2448

DOCKET INDEX

ACTION DOCUMENTS

1. APPLICATION — DATE RECEIVED 3/25/52

2. CONTRACT — DATE 6.5.53

3. TERMINATION AGREEMENT: — DATE 11-30-56

   a. Mutual (with/without repayment provision).
   b. Unilateral.
   c. Amendment with automatic termination clause and with/without repayment provision.

4. CERTIFICATION — DATE

5. AUDIT REPORT — DATE

6. AMENDMENTS - NUMBERS — DATE

   1 — 7-14-53
   2 — 4.22.54
   3 — 11-19-54

Termination Agreement

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DMEA
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DATE	INITIALS	CODE
2/5	C	220
2/5	JI	225

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 Bonnie B. Smith, June Harper, and James F. Dunnigan), hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-2344 (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

Judrity 11/26/56
Sanger
"Approval Only"
McMahon
Fallert
Selfridge
Johnson

By C. M. Theodorson
Administrator, Defense Minerals Exploration Administration

John L. Jonas
John L. Jonas

John E. Johnson
John E. Johnson

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 /s/ C. O. MITTENDORF
Administrator, Defense Minerals
Exploration Administration

John L. Jonas

John E. Johnson

Docket 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

STATE OF CALIFORNIA }
City and County of San Francisco, } ss.

On this 20th day of January, 19 54, 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, ~~1953~~ 1957

(GENERAL)

SELMA R. CONLAN
NOTARY PUBLIC
433 CALIFORNIA ST. SAN FRANCISCO
PHONES { DOUGLAS 2-3152
EXBROOK 2-1120

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

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 C Mitteudorf
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 BONNIE 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, Carlene E. Gobo, 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.

IN WITNESS WHEREOF, I have hereunto set my hand and seal.

Marlene E. Ross
Notary Public
In and for said County and State.

My Comm. Expires 5/22/55

STATE OF Mich.
COUNTY OF Ogemaw } ss.

On this 11th day of January, 1954, 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:

Docket 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. Mittendorf
Administrator, Defense Minerals Exploration Administration

John E. Johnson
John E. Johnson

Chamberlin Ching Ellis Selfridge Johnson

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

Docket 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."

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*2/

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:

1/ 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 O Mitteudorf
Administrator, Defense Minerals Exploration Administration

Britin
Hilland
Chamberlin

John L. Jones
JOHN L. JONES

John E. Johnson
JOHN E. JOHNSON

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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JUN 14 1954

AMENDMENT NO. 2

Docket No. [illegible]-244 Mineral Mercury

Exploration Project Contract Id[illegible]-154

Date of Contract June 5, 1953

Date of Amendment April 22, 1954

Operator Jones 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 efforts. 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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
AUG 4 1953

Docket'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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GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

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DEPARTMENT OF INTERIOR
BUREAU OF MINES
REGION III
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SAN FRANCISCO, CALIFORNIA

DEFENSE MINERALS
GENERAL COUNSEL

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DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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AUG 4 1953

AMENDMENT NO. 1

Docket No. [redacted] Mineral [redacted]

Exploration Project Contract [redacted]

Date of Contract [redacted]

Date of Amendment [redacted]

Operator [redacted]

JUSTIFICATION

[redacted]

H. C. Miller, Executive Officer
DMEA Field Team, Region III

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

DOCKET No. DMEA 2443

COMMODITY Mercury

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

Docket Copy
IDM-E 544

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.

Contract.

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 S½ 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. 106.), 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-2443,

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, encumbrances, and exceptions, of which the Government is aware, as shown in the table 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 12 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 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 payment in all cases shall be based on actual, necessary costs (including contract unit prices) incurred not in excess of any "allowable maximum," and not in excess of the fixed percentage of the total aggregate estimated cost. Costs will be considered to be incurred only as they are or become due and payable.

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

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

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

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

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

Con-tract

ARTICLE 8. *Payments by the Government.*—(*a*) The Government will pay 75 percent of the allowa costs incurred, as they accrue, in an aggregate total amount not in excess of $[illegible],170.25, which is 75 p cent of $[illegible], the agreed, estimated total cost of the project in which the Government will participa *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.

THE UNITED STATES OF AMERICA

By [illegible] (Operator)

By [illegible]

By [illegible]
Administrator, Defense Mineral Exploration Administration

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

[CORPORATE SEAL]

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

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 NW¼ of the SE¼ of Sec. 29, T. 1 N., R. 1 E., Mount Diablo Base and Meridian, thence running southerly along the dividing line between the NE¼ of the SW¼ and the NW¼ of the SE¼ of said Sec. 29, a distance of 20 chains to the SW corner of the NW¼ of the SE¼ of Sec. 29; thence running along the southerly line of the NW¼ of the SE¼ 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 [illegible]

The following provisions are in lieu of all of paragraph (a) of Article [illegible] 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.

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 Santa Clara, described ~~as follows~~:1/

In a lease dated September 12, 1952, and recorded in book 1048, page 555 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/ Pancho Smith, Operator

hereinafter called the "Operator"; and

WHEREAS, under certain provisions of said contract which are set forth on the reverse side hereof, the Government is entitled to a percentage royalty on production and to certain other rights and equities which do or may conflict with or be adverse to the interest of the undersigned in said property;

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

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

2. To secure the payment to the Government of the percentage royalty on production3/ provided for under the terms of said exploration project contract, or any amendment thereof which does not increase the maximum amount of the Government's claim here stated or alter the provisions for repayment, there is hereby granted to the Government a lien upon the land herein described and upon any production of minerals therefrom, until the royalty claim is fully paid in the amount of the Government's contribution, not in excess of 4/$ 155,000.00, 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, 1953.

U. S. SILICA QUARRY 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.

Extra copy

A G R E E M E N T

This Agreement, entered into this _____ day of _____, 1954, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Cordero Mining Company, a corporation organized and existing under the laws of the State of ____ _____, of 131 University Avenue, Palo Alto, California, hereinafter called the "Operator,"

WITNESSETH THAT:

WHEREAS, the Operator represents and undertakes that it is a lessee, in possession and entitled to possession of that certain land in the State of California, County of Contra Costa, described as follows:

> 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 excepting therefrom an area described as follows:
>
> Beginning at the NW corner of the NW¼ of the SE¼ of Sec. 29, T. 1 N., R. 1 E., Mount Diablo Base and Meridian, thence running southerly along the dividing line between the NE¼ of the SW¼ and the NW¼ of the SE¼ of said Sec. 29, a distance of 20 chains to the SW corner of the NW¼ of the SE¼ of Sec. 29; thence running along the southerly line of the NW¼ of the SE¼ of Sec. 29, a distance of 2.984 chains; thence leaving said line and running in a northerly direction a distance of 20.23 chains; thence westerly to the point of beginning.

all as referred to and which is the subject of an Exploration Project Contract dated June 5, 1953, No. Idm-8544, Docket No. DMEA-2448, between Ronnie B. Smith et al., and the Government, assigned by said Smith et al. under date of January 20, 1954, to John L. Jones and John E. Johnson, and

WHEREAS, the exploration work on said land provided for in said Exploration Project Contract was not completed and is now in suspension, and said Jones and

Johnson surrendered their leasehold thereof, and the Government represents that they are in default under said Exploration Project Contract; and

WHEREAS, the Government represents that under the provisions of said Exploration Project Contract it has contributed to the cost of exploration work on said land the sum of $36,537.00, to be repaid, if the Government makes a certification of discovery or development, by a percentage royalty on production and a lien on said land for the payment thereof; and

WHEREAS, the said work is beneficial to and this Operator expects to use it for further operations on the said property; and

WHEREAS, these parties desire to settle and determine their respective rights and obligations with respect to said land and any production therefrom;

NOW THEREFORE, it is agreed as follows:

1. (a) Royalty on production.--The Operator, regardless of any certification of discovery or development by the Government, shall pay to the Government a royalty on all minerals mined or produced from the said land within a period of 12 years from the date of this Contract, or until the sum of $25,000 is fully paid, whichever occurs first.

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

Operator or by anyone other than the buyer, are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent) applied to the crude ore or other production after it is extracted from the ground, to put it into a commercially marketable form; excluding fabricating or manufacturing.

(c) Unsold production.--If any production (ore, concentrates, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used by the Operator in integrated manufacturing or fabricating operations (for instance, if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrates, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used by the Operator in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time when it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(d) Percentages of royalty.--The percentages of the Government's royalty shall be as follows:

> One and one-half (1½) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.
>
> (For instance: the royalty on an amount of five dollars ($5.00) per ton would be one and one-half (1½) percent; on an amount of ten dollars ($10.00) per ton, three and one-half (3½) percent.)

(e) Time for computation and payment.--The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be, as above provided in this article.

(f) Lien for payment.--To secure the payment of its percentage royalty, there is hereby granted to the Government a lien upon the land or the Operator's interest in the land and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

(g) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Administrator, Defense Minerals Exploration Administration, or his successor, and his estimate thereof shall be final and binding upon the Operator.

(h) No obligation to produce.--Nothing in this Contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(i) Government not obligated to buy.--Nothing in this Contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

2. The Government does not intend by this Agreement to release or waive any claim it may have against said Jonas and Johnson arising out of said Exploration Project Contract or out of their default in the performance thereof; but if and to the extent that the Government may make any recovery of money from said Jonas and Johnson on any such claim, in excess of the sum of $11,537 (the difference between $36,537 and $25,000), such excess shall be for the credit and account of Cordero Mining Company. The Government may waive, forego, or prosecute any claim it may have against said Jonas and Johnson.

3. Upon the execution of this Agreement with an Owner's Consent to Lien of Mt. Diablo Quicksilver Co., Ltd., the owner and lessor of the land, attached, that certain Owner's Consent to Lien of said lessor dated

April 22, 1953, given in connection with said Exploration Project Contract between the Government and Jones and Johnson, shall be absolved and released.

4. The Operator shall neither transfer, convey, nor surrender its interest in the land, nor permit nor suffer any claim, lien or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien or encumbrance for the preservation of the Government's right to a percentage royalty on production and the lien for payment thereof; Provided, That an abandonment of the land and of all interest therein, without consideration, shall not constitute such a transfer or conveyance, and shall free the Operator from any claim of the Government for royalty on production not theretofore accrued.

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

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals
Exploration Administration

CORDERO MINING COMPANY

By _____

_____

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]

Form 1

DEFENSE MINERALS ADMINISTRATION
Control Slip

CONTROLLED DOCUMENT

DMEA ~~DMA~~ Docket No. 2448

DO NOT DETACH THIS SLIP

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EXPLORATION PROJECT

Any action taken to change the type of request for assistance must be promptly reported to the Reports and Records Branch. Use DMA Form 2 for submitting these reports.

Routing Slip

Copies to USBM, USGS, Region III.

To:	Code 700, Rm. 4640	Date	3-25-52
To:	Mr. Mittendorf	Date	4-14-53
To:	Mails & Files	Date	
To:	Docket (Elles)	Date	
To:	Open Com	Date	1-23-53
To:	Open Com	Date	6-1-53
To:	Mails & Files	Date	7-6-53
To:	Open Com	Date	3-7-54
To:	Open Com	Date	4-21-54
To:	Open Com	Date	9-15-54
To:	Open Com	Date	2-10-56
To:	Open Com	Date	6-22-56
To:	F.E. Johnson	Date	6-22-56
To:	120	Date	6-5-61
To:		Date	

DO NOT DETACH

CONTROLLED DOCUMENT

MEA Form 17
eb. 58

DEFENSE MINERALS EXPLORATION ADMINISTRATION

WORK COMPLETED ANALYSIS

After final audit or review report is received, prepare original only and file in official docket

Operator: Jonas and Johnson, Assignees		Actual Cost	X
State: California		Agreed Unit Cost	
Final Report of Audit	X	Commodity: Mercury	Docket No. DMEA 2448
Final Report of Review			Contract No. Idm-E544

Operation	Authorized by Contract and Amendments		Completed		Net cost after sale of Government Property
	Units	Cost	Units	Cost	
	Feet	$	Feet	$	$
Drifting & Crosscutting	625	25,000.00	120	3,100.00	2,100.00
Raising					
Shafts	330	39,996.00	324	39,996.00	39,996.00
Winzes					
Drilling (Specify)					
Surface Excavation					
Underground Excavation					
Roads and Trails					
Operating Equipment Purchased		2,575.00		2,000.00	0.00
Surface Rehabilitation & Repairs					
Underground Rehabilitation					
New Building, Improvements, etc.		2,000.00		2,000.00	0.00
Other (Specify) Consultant		3,500.00		2,244.04	2,244.04
Other (Specify) Sampling & Assaying		500.00			
Totals		~~73,571.00~~		~~47,340.04~~	~~44,340.04~~ * 1/

* Net cost total must agree with final report of audit or review.

1/ Less $3,000 salvage.

Prepared by James Hopkins Date 1958

Revised, S. P. Holt S.P.H. 10.18.60

31398

Docket copy

PROJECT SUMMARY REPORT

By: Stephen P. Holt November 25, 1960

1. Docket DMEA-2448 (Mercury)
Contract Idm-E544

Property - Mt. Diablo Quicksilver Mine
Contra Costa County, California

Operator - John L. Jonas and John E. Johnson
Assigness of Ronnie B. Smith, Jene Harper, and James F. Dunnigan

Operator's Property Rights -

The Operator controlled, by assignment of a mining lease from the owners, Mt. Diablo Quicksilver Company, Ltd., Clayton, California, patented land described as: the N½ of the SE¼, and the S½ of the SW¼ of the NE¼, sec. 29, T. 1 N., R. 1 E., M.D.B. and M., Contra Costa County, California, excepting a certain area described in Annex II and shown on map, USGS Bull. 922, Plate 6, attached to the contract. Owner's Consent to Lien and Assignment of Contract accompany the contract.

2. Contract: Dated June 5, 1953, on Long Form, MF-200 (Revised Feb. 1952).

Work Authorized:

1. Level shaft site, erect headframe and ore pocket, install hoist, build tram from headframe to dump.

2. Sink 2-compartment timbered shaft 330 feet.

3. At depth approximately 300 feet below shaft collar, crosscut approximately 200 feet southerly through vein structure on hanging-wall side of fault, and from sides of crosscut drift in opposite directions along fault a total of approximately 425 feet.

4. Sample and assay vein material encountered. Estimated 125 samples to be assayed for mercury.

Estimated Total Cost of Project	$73,571.00
Government Participation @ 75%	$55,178.25

A mendments -

No. 1, dated July 14, 1953, extended the starting date from July 20 to August 15, 1953.

No. 2, dated April 22, 1954, authorized use of funds originally intended for crosscutting and drifting, for pumping and water treatment.

No. 3, dated November 19, 1954, corrected the effective date of Amendment No. 2 from April 22, 1954, to February 18, 1954, the day on which the mine workings were flooded.

Work under the contract started August 15, 1953, was interrupted by flooding of the mine on February 18, 1954, and again by a fatal accident March 4, 1954. All work was discontinued and the Operator surrendered its lease on March 11, 1954. Cordero Mining Company leased the property in November 1954, and conducted further exploration work without assistance from the Government. Cordero's operations were not successful, and that company discontinued work at the property early in 1956.

Work Completed -

Crosscutting and drifting,	120 feet
Shaft sinking,	324 feet

Total Accepted Cost of the Contract	$44,340.04
Government participation @ 75%	$33,255.03

2-A. Reports -

The final report of the Field Team, dated January 30, 1957, was received February 5, 1957. No Operator's final report was submitted and the Field Team recommended that the requirement for such a report be waived.

3. Audits -

Audit Certificate, dated May 18, 1956, showed:

Total cost billed by contractor		$53,330.59
Exceptions during this audit	$6,009.79	
Less additional costs allowed by this audit	19.24	5,990.55
Total Accepted Cost		$47,340.04
Less salvage value of project property		3,000.00
Net Total Accepted Cost		$44,340.04
Government Contribution @ 75%		$33,255.03

4. Certification -

No certification of discovery or development was issued. The contract was terminated by a Termination Agreement dated November 30, 1956, effective as of March 31, 1954.

5. Comments --

The purpose of the project was to explore the downward continuation of a mineralized zone exposed in the Mill Workings of the Mt. Diablo Quicksilver mine, where mercury ore occurs as fracture fillings and disseminations of cinnabar and metacinnabarite in a tabular body of silica-carbonate rock in massive poorly-bedded silicified sandstone and graywaske, with lesser amounts of sheared shale and thin-bedded chert, all of the Franciscan group of Jurassic (?) age, which are cut by a few lenticular bodies of serpentine, probably post-Pliocene in age.

The work of the project, interrupted by the flooding of the mine and other causes, did not attain its objective, and no reserves of mercury ore were discovered by project work.

