upon investigating it was found the trucks had never been used, for the reason they were 12 yard dump trucks for hauling ore and not suitable for hauling material. The pickup truck was a 1944 army jeep with box fitted to hold material, and operated with a four wheel drive. This pickup truck had no license or insurance, and could not be operated on highway, and was used most of the time hauling framed timbers from lumber shed to head of shaft and also hauling 50 gallon barrels of diesel oil from storage tank to diesel compressor.

Due to the lack of equipment to obtain and haul material it was necessary for the operator to use the pickup truck and automobiles listed in the above summary and a rate of .07¢ a mile for pickup truck and .05¢ a mile for private automobiles was allowed, excluding the cost of depreciation which was estimated at .03¢ per mile on pickup truck and .02¢ per mile on automobiles. All of the above hauling cost amounting to $1,303.06 represented the cost of hauling material and traveling to other mine sites and locations to obtain materials at a lower cost. In discussing this haulage cost with H. C. Miller, Executive Officer, he was of the opinion that the costs were reasonable and necessary and should be an acceptable cost of the project.

(4) Operating Equipment $2,335.68

All charges for operating equipment were verified to purchase invoices, cancelled bank checks, and items specified in contract. The equipment purchased in amount of $2,335.68 is made up of the following items:

	"Allowable Maximum" Per Contract	Actual Cost
1-50 HP Hoist and Motor with Starter	$2,250.00	$2,115.00
1-36' Sheave	125.00	60.00
750' - 5/8" Hoisting Cable	200.00	160.68
Totals	$2,575.00	$2,335.68

The contract called for the purchase of a 50 HP hoist with motor. This motor was purchased and subsequently burned out, and was replaced with a 60 HP motor, see comments under Item (7) Miscellaneous, regarding repairs to hoist motor.

The contract called for the purchase of 1-36" sheave, whereas the operator purchased a 60" sheave which could be used for better operations. The equipment purchased did not exceed the "allowable maximums" as set forth in the contract.

(5) New Bldgs., Improvements, etc. $2,000.00

A review of the charges under this classification showed the costs were comprised of the following items:

Labor	$1,213.33
Material	1,063.16
P/R Taxes	50.96
Comp. Insurance	88.57
Total	$2,416.02
Less: Excess Costs	416.02
Allowable Maximum	$2,000.00

The above amount of $2,000.00 was the "allowable maximum" as set forth in the contract. The payroll taxes and compensation insurance have been included in the cost, in accordance with contract terms. The labor charges were paid by the operator at $2.00 per hour and the material included such items as timber, track and concrete mix, etc. All payroll charges, invoices and cancelled bank checks were examined during the course of the audit.

(7) Miscellaneous $2,298.11

The audit of miscellaneous charges, included an examination of invoices and cancelled bank checks. The charges under this category were as follows:

Repairs to Equipment	$2,063.74
Payroll taxes	27.12
Liability Insurance	47.14
Accounting Services	160.11
Total	$2,298.11

The repairs to equipment charge of $2,063.74 was made up of the following items:

Repairs to:

Compressor	$ 54.03
Hoist	85.55
Rock Drill	63.62
Truck	27.09
Service and replacement of hoist motor	350.00
Moving power line changing size of wire and install switch boxes for hoist	734.75
Replacement costs of hoist motor burned out	748.70
Total	$2,063.74

During operations the 50 HP hoist motor burned out and in order to avoid a shut down a new hoist motor was loaned pending survey of repair costs to original motor. The service charge for this transaction was $350.00 as listed above. After survey of burned out motor, it was estimated the rewinding job would run about $1,200.00 and as the operator was able to obtain a 60HP motor for an additional amount of $748.70, which was considerably less than repairing the original motor, the additional cost of $748.70 listed above was considered a repair item. The moving of power lines and installing switch boxes for hoist at a cost of $734.75, as listed above, was performed by the same jobber simultaneously. The power lines had to be moved as a safety precaution, at the request of the State Safety Engineer. All of the above repairs were discussed with H. C. Miller, Executive Officer and it was concluded they were a necessary cost for the operation of the project.

The payroll taxes $27.12 and compensation insurance $47.14 were verified at the rates used by the company as follows:

Social Security Tax	1.5%	
Unemployment - California	2.7%	4.2%
Compensation Insurance		7.3%

The accounting service charge of $160.11 covered payment to V. H. Blomberg, Public Accountant for services rendered to R. B. Smith. This covered the preparation of Voucher Distribution work sheet which listed names of vendor, amount and distribution of costs. Also preparation of payroll work sheets, preparation of payroll work sheets, preparation of State and Federal Government forms for unemployment and social security taxes. Trips to mine to obtain information on costs and balancing revolving fund maintained at mine site.

IV CONCLUSIONS AND RECOMMENDATIONS

As referred to in "Section 1 Introduction" of this report, the operator did not maintain costs in accordance with contract terms, therefore, no comparison of costs can be made, however, based upon the audit and findings under each of the "Items of Cost" as heretofore described in the narrative of this report, the costs of the project can be summarized as follows:

(1)	Independent Contracts	$18,800.00
(2)	Labor and Supervision	
	Labor	4,558.19
	Technical Services	3,250.00
(3)	Operating Materials and Supplies	
	Timber	5,035.57
	Pipe	1,793.49
	Track	485.05
	Miscellaneous	5,110.89

(4)	Operating Equipment Purchase	$ 2,335.68
(6)	New Bldgs., Improvements, etc.	2,000.00
(7)	Miscellaneous	
	Repairs to Equipment	2,063.74
	Payroll Taxes	27.12
	Liability Insurance	47.14
	Accounting Services	160.11
	Total	$45,666.98

The audit also disclosed that the status as of February 28, 1954, of "allowable maximums" under this contract was as follows:

Item	Allowable Maximum	Total Costs	Balance
Independent Contracts, including work performed by Operator	$64,996.00	$38,081.30	$26,914.70
Labor, Supervision, Consultants	3,500.00	3,250.00	250.00
Purchased Equipment	2,575.00	2,335.68	239.32
New Buildings, Improvements, Installations	2,000.00	2,000.00	-0-

Upon completion of the audit, it was determined that the total costs were obtained from the following records:

R. B. Smith Assignor	Jonas and Johnson Assignees	
8/15/53 to 10/31/53	11/1/53 to 2/28/54	Total Costs
$17,164.32	$28,502.66	$45,666.98

The status of the amounts claimed and paid on a unit rate basis, as compared to allowable costs on a cost basis as of February 28, 1954, is as follows:

	Costs Claimed	75% Government Participation
Claimed and Paid Contractor MF-104's 8/15/53 to 1/31/54	$48,716.00	$36,537.00
Add: MF-104 Feb. 1954 Unpaid	3,580.00	2,685.00
Total claimed by operator	$52,296.00	$39,222.00
Less: Actual Costs per Audit for Period 8/15/53 to 2/28/54	$45,666.98	$34,250.24
Claims in excess of allowable costs	$ 6,629.02	$ 4,971.76

From the above summary it can be seen that the operator has been overpaid as of February 28, 1954 by the sum of $2,286.76 which can be accounted for as follows:

	Costs Claimed	75% Government Participation
Claimed and paid to 1/31/54	$48,716.00	$36,537.00
Less: Actual Costs to 2/28/54	45,666.98	34,250.24
Overpaid to 2/28/54	$ 3,049.02	$ 2,286.76

Mining operations were recessed March 5, 1954, and the contract expired April 6, 1954, however the operator has filed a request for an amendment to the contract for an extension of time, as he expects to resume operations along about July 1, 1954, and at that time an adjustment can be made for the overpayment, or a claim for refund made if the operator does not continue operations.

At the conclusion of the audit, the findings were discussed with John L. Jonas and John E. Johnson, Co-Partners in the project.

George Mavor
George Mavor
Auditor

June 7, 1954

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

JUN 14 1954

Mr. George Mayer
DMEA Auditor
420 Custom House
555 Batter Street
San Francisco 11, California

Re: Idm-E136, DMA-229x
Cherry Creek Tungsten Mining Co.
and
Idm-E544, DMEA-2448
Reuben B. Smith

Dear Mr. Mayer:

Receipt is acknowledged of the Washington copies of the Audit Report and Certificate covering contract Idm-E544 and Report of Review covering contract Idm-E136.

The reports are acceptable and normal distribution may be effected.

Sincerely yours,

(Signed) E. D. Talbert

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

WBorovies/vb
June 14, 1954

Copy to: Docket
Admr. Reading File
Mr. Chambers

APR 20 1954

Mr. George Maver
NASA Auditor
1032 Flood Building
870 Market Street
San Francisco 2, California

Re: [illegible], [illegible]
Jones and Johnson (formerly
Ronnie B. Smith)

Dear Mr. Maver:

Information at hand indicates that the above-cited project has been reported and reimbursed on the basis of an agreed unit cost contract.

Mr. Talbert informs me that you and he discussed this matter during his visit to the San Francisco office in March. At the time Mr. Miller decided to request an amendment to the contract to change it from an actual cost to an agreed unit cost basis. It appears, however, that there is not sufficient justification for such an amendment. The Washington office is giving consideration to an amendment to the contract but this amendment will not affect the basis for payment for prior work.

The Operating Committee desires further information on the actual cost of this project. Therefore, I am requesting you to make an audit of same immediately and write your report as soon as possible. Please give this request priority.

You know that it will be necessary to locate the detail records and if such records are divided between the Dallas office of the Assignor and the Washington office of the Assignee, the Operator should be requested to get them together so that you will need to go to only one place for the audit. If this cannot be done, and it becomes necessary for you to go to Dallas, I suggest you plan to make the Dallas part of the audit en route to the auditors conference in Washington.

Sincerely yours,

(Signed) J. L. Chambers
Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
April 20, 1954

Copy to: Docket
Admr. Reading File
Mr. Selfridge
Mr. Ellis
Mr. Chambers

EXCERPT FROM MR. TALBERT'S LETTER OF MARCH 1, 1954
SAN FRANCISCO, CALIFORNIA

And now, hold on to your seat, you'll be astounded just as I was! Mr. Miller had no conception of the difference between unit cost and independent contractor (actual cost) work! See E544, Ronnie B. Smith (assigned to Jonas & Johnson), which I was checking for audit status. The forms MF-104 were not supported and there was a letter in the file from the "acting" Executive Officer advising the Operator that on "fixed price" contracts it was not necessary to document anything except equipment purchases. Further checking revealed that everyone handling this contract (a very simple actual cost contract, as you can see!) considered it an agreed unit cost contract. Mr. Miller insisted that the unit rates (maximum allowable) shown under item (1) Independent Contracts were agreed unit costs to which the Government was to contribute regardless of actual costs. He said the Operator definitely understood he was to get those unit rates regardless of whether his costs were more or less than the stated estimates.

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

Budget Bureau No. 42-R1036.3.
Approval expires 4-30-53.

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

Month of January, 1954 Docket No. DMEA 2446 Contract No. IDME 544
Operator's Name John L. Jonas & John B. Johnson Minerals Mercury
Address 166 Los Robles Drive, Burlingame, California
Contract Amount, $ 73,871.00 Government Participation: 75 % Amount, $ 55,178.25

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 43'	1,720.00	0	1,720.00			
Drifting						
Sinking 41'	4,969.20	35,026.80	39,996.00			
(2) Labor and Supervision:						
Labor						
Supervision	600.00	2,250.00	2,750.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase		2,250.00	2,250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		2,000.00	2,000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	7,189.20	41,526.80	48,716.00			

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

Date Feb. 4 1954 *Payee John L. Jonas & John B. Johnson

Per C. N. Schnette 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:

$ 5391.90

Signature
(Authorized Certifying Officer)

Date 2-4-54 Vou. No. SF-DMEA-30

(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-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Reg. III Date Feb. 5, 1954

A. C. Johnson

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature H. C. Miller Title Executive Officer DMEA Field Team Region III Date February 8, 1954

H. C. Miller

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 January 195 4 Docket No. DMEA 2445 Contract No. DMX-E 544

Operator's Name John L. Jones & John E. Johnson Minerals Mercury

Address 166 Los Robles Drive, Burlingame, California

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting								
Crosscutting	Foot	1,720.00	43	1,720.00	43	40.00	625	40.00
Raising								
Shafts								
Winzes	Foot	4,969.20	41	39,906.00	330	121.20	330	121.20
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Sup. & Tech. Service		500.00		2,750.00				
Total Distributed Costs		7,189.20		44,466.00				
Operating Equipment Purchased								
Initial Rehabilitation and Repairs				2,250.00				2,250.00
New Buildings, Improvements, etc.								
Housing				2,000.00				2,000.00
Total Costs		7,189.20		48,716.00				4,250.00

Total Costs Authorized by Contract

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

Date Feb. 4, 1954 Operator John L. Jones & John E. Johnson.

Per C. H. Schmitt 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

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

ACCOUNTS JAN 13 54

OPERATOR'S MONTHLY REPORT AND VOUCHER

Defense Minerals Exploration Administration
RECEIVED
JAN 29 1954

Month of December, 1953 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas 1 Texas
Contract Amount, $73,571.00 Government Participation: 75 % Amount, $55,178.25

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						
Sinking 85'	10,302.00	24,724.80	35,026.80			
(2) Labor and Supervision:						
Labor						
Supervision	500.00	1,750.00	2,250.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase		2,250.00	2,250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		2,000.00	2,000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	10,802.00	30,724.80	41,526.80			

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

Date Jan. 5 1954 *Payee Ronnie Smith, Trustee

Per C. N. Schmitt 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:

$ 8101.50

Signature [illegible]
(Authorized Certifying Officer)

Date JAN 21 1954 Vou. No. SF-DMEA-28

(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-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Date Jan. 8, 1954

A. C. Johnson

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Region III
Executive Officer

Signature H. C. Miller Title DMEA Field Team Date January 12, 1954

H. C. Miller

Region III

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

ACCOUNTS JAN 18 54

Defense Minerals Administration
RECEIVED

OPERATOR'S UNIT COST AND PROGRESS REPORT

JAN 29 1954

Month of Dec. 195 3 Docket No. DMEA 2448 Contract No. IDM-E 544

Operator's Name Ronnie Smith, Trustee Minerals Mercury

Address 2106 Tower Petroleum Bldg., Dallas 1, Texas

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Foot	10,302.00	85	35,026.80	289	121.20	350	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Sup. & Tech. Service		500.00		2,250.00				
TOTAL DISTRIBUTED COSTS		10,802.00		37,276.80				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				2,250.00				2,250.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Headframe				2,000.00				2,000.00
TOTAL COSTS		10,802.00		41,526.80				4,250.00

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

REMARKS:

Date Jan. 5 1954 Operator Ronnie Smith, Trustee

Per C. N. Schmatte 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.

(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

MT. DIABLO QUICKSILVER MINE.

NARRATIVE REPORT FOR DECEMBER 1933.

Shaft sinking continued during December.

Two days were lost on the 7th and 8th due to necessary repairs to the hoist controller. Another day was lost on the 28th due to pulley changes on a new ventilation blower. The Holidays at the end of the month also took time out.

Despite these delays and the fact that the shaft is getting deeper, progress for the month was [illegible] feet and at the end of the month the shaft was [illegible] feet deep, only 41 feet short of its goal.

The shaft is still going down thru the shales of the Shasta Formation. So far the shaft is "dry as a bone". The shales however, no longer lie flat but are steeply tilted, dipping NE which is to be expected as we are nearing the contact.

The Franciscan Formation to the SE, was thrust up along the fault contact, hence the shales near the contact should be bent upwards, i.e. they should dip NE.

An additional compressor has been set up that can add to the supply of compressed air when needed. A larger ventilation fan has been installed and is operating.

C. H. Schmitt

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

ACCOUNTS DEC 10 1953

Month of November, 1953 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas 1, Texas.
Contract Amount, $ 73,571.00 Government Participation: 75 % Amount, $ 55,178.25

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						
Sinking 87'	10,544.40	14,180.40	24,724.80			
(2) Labor and Supervision:						
Labor						
Supervision	500.00	1,250.00	1,750.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase		2,250.00	2,250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		2,000.00	2,000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	11,044.40	19,680.40	30,724.80			

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

Date Dec. 3, 1953 *Payee Ronnie Smith, Trustee

Per C. H. Schmitt 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:

$ 82.83

Signature (Authorized Certifying Officer)

Date DEC 28 1953 Vou. No. 2F-DMEA-26

(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-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Reg. III Date Dec. 8, 1953

A. C. Johnson

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature S. Ricker Title Executive Officer DMEA Field Team Region III Date December 10, 1953

S. Ricker for H. C. Miller

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 November 1953 Docket No. DMEA 2440 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas 1 Texas.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Feet	10,544.40	87	24,724.20	204	121.20	330	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Sup & Tech Service		500.00		1,750.00				
TOTAL DISTRIBUTED COSTS		11,044.40		26,474.20				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				2,250.00				2,250.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Headframe				2,000.00				2,000.00
TOTAL COSTS		11,044.40		30,724.20				4,250.00

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

REMARKS:

Date Dec. 3 1953 Operator Ronnie Smith, Trustee

Per C. N. Schmette 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.

(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

MT. DIABLO QUICKSILVER MINE.

NARRATIVE REPORT FOR NOVEMBER 1953.

During November 1953, the shaft sinking continued except during the Thanksgiving weekend.

The shaft is still going down thru the shales of the Shasta (Lower Cretaceous) formation. This Shasta Series is in fault contact with the Franciscan (Jurassic) metamorphic rocks in which the mine lies. If the dip of the fault contact continues as measured near the surface, we should cut this fault contact near the bottom of the shaft.

At the end of November 1953, the shaft was 204 feet deep.

During the month, the recommendations of the State Safety Engineer were carried out. Among these were the installation of a ladder to the top of the headframe and a platform and railing around the sheave wheel. The ladders in the shaft and the platforms were changed to conform to his regulations. A blasting circuit was installed for the shaft blasting. Small buildings near the headframe were moved away and a shed was equipped with lights for timber framing during rainy weather.

During the month it was decided to buy the hoist motor installed as a temporary replacement for the one that burned out in October. This is a larger motor and its cost is $ 1440.00 against $ 450.00 for the original one. I mention this now as the government's equity in this new motor will be only the proportional part of the cost of the original motor. The extra cost of the new motor has been paid by the operator alone.

C. H. Schmitt

Form DMEA-304 (Rev.)
(April 1952)

Budget Bureau No. 42-R1030.3.
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
ACCOUNTS NOV - 9 1953

NOV 23 1953

Month of October, 1953 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas Texas.
Contract Amount, $ 73,571.00 Government Participation: 75 % Amount, $ 55,178.25

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						
Sinking 89 ft.	10,786.80	3393.60	14,180.40			
(2) Labor and Supervision:						
Labor						
Supervision	500.00	750.00	1,250.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase		2250.00	2,250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		2000.00	2,000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	11,286.80	8,393.60	19,680.40			

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

Date Nov. 3 1953 *Payee Ronnie Smith, Trustee

Per C. N. Schmette 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:

$ 8465.40

Roy L. Schender
Authorized Certifying Officer

Signature
(Authorized Certifying Officer)

Date NOV 12 1953 Vou. No. SF-DMEA-24

(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-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Region III Date Nov. 5, 1953.

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature H. C. Miller Title Executive Officer DMEA Field Team Region III Date November 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.

GPO 83-38476

Form MF-104A
(April 1952)

Budget Bureau No. 42-R151
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

ACCOUNTS NOV - 9 1953
Defense Minerals Administration

OPERATOR'S UNIT COST AND PROGRESS REPORT

RECEIVED
NOV 23 1953

Month of October 1953 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas Texas.