Stephen P. Holt

Stephen P. Holt

SPHolt/gla
11-28-60
cc to: Director's Reading File
Docket
Chron

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/21	Holt	500
	Grymes	500
9/21	Selbridge	120
"	Johnson	110
9/21	Fumich	100
		220

SEP 21 1961

Mr. A. C. Melting
2248 Dexter
Denver 7, Colorado

Re: DMEA 2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract Idm-E544

Dear Mr. Melting:

We are unable to comply with the request in your letter of September 12, 1961, for copies of reports and maps obtained during the exploration of the Mr. Diablo mine under the subject contract because such material is considered confidential and for Government use only.

The Government retains no lien on production from the property.

Sincerely yours,

(s) George Fumich, Jr.
Director (bl)

SPHolt/cc
Sept. 20, 1961

CC to: Dir. Reading file
Rev. Committee
Reg. II (with cy of incoming)
Reg. III (with cy of incoming)
Code 500

43683

OFFICIAL FILE COPY
O. M. E
RECEIVED SEP 14 1961

DATE	INITIALS	CODE
		1V-0
9/15/61	S.P.H.	500
		100

2248 Dexter
Denver 7, Colorado
September 12, 1961

Mr. George Fumich Jr., Director
Office of Mineral Exploration
Department of Interior
Washington 25, D.C.

Dear Mr. Fumich:

The local Denver Office OF Mineral Exploration advised me to contact you.

I represent the present owners of: Mt. Diablo Quicksilver Mine, Contra Costa County, California;
Located in sections 28 and 29

T-1-N R-1-E M.D.M

The present owners are:
Victoria Resources
% Mr. Boris Gresov
923 Fifth Avenue
New York 21, N.Y.

A DMEA Loan was granted to the mine in 1953 or 1954. I would like to secure for the owners information as to the status of the loan and also copies of reports and maps indicating the results obtained during the exploration period covered by the loan.

Very truly yours
A.C. Melting

C.C. Boris Gresov

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
9/20	Holt	500
	Indwold	500
		120
		~~110~~
9-20	Fenwick	100
		220

Mr. A. C. Melting
2248 Dexter
Denver 7, Colorado

Re: DMEA 2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract Idm-E544

Dear Mr. Melting:

We are unable to comply with the request in your letter of September 12, 1961, ~~for the status of the loan, and~~ copies of reports and maps obtained during the exploration of the Mt. Diablo mine under the subject contract, because such material is ~~confidential~~ Government ~~information and cannot be made available to the public~~. for use only.

The government pulsaus are then our property from the property.

Sincerely yours,

Director

SPHolt/cc
September 20, 1961

cc to: Dir. Reading file
Rev. Com.
Region II (with cy of incoming)
Region III (with cy of incoming)
Code 500

43683

E Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
6/2	Holt	~~500~~
	Amaral	500
6/2	Tolbert	800
6/5	GLS	130
		~~100~~ SB
6/5	gad	220
6/5	Gotsman	110

JUN 5 1961

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

Subject: DMEA-2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract Idm-E544

We concur in your advice to Mr. Sidney Rudy, as noted in your letter to him of May 24, 1961, that the information requested in his letter of May 22, 1961, i.e., receipts for all materials upon which the Government had a lien under the cited contract, is Government property and may not be released or loaned.

In this connection, however, please note that the financial records in this case were deposited in the San Francisco Records Center by your local finance officer.

/s/ George C. Selfridge

(SHB)

SPHolt/gla
6-2-61
cc to: Director's Reading File
Review Committee
Docket
Code 500

43683

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

OFFICIAL FILE COPY
O. M. E
RECEIVED MAY 26 1961

DATE	INITIALS	CODE
5/26	gad	VVO
5/26		800
May 24, 1961	S.P.H	500
		220

Via Air Mail

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson (Assignees)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E 544

Enclosed are copies of a letter, dated May 22, 1961, from Mr. Sidney Rudy, Attorney at Law, 369 Pine Street, San Francisco, California, regarding the subject contract, and copies (1 each) of my reply.

Mr. Mavor's audit of June 7, 1954, on Page 5, shows items of equipment totaling $2,335.68. On the second page of Mr. Ricker's letter of April 21, 1955, he lists items of equipment costing $2,335.68.

However, I have been unable to find receipts from suppliers of materials and/or machinery and I assume these data were attached to the Finance Office copies of the various MF 104-104A vouchers.

Please advise me if you have further instructions in this matter.

Glenn G. Gentry

Glenn G. Gentry

Attachments 2

cc: OME File

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 26 1961

DATE	INITIALS	CODE

May 24, 1961

Mr. Sidney Rudy
Attorney at Law
369 Pine Street
San Francisco 4, California

Re: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No, Idm-E 544

Dear Mr. Rudy:

Your letter of May 22, 1961 in reference to certain details of the subject contract has been received in this office. We are unable to comply with your request because all documents pertaining to this contract are the property of the Government and may not be released or loaned.

Very truly yours,

GLENN G. GENTRY

Glenn G. Gentry
Acting Field Officer, OME
Region II

Copy to: Chief, Division of Field Operations, OME
Washington 25, D. C.
OME File

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 26 1961

DATE	INITIALS	CODE

SAN RAFAEL OFFICE
1930 FOURTH STREET
GLENWOOD 4-0021

SIDNEY RUDY
ATTORNEY AT LAW
309 PINE STREET
SAN FRANCISCO 4, CALIFORNIA
GARFIELD 1 3800

May 22, 1961

Office of Mineral Exploration
555 Battery Street - Room 113
San Francisco 11, California

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

Gentlemen:

I understand that you are the successor to the Defense Minerals Exploration Administration. We represent Mr. John L. Jonas and the estate of Mr. John E. Johnson in connection with certain litigation arising out of the use of the mine property. This matter is now set for trial on May 29, 1961.

Mr. Jonas informs me that you have in your possession receipts for all materials upon which the government had a lien. If at all possible, we would like to use these receipts in order to establish the value of the equipment. Please advise whether or not you may release these, or loan them to us for a period of time.

Yours truly,

SIDNEY RUDY

By Richard N. Rapoport
Richard N. Rapoport

RNR:js

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/19	Holt	500
	Trowbridge	500
10/19	Selfridge	120
		110
10/19	gad	220

OCT 19 1960

Mr. Parke A. Hodges
Behre, Dolbear & Company
Eleven Broadway
New York 4, New York

Re: DMEA-2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract Idm-E544

Dear Mr. Hodges:

Answering the numbered questions in your letter of October 13, 1960, concerning the above-mentioned property:

1. We have no reliable information about the output of the mine during recent years.

2. and 3. The Government retains no lien on production from the property.

4. The following reports may be consulted in any large public library:

   (a) Geology of Mt. Diablo. H. S. Turner. Geological Society of America Bulletin 2:391-2, 1890.

   (b) Quicksilver Mines of the Mount Diablo District, Contra Costa County, California. Clyde P. Ross. U. S. Geological Survey Bulletin 922-B, 1940.

5. Records indicate that the owner of the property at the time of the DMEA work was the Mt. Diablo Quicksilver Company, Ltd., Clayton, California. Mr. Vic Blomberg, president of the company, has, or had until recently, a residence near the mine.

Sincerely yours,

(signed) FRANK E. JOHNSON

Acting Director

SPHolt/gla
10-19-60
cc to: Director's Reading File
Region II (2) w/2 cys incoming letter
Code 500
Docket
Chron

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
10/18	Holt	500
	Brisnell	500
		120
		110
		220

Mr. Parke A. Hodges
Behre, Dolbear & Company
Eleven Broadway
New York 4, New York

Re: DMEA-2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract Idm-E544

Dear Mr. Hodges:

Answering the numbered questions in your letter of October 13, 1960, concerning the above-mentioned property:

1. We have no reliable information about the output of the mine during recent years.

2. and 3. The Government does not retain any lien on production from the property as a result of work under the DMEA contract mentioned above.

4. The following reports may be consulted in any large public library:

   (a) Geology of Mt. Diablo. H. S. Turner. Geological Society of America Bulletin 2:391-2, 1890.

   (b) Quicksilver Mines of the Mount Diablo District, Contra Costa County, California. Clyde P. Ross. U. S. Geological Survey Bulletin 922-B, 1940.

5. Records indicate that the owner of the property at the time of the DMEA work was the Mt. Diablo Quicksilver Company, Ltd., Clayton, California. Mr. Vic Blomberg, president of the company, has, or had until recently, a residence near the mine.

Sincerely yours,

Acting Director

SPHolt/gla
10-18-60
cc to: Director's Reading File
Region II (2) w/2 cys incoming letter
Code 500
Docket
Chron

43683

CABLE ADDRESS
BEHRDOL

TELEPHONE
DIGBY 4-5530

BEHRE DOLBEAR & COMPANY
INCORPORATED

MINING, GEOLOGICAL AND METALLURGICAL CONSULTANTS

ELEVEN BROADWAY
NEW YORK 4, N. Y.

CHAS. H. BEHRE, JR.
SAMUEL H. DOLBEAR
PARKE A. HODGES
T. B. COUNSELMAN
A. F. BANFIELD

ASSOCIATES:
W. E. BOERICKE
R. G. BOWMAN
VINTON H. CLARKE
FRANK H. MADISON
ELWOOD S. MOORE
ROLAND D. PARKS
ROBERT E. VIVIAN

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

DATE	INITIALS	CODE
10-14	gad	VVO
		1VO
	[illegible]	500
"	S.P.H.	500
		220

October 13, 1960

The Acting Director,
Office of Mineral Exploration,
Department of the Interior,
Washington 25, D. C.

Dear Sirs:

Today I had occasion to discuss the Mt. Diablo Mercury Mine near Concord, Contra Costa County, California, with your Mr. Griswold, who suggested that I write your office on this matter. We are interested in obtaining the following information concerning this property provided you are in a position to furnish it.

1. Its output during recent years.

2. Whether the DMEA loan granted to Messrs. Jonas and Johnson in approximately 1950 has been repaid in full.

3. Whether or not the U. S. Government still must receive an overriding royalty for repayment of any loans or other obligations incurred by former operators and the amount which must be so repaid.

4. The location of any public reports on the property and whether or not these must be read in the appropriate office or library or can be purchased.

5. Any information you are at liberty to give us concerning the present ownership of the property and the names of the mining claims on which the mining operation is situated.

We will sincerely appreciate any information you are able to give us along the above lines.

Thanking you for your help in this matter,

Sincerely yours,

Parke A. Hodges

Parke A. Hodges

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

OFFICIAL FILE COPY
O. M. E.
RECEIVED MAY 20 1960

DATE	INITIALS	CODE
5-20	gad	NVO
5/20	[illegible]	800
5/23	[illegible]	500
		225
May 18, 1960		

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E 544

Reference is made to my letter of May 5, 1960, relative to the law suit concerning the subject property.

The trial is continuing and the hearing of evidence may require the remainder of this present week. Unofficial reports indicate the owners are asking $250,000 for granting a right of way for the power lines.

A satisfactory settlement is therefore doubtful and it seems probable the case may be carried to a higher court.

To the best of my knowledge, the San Francisco newspapers have not reported the trial.

Glenn G. Gentry

Copy to: OME File

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
5/10	Holt	500
	Thomas	500
5/10	Jackert	800
5/10	Selfridge	130
"	Johnson	110
5-10	gad	220
		225

MAY 10 1960

Memorandum

To: **Acting Field Officer, Region II**

From: **Chief, Division of Field Operations**

Subject: DMEA-2448 (Mercury)
Jonas and Johnson, Assignees
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

You are quite correct in your advice to Mr. Frederick, as noted in your memorandum of May 5, 1960, that the information requested by the power company, copies of the DMEA contract, Exhibit "A," and amendments, work completed and results obtained under the cited contract, is confidential Government information and cannot be made available to the public.

Please, as you offered in your memorandum, keep us informed of any further information available relative to this subject.

/s/ George C. Selfridge (5/6)

SPHolt/GCSelfridge/gla
5-10-60
cc to: Director's Reading File
Review Committee
CA&A Division
Docket
Chron
Code 500

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
5/10	Holt	500
	Inmon	500
5/10	Talbert	800
		130
		110
		220
		225

Memorandum

To: Acting Field Officer, Region II

From: Chief, Division of Field Operations

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

You are quite correct in your advice to Mr. Frederick, as noted in your memorandum of May 5, 1960, that the information requested by the power company, copies of the DMEA contract, Exhibit "A," and amendments, work completed and results obtained under the cited contract, is confidential Government information and cannot be ~~divulged by your office without specific instructions~~ from the Washington office of OME. Yours, the author

Please, as you offered in your memorandum, keep us informed of any further information available relative to this subject.

SPHolt/gla
5-10-60
cc to: Director's Readin g File
Review Committee
CA&A Division
Docket
Chron
Code 500

43683

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

OFFICIAL FILE COPY O. M. E. RECEIVED MAY 9 1960		
DATE	INITIALS	CODE
5-9	gad	220
5-9	[illegible]	800
5-9	Hart	500
		225
May 5,	1960	

Memorandum

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

From: Acting Field Officer, OME, Region II

Subject: Docket No. DMEA-2448 (Mercury)
Mt. Diablo Quicksilver mine Jones v Johnson
Contra Costa County, California
Contract No. Idm-E 544

We have today been informed of a law suit in progress between the Pacific Gas and Electric Company of California and the owners of the subject property. A jury trial is being conducted in Judge Masterson's court, Hall of Justice, 27th Street, Richmond, California.

The above information was supplied by Mr. Francis Frederick, Consulting Geologist, 690 Market Street, San Francisco, California, who has been retained as an expert witness by the power company.

The P. G. & E. Company want to obtain an easement or right of way over a certain part of the Mt. Diablo mining property for the purpose of installing electric power lines.

Apparently, the mining company are asking more money for said right of way than the power company is willing to pay. Hence the law suit.

Through Mr. Frederick and for introduction as evidence in the trial, the power company have requested copies of the DMEA contract, Exhibit "A" and Amendments, the work completed and results obtained.

I advised Mr. Frederick that this information was confidential Government information and could not be divulged by this office unless by specific instructions from the Washington, D. C. office of OME.

For your information, Mr. Frederick has in his possession copies of the U.S.G.S. map showing Geology by Pampeyan, Robertson, Tatlock, January 1953, evidently a part of the DMEA application, and U.S.G.S. Geological map, marked Bulletin 922, Plate 6. He also has a copy of a map showing underground work in the mine by the Cordero Mining Company. The maps were apparently obtained from the operators several years ago.

I will keep you informed of any further information available relative to this subject.

Glenn G. Gentry

Copy to: H. K. Stager, U.S.G.S.
OME File

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

ALP

FEB 26 1958

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

JDG:HWL
77-1021

77-1021/
INTERIOR DEPT.
FEB 27 1958
SOLICITOR

RECEIVED
FEB 27 1958
ASSOC. SOLICITOR
MINERAL RESOURCES

DEPARTMENT OF THE INTERIOR
WASHINGTON 25, D. C.

3/10/58
WSM
Understand you will instruct FT to release payments under Cordero's other contracts

ATTENTION: SOLICITOR

RE: RONNIE B. SMITH, JENE HARPER, AND
JAMES F. DUNNIGAN, PARTNERS (OPERATORS)
JOHN L. JONAS AND JOHN E. JOHNSON
(ASSIGNEES)
DEFENSE MINERALS EXPLORATION PROJECT
CONTRACT IDM-E544
YOUR REFERENCE: DMEA-2448

DEAR SIRS:

THIS WILL ACKNOWLEDGE RECEIPT OF YOUR LETTER DATED JANUARY 30, 1958, ADDRESSED TO THE ATTORNEY GENERAL, TOGETHER WITH THE ATTACHMENTS, RELATING TO DEFENSE MINERALS EXPLORATION PROJECT CONTRACT IDM-E544, DATED JUNE 5, 1953, ENTERED INTO WITH RONNIE B. SMITH, JENE HARPER, AND JAMES F. DUNNIGAN, PARTNERS.

IT IS NOTED THAT THE PARTNERS, KNOWN AS OPERATORS, LATER ASSIGNED THE CONTRACT WITH THE GOVERNMENT'S CONSENT TO JOHN L. JONAS AND JOHN E. JOHNSON, KNOWN AS ASSIGNEES, WITHOUT RELEASING THE OPERATORS.

A REVIEW OF THE FILE INDICATES THAT THE ASSIGNEES SURRENDERED THE MINING LEASE, AFTER WHICH CORDERO MINING COMPANY LEASED THE MINE AND LATER DISCONTINUED OPERATION OF THE PROPERTY. A TERMINATION AGREEMENT WAS ENTERED INTO BETWEEN THE GOVERNMENT AND ASSIGNEES, TERMINATING ALL OPERATIONS AND THE MATTERS CONTAINED IN THAT AGREEMENT HAVE BEEN COMPLETED. THE QUESTION HAS NOW BEEN RAISED BY CORDERO MINING COMPANY AS TO WHAT THE TERMINATION AGREEMENT COVERED.