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Feet	10,786.80	89	14,180.40	117	121.20	350	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Supervision & Tech Service		500.00		1,250.00				
TOTAL DISTRIBUTED COSTS		11,286.80		15,430.40				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				2,250.00				2,250.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.				2,000.00				
Headframe		11,286.80		19,680.40				2,000.00
TOTAL COSTS								4,250.00

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

Date Nov. 3 1953 Operator Ronnie Smith, Trustee

Per C. N. Schuette 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

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 September 1953 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas, Texas.
Contract Amount, $ 73,571.00 Government Participation: 75% Amount, $ 55,178.25

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						
Sinking 20'	2424.00	969.60	3393.60			
(2) Labor and Supervision:						
Labor						
Supervision / Technical Services	500.00	250.00	750.00			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase	80.82	2169.18	2250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs	1290.77	709.23	2000.00			
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	4295.59	4098.01	8393.60			

I certify that the above bill is correct and just and that payment therefor has not been received.
Date Oct. 2 1953 *Payee Ronnie Smith, Trustee
Per C. N. Schmette 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:

$3221 69

Lloyd M. Sylander
Authorized Certifying Officer

Signature
(Authorized Certifying Officer)

Date OCT 2 2 1953 Vou. No. SF-DMEA-22

(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-E544 in accordance with the terms of the contract.

Signature R. C. Johnson Title Chief, Mining Div. Region III Date Oct. 7, 1953.

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature H. C. Miller Title Executive Officer DMEA Field Team Region III Date October 13, 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-[illegible]151
Approval expires 6-3[illegible]3.

ACCOUNTS OCT 14 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Sept. 3 2446 IDM-E 344

Ronnie Smith, Trustee Mercury
2106 Tower Petroleum Bldg., Dallas, Texas

DEPARTMENT OF THE INTERIOR Bureau of Mines RECEIVED OCT 30 1953

Month of Sept. 195 Docket No. DMEA Contract No.
Operator's Name Minerals
Address

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
	Feet	2424.00	20	3393.60	28	121.20	550	121.20
Drifting								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Supervision & Tech Serv.		500.00		750.00				
Trenching								
Test Pits		2924.00		4143.60				
Roads and Trails								
		80.82		2250.00				2250.00
Total Distributed Costs							Total Costs Authorized by Contract	
Headframe		1290.77		2000.00				2000.00
Operating Equipment Purchased		4295.59		8393.60				
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs								

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.

Oct. 2 1953 Rondie Smith, Trustee.

Consultant

Date Operator

Per C. H. Schmitt. Title

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

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

ACCOUNTS SEP 8 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of AUG. 1, 195[illegible], Docket No. DMEA [illegible] Contract No. [illegible]
Operator's Name [illegible] Minerals [illegible]
Address [illegible]
Contract Amount, $ [illegible] Government Participation: [illegible]% Amount, $ [illegible]

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						
Sinking 8 feet	$969.60		$969.60			
(2) Labor and Supervision: Site		CNS.				
Labor ~~& Headframe~~	~~220.20~~		~~220.20~~			
Supervision	250.00		250.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber	~~106.97~~	CNS	~~106.97~~			
Explosives	~~30.18~~	CNS	~~30.18~~			
Pipe						
Track	~~216.30~~	CNS	~~216.30~~			
~~Nails~~	~~25.65~~	CNS	~~25.65~~			
~~Track ties~~	~~27.20~~	CNS	~~27.20~~			
(4) Operating Equipment:						
Rental ~~Bulldozer~~	~~68.00~~	CNS	~~68.00~~			
Purchase Hoist-cable	2169.18		2169.18			
Depreciation						
(5) Initial Rehabilitation and Repairs	CNS			CNS		
(6) New Bldgs., Improvements, etc.	709.23		709.23			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes	~~5.75~~	C.N.S.	~~5.75~~			
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	4098.01		4098.01			

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

Date Sept. 1 1953 *Payee Ronnie Smith, Trustee

Per C.N. Schuetto 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:

$ 3073.51

Signature Lloyd E. Sparks
(Authorized Certifying Officer) Authorized Certifying Officer

Date SEP 5 1953 Vou. No. SF-DMEA-70

(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. Idr-E544 in accordance with the terms of the contract.

Signature R. C. Johnson Title Chief, Mining Div. Region III Date Sept. 3, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature S. Ricker for H. C. Miller Title Executive Officer DMEA Field Team Region III Date September 8, 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

ACCOUNTS SEP 8 1953

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of AUGUST 1953 Docket No. DMEA 244 Contract No. IDM-3 544
Operator's Name RONNIE SMITH, TRUSTEE Minerals MERCURY
Address 2106 TOWER PETROLEUM BLDG., DALLAS, TEXAS

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts								
Winzes	Feet	$969.60	8	$969.60	8	$121.20	330	121.20
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails			C.H.S.					
Supervision and Tech Serv		250.00		250.00 C.H.S				
		1219.60	C.H.S	1219.60 C.H.S				
Total Distributed Costs		~~$969.60~~	8	~~$969.60~~				Total Costs Authorized by Contract
C.H.S. ~~Operating Equipment Purchased~~		~~[illegible]~~		~~[illegible]~~				
Initial Rehabilitation and Repairs		2169.12		2169.12				[illegible]
New Buildings, Improvements, etc.								
Headframe & Site prep.		~~709.33~~		~~709.33~~				~~[illegible]~~
Total Costs		~~$4098.01~~		~~$4098.01~~				

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 Sept. 1 1953 Operator Ronnie Smith, Trustee

Per C. H. Schuette Title Consultant

C.H. Schuette

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

MT.DIABLO QUICKSILVER MINE

NARRATIVE REPORT FOR AUGUST 15 - 31 1953.

This report covers the period from August 15th thru August 31st 1953. On August 15th the operation got under way when C. N. Schuette established the collar elevation of the shaft, that is the level to which the shaft site was to be leveled by bulldozer, and laid out the shaft axes.

Leveling the shaft site was done by some drilling and blasting (item of $30.1[illegible] for explosives MF-104) to loosen the ground (item of $140.00 for labor of total labor item of $2[illegible]9.20) and by a bulldozer which was rented for one day at a cost of $68.00 (item of $68.00 under rental of operating equipment MF-104). Some additional leveling will have to be done for the 300 feet of dump track for which $316.30 for rails, bolts and track spikes and $27.20 for track ties have been spent. (these last items are listed under Track and Track ties on MF-104).

Timber for the headframe to the amount of 1[illegible] bd.ft. was on hand, costing $106.97 (under timber on MF-104). The front bent of the headframe was framed and being bolted together at the end of the month and total labor cost was $[illegible].20 (part of the total labor cost of $2[illegible]9.[illegible] on MF-104). Nails for the headframe construction came to $25.65 and are so listed on MF-104.

Supervision and technical services are $[illegible].00 for the period.

The original intention was to buy a headframe but as no suitable one could be found it was decided to build one and C.N.S. sketched out a design that could be built from used timber that could be obtained at the time. The headframe was being framed at the end of the month.

The shaft has been sunk [illegible] feet; a substantial collar set has been framed over it and the first set below the collar and been concreted with suitable reinforcement by the end of the month.

The hoist was on its way to the mine and the cost of it and of the cable and clamps was $2008.50 and $160.68 respectivly, entered under Hoist and cable on MF-104 at $2169.18

Payroll taxes came to $[illegible].73 as listed on MF-104.

Work was proceeding brisaly, the crew was competent and the job is off to a good start.

C. N. Schuette.

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

FEB 11 1957

Mr. Bennie H. Smith
Texas Petroleum Building
Dallas, Texas

Mr. John Harper
c/o Franklin Supply Company
624 South Michigan Avenue
Chicago, Illinois

Mr. James F. Pennington
c/o Producers Refining, Inc.
318 West Houghton Avenue
West Branch, Michigan

Re: Docket No. DMA 2443 - Mercury
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. 14m-5514

Gentlemen:

Reference is made to Mr. Bennie H. Smith's letter of July 12, 1956, and to our interim reply of August 3, 1956, concerning the account under the captioned contract.

We are pleased to advise that the Government has accepted a final settlement made by Messrs. James and Johnson and has issued to that partnership a contract Termination Agreement. The Government's claim under this contract having now been satisfied, there is no longer a claim against you in connection therewith.

Sincerely yours,

C. O. Mittenzwei

Administrator

TLChapman:foc
2/6/57
cc to: Docket
Code 400
Code 800
Admr. Read. File
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kilsgaard, USGS

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

140

DEC - 3 1956

Mr. John L. Jonas
166 Los Robles Drive
Burlingame, California

Mr. John K. Johnson
520 South Van Ness Avenue
San Francisco, California

Re: Docket No. DMEA-2464 - Discovery
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-8344

Gentlemen:

We have received the letter of October 30, 1956, from your attorney, Mr. Sidney Rudy, transmitting a cashier's check drawn on the Bank of America in the amount of $515.98, as full payment on the balance of the Government's claim under the subject contract.

In order to terminate the contract, we enclose for your signature an original and six copies of a Termination Agreement executed for the Government by the Administrator of the Defense Minerals Exploration Administration. The original and five copies are to be signed and returned to Mr. Spangler Richey, Executive Officer, DMEA Field Team, 1485 Evans Avenue, Reno, Nevada. The sixth copy is for your files.

In accordance with Mr. Rudy's request and our letter to you of June 5, 1956, there is included in the Termination Agreement a provision releasing to you the Government's interest in all property acquired under the subject contract.

We do not intend to issue a certification of discovery or development which would create a lien against the subject property. Upon the receipt of the signed copies of the Termination Agreement, we shall close our books and records with respect to this project. Your attention is called, however, to the provisions of the contract which require the Operator to keep and preserve certain records for the period indicated.