IT APPEARS THAT ANY QUESTIONS CONCERNING THE TERMINATION AGREEMENT ARE ADMINISTRATIVE ONES AND WE ARE UNABLE TO SEE ANY BASIS FOR SUBMITTING THE MATTER HERE.

YOUR FILE IS RETURNED HEREWITH AND WE ARE CONSIDERING THE MATTER AS CLOSED.

YOURS VERY TRULY,

JOSEPH D. GUILFOYLE
ACTING ASSISTANT ATTORNEY GENERAL
CIVIL DIVISION

BY: George F. Foley

GEORGE F. FOLEY
CHIEF, GOVERNMENT CLAIMS SECTION

ENCLOSURE

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

Fisher
Chambers
Jensen
Rottendorf
Dwyer

JAN 30 1958

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

Dear Mr. Attorney General:

On June 5, 1953, Bennie B. Smith, Jane Harper, and James F. Dunnigan, partners (hereinafter referred to as the Operators), entered into Defense Minerals Exploration Project Contract Idm-8544 (Docket No. DMEA-2448) 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 $40.00 per foot of crosscut and drifts, as set forth in Exhibit "A."

The exploration work was started August 15, 1953. On December 7, 1953, the Government consented to the assignment of the contract to John L. Jonas 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 Ricker, Executive Officer, DMEA Field Team, Region II, proposed to Mr. Jonas (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 overpayments made by the Government, the difference should be refunded by Assignees. (Enclosure No. 2.)

With a letter dated May 20, 1955, to the Administrator, DMEA, Sidney Rudy, 369 Pine Street, San Francisco 4, California, as attorney for the Assignees, enclosed a letter dated May 10, 1955, from them to the Administrator, DMEA, reviewing their experiences under the contract, and expressing views with respect to the overpayment and property problems. The attorney's letter contended that payment on an agreed unit cost basis was proper, but even if this basis was improper the Assignees should receive reimbursement for actual costs incurred. (Enclosure No. 3.)

The Acting Assistant Solicitor, Defense Minerals, Department of the Interior, responded to Mr. Rudy in a letter dated June 1, 1955, that the exploration contract provided for contributions 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 Assignees reiterated the contention that the payments by the Government should have been continued on an agreed-unit-cost basis, and that, including some actual costs of dewatering, an additional payment of $3,687.26 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 should be about $3,000.00. (Enclosure No. 5.) The Government responded in a letter dated July 14, 1955, that the Government had overpaid the Operators $1,887.06, which sum was reduced to $1,230.94 by the Government withholding $656.12 due Assignees, 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 Assignees, the Government revised its estimate of the overpayment to $1,284.51, and also demanded $2,250.00 for its share of the equipment. (Enclosure No. 7.)

In March 1956, the Government's reaudit of this project determined that the total acceptable costs of the exploration work which could be substantiated by the Operators' records amounted to $47,340.04. The amount of $3,000.00, representing the salvage value of project property, offset against this amount reduced the

the assigned costs to $14,[illegible]. The Government's share of these costs, at a 75 percent level, was determined to be $[illegible]. As $[illegible] previously had been paid to the Government, the amount of the overpayment, including the [illegible] for value of damage, was found to be $[illegible]. (Enclosure No. 9.)

In a letter dated April [illegible], 1954, the Administrator, [illegible], demanded payment from the Assignee in the amount of $[illegible]. (Enclosure No. 9.) In a letter of the same date, [illegible] the [illegible] of the Government for return of the overpayment in the sum of $[illegible]. (Enclosure No. 10.) By telegram dated May [illegible], 1954, Assignee stated they were ready to settle and asked what type of instrument or bill of sale Assignee would be used to transfer title to the equipment, materials, and supplies. (Enclosure No. 11.) With a letter dated June [illegible], the Administrator sent the Assignee a copy of the form which he proposed to use to release the Government's interest under the contract. (Enclosure No. 12.)

With two letters dated June 4, 1954, to the Administrator, one signed by Mr. Jones and the other signed jointly by Messrs. Jones and Johnson, checks totaling $2,[illegible].79 were transmitted. The letters explained that the checks covered $[illegible].06 for the Government's equity in the supplies, materials, and equipment, plus $[illegible].79 representing Mr. Johnson's portion of the overpayment. It was stated that Mr. Johnson's portion of the overpayment would be forwarded later. (Enclosure No. 13.)

The Administrator acknowledged receipt of this remittance under date of June 22, 1954, and advised the Assignees that upon receipt of the balance of payment due, a release of the equipment would be made. (Enclosure No. 14.)

The balance due was received with a letter dated October 26, 1954, from Mr. Rudy to the DMEA, stating that the check was delivered "In consideration of expenditure and delivery by you of a bill of sale transferring to John L. Jones and John E. Johnson all right, title, and interest in materials and equipment acquired under the subject contract and all right, title and interest in and to any claim against any person, firm or corporation for use, possession, rental or compensation of any such materials or equipment." (Enclosure No. 15.)

A Termination Agreement dated November 30, 1954, was entered into between the Administrator, Defense Minerals Exploration Administration, and Assignee terminating all operations

[illegible]

under the contract. In paragraph numbered 4, the Government assigned all of its interest in property acquired under the contract and, as requested by assignees' attorney, ". . . all claims, if any exist, against any person or company for use, depletion, waste, or conversion of any such property." (Enclosure No. 16.)

In letters dated November 24, 1957, to the Administrator, DMEA, and to the Solicitor, Department of the Interior, John Punch Davis, Esq., of the firm of Sweeney, Davis & Larson, 433 California Street, San Francisco 4, California, attorneys for Gardner Mining Company, advised that the rights assigned by paragraph 4 of the Termination Agreement were the basis of a lawsuit by Jones and Johnson against Gardner Mining Company for the central value of certain equipment and for the value of other equipment allegedly converted. The letter suggested that steps be taken to disassociate Jones and Johnson from the Government was without authority to exist the kind of assignment contained in paragraph numbered 4. (Enclosures No. 17.)

By letter dated December 10, 1957, the undersigned, writing also on behalf of the Administrator, advised Mr. Davis that the Termination Agreement did not create rights against third parties; that such agreement was reached after long negotiations to wind up not only property matters but matters of overpayment; and that the Attorney General would be asked to review the docket for the contract to which the Termination Agreement pertained. (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 R. Bennett

Solicitor

Enclosures 16

CKFisher/ERBubin/mmf
1/29/58
Copy to: Solicitor's Docket (2)
DMEA Docket
Administrator, DMEA
Field Team, Region II (DMEA) (2)
J. L. Chambers
W. E. Martin
R. F. Dwyer
E. C. Rubin
chron.

DEPARTMENT OF THE INTERIOR
Office of the Solicitor

Date March 3, 1958

Referred to: Mr. Chambers, Room 4448

From: Robert P. Dwyer

For: Information and retention X

Information and return _____

Necessary action and return _____

Comment and return _____

Distribution in office or region _____

Remarks: No additional action is required at this time.

Attachments filed in brown evelope in Mr. Chambers' office - 3/6/58.

This was in Mr Chambers office. Had not been sent there Mr F. Wrgd today today 4/8/58. Robert P. Dwyer

(Signature)

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

94399

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

In reply refer to:
DMRA-2448

Airmail

DEC 19 1957

John Parks Davis, Esq.
Severson, Davis & Larson
433 California Street
San Francisco 4, California

Re: Exploration Project Contract Ida-5544
Docket No. DMRA-2448

Dear Mr. Davis:

This responds to your letters dated November 25, 1957, to me and to Mr. C. O. Mittendorf, Administrator of DMRA, 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 Jonas and Johnson, assignees of the original contractors, are suing Cordero 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 between the Government and Jonas and Johnson, in which the Government assigned all of its interest in all of the property acquired under the subject contract, including any claims that might exist for depletion, 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 Jonas' 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, Jonas and Johnson acquired an interest in property to the extent of their contribution to the costs (and the contribution of their assignor), which amounted to twenty-five percent. Therefore, their basis for suit apparently does not arise entirely from paragraph 4 of the Termination Agreement.

Our review of the entire matter indicates that after long negotiations with Jonas 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,

Elmer Bennett

Solicitor

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

H. S. Martin

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

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

TELEPHONE
YUKON 2-2780

November 25, 1957

OFFICIAL FILE COPY
DMEA
RECEIVED NOV 27
DATE | INIT
11/27 C
27 Com
220
100
800
400
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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 fostering 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 Jonas 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 Jonas 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 were not 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,

John Parks Davis

John Parks Davis

JPD:am

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
BUREAU OF MINES
WASHINGTON 25, D. C.

February 11, 1957

Memorandum

To: W. S. Martin, Defense Minerals Exploration Administration

From: Commodity Specialist, Branch of Base Metals

Subject: Review of Final Report, Docket No. DMEA 2448 (mercury), Jonas and Johnson, Mt. Diablo Quicksilver Mine, Contra Costa County, California, Contract No. Idm-E 544, $44,340.04

The examiners conclude that exploration under the contract did not reach the objective of the project and consequently a discovery of ore was not made, nor was production made from the DMEA workings. Accordingly, they have recommended against issuance of a Certificate of Discovery or Development.

I concur with that recommendation.

A. D. McMahon

A. D. McMahon

Copy to: Division of Minerals
Branch of Base Metals (2)
Thor Kiilsgaard, U.S.G.S.
F. D. Lamb
F i l e s

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DMEA
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		225

March 5, 1957

Mr. Perry in Sen. Johnson's office ~~phoned~~ to say Mr. Smith's Mr. Woodward wanted to know how much of a claim he was let off by our letter of February 11, 1957.

Told him it was $1,887.06 as per our letter to Mr. Smith of February 13, 1956

WSM

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
2/5	Chapman	400
2/5	Martin	400
2-8	Chapman	800
2/8	Selfridge	120
"	Johnson	110
"	Mittendorf	100
2/11		220

FEB 11 1957

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

Mr. Jene Harper
c/o Franklin Supply Company
624 South Michigan Avenue
Chicago, Illinois

Mr. James F. Dunnigan
c/o Producers Refining, Inc.
318 West Houghton Avenue
West Branch, Michigan

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

Gentlemen:

Reference is made to Mr. Ronnie B. 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. Jonas 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. Mittendorf

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. Kiilsgaard, USGS

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
2/6	Chapman	400
2/6	Martin	400
2-8	Chambers	800
2/8	Selfridge	120
2/4	Johnson	110
"	Mittendorf	100
2-11	C	220

FEB 11 1957

Mt. Diablo Quicksilver Company, Ltd.
Clayton, California

Attention: Mr. Vic Blomberg, President

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

Gentlemen:

In reference to the subject contract this is to advise that a mutual termination agreement has been executed between the Government and Messrs. Jonas 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:foc / 2/7/57
cc to: Docket
Code 400
Admr. Read. File
Code 800
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

R.S.S.
8623

DMEA

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

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DMEA
RECEIVED FEB 5 1957

DATE	INITIALS	CODE
2-5	C	220
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2/11	C	220
12		100

1605 Evans Avenue
Reno, Nevada

February 4, 1957

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E 544

Enclosed are four copies of our final report by E. H. Pampeyan, Geological Survey, and B. H. Sheahan, Bureau of Mines, on subject project.

Roscoe Smith and I concur in the recommendation in the report that a certificate of discovery should not be issued.

S. Ricker

Encls.

Reviewed by
DMEA OPERATING COMMITTEE
2-8-57
(date)

UNITED STATES
DEPARTMENT OF THE INTERIOR
FRED A. SEATON, SECRETARY

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION II

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 5 1957

DATE	INITIALS	CODE
		130
		220

FINAL REPORT

DMEA-2448, Idm-E544 (Mercury)
Ronnie B. Smith and partners
John L. Jonas and John E. Johnson, assignee
Mt. Diablo Quicksilver mine
Contra Costa County, California

by

B. H. Sheahan
U. S. Bureau of Mines

E. H. Pampeyan
U. S. Geological Survey

January 30, 1957

Reviewed by
DMEA OPERATING COMMITTEE
2-8-57
(date)

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 5 1957
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Geology 8

Ore Deposits 10

Ore Reserves 12

ILLUSTRATIONS

Figure 1 . . . . . Index map

2 . . . . . Geologic map of surface

3 . . . . . Geologic plan of 360 level

4 . . . . . Composite map of Mill workings

INTRODUCTION

The Mt. Diablo Quicksilver mine, Contra Costa County, California, was partly explored by Ronnie B. Smith, 2106 Tower Petroleum Building, Dallas 1, Texas, and partners, Jane Harper and James F. Dunnigan, Chicago, Illinois, in cooperation with the Defense Minerals Exploration Administration. The work was done under provisions of contract Idm-E544, docket DMEA-2448 (Mercury), dated June 5, 1953.

The contract was assigned January 19, 1954 to John L. Jonas, 166 Los Robles Drive, Burlingame, California, and co-partner, John E. Johnson, 520 South Van Ness Avenue, San Francisco, California. These operators were unable to complete the project owing to financial and operating difficulties. In November 1954 Cordero Mining Company leased the mine and completed most of the proposed crosscutting and drifting without DMEA assistance. The contract was terminated as of March 31, 1954 by an agreement dated November 30, 1956. This termination agreement has not yet been signed by the operators. Executed copies sent to W.O. Feb 1-1957

SUMMARY

The purpose of the project was to explore the downward continuation of the ore zone exposed in the Mill workings of the Mt. Diablo Quicksilver mine. The project was justified by a total

past production of more than 12,000 flasks, inferred reserves of about 5,000 flasks, and a favorable geologic setting. A 330-foot vertical shaft was sunk and 910 feet of crosscuts and drifts were driven 300 feet below the collar on the 360-foot level 87 feet below the lowest (270) level of the Mill workings. Only the shaft and the first 120 feet of crosscutting was done with DMEA participation. Metacinnabar and cinnabar were found locally disseminated through the ore zone but the mineralized rock was too low grade to be commercial. The total accepted cost of the project was $44,340.04 as determined by audit dated May 18, 1956.

CONCLUSIONS AND RECOMMENDATIONS

Exploration work completed under the contract did not reach the objective of the project and consequently a discovery of ore was not made, nor was production made from the DMEA workings. No certification of discovery is warranted and it would be an encumbrance that would discourage future exploration of the property. The operators have been notified that DMEA does not intend to certify.

Although the ore zone was later explored, the work did not follow exactly the requirements of the contract. A few hundred tons of low grade ore was mined and only indicated reserves of marginal ore were delimited in the Mill workings. Favorable ground, however,

still exists on the new 360 level to the southeast and northwest of the explored area along the main shear zone and under the hanging wall contact east of the 360 crosscut. Additional favorable ground also exists at depth beneath the 360 level.

If in the future a sound exploration program is proposed by a responsible applicant, the Government should give the application favorable consideration.

LOCATION, ACCESSIBILITY, AND LOCAL FACILITIES

The Mt. Diablo Quicksilver mine is in sec. 29, T. 1 N., R. 1 E., M.D.B.&M., Contra Costa County, California, on the northeast slope of Mt. Diablo at altitudes from 800 to 1,200 feet. The mine is 46 miles by paved road from San Francisco and is easily accessible by automobile. It is reached by traveling 4-1/2 miles southeast from Clayton on the Marsh Creek road, then turning right on the Livermore road for 1/4 mile to Mine Way, which is the entrance to the property. Water and transmitted electric power are available at the mine. A furnace plant (capacity 40 t.p.d.), machine shop, and several dwellings are on the land.

Mr. Vic Blomberg, president of Mt. Diablo Quicksilver Co., Ltd., has a residence near the property.

PROPERTY

The property includes the N 1/2 of the SE 1/4 and the S 1/2 of the SW 1/4 of the NE 1/4 of sec. 29, T. 1 N., R. 1 E., M.D.B.&M., recorded February 1, 1934 (file No. 1060), except for the area described as follows: Beginning at the NW corner of the NW 1/4 of the SE 1/4 of sec. 29, T. 1 N., R. 1 E., M.D.B.&M., thence running southerly along the dividing line between the NE 1/4 of the SW 1/4 and the NW 1/4 of the SE 1/4 of said section 29, a distance of 20 chains to the SW corner of the NW 1/4 of the SE 1/4 of section 29; thence running along the southerly line of the NW 1/4 of the SE 1/4 of section 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.

THE DMEA PROJECT

The project was designed to explore the silica-carbonate zone about 100 feet below the lowest (270-foot) level of the Mill workings by 625 feet of crosscutting and drifting. A second stage to follow the successful completion of the first, was to explore the ground under the old Ryne mine area at depth by a 1,300-foot drift from the Mill workings.

The contract was dated June 3, 1953, work was started August 15, 1953, and terminated as of March 31, 1954. Owing to numerous complications only part of the first stage was completed;

a two-compartment vertical shaft was sunk 330 feet and a crosscut was driven 120 feet on the 360 level, 300 feet below the collar of the shaft (figure 2). The shaft work was started August 15, 1953 and was completed about January 15, 1954. The crosscut encountered water and gas at 120 feet and the new workings were flooded February 18, 1954. The operator was unable to complete the project or to reach the objective as he was not prepared to handle the water and gas or to provide his share of the money to complete the project. He abandoned the project after several futile attempts to unwater the mine. An overpayment of $515.98 was finally repaid by the operator October 30, 1956.

Amendment No. 1 dated July 14, 1953 extended the starting date from July 20 to August 15, 1953.

Amendment No. 2, dated April 22, 1954, authorized use of funds originally intended for crosscutting and drifting to be used for pumping and water treatment.

Amendment No. 3, dated November 19, 1954, was made to correct the effective date of Amendment No. 2. Exploratory workings were flooded February 18, 1954 and the effective date of Amendment No. 2 was changed to February 18, 1954.

The total exploratory footage is summarized as follows:

Type	Lin. ft.	Tons ore	Grade of ore
Shafts	330		
Crosscuts	120		
Drifts and Cross-cuts (non-DMEA)	790	100-200	3-10 lbs. Hg/ton

Expenditures

Total amount of contract	$73,571.00
Government's participation at 75 percent	55,178.25
Total cost of project	44,340.04
Government's share of cost	33,255.03
Government's share unexpended	21,923.22
Value of production during operations	None
Royalty	None

Units of work completed

Shaft sinking, 2-compartment, size clear of timber, 4.5 ft. by 8.5 ft.	330 feet
Crosscutting, untimbered, 5 ft. by 7 ft.	120 feet

Equipment

Equipment purchased under the contract included the following items:

1 50 h.p. Hoist, Motor and Starter.
1 60-inch Sheave wheel.
750 feet of 5/8-inch Hoisting cable.

This equipment and miscellaneous supplies were acquired by the operator under provisions of the termination agreement.

Mr. Ronnie B. Smith obtained the professional services of Mr. C. N. Schuette, consulting engineer. Labor was performed by an independent contract crew of five men led by Mr. Guy Castle and Mr. Melvin Bruner who conducted the shaft sinking and crosscutting efficiently. Mr. John L. Jonas and John E. Johnson were inexperienced, and their competency was poor.

Subsequent to the DMEA project the Cordero Mining Company, 131 University Avenue, Palo Alto, California, leased the mine in November 1954. The DMEA shaft was unwatered and a new crosscut was driven from the shaft as the DMEA crosscut had caved beyond salvaging. Workings on the 360 level driven by Cordero totaled 790 feet and were connected with the Main winze (figure 4) of the old Mill workings by a 15-foot raise. A geologic map (figure 3) of this work was made by Wisser and Cox, consulting geologists. Intense rain storms during December 1955 increased the normal flow of mine water from about one hundred to several hundred gallons per minute and the workings were reflooded. The mine was idle all of 1956.

A location for seepage ponds for disposing of acid mine water, heretofore a severe problem, was discovered by Cordero and met the requirements of the State Water Pollution Board.

SAMPLING

The following samples of water were taken by the inspecting engineer:

Sample No.	Water from	Percent solids
S-240	165-foot level adit	2.30
S-241	Evaporation pond	4.80

Spectrographic examination of residues from evaporation of water samples S-240 and S-241 detected the presence of Al, Fe, Ca, Mg, Na, and K. Si was not detected in either sample. Examination of residues with ultraviolet light and fluorescent screen detected Hg in sample S-240 only.

Two check samples were taken of low grade ore stockpiled by Cordero Mining Company.

Sample No.	Type	Lbs. Hg/ton	Remarks
S-430	grab	2.6	Dump.
S-431	grab	3.5	Last few tons on dump.

GEOLOGY

Mt. Diablo is a circular, intrusive plug composed of metasedimentary rocks of the Jurassic (?) Franciscan group and igneous and metamorphosed igneous rocks. The plug has intruded Jurassic and younger sedimentary rocks in a way comparable to the intrusion of a salt dome. The mine is on the northeast flank of Mt. Diablo just southwest and inside of the boundary fault which

separates the plug from the intruded rocks. In the vicinity of the mine the Franciscan rocks consist of massive poorly bedded silicified sandstone and graywacke with lesser amounts of sheared shale and thin-bedded chert which are cut by a few lenticular bodies of serpentine (fig. 2). North and east of the mine, just outside the boundary fault, northeast-dipping lower Cretaceous to Pliocene sediments underlie low rolling hills. These sedimentary rocks are intruded by Tertiary biotite andesite plugs east and southeast of the mine.

Silica-carbonate rock, a hydrothermally altered serpentine, appears throughout most of the mapped area (fig. 2). It is similar to silica-carbonate rock of other Coast Range quicksilver deposits consisting largely of chalcedony and quartz, with some dolomite and other carbonates and small amounts of marcasite, pyrite, and opal. Usually massive and porous, the silica-carbonate rock is locally laminated in white and black layers which are, in some places, parallel with the foliation of the serpentine and probably represent relic textures. The serpentine probably was emplaced contemporaneously with the intrusion of the plug in post-Pliocene time and alteration to silica-carbonate rock closely followed the period of intrusion.

The silica-carbonate body exposed in the Mill workings area has a blunt tabular shape and is 100-150 feet thick, more than 350 feet long, strikes NW, and dips 35° - 80° NE. The upper, or hanging-wall contact, apparently dips more steeply than the lower, or foot-wall contact. The NW end of this body is probably truncated by a northeast-striking fault. Minor amounts of sheared sedimentary rocks and unaltered serpentine occur within this silica-carbonate body.

ORE DEPOSITS

Metacinnabar and cinnabar occur as fracture fillings in the silica-carbonate rock and also are locally disseminated through silica-carbonate rock and serpentine. Shale beds and clay gouge apparently confined the ore-bearing solutions to the fractured silica-carbonate rock and serpentine as the enclosing sedimentary rocks are barren.

Metacinnabar and minor amounts of cinnabar are the ore minerals in the Mill workings whereas cinnabar and minor metacinnabar are the ore minerals in the Ryne mine area. Gangue minerals are massive marcasite and pyrite. Stibnite also occurs locally in fractures in silica-carbonate rock but not in sufficient quantity to impair milling processes. Iron sulphate minerals, derived from the iron sulphides, are common.

In the Mill workings the best ore was in a shear zone along the footwall of the silica-carbonate body. Two tabular ore shoots

were mined, one between the 80 and 165 levels which raked about 45° northeast, the other between the Adit and 165 levels which raked 50° north (fig. 4). The northeast-raking shoot averaged 80 feet long, 6 feet thick, and about 120 feet down the dip. The north-raking shoot averaged 130 feet long, 6 feet thick, and 200 feet down the dip. Ore mined from these shoots from 1936 to 1947 averaged 10 lbs. Hg/ton and yielded more than 10,000 flasks of quicksilver, at the same time reserves of low grade ore were found below the 165 level in the north-raking ore body. In a 55-day period from November 1950 to January 1951, 125 flasks of quicksilver were produced from open cut operations in silica-carbonate rock which cut away the Adit level and almost reached the 80 level.

No mineralized ground was found in the DMEA workings; however, the crosscut did just reach the ore zone when it intersected an open fracture and was flooded. Subsequent work by the Cordero Mining Company did explore the foot-wall ore zone on the 360 level and exposed a few hundred tons of ore from 3 to 10 lbs. Hg/ton near the Main winze. Similar marginal to low grade ore probably is continuous down to this level in the north-raking ore body. Exploration of the northeast-raking ore shoot on this level encountered only traces of metacinnabar and cinnabar.

A cross section through the Mill workings (fig. 2) shows that the foot-wall contact flattens slightly between the old 80- and 165-foot levels. This may have been one of the principal structural controls as much of the good ore was between these levels. Between the 165- and 360-foot levels the footwall steepens and is a less favorable structure which could explain the paucity of ore in this zone. The structure probably flattens and steepens again below the 360 level forming other favorable targets, but the vertical depth to the next target is not known.

Some good ore is exposed in the north face of No. 6 Bench near coordinates 3580 E and 4530 N, not far from the hanging-wall contact. This area should be favorable for ore deposition but has not been explored.

No work was done in the Ryne mine area. The geology and ore deposits are similar to the Mill workings with the exception that cinnabar was the chief ore mineral and metacinnabar was present only in small amounts.

ORE RESERVES

The DMEA project did not expose any mineralized ground or block out any ore reserves. Exploratory work on the 360 level by the Cordero Mining Company did expose a few hundred tons of ore containing 3 to 10 lbs. Hg/ton near the Main winze.

The reserves for the entire mine are summarized as follows:

Class	Tons	Lbs. Hg/ton	Flasks
Indicated	7,562	4.5	451
Inferred (Mill workings)	5,000	2-6	130-390
(Ryne workings)	5,000	2-6	130-390

There are no measured reserves in the Mt. Diablo Quicksilver mine. Indicated reserves along the foot-wall contact in the Mill workings exist as a continuation of the north-raking ore shoot and are divided into four blocks. Block 1 is beneath the 80-W stope and west of the 165A raise, averages 17 feet long, 40 feet high, and 6 feet thick, and contains about 350 tons of silica-carbonate rock averaging 5 lbs. Hg/ton, or about 23 flasks of quicksilver. Block 2 is bounded by the 165 and 270 levels, the 274 raise, and the Main shaft, and averages 70 feet long, 100 feet high, and 6 feet thick. It contains 3,500 tons of silica-carbonate rock averaging 4 lbs. Hg/ton, or about 184 flasks of quicksilver. Block 3 is bounded by the 270 and 360 levels and the extensions of the 272 and 274 raises. It averages 70 feet long, 90 feet high, and 6 feet thick, and contains 3,150 tons of silica-carbonate rock averaging 5 lbs. Hg/ton, or 207 flasks of quicksilver. Block 4 below the mineralized zone on the 360 level averages 27 feet long, 50 feet high, and 6 feet thick and contains 562 tons of silica-carbonate rock averaging 5 lbs. Hg/ton,

or about 37 flasks of quicksilver.

Inferred reserves of several thousand tons of sub-marginal to low grade ore exist elsewhere in the Mill workings but cannot be computed without more data.

Inferred reserves were not computed for the Ryne mine area but it is believed that several thousand tons of low grade ore exist in and around the old workings.

Reserve data were compiled from company maps and conservative estimates were used in figuring size and grade of reserves. A factor of 12 cubic feet per ton of rock was used for the volumetric equivalent of silica-carbonate rock in place.

Targets warranting further exploration on the 360 level are beneath the Franciscan hanging wall east of the 360 crosscut, and both east and west along the foot-wall shear zone. Favorable targets probably exist below the 360 level in the silica-carbonate rock but cannot be predicted without additional structural data.

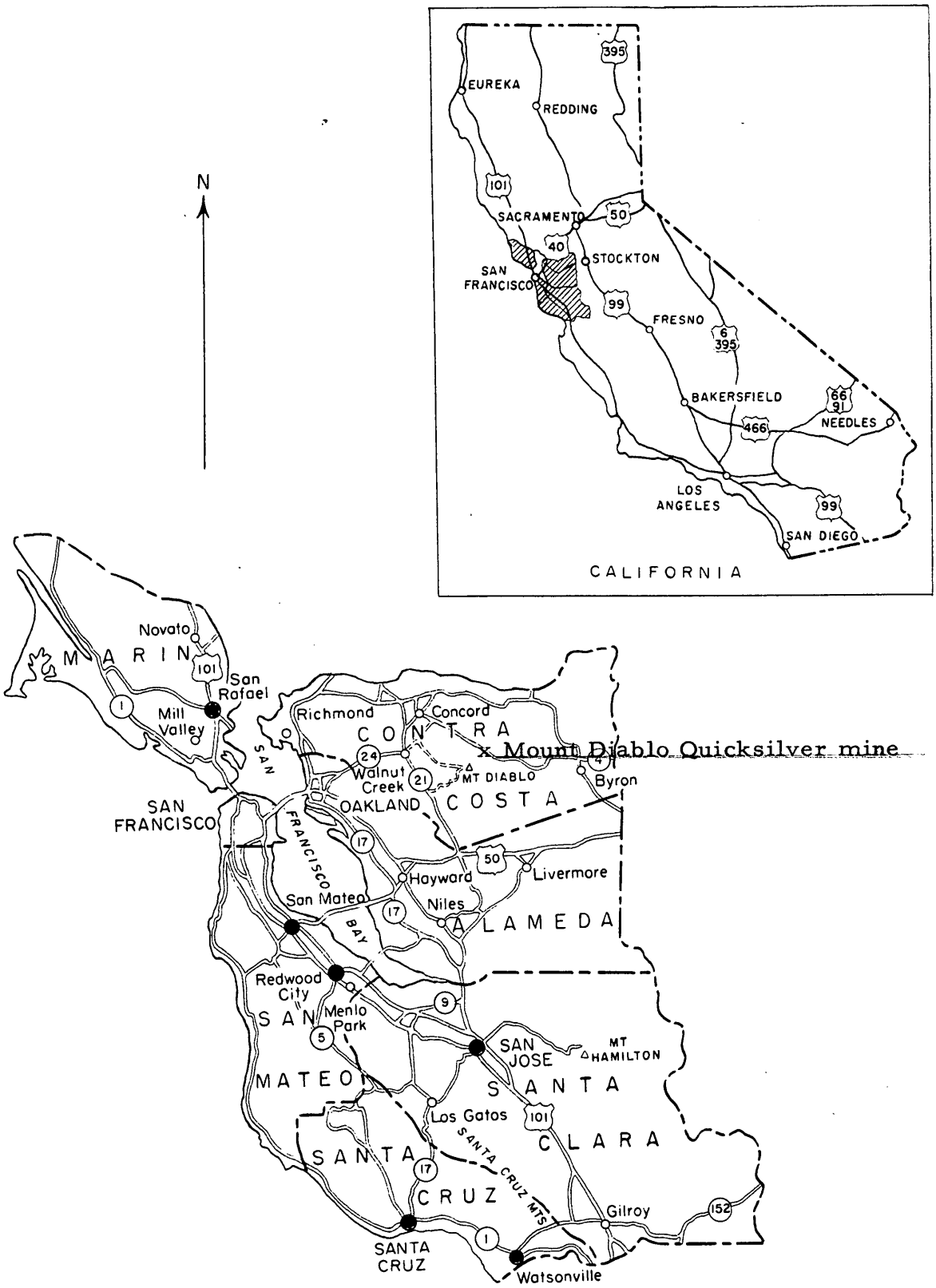

Figure 1. INDEX MAP OF ALAMEDA, CONTRA COSTA, MARIN, SAN FRANCISCO, SAN MATEO, SANTA CLARA, AND SANTA CRUZ COUNTIES, CALIFORNIA

0 20 40 60 Miles

RECEIVED
FEB 5 1957
D.M.E.A.

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

1605 Evans Avenue
Reno, Nevada

February 1, 1957

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E 544

Enclosed are the Government's, Division, and Docket copies of the Termination Agreement of subject contract properly executed by the Operator. The remaining copies have been distributed in the usual manner.

S. Ricker

Encls.

OFFICIAL FILE COPY
DMEA
RECEIVED FEB 4 1957

DATE	INITIALS	CODE

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

140

Indritz 11/26/56
Dwyer
McMahon
Martin
Talbert
Kilsgaard
Rapp
Selfridge
Johnson

DEC - 3 1956

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. DMEA-2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-8544

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 Richer, Executive Officer, DMEA Field Team, 1605 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,

C. O. Bitterbaum

Administrator

Enclosures 7-to Mr. John L. Jonas

RPDwyer
PIndritz
chron.
pending

J.L. Chambers
Mr. Pennington, USBM
Mr. Kilsgaard, USGS
Field Team, Reg. II (2)

Copy to: DMEA Docket
Mr. Sidney Rudy
Adm. R. File
W. S. Martin

WSMartin/PIndritz
11/23/56

DOCKET SURNAME
McMahon
Martin
Talbot
Selfridge
Fleming
Mattendorf

400

DEC - 3 1956

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

Re: Docket No. DMEA 2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. I4n-2544

Dear Mr. Richer:

Attached are the original and six copies of a proposed Termination Agreement for the subject contract signed by the Administrator for the Government. Two identical letters, one for each, addressed to both Mr. John L. Jonas and Mr. John E. Johnson and signed by the Administrator are also attached.

If the terms of this proposed Termination Agreement are satisfactory to you, all seven copies should be enclosed with the letter to Mr. Jonas when you mail the two letters.

If any part of this proposed Termination Agreement does not have your approval, please return the original and all copies, and both letters, with your proposed changes for consideration.

Sincerely yours,

George O. Selfridge (By esf)
Chairman, Operating Committee

APPROVED:

Frank D. Lane (By esf)
Member, Bureau of Mines

Thor H. Kiilsgaard (By esf)
Member, Geological Survey

AEMcMAHON/foc 11/27/56
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. II
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosures

P. S. Also attached, for Mr. Rudy, is a copy of the Administrator's same letter to be forwarded to him when the Jonas and Johnson letters are mailed. Two extra copies of the Termination Agreement, for use of the Field Team, are enclosed.