Sincerely yours,

[illegible]

Administrator

Enclosures 7-to Mr. John L. Jonas

J.L. Chambers
Mr. Pennington, USGS
Mr. Ellegard, USGS
Field Team, Reg. II (2)

Effmyer
Finkritz
chron.
pending

Copy to: DMEA Docket
Mr. Sidney Rudy
Adm. R. File
W. S. Martin

Martin/Finkritz
11/23/56

Government's copy

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 4 1957

DATE	INITIALS	CODE
2/5	C	~~328~~
		800

TERMINATION AGREEMENT

It is agreed this 30th day of November, 1956, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, ~~hereinafter~~ called the "Government," and John L. Jonas and John E. Johnson, a partnership (Assignees of Ronnie B. Smith, Jene Harper, and James F. Dunnigan), hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-E544 (Docket No. DMEA-2448), dated June 5, 1953, as amended, hereinafter called the "Contract," that:

1. All work or operations provided for in the Contract are hereby terminated as of March 31, 1954.

2. Any work or operations prosecuted or costs incurred by the Operator after March 31, 1954, shall be for the sole account of the Operator without contribution by the Government.

3. The Operator hereby releases and agrees to save the Government harmless from all claims, or demands under or arising out of said Contract, except as herein provided.

4. The Government, for a valuable consideration, hereby sells, assigns, transfers, and sets over to the Operator all of its right, title, and interest in all the property acquired under the Contract including all claims, if any exist, against any person or company for use, depletion, rental, or conversion of any such property.

5. Article 7(b) of the Contract, requiring the Operator to provide the Government with an adequate geological and engineering report upon termination of the Contract, is hereby waived.

6. All rights of the Government with respect to the maintenance of records, as provided in the Contract, are preserved.

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

THE UNITED STATES OF AMERICA

John L. Jonas

John L. Jonas

By O. M. Mitendorf
Administrator, Defense Minerals
Exploration Administration

John E. Johnson

John E. Johnson

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Government's copy

ASSIGNMENT OF CONTRACT
SUBSTITUTION OF PARTIES
ASSIGNEE'S ACCEPTANCE
GOVERNMENT'S CONSENT

WHEREAS, RONNIE B. SMITH, Tower Petroleum Bldg., Dallas, Texas, JENE HARPER, c/o Franklin Supply Co., Chicago, Illinois, and JAMES F. DUNNIGAN, Chicago, Illinois, as co-partners (hereafter called the "Operator"), entered into an Exploration Project Contract dated June 5, 1953, Contract IDM-E544, Docket No. DMEA-2448, with the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration (hereinafter called the "Government"); and

WHEREAS, MT. DIABLO QUICKSILVER COMPANY, LTD., a Nevada Corporation, by a mining lease dated September 12, 1951, leased to RONNIE B. SMITH, Trustee for the above-named Operator, for five (5) years, commencing October 1, 1951, the real property covered by the aforesaid Exploration Project Contract; and

WHEREAS, the said lessees, by instruments dated November 20, 1953, agreed to assign all of their interest in the aforesaid lease to JOHN L. JONAS, 166 Los Robles Drive, Burlingame, California, and JOHN E. JOHNSON, 520 South Van Ness Avenue, San Francisco, California, co-partners, (hereinafter called the "Assignee"), and the said Assignee and the MT. DIABLO QUICKSILVER COMPANY, LTD. have agreed to the execution of a new lease on the aforesaid premises, for a period of twenty (20) years, and subject to an option to purchase to the said Assignee; and

WHEREAS, the said Operator now desires to assign to the said Assignee, the aforesaid Exploration Project Contract No. IDM-E544, and to substitute the aforesaid Assignee as the Operator thereunder as if named therein as an original party thereto in the place and stead of the above-named Operator;

NOW THEREFORE, the Operator in consideration of the sum of One ($1.00) Dollar, lawful money of the United States, and other good and valuable consideration received from the Assignee, does hereby assign, transfer and convey to the Assignee, all of its right, title and interest in and to the

19

STATE OF CALIFORNIA
City and County of San Francisco, } ss.

On this 30th *day of* January, 195~~3~~4, *before me,* **SELMA R. CONLAN,** *a Notary Public, in and for the City and County of San Francisco, personally appeared* John L. Jonas and John E. Johnson

known to me to be the person~~s~~ described in and whose name~~s~~ are *subscribed to the within instrument, and acknowledged to me that* they *executed the same.*

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at my office in the City and County of San Francisco, State of California, the day and year in this certificate first above written.

Selma R. Conlan

Notary Public in and for the City and County of San Francisco, State of California
My Commission expires July 5, ~~1959~~ 1957

(GENERAL)

SELMA R. CONLAN
NOTARY PUBLIC
433 CALIFORNIA ST. SAN FRANCISCO
PHONES { DOUGLAS 2-3152
EXBROOK 2-1120

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aforesaid Exploration Project Contract, including any and all property purchased for, and the right to use any and all property devoted to the exploration work under this Exploration Project Contract, and hereby consents to any and all future amendments to the said contract; the Operator agrees to release and hereby releases the Government from any and all claims, past, present or future arising out of the said Exploration Project Contract.

This assignment is subject (1) to the written consent of the Government; (2) to written acceptance by the Assignee; (3) assumption by the Assignee of the terms, provisions and conditions of the said Exploration Project Contract binding upon the Operator.

Dated: January 20, 1954.

Ronnie B. Smith

Ronnie B. Smith

Jene Harper

Jene Harper

James F. Dunnigan

James F. Dunnigan

The Assignee this 20th day of January, 1954, hereby accepts the above assignments, and assumes and agrees to be bound by the terms, provisions, and conditions of said Exploration Project Contract that are binding on the Operator.

John L. Jonas

John L. Jonas

John E. Johnson

John E. Johnson

The Government this 7th day of December, 1953, hereby consents to the above assignment and agrees to the substitution of the Assignee named therein as a party to the aforesaid Exploration Project Contract IDM-E544, Docket No. DMEA-2448, in the place and stead of the Operator named therein, saving to the Government all claims, demands, causes of action, or rights whatsoever, that the Government has or may have had against the said Operator on or prior to the date of execution hereof.

THE UNITED STATES OF AMERICA

By O. Mittendorf
Administrator, Defense
Minerals Exploration
Administration

STATE OF California
City & County of San Francisco } ss.
COUNTY OF

On this 19th day of January, 1954, before me, AGNES WESTRA, personally appeared RONNIE B. SMITH, known to me to be one of the co-partners of the co-partnership that executed the within instrument, and acknowledged to me that such co-partnership executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal.

Agnes Westra
Notary Public
In and for said County and State.
My Commission Expires October 25, 1956

STATE OF Illinois
COUNTY OF Cook } ss.

On this 7th day of January, 1954, before me, Darlene E. Hass, personally appeared JENE HARPER, known to me to be one of the co-partners of the co-partnership that executed the within instrument, and acknowledged to me that such co-partnership executed the same.

Comm. Expires 5/22/55

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IN WITNESS WHEREOF, I have hereunto set my hand and seal.

Darlene C. Goos
Notary Public
In and for said County and State.

STATE OF Mich.
COUNTY OF Ogemaw } ss.

On this 11th day of January, 1953,4 before me, Hildred L. Moss, personally appeared JAMES F. DUNNIGAN, known to me to be one of the co-partners of the co-partnership that executed the within instrument, and acknowledged to me that such co-partnership executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal.

Hildred L. Moss
Notary Public 2/24/56
In and for said County and State.

STATE OF CALIFORNIA

COUNTY OF_____

On this _____ day of _____ in the year one thousand nine hundred and fifty three, before me, a Notary Public in and for the _____ County of_____, State of California, residing therein, duly commissioned and sworn, personally appeared JOHN L. JONAS and JOHN E. JOHNSON known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the _____County of _____ the day and year in this certificate first above written.

_____
NOTARY PUBLIC

In and for the _____County of_____, State of California.
My Commission Expires:

[illegible]
[illegible], R. File
Operating Committee
H. H. Mayer, USBR
T. Killagnard, USGS
F. M. Ellis
J. L. Hufflund
J. L. Chambers

Mr. Spangler Bishop
Remedial Officer
USFA Field Team, Region III
420 Customs House
555 Battery Street
San Francisco 11, California

Re: Project No. [illegible] (Recovery)
Contract No. [illegible]
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Bishop:

Reference is made to your memorandum of November [illegible], [illegible] to the Administrator re C. H. Williston's interest in the above-cited contract.

It is noted that Mr. Williston made an agreement and continued no financial arrangement in regard to the project, except to indicate an interest. You suggested that a figure of $30,000 might be satisfactory to Williston. This amount would be repayable on our usual repayment basis. The Government has expended a total of $36,577 on this account. There was an overpayment, however, of $1,[illegible].71, which leaves the net allowable cost at $35,2[illegible].29.

It is realized that the money spent for dewatering the mine is of no value at present to any prospective operator. From our records it appears that no more than $[illegible],000 of project funds was spent for dewatering. Your records, however, should enable you to arrive at a fairly close figure to the actual amount expended.

The hoist, sheave, and hoisting cable cost $2,[illegible].60 and should be almost as good as new. There are also other items which should have some value, such as track, small tools (about $1,000 worth), and stainless steel valves (approximately $[illegible]). It is believed therefore that a figure somewhere between $25,000 and $27,[illegible] would be a fair amount for Williston to assume, provided he is really interested in the project.

Please understand that these figures are offered to you for consideration in negotiating with Williston and represent our view from a long distance standpoint. Another figure may be more realistic. Anyway, if you and Williston come to an agreement, let us know and we will prepare a special agreement for this account.

Sincerely yours,

APPROVED

Chairman, Operating Committee

Member, Bureau of Mines

Member, Geological Survey

JLHufflund/cmd
JLChambers/vb 12-14-56

Government's copy

EXPLORATION PROJECT CONTRACT
JOHN L. JONAS and JOHN E. JOHNSON
DOCKET NO. DMEA-2448

AMENDMENT NO. 3

WITNESSETH:

The United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and John L. Jonas and John E. Johnson are parties to Exploration Project Contract Idm-E544 (Docket No. DMEA-2448), as amended (hereinafter called the "Contract"). Amendment No. 2 to the Contract, dated April 22, 1954, was made effective as of April 22, 1954, the intention of the Amendment being to provide for the complete unwatering of the workings in connection with future work because of the inflow of water which occurred on February 18, 1954, stopping all exploration work. At the time when Amendment No. 2 was written, certain costs of pumping had already been incurred with the informal approval of the Government, but it was not realized that the costs were not allowable under the Contract because of the effective date of Amendment No. 2. The purpose of this Amendment is to correct the effective date of Amendment No. 2, so as to express the true intent of the parties concerning the pumping costs.

NOW THEREFORE, it is agreed that:

In Amendment No. 2 dated April 22, 1954, delete the words "effective as of the date of this amendment" and substitute "effective as of February 18, 1954."

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

Executed in sextuplicate this 19th day of November, 1954.

THE UNITED STATES OF AMERICA

John L. Jonas
John L. Jonas

By O. Mitchenson
Administrator, Defense Minerals Exploration Administration

John E. Johnson
John E. Johnson

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DEPARTMENT OF INTERIOR
BUREAU OF MINES
REGION III
RECEIVED

1984 DEC 13 AM 9:31

SAN FRANCISCO, CALIFORNIA

AMENDMENT NO. 3

Docket No. DMEA-2448 Mineral Mercury

Exploration Project Contract Idm-E544

Date of Contract June 5, 1953

Date of Amendment November 19, 1954

Operator John L. Jonas and John E. Johnson

JUSTIFICATION

Adjustment was necessary so that payment could be made according to the true intent of the contract relative to pumping costs. It was essential to correct the effective date of Amendment No. 2 to cover certain costs that had received informal approval of the Government.

S. Ricker, Executive Officer
DMEA Field Team, Region III

18

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

File

REFERENCE SLIP

DATE 10-29-54

REFERRED TO:

1. JAY L. CHAMBERS, CHIEF
2. CONTRACT ADM. & AUDIT DIV
3. DEFENSE MINERALS EXPLOR. ADM.
4. WASHINGTON 25, D.C.

FOR:

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

REMARKS: attached letter is action taken in accordance your letter to me 10/20/54 (3rd Paragraph)

Jonas P. Johnson Contract E-544

Check (X) before the items needing attention.

N C #3

George Mavor
Auditor

Initials of sender.

GPO 16—63815-1

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 2 - 1954

420 Custom House
555 Battery Street
San Francisco 11, Calif.

October 29, 1954

Memorandum

Amendment being prepared to change date to Apr 22 to Feb 18

To: George C. Wolfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2'4 - Mercury
Jonas and Johnson, Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ion-1544

As you know, water broke into the subject mine and flooded the DMEA workings on February 18, 1954. On February 24, I wired Mr. L. S. Mittendorf asking if the contract could be amended to allow $10,000.00 to unwater the mine. On March 11, I wrote Mr. Mittendorf a memorandum, the fourth paragraph of which reads in part "Since sending you my wire of February 24 and receiving verbal permission from Mr. Ellis to go ahead and pump down the water . . . ." The above history is cited so that you may better understand the following.

When Amendment No. 2, dated April 22, 1954, was sent to us by your office, I wrote a justification in which I stated that an "inflow of water on February 18, 1954, flooded the workings and stopped all exploration endeavors." That was true, but what was not noticed at the time was that Amendment No. 2 did not become effective until April 22, 1954 - the date of the amendment.

On the strength of the approval given over the phone, the Operators - Jonas and Johnson - started dewatering operations on February 22, and this and other work in connection with unwatering the mine continued to March 4 when one miner was killed, and for three days following the accident. On March 11 all operations at the property stopped.

The Operator has submitted a voucher for March covering expenses incurred during that month. His February voucher covers expenses during the month of February to the time of flooding and on to the end of the month.

As prepared, Amendment No. 2 authorizing the dewatering and other work was not effective until April 22. That is a mistake as it should have been made effective as of February 18, 1954, the date of the flooding. Only in this way can the Operator be reimbursed for his expenses during the month of March.

Will you kindly prepare an amendment making the effective date of Amendment No. 2 February 18, 1954.

W. C. MILLER

W. C. Miller
Executive Officer
TVA Field Team, Region III

Copy to: Roscoe Smith, [illegible]
A. C. Johnson, [illegible]
George Lavor (2 copies)

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

September 13, 1954

Memorandum

To: Mr. Frank E. Johnson
Acting Administrator

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

Subject: Docket No. DMEA-2448 (Mercury), Contract Idm-E544
Jonas and Johnson, Mt. Diablo Quicksilver Mine,
Contra Costa County, California

I am forwarding the attached proposed Termination Agreement between the Government and Jonas and Johnson without surnaming, because I wanted to call your attention to the fact that these boys walked off of the project after being overpaid $2,286.76.

It appears to me that every possibility of recovering this overpayment should be investigated prior to entering into a termination agreement.

Attachment

JLChambers/wb
September 13, 1954

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

Government's copy

EXPLORATION PROJECT CONTRACT
JOHN L. JONAS and JOHN E. JOHNSON
DOCKET NO. DMEA-2448

AMENDMENT NO. 2

It is agreed this 22nd day of April, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and John L. Jonas and John E. Johnson, that Contract Idm-E544 (Docket No. DMEA-2448), dated June 5, 1953, as amended, is further amended, effective as of the date of this amendment, as follows:

A. In Exhibit "A," under the heading "Description of the Work":

1. Delete Item 3, in entirety, and substitute the following:

"3. At a distance approximately 300 feet below the collar of the shaft, drive a crosscut in a southerly direction through the vein structure on the hanging wall of the fault; and from the sides of the crosscut, drift in opposite directions along the strike of the fault. The drifting and crosscutting shall not exceed an aggregate of 375 feet.3/ The crosscut and drifts shall have dimensions not less than 6 feet by 7.5 feet in the clear of timber. The location, direction, and extent of all work is subject to the approval of the Government.

"3/Notwithstanding the allowable maximum footage of 375 feet for drifting and crosscutting, if the estimated total cost of the project is not reached after the completion of all work described in the contract, such additional drifting and crosscutting may be performed at the allowable maximum cost of $40 per foot as is approved in advance by the Government."

DEPARTMENT OF INTERIOR
BUREAU OF MINES
REGION III
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2. Add a new Item 5, as follows:

"5. On February 18, 1954, a large inflow of water flooded the crosscut and shaft driven under this project and made further work impossible until the workings are unwatered. Such mine water is acid in character and must be treated before discharge in accordance with the requirements of the California State Water Pollution Control Board. Therefore, the following work shall be performed:

"(a) Pump out the water in the project workings, on a 24-hour-per-day basis; and rehabilitate the shaft and crosscut as required.

"(b) Install a treatment plant with necessary pumps, pipes, baffle troughs, tanks, and related equipment for treatment of the mine water prior to discharge."

B. In Exhibit "A", under the heading "Estimated Costs of the Project":

1. In Item (1) Independent Contracts, delete the last line and substitute the following:

375 feet @ $40.00/ft.*1/	$15,000.00*	$54,996.00*3/

2. In Item (2) Labor, Supervision, Consultants, delete the item for consultant, and the total "$3,500," and substitute the following:

1 Consultant @ $500.00/mo.*, 7 mos.*2/	$ 3,500.00*	
Labor for unwatering shaft and crosscut and rehabilitating both - 10 men @ $16.00/day each for 27 days	4,320.00*	
		$7,820.00*

3. In Item (3) Operating Materials and Supplies, delete the word "None" and add:

3/ See first page. Footnotes indicated 1/ and 2/ refer to footnotes in Original Contract.

Power for unwatering, 27 days @ $14.00/day	$ 378.00	
Material and supplies for unwatering mine	302.00	
		$ 680.00*

4. In Item (4) Operating Equipment, under the heading "To be furnished by Operator, when needed, at no cost to the project," add:

   1 pump for unwatering mine

5. In Item (6) New Buildings, Improvements, Installations, add:

   Install treatment plant for mine water $ 5,000.00*

This amendment shall not be construed to increase 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.

UNITED STATES OF AMERICA

By C A Mittendorf
Administrator, Defense Minerals
Exploration Administration

John L. Jonas
JOHN L. JONAS

John E. Johnson
JOHN E. JOHNSON

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Defense Minerals Administration
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AMENDMENT NO. 2

Docket No. DMEA-2448 Mineral Mercury

Exploration Project Contract Idm-E544

Date of Contract June 5, 1953

Date of Amendment April 22, 1954

Operator Jonas and Johnson

JUSTIFICATION

To amend the contract to permit the operator to unwater the mine workings under the contract this amendment was prepared. Inflow of water on February 18, 1954, flooded the workings and stopped all exploration endeavors. Funds for unwatering the mine were taken from funds originally intended for some of the underground exploratory drifting.

H. C. Miller, Executive Officer
DMEA Field Team, Region III

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Memorandum April 6, 1954

To: The Administrator

From: George C. Selfridge
Special Assistant

Subject: Docket No. DMEA-2443 (Mercury)
John L. Jones and John E. Johnson (formerly Pounds B. Smith)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-654

I have reviewed the subject docket in connection with a letter to be sent to the Field Team relative to a major misinterpretation of the contract form.

The contract, which is dated June 5, 1953, is written on the long form in the amount of $73,571. Under "Independent contracts" there is allowed 330 feet of shaft sinking at $191.20/ft. maximum and 625 feet of crosscutting and drifting at $40.00/ft. maximum. Although the description of these items does not differ from the usual descriptions in this type of contract, it was misinterpreted as meaning unit costs instead of actual costs. The Field Team and the new Operators (Assignees) were informed of the actual character of the contract on Mr. Talbert's recent visit to Region III.