400

McMahon
Martin

November 18, 1956

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Iron and Ferro-Alloys Division, DMEA

Subject: Preparation of Termination Agreement
Docket No. DMEA 2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Califor nia
Contract No. Idm-M544

Transmitted herewith is a rough draft of a Termination Agreement to the above captioned contract for your use in preparing the final draft. There is also attached, for your review and suggestions, a draft of a proposed letter to the Operators, acknowledging receipt of a final settlement, transmitting the Termination Agreement, and notifying of the Government's intention not to issue a certification of discovery or development.

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

Attachments

ADMcMahon:am 11-18-56
cc to: Docket
Code 400

CW

INTERIOR

DMEA

14X4401(01) Revolving Fund,

Defense Production Act, Interior(Allocated Working Fund to the Office of the Secy.)

NOV 14 1956

DOCKET
SURNAME
McMahon
Martin
Talbert
Selfridge
Fetterman
Mathewson

MR. SPENCER RICKER, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION II
1605 EVANS AVENUE
RENO, NEVADA

RE INTERIM REPORT BY SHEAHAN MARCH 6, DOCKET NO. DMEA 2444, JONAS AND JOHNSON, MT. DIABLO QUICKSILVER MINE. PLEASE SUBMIT FIELD TEAM'S FINAL REPORT. BY RETURN WIRE ADVISE WHETHER FIELD TEAM RECOMMENDS REQUESTING OPERATOR'S FINAL REPORT.

George C. Selfridge

CHAIRMAN, OPERATING COMMITTEE

AFMcMAHON:foc
11/13/56
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

R.C.S.

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

1956 NOV 14 PM 3 47 (46)

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL = Day Letter

L = Night Letter

● LT = International Letter Telegram

The filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

WT037 PD=RENO NEV 14 1157AMP=

:GEORGE C SELFRIDGE CHAIRMAN, OPERATING COMMITTEE DMEA=

INTERIOR BLDG=

:REURTEL NOVEMBER 14 DOCKET DMEA 2448 MOUNT DIABLO QUICK SILVER MINE FIELD TEAM RECOMMENDS OPERATORS FINAL REPORT BE WAIVED OUR FINAL REPORT WILL RECOMMEND NO CERTIFICATION=

:ROSCOE M SMITH=

RECEIVED NOV 15 1956 D.M.E.A.

:14 DMEA 2448 DIABLO=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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

1605 Evans Avenue
Reno, Nevada

November 8, 1956

Memorandum

To: Lloyd Sjolander, Finance Officer, Region II

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

Subject: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idn-544

Attached is a check for $515.98 balance on subject account, and copy of covering letter dated November 5, 1956 from Mr. Jay L. Chambers, Chief, Contract Administration and Audit Division, DMEA.

Roscoe M. Smith

Attach.

Roscoe M.Smith:gh
cc: Opr. Com., DMEA, Wash., D.C.
R. M. Smith
File

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

NOV - 6 1956

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

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

Dear Mr. Meyer:

I have just received your letter of October 31, 1956, in regard to John E. Johnson, partner in Exploration Project Contract No. Km-2544. We have also just received Mr. Johnson's check for $515.98 and have forwarded it to Mr. Richer.

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

NGS

cw

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

NOV - 5 1956

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

Re: Docket No. DMEA-2148 (Mercury)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-5344

Dear Mr. Richer:

Enclosed is a Cashier's Check No. 2546149, drawn on the Bank of America, for the account of the above-cited project.

This is in complete payment of John L. Jones 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 $515.98 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

R.C.G.

SIDNEY RUDY
ATTORNEY AT LAW
369 PINE STREET
SAN FRANCISCO 4, CALIFORNIA

TELEPHONE GARFIELD 1-3500

October 30, 1956

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

Gentlemen: RE: Docket No. DMEA 2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

I hand you herewith check in the sum of $515.98 covering the full balance due in discharge of the Government's claims in the above matter.

This check is delivered in consideration of execution and delivery by you of a bill of sale transferring to John L. Jonas and John E. Johnson all right, title and interest in materials and equipment acquired under the subject contract and all right, title and interest in and to any claims against any person, firm or corporation for use, depletion, rental or conversion of any such materials or equipment.

Yours very truly,

Sidney Rudy

JLJ:mea
Enclosure

Receipt is acknowledged of the aforesaid check and of the aforesaid letter.

DEFENSE MINERALS EXPLORATION ADMINISTRATION

By: _____

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

OCT - 8 1956

Dear Frank,

I know you have had a wonderful time after you broke away from the convention - maybe you did then, too, but my idea of a good time is not attending a convention of any kind.

I was talking to Mitt this morning about Jonas & Johnson, E-544, DMFA-244E, and he suggested that we might give you some of the facts and the gist of our "confab" and have you discuss the thing with Ricker.

Jonas paid his half of the overpayment but Johnson looked $515.99. They still have the equipment bought on the project which has been valued from $3,000 downward. Its real value is not known to this office. We thought that Ricker might discuss the possibilities of settling the account. One suggestion I made was for Ricker or you or both to talk to Jonas or Johnson about the Government taking over the property for sale and payment of the balance due, and whatever is left turn it over to the operators. Mitt thought we should ask you to get more facts in the case.

It's been a long time since they gave up the work and it seems to me that we should make settlement in some manner.

This letter is being sent to San Francisco because Jonas lives there, and if you would like to talk to him Mavor will take you to see him. A copy is also being sent to Reno in case the letter doesn't arrive in San Francisco before you leave.

Everyone around here sends greetings and best wishes to both of you.

JLChambers/ama
October 8, 1956

Sincerely yours,

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Copy to: Docket
Admr. Read. File
Mr. Chambers
Mr. Johnson

Docket copy
Surname
Chambers
Martin
Hefferson

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

AUG - 3 1956

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

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

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

RC.

Docket copy
Surname:

Chambers
Martin
JE Johnson

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

JUL 31 1956

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

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. IGm-2544

Gentlemen:

Reference is made to John L. Jones' letter of June 6, 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

R.R.S.

Docket

RONNIE SMITH
TOWER PETROLEUM BUILDING
DALLAS 1, TEXAS

July 12, 1956

RECEIVED
JUL 13 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,

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

Copies typed for:
Mr. Martin
Mr. Chambers
Reg. II FT (2)

DOCKET
SURNAME
McMahon
400 Chapman
Chamber
F Johnson

JUL 13 1956

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

Re: Docket No. DSMA 2448 - Mercury
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-8944

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 James and Johnson still owes $525.99 which represents the balance of the overpayment due the Government.

Upon receipt of a check for $525.99, 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.

ADMcMahon/fcc 7/12/56
cc to: Docket
Code 400
Code 800
Admr. Read. File
FT. REG. II
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Sincerely yours,

G. O. Mittendorf

Administrator

RECEIVED
JUL 6 - 1956

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

C. C. Mittendorf
Defense Minerals Exploration Adm.
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 Idn-E544, as are many of my friends and relatives.

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 Federal Mining Co., after the DMEA contract.

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

Sincerely,

John Johnson

J. E. Johnson
For the Stock Holders

RECEIVED
JUL 6 - 1956

DMEA

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

RECEIVED
JUL 18 1956

1605 Evans Avenue
Reno, Nevada

July 9, 1956

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Attached are two copies each of letters concerning subject contract between Sam Williston and J. L. Jonas for your records.

S. Ricker

Attach.

RECEIVED

JUL 18 1956

July 5, 1956

Mr. J. L. Jones
Mt. Diablo Mercury Co.
166 Los Robles Drive
Burlingame, California

Dear Mr. Jones:

Your letter of June 28th surprised me greatly. As you certainly know, we never had any understanding, expressed or implied, regarding any equipment at Mt. Diablo belonging to you.

You surely must remember that we refused to rent, lease or buy any equipment you claimed at Mt. Diablo, nor were we at all interested in any claims that you might have under your agreement with the Mt. Diablo [illegible] Co., Ltd. Our reasons were as follows:

1. Under your contracts with Mt. Diablo, which you terminated, it was necessary that you remove all your equipment from the property within a specified time. This you did not do, so it is presumed that you abandoned it.

2. Under your contract with the Defense Minerals Exploration Administration the United States Government owned three-fourths of all equipment in which you had invested DMEA funds.

3. The United States Government had a claim against you which, so far as I know, has never been settled, and which is greater than any probable value of the equipment.

We requested this equipment be removed, which was never done.

We do not feel that we have the slightest obligation to you nor to anyone else in regard to any part of this equipment.

If you have any further communications to make in this regard, I suggest that you take them up direct with our attorney, Mr. John Parks Davis, Severson, Davis & Larsen, 38 Sansome Street, San Francisco 4, California.

Very truly yours,

S. M. Williston

S.M.W.L.
cc - Mr. Vic Blemberg
Mr. Spangler Kicker
Mr. John Parks Davis

COPY

RECEIVED
JUL 18 1956

June 28, 1956
166 Los Robles Dr.
Burlingame, Calif.

Sam H. Williston
131 University Ave.
Palo Alto, California

Sir:

As per our previous understanding, enclosed please find a list of our materials and equipment, depleted, used or removed from the Mt. Diablo Quicksilver Mine near Clayton, California.

Clayton

Page one lists the items which were depleted or removed, page two is the footage of timbers, and page three lists the items used on a rental basis and are still present on the property.

Some of the items on page one do not have a price, due to lost purchase vouchers or replacement prices, some items also may not appear.

I will contact you in a few days, after you have had time to discuss this with your engineer or superintendent, and perhaps we can go through the invoices and items at that time.

Sincerely,

/s/ J. L. Jonas
Mt. Diablo Mercury Co.

COPY

May 1, 1956

Materials and Equipment Depleted or removed, by Mr. Williston, on a Purchase Basis, during his mining Exploration work at the Mt. Diablo Quicksilver Mine near Clayton Calif. from January 1, 1955 to March 31, 1956.

RECEIVED
JUL 18 1956

$103.96	Keystone Mine Invoice. 225' of 2" Pipe & 220' of 3/4" Pipe
313.50	New Penn Mine Invoice. 375' of 12" Rubber Fan Bag, Jim Crow, Float Switch, Plywood Cores, etc.
184.05	New Penn Mine Invoice. Plywood Cores, 300' of 2" Pipe & 200' of 1" Pipe, Stainless Steel Nipples & Flanges.
31.93	Two Head Lamps & Batteries Complete.
43.36	Cement Coated Elbows & Sleeves.
271.61	New Penn Mine Invoice. 1790 Wedges, 3 x 12 Mud Sills, 184' 4" Transite Pipe, Stainless Steel Flanges and Unions.
280.13	Hyman Mickles Invoice. 42 Lengths of 16# Rail & 42 Pair of Plates & Bolts.
875.57	Concord Hardware Invoice. 13,206 Board Feet of Lumber.
401.70	B. F. McDonald Invoice. Sulfide Tester, Methane Tester, Miners Testing Lamp, Battery Charger and Charger Rack.
40.97	18 4" Transite Collars
20.60	40 4" Rubber Rings for Collars.
60.55	Bayshore Machinery Invoice. 3" Hose, Flanges, Foot Valve,
15.45	3/4 of Marsedel Invoice. Sand Tighting Material.
20.60	1 Roll of Romex Wire
325.80	1 Stainless Steel Pump. 20 H.P. (Less Rewinding Charges)
58.30	200' of 16# Rail
292.27	Total Cost of New and Used Timber and Lumber Less present inventory. (Separate Sheet Enclosed)
19.57	38 Pair Fish Plates & Bolts
	Electric Blasting Caps
	Parts of Number 12 Mucking Machine
	One Box Single Jack Handles (10)
	One Box Pick Heads (6)
	One Sack Rail Spikes (50 lbs)
	Shovels
	Picks
	Axes
	Nails (Assortment totaling Two Kegs)
	Two 8' Drill Steel
	Two 5' Drill Steel
	Many Misc. Pipe Fittings.
	Misc. Tools.

COPY

May 1, 1956

Timber and Lumber Inventories on January 1, 1955.

Inventory of New Timbers on January 1, 1955.

7	6" x 8" Timbers 16' Long	923 B. Ft. x $90.00 M.	$ 83.07
3	8" x 8" Timbers 16' Long		
4	4" x 6" Timbers 14' Long		
100'	2" x 4" Ladder Stock	100 B. Ft. x $120.00 M.	12.00
100'	1" x 4" Ladder Stock		

Inventory of Used Timbers on January 1, 1955.

9	8" x 8" Timbers 32' Long	2283 B. Ft. x $58.00 M.	132.41
5	8" x 8" Timbers 25' Long		
1	8" x 8" Timbers 15' Long		
[redacted]			
4	8" x 10" Timbers 35' Long	1925 B. Ft. x $58.00 M.	111.65
2	8" x 10" Timbers 25' Long		
1	8" x 10" Timbers 20' Long		
2	8" x 10" Timbers 16' Long		
3	8" x 10" Timbers 12' Long		
		Total	$338.67

Inventory on Hand March 31, 1956. Used.

5	8" x 8" Timbers 25' Long	800 B. Ft. x $58.00 M.	46.40
1	8" x 10" Timber 20' Long		
		Total Due	$292.26

COPY

May 1, 1956

Materials and Equipment, used on a Rental Basis, by Mr. Williston during his mining exploration work at the Mt. Diablo Quicksilver Mine near Clayton, California from January 1, 1955 to March 31, 1956.

One Hoist Complete. (60 H. P. Heavy Duty Motor, 600 feet 5/8 Plow Steel Cable, Starter Switch, Electric Grid, Magnetic Switch and all throw Switches, Chieve Wheel, Bell System, Power Line, and Hoist House.
One 50' A Frame
One Cross Head.
One Hoisting Cage
Basket Streacher
12 inch Buffalo Blower
Magnetic Switch for Pump
Turntable and Balls
281 Feet of 4 inch Transite Pipe and Collars
V Belt Pulley for Blower
Two Ore Buckets
350 Feet of #2 Electric Cable
300 Feet of 3 inch Pipe
Two Stainless Steel Nipples
One 3 inch S. St. Foot Valve
One 3 inch S. St. Check Valve
21 4 inch Transite Collars
320 Feet of 16# Rail
400 Feet of 2 inch Pipe
325 Feet of 3/4 inch Pipe
Two Mine Cars

We feel a fair monthly rental for the above mentioned items is $375.00 per month. They were used for a period of 15 months excluding the short occupancy of Nevada Sheelite Co. of Fallon, Nevada.

Total Rental Price for these items, $5,625.00.

Docket copy
Surname:
Chambers
McMahon
Martin
Jefferson

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

JUN 22 1956

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

Re: Docket No. DMEA 2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contract No. Idm-E544

Dear Mr. Jonas:

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. G. 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

Docket copy
Surname:
Chambers
McMahon
Martin
H. Johnson

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-2344

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,

C. O. Mittendorf

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

R.G.B.

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

AIR MAIL

1605 Evans Avenue
Reno, Nevada

REGISTERED MAIL
RETURN RECEIPT REQUESTED

June 20, 1956

Memorandum

To: Lloyd Sjolander, Finance Officer, Region II

From: Executive Officer, DMEA Field Team, Region II

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

Enclosed are two checks for $1,640.99 and $1,125.00 in partial payment of amount due the Government on referenced contract. The copy of attached letter from J. L. Chambers, Chief Contract Administration and Audit Division, explains the current status of the account.

S. Ricker

Encl.

SRicker:gh
cc: Opr. Com., DMEA, Wash., D.C.
File

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

AIR MAIL

1605 Evans Avenue
Reno, Nevada

REGISTERED MAIL
RETURN RECEIPT REQUESTED

June 20, 1956

Memorandum

To: Lloyd Sjolander, Finance Officer, Region II

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Mm-E544

Enclosed are two checks for $1,640.99 and $1,125.00 in partial payment of amount due the Government on referenced contract. The copy of attached letter from J. L. Chambers, Chief Contract Administration and Audit Division, explains the current status of the account.

S. Ricker

Encl.

SRicker:gh
cc: Opr. Com., DMEA, Wash., D.C.
File

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

JUN 18 1956

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

AIR MAIL

REGISTERED MAIL
RETURN RECEIPT REQUESTED

Re: Docket No. DMEA-2648 (Harvey)
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-8344

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 $1,440.99 drawn by the Bay View Federal Savings and Loan Association in favor of John L. Johns, for payments on the above-cited project as follows: $1,250.00 for the Government's share of the salvage price of equipment used on this project, and $515.99 for 90 percent of the Government's claim for overpayment to the Operators.

You will note that John L. Johns' endorsed check for $1,440.99 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 James and Johnson or by the Smith interests.

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 James 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

RECEIVED
JUN 18 1956

June 8, 1956.
166 Los Robles Dr.
Burlingame, Calif.