Approximately $52,000 has been expended on a unit cost basis instead of an actual cost basis. Mr. Miller has requested that the contract be granted retroactively to put the advances on a unit cost instead of an actual cost basis in order to avoid what may be a complicated audit. It is doubtful that this can be done as at least six long form contracts incorporating unit costs in lieu of actual costs were being administered by the Region before work started under the subject contract. It would be difficult to justify the requested amendment to GAO in view of the available information, and it would probably not be in the best interests of the Government to do so.

Although the contract is dated June 1953, work was not started until August 15 because of a legal difficulty involving the disposal of contaminated water from the property. Eventually work was started, and, after clearing the shaft site, the shaft was sunk 8 feet in August. Preliminary preparation for full-time sinking was completed on September 23, and actual sinking started September 25. Advance is shown in the following table:

Month	Working days	Monthly advance-ft.	Daily advance-ft.
August	?	8	?
September	5	20	4.00
October	24	89	3.70
November	22	87	3.95
December	22	85	3.86
January	24	41	2.93—Also 43' of drift driven.

The work was done under contract at a very satisfactory rate in shale that broke well, would be brought with a pneumatic spade, and in part was flat-lying. The drift required no timber, and both it and the shaft were dry. After advancing approximately 116 feet the next round penetrated a water-bearing fissure, and the workings were flooded. Before they can be drained, it will be necessary to drain the overlying, old mine workings and the surrounding country of its gaseous, acid water. Most, if not all, of the advance was driven by a contractor working from 8 to 12 hours a day, six days a week. He furnished all the labor, drills, steel, powder, caps, fuse, lamps and wiring, necessary equipment, and small tools. The Operator paid him $50.00 and $27.50 a foot for the sinking and drifting respectively. The contractor also received a $500 bonus for completing the shaft sinking. Accordingly the Operator furnished the timber, pipe, trunk, and power. From the information at hand, it is difficult to see why Mr. Miller thinks that an audit will show that it cost more to sink the shaft and drive the drift than the maximum set forth in the contract.

The examining engineer criticized the Operator for not spending more time on the property. Apparently little preparation was made to meet the water problem which was known to exist. Before work can continue, the Operator must comply with State Pollution Laws.

George C. Selfridge

GCSelfridge/fw
4/6/54
cc: Mails & Files
Admr. Reading File
Mr. Johnson
Mr. Chambers
Mr. Selfridge

Government's Copy

RONNIE B. SMITH, JENE HARPER, AND JAMES P. DUNNIGAN - PARTNERS
CONTRACT IDM-E544
DOCKET DMEA-2448

AMENDMENT NO. 1

Contract Idm-E544 (Docket No. DMEA-2448), dated June 5, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, and Ronnie B. Smith, Jene Harper and James P. Dunnigan - Partners, is amended as follows effective July 14, 1953:

Starting date extended to August 15, 1953.

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 July 14, 1953.

UNITED STATES OF AMERICA

By Ronnie B. Smith
Ronnie B. Smith - Partner

By H. C. Miller
H. C. Miller, Executive Officer
DMEA Field Team, Region III

By Jene Harper
Jene Harper - Partner

By James P. Dunnigan
James P. Dunnigan - Partner

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AMENDMENT NO. 1

Docket No. DMEA-2448 Mineral Mercury

Exploration Project Contract Idm-E544

Date of Contract June 5, 1953

Date of Amendment July 14, 1953

Operator Ronnie B. Smith, Jene Harper, & James P. Dunnigan - Partners

JUSTIFICATION

Land owners below the Mt. Diablo mine have instigated suit against the Bradley interests to prohibit acid water from springs on the Mt. Diablo property draining into ditches crossing their lands. Although a favorable out-of-court settlement is anticipated, Mr. Smith prefers not to start sinking his shaft until all legal obstacles have been removed. These, he believes will be cleared up by shortly after August 1, hence date of starting has been extended to August 15, 1953.

H. C. Miller, Executive Officer
DMEA Field Team, Region III

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Contract No. Idm-E [illegible]

Docket No. 2[illegible]8

DEPARTMENT OF THE INTERIOR

Terminated contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

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

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

Date of Contract	Region	State	Commodity
June 5, 1953	II	California	Mercury

Name and Address of Operator: Jonas & Johnson
c/o Mr. John L. Nonas
166 Los Robles Drive
Burlingame, California

	Reserve	Obligation
Prior Amount	0	055,170.25
Increase	0	0
Decrease	0	021,923.22
Revised Amount	0	33,255.03

Remarks:

(Name)
Robert E. Adams, Chief
Operations Control and
Statistics Division
(Title)

Date Delivered to Bureau of Mines, Washington 6/21/56

98963

Docket No. [illegible]

Commodity Mercury

DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

STRATEGIC AND CRITICAL MINERALS EXPLORATION PROGRAM

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

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

Contract No. Idm-E [illegible]

Date of Contract or Amendment: June 5, 1953

Name and Address of Operator:
Ronnie D. Smith
Tower Petroleum Bldg.,
Dallas, Texas
Jens Harper, c/o Franklin Supply Co., Chicago, Ill.
James F. Dunnigan, Chicago, Illinois (partners)

Amount of Government participation $ 55,178.25

Percent of Government participation 75 %

Region: III State: California

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

(Title)
June 8, 1953

Date Delivered to Bureau of Mines, Washington.

13808

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

DOCKET NO. DMEA 2448

COMMODITY Mercury

Government's Copy

IDMAE 544

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

EXPLORATION PROJECT CONTRACT[1]

IT IS AGREED this 5th 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[2] Ronnie B. Smith, Tower Petroleum Bldg., Dallas, Texas, Jene Harper, c/o Franklin Supply Co., Chicago, Illinois, and James F. Dunnigan, Chicago, Illinois - Partners

hereinafter called the "Operator," as follows: and as set forth in Annex I and Annex III.

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of California, County of Contra Costa, described as follows:[3] The N½ of the SE¼ and the S½ of the SW¼ of the NE¼ of Sec. 29, T. 1 N., R. 1 E., Mount Diablo Base and Meridian, Recorded Feb. 1, 1934 (File No. 1060), except for area described in Annex II and shown on map attached hereto, made a part hereof, and entitled "U.S.G.S. Bulletin 922-Plate 6, DMEA-2448,"

the Operator, represents and undertakes:[4]

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

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

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

ARTICLE 3. *Exploration project.*—The Operator, within 45 days from the date of this contract shall commence work on a project of exploration for[5] Mercury

in or upon the described land; and shall bring the project to completion within a period of 10 months from the date of this contract. The work to be performed is more fully described in Exhibit "A" attached hereto, which, with any maps or drawings thereto attached, are made a part of this contract. The Government will contribute to the cost of this work as hereafter provided.

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

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

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

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

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

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

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

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

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

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

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

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

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

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property, particularly excluding any land or interest therein to which the Government's lien is not to attach or the production from which is not to be subject to the Government's percentage royalty.
[4] Strike out the provision not applicable.
[5] Name of mineral or minerals.

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

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

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

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

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

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

ARTICLE 8. *Payments by the Government.*—(a) The Government will pay 75 percent of the allowable costs incurred, as they accrue, in an aggregate total amount not in excess of $55,178.25, which is 75 percent of $73,571.00, the agreed, estimated total cost of the project in which the Government will participate; *Provided,* that until the Operator's final report and final accounting have been rendered to the Government, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total/which the Government might have been called upon to pay under the terms of the contract.

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

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

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

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

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

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

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

(d) This article is not to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any mining or production operations.

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

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

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

ARTICLE 13. *Changes and added provisions.* ______

Executed in sextuplicate the day and year first above written.

By [signature: Rufus B. Smith] Partner

By [signature] Partner
(Official title)

By [signature] Partner

THE UNITED STATES OF AMERICA

By [signature]
Administrator, Defense Minerals Exploration Administration

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

______

[CORPORATE SEAL]

2

EXPLORATION PROJECT CONTRACT
RONNIE B. SMITH
DOCKET NO. DMEA-2448

ANNEX I

Materials and Supplies. For the purpose of determining the Government's interest in materials or supplies remaining upon any termination of the work, they shall be considered in groups or categories (such as pipe, or explosives, or rails, or drill steel), and if the original cost of the remaining unexpended portion of any such group or category exceeded $50, the Government shall have an interest therein as provided in Article 11 of the contract form.

Equities in Equipment. Unless expressly permitted by provisions in Exhibit "A", the operator shall not procure equipment or any other item under a rental-purchase agreement, an installment-purchase agreement, any agreement which creates or builds up an equity or interest in the thing procured which can be converted to legal title only by further payment or some other consideration, or any agreement other than for straight rental or cash purchase and delivery.

Preservation of Property. Until the final disposal of any equipment or other property in which the Government has an interest or equity, the operator shall preserve and protect same for the mutual best interests of the parties, any reasonable and necessary cost thereof to be treated as an allowable cost of the exploration work to which the Government will contribute.

EXPLORATION PROJECT CONTRACT
RONNIE B. SMITH
DOCKET NO. DMEA-2448

ANNEX II

The land referred to in Article 2 as exempted from the lease from Mount Diablo Quicksilver Company to Ronnie B. Smith is shown on map "Bulletin 922-Plate 6, DMEA-2448" and is described as follows:

Beginning at the NW corner of the NW$\frac{1}{4}$ of the SE$\frac{1}{4}$ of Sec. 29, T. 1 N., R. 1 E., Mount Diablo Base and Meridian, thence running southerly along the dividing line between the NE$\frac{1}{4}$ of the SW$\frac{1}{4}$ and the NW$\frac{1}{4}$ of the SE$\frac{1}{4}$ of said Sec. 29, a distance of 20 chains to the SW corner of the NW$\frac{1}{4}$ of the SE$\frac{1}{4}$ of Sec. 29; thence running along the southerly line of the NW$\frac{1}{4}$ of the SE$\frac{1}{4}$ of Sec. 29, a distance of 2.924 chains; thence leaving said line and running in a northerly direction a distance of 20.23 chains; thence westerly to the point of beginning.