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

Mr. Mittendorf:

Re: Docket No. DMEA 2448
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Idm-D544

Enclosed please find two checks for $1150.00 each to cover the total purchase price of $2250.00 for the Defense Minerals Exploration Administration's interest in the subject contract.

Sincerely,

John L. Jonas
John L. Jonas

John E. Johnson
John E. Johnson

RECEIVED
JUN 18 1956

June 8, 1956.
166 Los Robles Dr.
Burlingame, Calif.

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

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

Mr. Mittendorf:

The two checks enclosed are made payable by John E. Johnson and Bayview Federal Savings and Loan Association.

Will you please make the Bill of Sale in favor of the same names. One half interest to John E. Johnson and one half interest to Bayview Federal Savings and Loan Association. Under no condition make the interest in my name. If for any reason this conflicts with your policy please advise. Will you please send one copy of the Bill of Sale to John E. Johnson, 520 South Van Ness Ave. San Francisco, Calif. and one to John L. Jonas, 166 Los Robles Dr. Burlingame, Calif.

My check from the Bayview Federal Savings is made in the amount of $1640.99. This amount covers my one half of the over payment of $1031.97 which is $515.99 and one half of the salvage value price of $2250.00 which is $1125.00.

Mr. Johnson is holding his check of $515.99 for the overpayment. He will contact you shortly in regards to this matter.

Sincerely,

John L. Jonas

John L. Jonas

DOCKET
SURNAME
McMahon
Martin
Industry 6/5/56
Talbut

AIR MAIL

JUN - 5 1956

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

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

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

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, material 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 $3,261.97 representing $1,631.97 for overpayment by the Government under this contract, and $1,630.00 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

AHMcMahon:foc
6-5-56
cc to: Docket
Code 400
Admr. Read. File
Audit Div.
FT. REG. II
Enclosure

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

R.C.L.

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

420 Custom House
555 Battery Street
San Francisco, California

June 6, 1956

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

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

Dear Mr. Jonas:

Enclosed herewith for your information and files, is copy of Final Audit Report for subject contract, covering the period August 15, 1953 to March 31, 1954.

Sincerely yours,

"(SIGNED) GEORGE MAVOR"
George Mavor

Copy to: Jay L. Chambers

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 _____ 195_. By _____

~~and any~~ including ~~any~~ any claims, if any exist, against any person or company for use, depletion, rental or conversion of any of such property.

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
Jones & 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

R.C.L.

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM

W. P. MARSHALL, PRESIDENT

1201

SYMBOLS

DL = Day Letter

NL = Night Letter

LT = International Letter Telegram

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SYA040 OA511

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1956 MAY 28 AM 12 40

C O MITTENDORF DEFENSE MINERALS EXPLORATION
INTERIOR DEPT
ADMINISTRATION=WASHDC=

REFERENCE IS MADE TO YOUR LETTER OF APRIL 25TH DOCKET NUMBER DMEA2448. OUR ATTORNEYS ADVISED WE REQUEST THE TYPE OF CONTRACT OR BILL OF SALE FORM FURNISHED FOR THE $2,250.00 FOR THE SUPPLIES MATERIALS AND EQUIPMENT. WE DO HAVE THE AMOUNT READY TO REMIT SINCERELY=

JONAS & JOHNSON=

RECEIVED
MAY 28 1956

DMEA2448 $2,250.00 ALSO 25TH=.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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

400 McMahon
Martin
Docket 5/14/56
Dungan
Talbert
Selfridge
Johnson

MAY 15 1956

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

Re: Docket No. DMEA-[illegible] - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. I[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 $1,887.06 made by the Government to Messrs. Ramsie B. Smith, Jess Harper, and James F. Dunnigan, 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 confirming the overpayment of $1,887.06 to Ramsie B. Smith, et al. It has been over two years since any work was done under the captioned 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,

C. G. Mittendorf

Administrator

ADMcMahon/esf
5-14/56
cc to: Docket
Code 400
Admr. R. File
Oper. Committee
FT. REG. II
HBMeyer, USBM
THEkilsgaard, USGS
Mr. Chambers - Code 600

P.C.S.

DOCKET
SURNAME
McMahon
Martin

Indrutz 5/11/56
Talbert

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

Re: Docket No. IBCA-[illegible] - Mercury
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 3, 1956, replying for Mr. John Harper to our letter of April 25, 1956, which demanded the return of an overpayment of $1,[illegible].65 made by the Government to Messrs. Ramsie E. Smith, John Harper, and James F. Dunigan, partners and operators of the Mt. Diablo Quicksilver Mine under the subject contract.

The overpayment developed as a direct result of a misinterpretation of the contract by Mr. Ramsie E. Smith and associates and not as you imply, in the second paragraph of your letter, from "a difference in the methods of computation by the Government Engineer of the Bureau of Mines, * * *, and the Auditor for the IBCA."

The legal aspects of this matter have been reviewed several times and all expenditures under the terms of the contract have been audited thus confirming the overpayment of $1,[illegible].65 to Ramsie E. Smith, et al. It has been over two years since any work was done under the optional 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,

Administrator

AEMitchen/ccf
5-11-56
cc to: Docket ✓
Code 500
Adm. R. File
Oper. Committee
FT. KEL. II
McMahon, USBM
Trhillingard, USGS
Mr. Chambers - Code 500

Docket

FRANKLIN SUPPLY COMPANY

Petroleum Equipment

RECEIVED MAY 2 1956

624 SOUTH MICHIGAN AVENUE ○ CHICAGO 5 ○ WEBSTER 9-0811

May 1, 1956

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

Re: Docket No. DMEA2448-
Mercury, Jonas and Johnson
Mt. Diablo Quicksilver Mine,
Contra Costa County, California
Contract No. Idm-E544

Attention: Mr. C. O. Mittendorf,
Administrator

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 Engineer 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 possibly 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. Smith
Treasurer

RECEIVED MAY 2 - 1956

AJM:eg

PESA

400

DOCKET
SURNAME
McMahon
Martin
Indritz 4/20/56
Chambers
Jefferson

APR 25 1956

Certified Mail
Return Receipt Requested

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

Mr. Jess Harper
% Franklin Supply Company
624 S. Michigan Avenue
Chicago, Illinois

Mr. James F. Dunrigan
% Professors Refining, Inc.
318 W. Houghton Avenue
West Branch, Michigan

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

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. Jones 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. J. Mittendorf

Administrator

ADMcMahon/foc
4-20-56
cc to: Docket
Code 400
Admr. Read. File
Operating Comm.
FT. REG. II
H. M. Meyer, USBM
T. H. Kiilsgaard, USGS
Mr. Chambers - Code 800

R.C.J.

Docket copy
Surname:

McMahon
Martin
Indritz 4/20/56
Dwyer
Martin
McMahon
Dwyer
Indritz 4/24/56
Chambers
Johnson

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

APR 25 1956

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

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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:

This will acknowledge receipt of Mr. Jonas' letter of March 29, 1956, confirming his meeting with Mr. George Mayer on March 26. We also received copies of Mr. Mayer's letter and the three schedules he sent Mr. Jonas on March 30 showing reconciliations of your listed items of contract costs with those allowable under the terms of the contract.

Mr. Mayer's letter to Mr. Jonas 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 smelting 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. Mittendorf

Administrator

ADMcMahon/JIChambers/wb
April 24, 1956

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

R.C.S.

Klecht + Talbut

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-E544, 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 column 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

R.C.S.

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-8302, 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, Jens Harper & James F. Dunnigan, Assignors
2106 Tower Petroleum Building
Dallas 1, Texas

and

John L. Jones & 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

Talbert

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-E544, DMEA-2448
Jonas 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. Jonas and the three schedules resulting from your recudit 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 recudit with regard to the costs claimed by the assignee. It is not necessary for Mr. Jonas 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. Jonas 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. Jonas 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.

R.C.R.

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

JONAS AND JOHNSON
MT. DIABLO QUICKSILVER MINES
CONTRACT NO. Idm-E544, DOCKET NO. DMEA-2478
RECONCILIATION BETWEEN AMOUNTS CLAIMED BY OPERATOR AS PER
SCHEDULES 1 TO 6, INCLUSIVE AND DMEA 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. Jonas, as per page 4 of Audit Report 2/28/54						
Jonas 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 Mucking Machine		$ 100.00				
Page 4, Line 11, January 22, 1954, cash paid to The Hot Mill ($306.00) Rental Mucking Machine		100.00				
Page 5, Line 22, Compressor Rental (No supporting invoice)		400.00			600.00	
Purchased/Equipment						
Page 1, Line 9, December 19, 1953 Check No. 9 Bayshore Machin/Mg/ 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, Mucking Machine, purchased from The Hot Mill. Operator has paid on a/c $200.00 and 1 old truck valued at $250.00 - Mucking 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

			Additional Allowable Costs
Final Costs of Contract			
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.

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

RECEIVED
APR 2 1956

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

of the contract for my audit report of February 28, 1954. I might state that when the audit commenced Mr. Jones prepared a list of disbursements showing the date, check number, Vender and total amount of check, but no distribution of cost, under the circumstances it was necessary to have Mr. Jones 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. Jones 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. Jones 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. Jones 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:

Roanie B. Smith costs Aug. 15, 1953 to Oct 31, 1953		$17,164.32
Jones 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 Jones 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,

"(SIGNED) 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. 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,[illegible].06
Proper Government Participation (75%)	$35,505.05
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 MAYOR"

George Mayor

Copy to: Jay L. Chambers
S. Ricker

Docket

RECEIVED

APR 4 - 1956

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

WSJ

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 accounts of the above mining venture.

I spent Monday afternoon with Mr. Mavor, your DMEA auditor in San Francisico, 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,

J. L. Jonas

J. L. Jonas

Copy retained 400

DOCKET
SURNAME

600 McMahon
Martin
Talbert
Johnson

MAR 22 1956

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

Re: Docket No. DMEA 248 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-254

Gentlemen:

Reference is made to your letter of February 21, 1956, enclosing your accountant's work sheets for which we thank you. By a copy of a letter, dated March 2, 1956, from our Contract Administration and Audit Division to Mr. George Mayer, DMEA Auditor, you have been advised that a resudit of your account under the provisions of the subject contract has been authorized in consideration of the additional information you have submitted.

In the second paragraph on page two of your letter you mention that "We still do not know what is owned jointly or separately." A letter by S. Richer, Executive Officer, DMEA Field Team, Region II, to Mr. J. L. Jones, dated April 21, 1955, listed the operating materials and supplies, the operating equipment and the new buildings and improvements and their costs in which the Government participated. According to your letter of June 24, 1955, to Mr. J. L. Hofflund, in reference to advertising and disposing of the machinery, "The sale price should be about $3,000.00."

You state in the same paragraph, "We understand Mr. Willisten's former connection with your office but we can see no justification for his act in regards to this project." For your information, Mr. Willisten was never connected with Defense Minerals Exploration Administration. As a matter of record he was associated for less than three months during December 1950 and January and February 1951 with the Supply Division of Defense Minerals Administration, but that Division functioned entirely outside the activities of the Production Expansion Division for which Defense Minerals Exploration Administration is the successor.

R.G.S.

You also state, "We have heard on the grape vine that your Engineer gave him (referring to Mr. Williston) permission to use the items but to us this is only hear say of course." As a matter of fact, due to the peculiar circumstances in this case, we advised Mr. Williston orally when he called at our office here on February 23, 1955, that DMEA would interpose no objection to his use of the hoist and other equipment for the benefit of the property, but that such use was a problem to be worked out between him and you.

We trust that the scheduled recondit will provide the further consideration you requested and will lead to an early settlement of your obligations under the subject contract.

Sincerely yours,

C. E. Dillendorf (for)

Administrator

ADMcMahon/fec
cc to: Docket
Code 400
Adm. Read. File
FT. REG.II
H. M. Meyer, USBM
T. H. Kiilsgaard, USGS

DMEA 2448 - Idm -E544. March 19, 1956

Jack Hight in Senator Johnson's office called because Ronnie B. Smith had written to the Senator to ask if he should come to Wash. pronto to straighten out his troubles over the Jonas & Johnson contract. I told him we did not want to see Mr. Smith, we did not want to add to his troubles, just wanted to protect the Gov't's interests but that he (Mr. Hight) could come to this office for more detailed information if he so desired.

W. S. Martin

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

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
Jones and Johnson
Assignees
for Bonnie 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. Jones 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,

"(SIGNED) GEORGE MAVOR"

George Mavor
Auditor

Docket copy
Talbert

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

MAR 16 1956

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

Re: Docket No. DMEA-2448 (Mayer)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Ida-2544

Dear Mr. Mayer:

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. Jones 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 13, 1956, that the "indebtedness would be adjusted if you can reasonably establish that any additional costs are properly allowable."

Accordingly, in order to cumulatively clear the docket of these matters in dispute, it is considered to the 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. Jones. However, if you are unsuccessful in further attempts to contact Mr. Jones, 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 reconciliations, 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);

R.C.R.

(2) the disallowances of $600.00 for rentals (the total for which is shown on the work sheets as $900.00); 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 $173.60 (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

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. Beable
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 F/R Taxes	19.32	
Rental - Pump and cable	150.00	434.87
		$1,317.10
Add: F/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 familiar 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 yourpinion based on the information furnished above.

Sincerely yours,

George Mayer
Auditor

Copy to: S. Ricker

Schedule of Disallowances

Jones and Johnson	IMRA-2448		Idm-8544
Rentals:			
Mucking Machine		$200.00	
Compressor		400.00	$600.00
Equipment Purchased			
Blower Fat	$ 90.56		
Blower Pulley	8.93		
Blower Fat.	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 Balsam 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 Balsam Bros	3.60		
7/22/54 Ch. No. 115 Sam Ketchem	160.00		
7/22/54 Ch. No. 116 Balsam Bros	8.28	337.14*	
Mileage Phones & Tolls			
Amount claimed	$1,342.22		
Less: Amount certified as being correct by J. L. Jones	564.26	777.96	2,369.35
			$5,756.60

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

DMEA

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

RECEIVED
MAR 12 1956

1605 Evans Avenue
Reno, Nevada

March 7, 1956

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region II

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

Attached are four copies of Interim Report by B. H. Sheahan on above subject contract which includes remarks and suggestions from Mr. Roscoe Smith as a result of his interview with officials of the Cordero Mining Company.

Mr. Sheahan and I agree with Roscoe Smith and Edgar Bailey that a certificate of discovery is not justified, and would only be an encumbrance that would discourage future exploration of the property. In addition, the Cordero Mining Company profited very little, if at all, by the work done under the contract, and a significant discovery was not made.

S. Ricker

S. Ricker

Attach.

BUREAU OF MINES
WASHINGTON, D. C.
MAR 9 1 24 PM '56

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED
MAR 12 1956

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

Date 3/7/56

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Wash., D.C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

Attached are four copies of Interim Report on

Docket No. DMEA-2448

Contract No. Idm-E544

Commodity Mercury

Operator Jonas and Johnson

Property Mt. Diablo Quicksilver Mine,
Contra Costa County, Calif.

By B. H. Sheahan

Dated 3/7/56

S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments

Copy to: R. M. Smith, USGS (w/copy of report)
Finance Officer, Region II (w/copy of report)
File

INTERIM REPORT

RECEIVED
MAR 2 2 1956

Docket No.: DMEA-2448 (Mercury) March 6, 1956

Name and address of operator: John L. Jonas and John E. Johnson, co-partners, Assignees for Ronnie B. Smith
166 Los Robles Drive
Burlingame, California

Name and location of property: Mt. Diablo Quicksilver Mine
Contra Costa County, California

Contract No.: Idm-E544

INTRODUCTION

Pursuant to the Operating Committee's, DMEA, request of February 13, 1956, for information regarding equipment and supplies and for information regarding exploration work conducted by Cordero Mining Company, the property was inspected February 28, 1956 by B. H. Sheahan and Walter Bank of the Bureau of Mines. Recent exploration operations were discussed with Mr. H. A. Peterson, who was foreman for Cordero Mining Company and with Mr. Vic Blomberg, a resident stockholder at the Mt. Diablo Quicksilver mine.

A conference was held with Mr. Roscoe M. Smith of the Geological Survey, who had interviewed both Messrs. S. H. Williston, president and J. Eldon Gilbert, manager of Cordero Mining Co.

The property was idle when inspected. Water from intense rain storms during December 1955 increased the flow of underground water which flooded the mine to the 130-foot level. No work was done

after this period, and negotiations are now being made by the owners to interest either Sonoma Quicksilver Mining Company or Nevada Scheelite Corporation in the mine.

STATEMENT OF OPERATIONS

Cordero Mining Company expended over $60,000 on their exploration operation. The main shaft was dewatered and reconditioned, and 1,017 feet of drifts and crosscuts were driven on the 300-foot level. A connection with old workings was made by raising about 15 feet to an old incline winze. The existing furnace plant was repaired, and a trestle was constructed from the shaft to the ore bin. Most of the drifts were timbered.