ANNEX III

The following provisions are in lieu of all of paragraph (a) of Article 9 which precedes the colon:

If at any time the Government considers that a discovery or 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 final report and final account required by the exploration project contract, may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development. The Operator, or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land which is the subject of the exploration project contract, as follows: (1) Regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification of discovery or development, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first, unless the Government waives its right to a royalty; or (2) if the Government makes a certification of discovery or development, for a period of ten years (or other period fixed by the contract) from the date of the contract, or until the total net amount contributed by the Government, without interest, is fully repaid, whichever occurs first. Said royalty shall be a percentage of 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, as follows:

EXPLORATION PROJECT CONTRACT
RONNIE B. SMITH
DOCKET NO. DMEA-2448

EXHIBIT "A"

Description of the Work

The objective of the project is to explore the subject property for mercury ore. The geological details, and the site and purpose of the shaft, are shown on USGS map attached hereto and entitled "Mount Diablo Mine, Contra Costa County, California" dated January 1953. As indicated on the "Bulletin 922-Plate 6, DMEA-2448," the work consists of the following:

1. Level shaft site, erect a headframe with ore pocket, install an electric hoist (including motor, starter, head sheave, and hoisting cable), and build tram from headframe to dump.

2. Sink a 2-compartment timbered shaft (in cross section 4 feet by 8.5 feet in clear of timber) to a depth of 330 feet.

3. At a distance approximately 300 feet below the collar of the said shaft, drive a crosscut approximately 200 feet (in cross section 6 feet by 7.5 feet in clear of timber) in a southerly direction through the vein structure on the hanging wall of the fault; and from the sides of the crosscut, drift (in cross section 6 feet by 7.5 feet in clear of timber) in opposite directions along the strike of the fault for approximately 425 feet.

The total advance of the crosscuts and drifts shall not exceed 625 feet, and the location of shaft, crosscut, and drifts shall be subject to Government approval.

4. Samples of vein material encountered during the exploration shall be cut by the Consulting Engineer and they shall be assayed for mercury content, the place of sampling and assaying being subject to Government approval. The Consulting Engineer must also be approved by the Government, and shall direct the entire exploration program and prepare all reports required under the contract.

Estimated Costs of the Project
(*Indicates allowable maximum)

(1) Independent Contracts

Sinking 2-compartment shaft 330 feet @ $121.20/ft.* 1/	$39,996.00*	
Driving crosscut and drifts 625 feet @ $40.00/ft.* 1/	25,000.00*	$64,996.00*

(2) Labor, Supervision, Consultants

1 Consultant @ $500.00/mo., 7 mos.* 2/	3,500.00*

(3) Operating Materials and Supplies

None

(4) Operating Equipment

To be furnished by Operator, when needed, at no cost to the project.

3 Sterling trucks

1 International bulldozer

1 Dodge pickup truck

1 Joy Mfg. Co. wagon drill

3/4-yard Northwest power shovel

1 Ingersoll-Rand compressor

Auxiliary buildings, fuel oil and gas tanks, and loose tools

1/ This includes the cost of all necessary timbering, cost of all supplies, and maintenance and repair of all equipment. All equipment shall be furnished by Independent Contractor except that referred to in Item (4).

2/ This consultant shall be required to spend a minimum of two full days each week on the project, and this includes all his transportation costs.

7

To be purchased

1 Only 50 H.P. hoist with motor and starter	$2,250.00*	
1 Only 36-inch sheave	125.00*	
750 feet 5/8-inch hoisting cable	200.00*	$2,575.00*

(5) Rehabilitation and Repairs

None

(6) New Buildings, Improvements, Installations

Level shaft site, erect headframe, ore bin, tramway to dump (includes cost of all labor, Workmen's Compensation and Employer's Liability Insurance, and Payroll Taxes)	2,000.00*	

(7) Miscellaneous

Assaying 125 samples @ $4.00/sample	500.00

(8) Contingencies

None

* * * * * *

Total Estimated Cost of Project	$73,571.00*
Government Participation @ 75%	$55,178.25*

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 CALIFORNIA, County of CONTRA COSTA described as follows: 1/

in a lease dated September 12, 1951, and recorded in book 1848, page 355 official records of said county

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/ Ronnie Smith, Trustee

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 production 3/ 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/$ 135,000.00, 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 22nd day of April, 195 3.

MT. DIABLO QUICKSILVER CO., LTD [Seal]

Vic Blomberg [Seal] President

Thos W. [illegible] [Seal] Vice-President

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.)

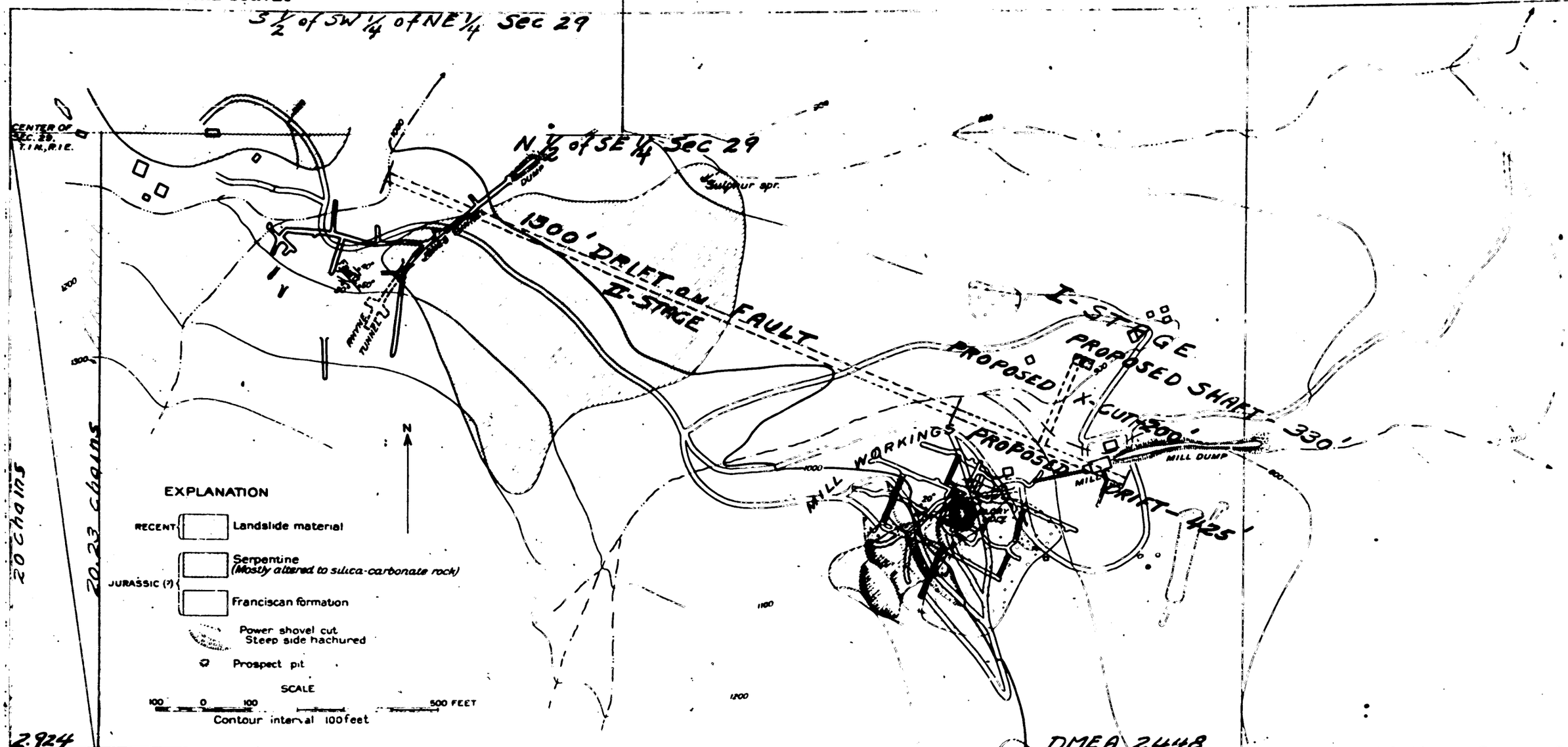
(b) As here used, "net smelter returns", "net concentrator returns", and "other net amounts realized from the sale or other disposition", mean gross revenue from sales; or if not sold, the market value, the market value of the material after it is mined in the form in which and the place where it is 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.

Science & Industry Library



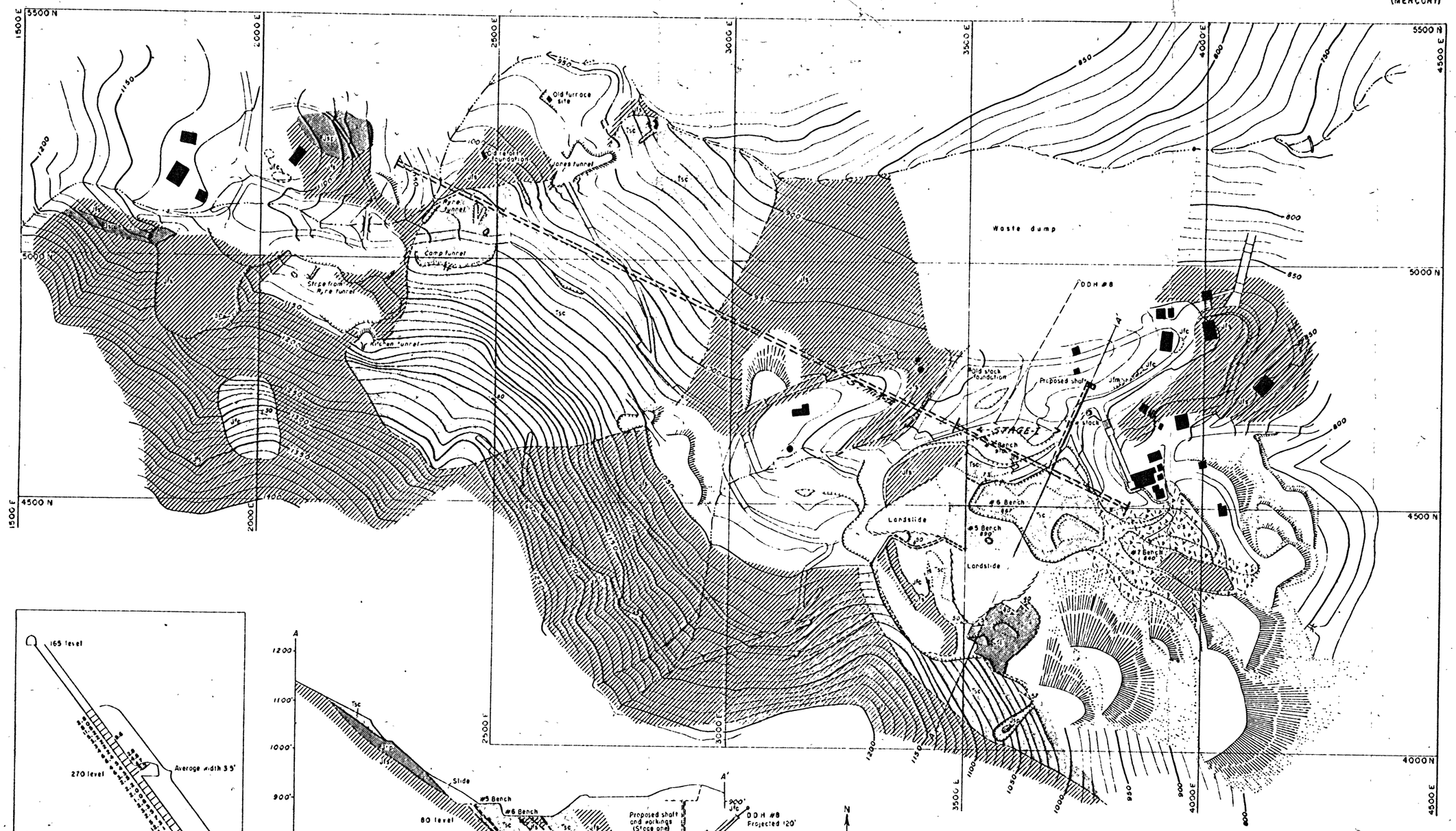
Base adapted from company's maps, with additions Quarry cuts southwest of mill from plane-table survey by C P Ross and James Pollock

GEOLOGIC MAP OF MOUNT DIABLO MINE

Geology by C P Ross

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA—2448
(MERCURY)



EXPLANATION

QUATERNARY

- Soil cover, waste and/or overburden (geology unknown)
- Old landslide material: blocky, poorly cemented, and slightly silicified

TERTIARY

- Tsc — Silica-carbonate rock (altred serpentine) locally massive and also laminated

JURASSIC

- Jfs — Sheared serpentine
- Franciscan group
  - Jfm — Metamorphic rocks, including actinolite schist, amphibolite, and quartz-mica schist
  - Jfc — Thin-bedded reddish chert
  - Jfs — Silicified graywacke, with some calcite veinlets, and sheared black shales with inclusions of graywacke, serpentine, and chert (locally pyritized)

Contact, dashed where approximately located

Gradational contact

Fault, showing dip (Dashed where approximately located)

Strike and dip of beds

Strike and dip of foliation

Portal of adit

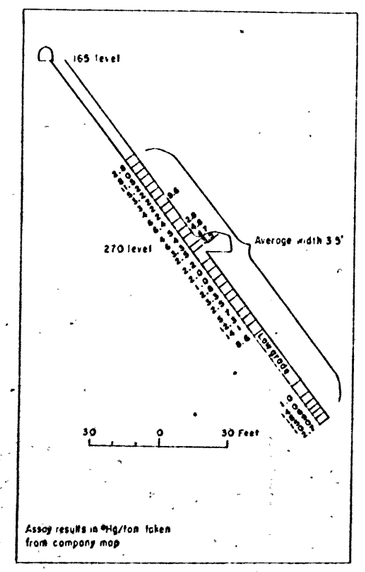
Portal of caved adit

Top of cut

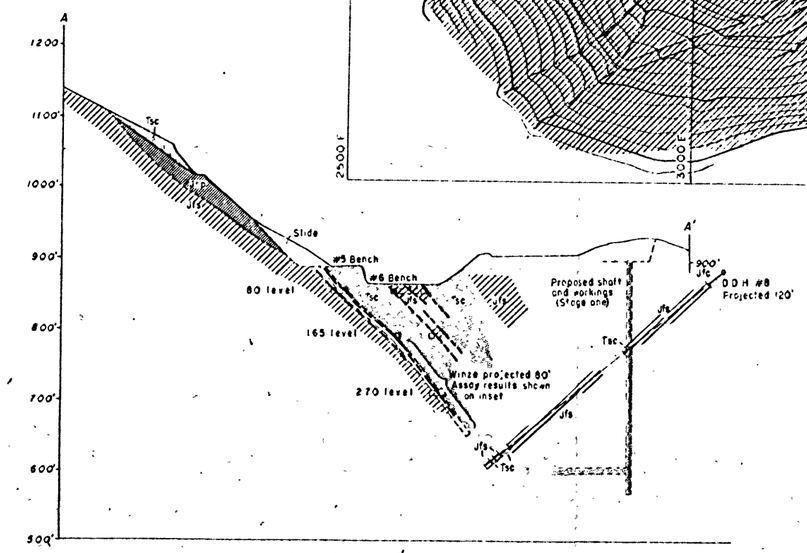
Bottom of cut

Dump

Geology and topography by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, January 1953



ENLARGED SECTION OF WINZE BELOW 165 LEVEL



SECTION A-A'

N

MOUNT DIABLO MINE, CONTRA COSTA COUNTY, CALIFORNIA

100 0 100 200 300 Feet
Contour interval 10 feet
Datum is mean sea level

Idno-E 544, DMEA-2448
Ronnie B. Smith, et al

Comparison of Contract Estimates, Claimed Costs & Allowed Costs through October 31, 1953

Exhibit "A" of Contract		"Totals to Date" Claimed, Oct 31, 1953		Allowed by Audit, April 26-30, 1954		(E)
(1) Independent Contracts:						
Sinking Shaft 330' @ $121.20*	$39996.00*	117' @ $121.20	$14180.40	111' @ $50.00	$5550.00	(A)
Crosscuts & Drifts 625' @ $40.00*	25000.00*		0		0	
(2) Labor, Supervision & Consultants:						
Labor	0		0		645.80	
Supervision	0 *		0		0	
Consultant 7 mos. @ $500.00*	3500.00*	2½ mos. @ $500.00	1250.00	2½ mos. @ $500.00	1250.00	
(3) Operating Materials & Supplies:						
None	0		0	Timber	1781.13	(A)
				Pipe	453.95	(A)
				Track	208.67	(A)
				Electricity	121.27	(A)
				Ventilation	105.15	(A)
				Fuels	133.87	(A)
				Hauling (incl. mileage)	738.80	(B)
				Other	1154.81	(A)
(4) Operating Equipment:						
Rental	0		0		0	
Purchase — Hoist	2250.00*	Hoist	2250.00	Hoist	2008.50	(C)
Sheave	125.00*		0	Sheave	60.00	
Cable	200.00*		0	Cable	160.38	
Furnished by Opr — Various	0 *		0		0	(B)
(5) Initial Rehabilitation & Repairs:						
None	0 *		0		0	
(6) New Bridge, Improvements, etc.:						
Various	2000.00*	Headframe & Headframe	2000.00	Headframe & Headframe	2000.00	(D)
(7) Miscellaneous:						
Assaying 125 samples @ $4.00	500.00		0		0	
				Repairs to Equipment	555.67	(C)
				Payroll Taxes	27.12	
				Liability Insurance	47.14	
				Accounting Services	160.11	
(8) Contingencies None	0		0		0	(C)
Totals	$13571.00*		$19680.40		$17134.32	
Gov't. Participation (75%)	$5517.82*		$14760.30		$12873.24	
Overpayment					$1887.06	

Notes:

* Allowable maximum limitations, any excess being for sole account of Operator (Art. 5)

A. The shaft work was intended to be performed under independent contract at $121.20 a foot (with contractor furnishing all supplies, maintenance and repair of all equipment, and all equipment except that under category 4) and Operator so claimed on MF-104, whereas actually the work was performed at $50.00 foot (with contractor furnishing only labor, plus approximately insurance and tipes, the explosives and hand tools.

B. The contract provided that 4 trucks, a bulldozer, a wagon drill, a power shovel and a compressor were to be furnished by the Operator at no cost to the project. The trucks were not suitable for hauling, so audit allowed truck rental (68 days @ $6.00), truck mileage (2,040 mi. @ $.01), auto mileage (7,000 mi. @ $.05) plus miscellaneous expense.

C. In addition to the initial cost of hoist the audit allowed a service charge of $350.00 plus $150.00 for changes in power line (actually Contingencies, due to burned out hoist motor and State safety requirements) as Repairs to Equip.

D. Audit disclosed actual costs of $2,416.00 with excess over allowable maximum being disallowed

E. The audit was based on supporting documentation and records submitted to George Meyer, DMEA Auditor, by Harold Blomberg, Public Accountant. On Nov. 28, 1955, by request, Norman B. Spray, C.P.A., was furnished with detailed information regarding the audit findings. On Dec. 14, 1955, Mr. Spray also was given copies of the audit work papers. Neither of these accounting representatives of Mr. Smith have advised of any additional costs which, in their opinion, should be allowed.