Sample S-430, taken from the dump and believed to represent the approximate grade of the material, contained 2.6 lbs. mercury per ton. Sample S-431, taken from the last few tons deposited on the end of the dump, contained 3.5 lbs. mercury per ton.

Water from the 300 level was pumped to the surface and conveyed through two transite pipe lines to land northwest of the mine. Both the water line and ventilation tube are disconnected at this time. New equipment installed by the Cordero Mining Company included a 330 cfm air compressor, a ventilation blower, a pump, pipe lines, two mine cars and an air receiver. Mine timber was the main supply item at the property and was more than equivalent to the amount when the property was previously inspected April 4, 1955.

The Cordero Mining Company reached the objective and target of the work, originally planned by contract Idm-E544.

CONCLUSIONS

There is now sufficient information compiled to prepare a final report on the property. The ore body discovered by Cordero Mining Company in the target area was not large enough to encourage them to continue operations. It is not known when the mine will be reopened, but it will require at least three months time to dewater the mine and reopen workings.

Mr. Roscoe Smith had interviewed S. H. Williston and J. Eldon Gilbert, Cordero Mining Company on February 27, 1956 and makes the following comments:

"Cordero explored the target area without DMEA participation. A few small showings of cinnabar and a few tons of ore averaging 3 to 10 pounds per ton were discovered.

"The accompanying map was prepared by Wisser and Cox, consulting geologists, 55 New Montgomery Street, San Francisco, for Cordero. Reserves were not calculated in tons but the map reveals that the ore bodies are too small to interest Cordero. The mine is now closed and has filled with water.

"Judging from the ore occurrences shown on the map, a few hundred tons of ore containing from 3 to 10 pounds of quicksilver per ton is indicated above the 360-foot level in the winze area. Wisser

and Cox recommended additional exploration to the west and also to the east along the main shear zone. Edgar Bailey recommends exploration along the hanging wall contact to the east in the area where a 40° dip is shown. Cordero Mining Co. has no plans to continue exploration at the property or to mine the ore showings that were found. They report that Sonoma Quicksilver Mining Co. and Nevada Scheelite Corp. are both interested in obtaining a lease on the property and are now negotiating for it. from whom?

"Mr. Williston reported that the Cordero Mining Co. did not use materials or supplies that were the property of Jonas and Johnson. All materials and supplies that were on the property at the time Cordero entered the premises are still there, although some may have disappeared earlier. According to Williston, the lease that Jonas and Johnson had with the Mt. Diablo Mining Co. provided that Jonas and Johnson had 90 days in which to remove all of their equipment and supplies from the property after work had been stopped. After the 90-day period had expired, and after the Government had been asked to remove the equipment but failed to do so, Cordero repaired and used the hoist. Jonas and Johnson locked the hoist house sometime during the course of Cordero's work, Cordero removed the locks.

"Prior to entering the premises, Cordero Mining Co. employed an independent machinery company to appraise the equipment

owned jointly by the Government, Jonas and Johnson, and Ronnie B. Smith. The total appraisal was $2,600.

"The work done under the DMEA contract (see map) did not discover any ore nor did it reach the target area. The work done by Cordero Mining Co. explored the target area with a number of crosscuts and with several test holes drilled from the crosscuts, and significant ore bodies were not discovered. Inasmuch as a lien against this property would discourage any operator from additional exploration and because the work with Government funds did not find any ore, I recommend that no certification be issued. Edgar Bailey concurs in this recommendation.

"A major contribution to the value of the property was the discovery by Cordero Mining Co. of a means for disposing of acid mine waters to the satisfaction of the State Water Polution Board."

Benjamin H. Sheahan
Mining Engineer

Talbert

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

MAR - 2 1956

Mr. George Hover
DMEA Auditor
420 Customs House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMEA-3448 (Hover)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Dm-2344

Mr. Jones
Mr. Martin
Mr. Chambers

Dear Mr. Hover:

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 $34,134.50 (exclusive of attorney fees, taxes and insurance), whereas your interim audit allowed only $28,[illegible].46 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 $1,136.34. 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 recheck of his records to ascertain whether any such items are allowable costs under the provisions of the contract.

Upon completion of your recheck 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

Enclosures-2

Copy to: Docket
Adm. Reading File
Mr. Kieber, Region II

EDTalbert/vb
March 2, 1956

R.C.L.

FRANKLIN SUPPLY COMPANY

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Petroleum Equipment

624 SOUTH MICHIGAN AVENUE ○ CHICAGO 5 ○ WEBSTER 9-0811

February 24, 1956

Copy made

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

Attention: C. O. Mittendorf
Administrator

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

Gentlemen:

In reply to your letter of February 13, 1956, to Mr. Jene Harper, we wish to advise that he is out of the country at the present time and will return March 13, at which time he will handle the matter.

Very truly yours,

FRANKLIN SUPPLY COMPANY

Albert J. Mitchell

Albert J. Mitchell, Treasurer

AJM:eg

Docket

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FEB 27 1956

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

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

dmea 2448

WSM

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. Havor 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. Havor 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 buildings and was useing 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 seperatly. 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,

J. L. Jonas

J. L. Jonas

John Johnson

John Jonson

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MT. DIABLO MERCURY CO — MARCH 1954

	AMOUNT	LABOR	EQUIPMENT SUPPLYS	LUMBER TIMBER	FUEL + OILS	MILEAGE PHONE + TOLLS	EQUIPMENT RENTALS	ELECTRIC POWER	INS. TAX + ATTORNEYS
Pacific Mining Co.	120 -						120 -		
Barstow Machinery Co.	60 55		60 55						
C.J. Hollmuller Co.	15 -						15 -		
C.J. Hollmuller Co.	15 -						15 -		
Walter Bilber Co.	250 -								250 -
Howard Castle	40 72	40 72							
Melvin Brunner	40 36	40 36							
George Barton	43 02	43 02							
Dexter Barsby	21 38	21 38							
Guy Castle	23 28	23 28							
C. M. Schutte	250 -	250 -							
B. F. McDonald Co.	33 99		33 99						
Pacific Gas + Electric Co.	82 36							82 36	
Calif Employment Dept.	6 96								6 96
U.S. Treasury Dept	21 20								21 20
J. L. Jones	156 -	156 -							
John Fellows	156 -	156 -							
Bergamot Florist Co.	15 45		15 45						
The Electric Corp.	4 05		4 05						
S.F. Oakland Bridge	50					50			
S.F. + Oakland Bridge	50					50			
C.H. Morwedell Co.	20 70		20 70						
Gunter + Zimmerman	3 06		3 06						
Pacific Pipe Co.	2 07		2 07						
Schield Hebry Hardware	3 04		3 04						
S.F.-Oakland Bridge	80					80			
The Electric Corp.	5 34		5 34						
General Machine Co.	49		49						
Enterprise Electric Co.	3 11		3 11						
Central Farm Implement Co.	5 80		5 80			1 20	15 -		

Mt. Diablo Mercury Co. March - 1954 Flood 2

	Amount	Labor	Equipment Supplys	Lumber & Timbers	Fuel & Oils	Mileage Phone & Toll	Equipment Rentals	Electric Power	Ins. Taxes Attorneys	
Totals Page I		730 76	157 65	—	—	180	150 -	82 36	278 16	
Superior Blacksmith	3 71		3 71							
Sears Roebuck Co.	2 99		2 99							
C. H. Thornwell Co.	73		73							
Wilsons Express 12¢ @	232 80					232 80				
Bridge Tolls	6 05					6 05				
Phone	7 76					7 76				
Big Truck Mileage 15¢ @	97 20					97 20				
Item Totals		730 76	165 08	—	—	345 61	150 -	82 36	278 16	
Sum Total										1751 97
			1207 43			343 81				

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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	Ins. - Taxes Attorneys
11/20/53	1	Castle & Brenner	1955 -		1955 -							
11/30	2	Frank Sullivan	300 -			300 -						
11/30	3	Elmonte Lumber Co.	500 -				500 -					
12/4	4	Kaplan Army Store	10 87			10 87						
12/4	5	Vic Blom Co.	318 10	318 10								
12/[illegible]	6	Sam Katelos	138 29	138 29								
1/5	7	C. N. Schutte	500 —	500 -								
12/8	8	Castle & Brenner	1742 50		1742 50							
12/19	9	Bay & Lane Machinery Co.	90 56			90 56						
		Hans Clark Bank	4 25			4 25						
12/19	10	Castle & Brenner	2082 50		2082 50							
12/23	11	Keystone Copper Co.	19 60			19 60						
12/24	12	NOT USED										
12/27	13	Emerald Hardware	17 36			17 36						
12/29	14	Emerald Hardware	107 32			107 32						
12/28	15	Angles Box & Lumber Co.	10 30				10 30					
12/28	16	Letters Co.	10 30			10 30						
12/[illegible]	17	Red Bell Oil Co.	14 63					14 63				
12/27	18	Standard Oil Co.	9 03					9 03				
12/29	19	Pacific Gas & Electric Co.	284 72								284 72	
12/29	20	Bearing Engineering Co.	8 93			8 93						
1/6/54	21	C. N. Schutte	500 -	500 -								
	22	NOT USED										
	23	" "										
1/9	24	Castle & Brenner	1743 50		1743 50							
1/10	25	Keystone Copper Co.	188 70			188 70						
1/20	26	H. T. Niell	813 47			813 47						
1/20	27	— —										
1/5	28	New Penn Mine	410 20			410 20						
1/21	29	Balaam Brothers	138	1456 33	7523 50	138	513 30	23 66				

Mt. Diablo Mercury Co.

Date	Check No.	Paid To	Amount	Labor	Contractors	Equipment & Supplies	Lumber & Timbers	Fuels & Oils	Mileage Phone & Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
1/21	30	Smith Lundstrom & Duncan	57 75	57 75								
1/21	31	Circle Freight Co.	1 92			1 92						
1/21	32	Anglo Box & Lumber Co.	25 75				25 75					
1/21	33	Richfield Oil Co.	36 35					36 35				
1/19	34	Castle & Brunner	1530 -		1530 -							
1/	35	T. N. Hoots	1 60			1 60						
1/25	36	May Paint & Glass Co.	4 39			4 39						
1/25	37	Superior Blacksmith	117 74			117 74						
1/25	38	William Bradley	400 -			400 -						
1/25	39	El Monte Lumber Co.	1000 -				1000 -					
1/25	40	Frank Sullivan	150 -			150 -						
1/30	41	New Penn Mine	277 55			277 55						
2/8	42	Castle & Brunner	639 63		639 63							
2/8	43	Frank Sullivan	210 -			210 -						
2/8	44	Concord Form Instrument Co.	1 66			1 66						
2/8	45	Division of Industrial Safety	5 50	5 50								
2/8	46	Donnie B. Smith	1250 -			1250 -						
2/	47	C. N. Schutte	500 -	500 -								
2/8	48	Pearson & Reity	48 55									48 55
2/8	49	B. F. McDonald Co.	164 -			164 -						
2/12	50	Castle & Brunner	500 -		500 -							
	51											
2/14	52	Balander & Sons	27 80			27 80						
2/20	56	Richfield Oil Co.	33 77					33 77				
2/16	57	John Manville	43 82			43 82						
2/16		Bank Charges	6 28									6 28
2/20	58	Balcom Brother	1 86			1 86						
2/20	59	Capro Pacific Co.	6 93			6 93						
2/20	60	General Machinery Co.	51 86	5 65 25	2 669 63	51 86						
2/20	61	Frank C. Bowman	35 34			35 34	1 025 75	7 10				
						2 274 47						54 83

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	Eng. Taxes Attorneys
2/20	63	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	N. M Waley	100 -							100 -		
2/[illegible]	67	Mt. Diablo Quicksilver Co.	387 35									387 35
2/21	68	Pacific Gas & Electric Co.	240 80								240 80	
2/24	69	Castle & Brunner	1327 50		1327 50							
2/24	70	B. F. McDonald	237 70			237 70						
2/25	71	Castle & Brunner	788 38		788 38							
2/27	72	Municipal Court Tag	27 -									27 -
3/1	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	Richfield Oil Co.	8 62					8 62				
3/9	85	General Co. of Pacific	29 10			29 10						
3/[illegible]	86	Richfield Oil Co.	125 56					125 56				
3/9	87	General Machinery Co.	7 27			7 27						
3/9	89	Frank J. Sullivan	149 20			149 20						
3/9	90	Sidney Rudy	192 -									192 -
3/9	91	Admiral Fish	125 -									125 -
3/9	92	Turner & Robertson	32 24									32 24
3/10	96	C. N. Schuttle	500 -	500 -								
3/10	97	Hyman Miller	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								52 08	
6/10	111	Balaam Brothers	3 66		2385 88	3 66	1516 87	134 18			292 88	1560 36
						992 20						

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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
6/10	112	Pacific Gas + Electric Co.	59 52								59 52	
7/08	113	Pacific Gas + Electric Co.	50 -								50 -	
7/19	114	Balcom Brothers	3 60			3 60						
7/22	115	Sam Katelas	160 -	160 -								
	116	Balcom Brothers	8 28			8 28						
		PAID BY CASH										
Nov.	7	Frank C Bottman	43 86			43 86						
"	9	Helen Fickelman	21 50			21 50						
"	9	B. L. Keller	1 73			1 73						
"	28	B. L. Keller	95			95						
"	29	The Rix Co.	27 03			27 03						
"	30	Louis Lubaus	584 75	584 75								
"	29	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						
Dec	5	Herbs Hardware	3 73			3 73						
"	12	Dunlap Hardware	4 69			4 69						
"	12	The Bearing Supply Co.	2 30			2 30						
"	13	Superior Blueprint	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	Elsmonte Variety Co.	51			51						
Jan.	6	Concord Hardware	38			38						
"	9	Orlando Hardware	15 23				15 23					
"	10	Petroleum Products	2 20					2 20				
"	10	Diablo Service Station	1 57					1 57				
"	11	Johnson Golden Eagle Co.	3 40					3 40				
"	11	Standard Supply Co.	2 63	74 75		140 39	16 21	2 63			109 52	
								9 20				

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Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber Timber	Fuels + Oils	Mileage Phone Toll	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Jan. 11	Pennys Store	21			21						
" 11	Rossville Auto Supply	1 23			1 23						
" 11	Matson Lumber Supply	32 26				32 26					
" 11	Balmain Lumber Co.	114 08				114 08					
" 12	M. R. Cross Co.	108 74			108 74						
" 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	Clarks Service Station	3 27					3 27				
" 22	The Hot Mill	306 -			306 -						
" 22	Gordon Park Service	2 85					2 85				
" 22	Heritage Oil Co.	76 75			76 75						
" 23	Calvert Motor Co.	25 25			25 25						
" 25	Charles Troy Supplys	3 32					3 32				
" 25	Mt. Diablo Service	1 57					1 57				
" 26	General Farm Supplement	4 85			4 85						
" 27		1 75			1 75						
" 27	Kelly Boring Co.	6 64			6 64						
" 27	General Machinery Co.	38			38						
" 28	Superior Blacksmith	5 90			5 90						
" 29	Grinnel Co.	43 36			43 36						
" 28	S. F. Oakland Bridge	50							50		
" 29	S. F. Oakland Bridge	45							45		
" 29	Martinez Benicia Ferry	1 25							1 25		
" 29	Standard Stations	2 20					2 20				
" 29	Truck Working Co.	3 10			3 10						
" 29	Standard Stations	1 50					1 50				
" 25	New Penn Mines Inc.	740 54			740 54						
" 30	Cowell Motor Co.	3 30			3 30	14 63	14 71	3 20			
					1327 62						

Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractor	Equipment Supplies	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 Pipe Co.	3 20			3 20						
4	The Gasket 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	Hyman Mickles Co.	1 81			1 81						
11	Municipal Court Tag.	1 00									1 00
15	S. F. Oakland Co.	50						50			
19	Al Ansel Service	1 73						1 73			
19	Befco Automotive Co.	27 09			27 09						
4	Superior Blacksmith	1 87			1 87						
20	Dlabb 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 12¢ @	312 24						312 24			
	Station Wagon Hauling 12¢ @	539 04						539 04			
	Auto's Toll Bridge	9 15						9 15			
	Station Wagon Tolls	14 10						14 10			
	Total Phone Bills	45 27						45 27			
	Compressor Rental	400 -							400 -		
	Total Labor	3456 -	3456								
	Castle + Brunner	671 99		671 99							
	Big Truck Mileage 15¢ @	273 60						273 60			
	Truck Drivers Hotel + Meals	143 39						143 39			
	Marking Machine	1200 -			1200 -						
					1282 38			1332 02			

Mt. Diablo Mercury Co.

November December January & February

Item	Supervision Labor	Contractors	Equipment & Supplies	Lumber & Timber	Fuel & Oils	Mileage Phone & Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Totals from Page # 1	1456 39	7523 50	1982 74	513 30	23 66			284 72	
" " " # 1-A	565 25	2669 63	2764 47	1025 75	70 12				5463
" " " 2	500 -	2385 88	942 20	1516 87	134 18		100 -	292 88	1530 36
" " " 3	744 75		140 37	16 21	9 30			109 52	
" " " 4			1327 62	146 34	14 71	3 20			
" " " 5	3456 -	671 99	1282 28		1 45	1339 02	400 -		100
Totals	6722 39	13251 -	8439 68	3218 47	253 42	1342 22	500 -	687 12	1616 19

Sum Total less Attorneys, Roads & Ins. 34414 30

DOCKET
SURNAME

Indritz 2/9/56
Dwyer
Martin
Talbot
Selfridge
Kilegaard
Johnson

400

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

FEB 13 1956

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

Mr. John Harper
c/o Franklin Supply Company
624 S. Michigan Avenue
Chicago, Illinois

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

Re: Docket No. DMEA 2446 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-254

Gentlemen:

The above mentioned exploration project contract, which you entered into on June 5, 1953, was assigned by you to Messrs. John L. Jonas and John R. Johnson on January 20, 1954. In consenting 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 execution 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 15, 1953 to October 31, 1953, indicates that the Government made an overpayment to you of $1,887.06. Attached is a Statement of Account showing the basis for that amount.

Demand is herewith made that you pay to the Government the sum of $1,887.06 for the overpayment stated above.

Sincerely yours,

G. P. Mittendorf

Administrator

FINDRITZ:foc
2/7/56
cc to: Docket
Code 400
Adm. Read. File
FT. REG. II
H. M. Meyer, USBM
T. H. Kiilegaard, USGS

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

R.G.

STATEMENT OF ACCOUNT SHOWING BASIS FOR GOVERNMENT'S CLAIM AGAINST RONNIE B. SMITH, JESSE HARPER, AND JAMES F. DURRIGAN, FOR $1,887.07

Contract No. I4s-854, DMEA Docket No. 2448, Mt. Diablo Quicksilver Mine

Costs claimed August 15, 1953 to October 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

400

DOCKET
SURNAME

Indirect 2/9/56
Dungan
Martin
Talbert
Selfridge
Johnson
Mittendorf

FEB 13 1956

Mr. Spangler Richer, Executive Officer
DMEA Field Team, Region II
1695 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA 248 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-534

Dear Mr. Richer:

Enclosed are copies of the following letters:

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

Mr. Mittendorf's letter of today to Messrs. Jonas 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. Jonas 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. Ida-534 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. Jonas' letter that the supplies, materials and equipment in which

R.G.

the Government has a 75% interest, have been used or consumed by the present lessee of the mine, the Cordero 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 (WB)

Enclosures

APPROVED:

P. F. Yopes (WB)
Member, Bureau of Mines

ADMcMAHON/PINDRITZ/foc
2-8-56 Thor H. Kiilsgaard (WB)
Member, Geological Survey

cc to: Docket
Code 400
Admr. Read. File
Operating Comm.
FT. REG. II
H. M. Meyer, USBM
T. H. Kiilsgaard, USGS
AUDIT DIV. - Mr. Talbert
~~Mr. Indritz~~ - Rm. 7343
Legal

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 Cordero 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.

C O P Y

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. Rounis 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 pregressing 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, bolts, 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 checks, 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

DOCKET
Surname:

Indexity 2/9/56
Dwyer
Martin
Falbitz
Selfridge
Kullgand
F Johnson

FEB 13 1956

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. DMEA 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

RGK

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 18, 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,

G. O. Mittendorf

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
2/8/56

REVISED STATEMENT OF ACCOUNT

IDM-E544, 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).

400

Docket
McMahon
Martin

January 3, 1956

MEMORANDUM

To: Associate Solicitor, Div. of Mineral Resources

From: Iron and Ferro-Alloys Division, DMEA

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

Attached is letter of November 24, 1955, from J. L. Jonas, with reference to his obligations to the Government with respect to liquidation of and accountability for equipment, materials, and supplies under the above-cited exploration contract.

You will note that Mr. Jonas apparently feels there are some further legal reasons for his not complying with the contract's terms, despite Mr. Hofflund's letter of June 1, 1955.

Attached for your review and appropriate action or recommendations are drafts of a proposed reply to Mr. Jonas and of a letter to the Executive Officer, DMEA Field Team, Region II.

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

Attachments

cc: Docket
Code 400

AJMcMahon/ls
1/3/56

Talbut

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

DEC - 3 1955

Re: Idm-3544, DMEA-2448
Jones 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 I. 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, Jones 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 Jones 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 Jones 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

RECEIVED
DEC - 1 1955

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

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

WBy

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

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 supertindent, 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. Scheahn closed us down we received delivery of two tons of rail, bolts, 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 useing 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 checks, 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.

J. L. Jonas

J. L. Jonas

DOCKET
SURNAME

Martin
Selfridge
JJ Johnson

Call Letter NET

Charge to: DMEA (11X1461 (OR.)
Revolving Fund
November 3, 1955

Spangler Richmer, Executive Officer, DMEA Field Team, Region II
1605 Evans Avenue, Reno, Nevada

REURTEL NOVEMBER 2 DOCKET DMEA 2448 Mount Diablo Quicksilver

PLEASE COOPERATE WITH M. C. MILLER TO FURNISH ATTORNEY FOR

RONNY B. SMITH WITH COPY CONTRACT WITH ATTACHMENTS DEM-2544.

George C. Selfridge
CHAIRMAN, OPERATING COMMITTEE (HS)

WEMARTIN/foc
11-3-55
cc to: Docket
Code 400
Adm. Read. File
Operating Comm.
FT. REG. III
H. M. Meyer, USEM
T. H. Kiilsgaard, USGS

SENT
NOV 3 1955
Clerical Service Section

RCB.

DOCKET
SURNAME
McMahon
Martin
Chamber

NOV - 3 1955

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

Re: Docket No. DMEA 2148 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. [illegible]

Dear Mr. Jones:

Reference is made to your letter of September 20, 1955, notifying us that some things under previously you had written Mr. Ramsdo E. Smith regarding the overpayment of $1,730.54 made by the Government on the subject contract. Your letter also stated you would inform this office upon hearing from Mr. Smith.

Apparently you have not had a reply to your letter and we believe it would be advisable to again inquire of Mr. Smith as to his intentions in this matter.

Also, we would appreciate your advising us of any recent information you may have in connection with disposal of equipment and remaining materials purchased under provisions of the contract.

Sincerely yours,

Frank E. Johnson

Acting Administrator

AEMcMahon/fec
11/2/55
cc to: Docket
Code 400
Adm. Read. File
FT. REG. II
H. M. Meyer, USBM
T. H. Kiilsgaard, USGS

A.C.B.

CLASS OF SERVICE
is a
its
letter is in
proper syn

WESTERN UNION
TELEGRAM
W. P. MARSHALL, PRESIDENT

1201

SYMBOLS
DL=Day Letter
NL=Night Letter
LT=International Letter Tel

The filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

SENDER WAITING! WESTERN UNION Answer by WIRE SENDER WAITING! 6286(54)

RECEIVED
NOV - 2 1955
2 8 28

O REA389 NL PD AR=RENO NEV 2=

=THE OPERATING COMMITTEE=

:DEFENSE MINERALS EXPLORATION ADMN INTERIOR BLDG

WASHDC=

:DOCKET NUMBER DMEA-2448 CONTRACT NUMBER IDM-E544 MOUNT DIABLO QUICK SILVER HC MILLER REGIONAL DIRECTOR REQUEST PHOTOSTAT COPY CONTRACT INCLUDING ANNEXES NUMBER 1 2 AND 3 EDHIBIT A OWNERS CONSENT TO LEAN AND AMENDMENT NUMBER 1 TO GIVE TO ROBERT ZANG ATTORNEY REPRESENTING RONNY B SMITH IN AN ENDEAVOR TO SETTLE RONNY SMITH AND

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM

W. P. MARSHALL, PRESIDENT

1201

SYMBOLS

DL=Day Letter

NL=Night Letter

LT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

OB139

O REA 389/3

NOV 2 PM 8 28

JOHNAS AND JOHNSON ACCOUNT PLEASE WIRE IF THIS IS IN ORDER=

S RICKER=•=

RECEIVED

NOV - 3 1955

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

D m E a

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

RECEIVED
OCT 10 1955

1605 Evans Avenue
Reno, Nevada

October 5, 1955

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

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

Relative to above subject, I am attaching two copies of a letter from Mr. Gilbert of the Cordero Mining Company attached to map of the work done by that company on the Mt. Diablo property.

Apparently no commercial ore has yet been discovered.

S. Ricker

Attach.

BUREAU OF MINES
WASHINGTON, D. C.

OCT 10 8 56 AM '55

J. N. PEW, JR.
PRESIDENT

S. H. WILLISTON
VICE-PRESIDENT

JOHN C. AGNEW
SECRETARY-TREASURER

CORDERO MINING COMPANY

131 UNIVERSITY AVENUE
PALO ALTO, CALIFORNIA

RECEIVED
OCT 10 1955

October 4, 1955

REFER TO	NOTED	DATE
S. Ricker		
NEW FILE		

Mr. Spangler Ricker
Bureau of Mines
1605 Evans Avenue
Reno, Nevada

Dear Mr. Ricker:

Enclosed is a sketch of the work done at Mt. Diablo. It may appear to have been done without rhyme or reason but each one of the headings was started at least on some showing of meta-cinnabar. I regret to say that none of them have encountered ore.

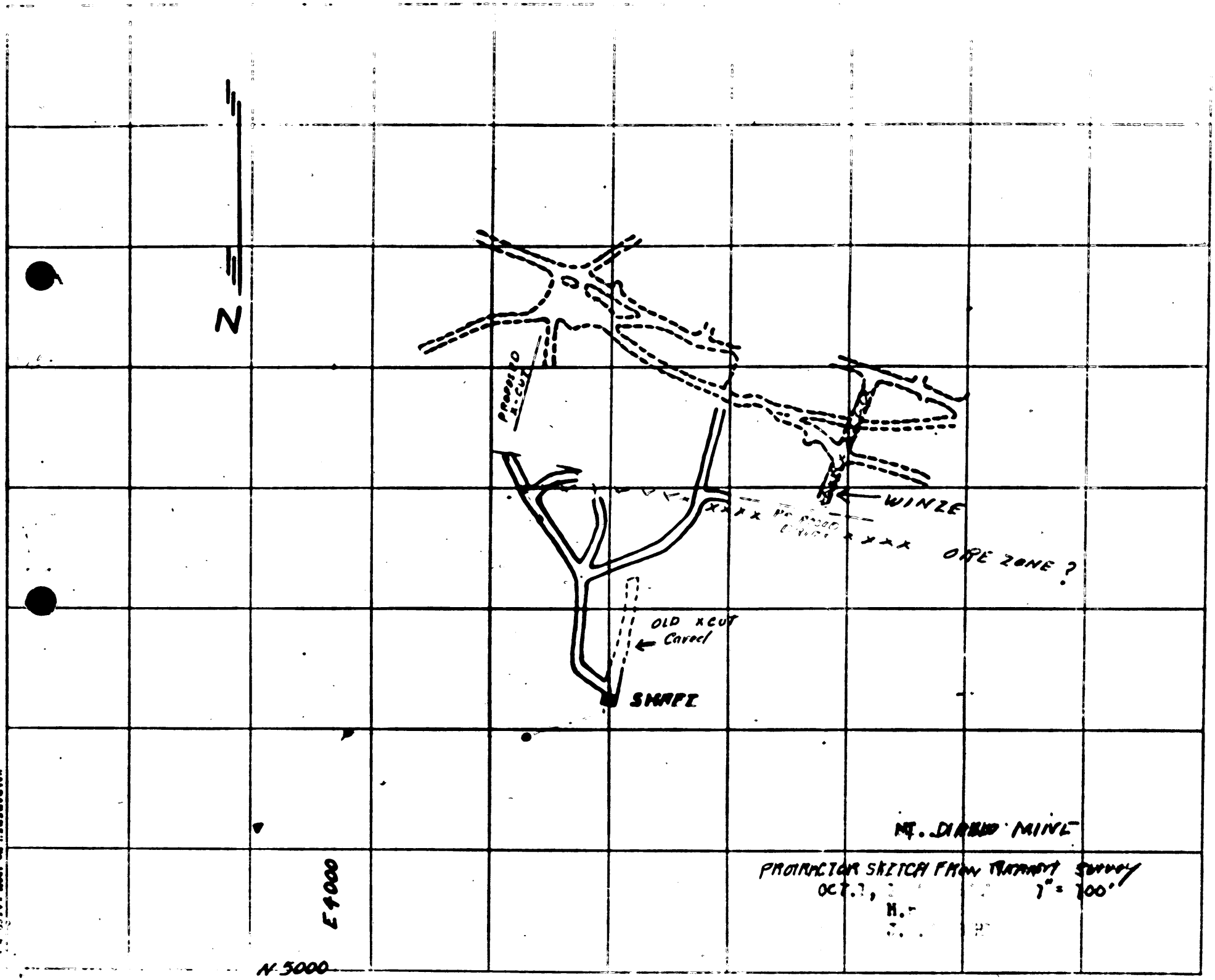
We expect to drift along the "ore zone" to the West and also to cross-cut on the East to get under some of the old work.

I hope you are able to make it to Las Vegas next week. I would like to see you there.

Very truly yours,

J. Eldon Gilbert

JEG:L
Enc.



MT. DIABLO MINE

PROTRACTOR SKETCH FROM TRAVERSE SURVEY
OCT. 1, 1" = 100'

RECEIVED
OCT 10 1955

Docket

RECEIVED
SEP 23 1955

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

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

WSM

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 word is received from him I will contact your office.

Sincerely,

J. L. Jonas

J. L. Jonas

Copy to

Ronnie B. S mith
Tower Petrolium Bldg.
Dallas, Texas.

Legal says no reply necessary
9/28/55

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

Hoffhund
Talbut
martin

JUL 14 1955

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

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-E544
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

R.C.S.

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,

C. G. Mittendorf

Administrator

Attachment

JLHhambers/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. Kiilsgaard, GS
Operating Committee
J. L. Hofflund
chron.
pending

Revised STATEMENT OF ACCOUNT

IDM-E544, 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, ~~MP-104~~.

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

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.

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 7/13/55

REFERRED TO:

1. Mr. Schamberg
2.
3.
4.

FOR:

- ---------- Action
- ---------- Approval
- ---------- Comment
- ---------- Conference
- ---------- Consideration
- ---------- Filing
- ---------- Instructions
- ---------- Investigation
- ---------- Initials
- ---------- Mailing
- ---------- Previous correspondence
- ---------- Recommendation
- ---------- Record of ----------
- ---------- Referring to ----------
- ---------- Reply for signature of ----------
- ---------- Rewriting
- ---------- Signature
- ---------- Suggestions
- ---------- Your information

REMARKS:

Check (X) before the items needing attention.

C. C. Mitchell

Initials of sender.

GPO 16—63815-1

RECEIVED

JUL 8 1955

GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

DRAFT 7/7/55
JLCha[illegible]ers/wb

Jonas & Johnson

Re: Docket No. DMEA-2448
Mt. Diablo Quicksilver Mine
Contract No. Idm-E544

Reference is made to your letter of June 24, 1955, addressed to J. L. Hofflund, Acting Assistant Solicitor, Defense Minerals, in regard to settlement of the above-cited project.

It is noted that you state that you took over Ronnie B. Smith's interest in the contract on November 1, 1953. ~~You no doubt know that~~ The Assignment was dated in January, but stipulated that your partnership would take control of the project on December 7, 1953.

It appears that the billing for reimbursement was made for Ronnie B. Smith, trustee, by Mr. Smith's consultant, C. N. Schnette through the month of December 1953. It appears that the Government drew the check in favor of Ronnie B. Smith, trustee. The question then arises as to what understanding you had with Ronnie B. Smith to take charge of the program on November 1, and ~~also did~~ whether Mr. Smith turned over the Board's reimbursement check to you. In view of the information in your letter and a restudy of the reimbursement documents, I have directed the Contract Administration and Audit Division to review all the financial transactions that occurred under the program ~~with the view~~ for the purpose of preparing a statement of costs and payments made under the contract when Mr. Smith was operating it and when you were in charge.

You were furnished a copy of George Mavor's audit report executed on June 7, 1954. Will you please note on page 8 that the auditor stated Mr. Smith's costs from the inception of the project to

October 31, 1953 as $17,164.32, and your costs as assignee from November 1, 1953 to September 28, 1954 as $28,502.66. ~~This would indicate that~~ The Government reimbursed Ronnie B. Smith a total of $14,760.30, when it should have reimbursed him a total of $12,873.24. This would indicate an overpayment to Mr. Smith of $1,887.06. For the same period it appears that you billed the Government in the amount of $32,615.60 instead of the ~~$29,036.60 for an~~ actual cost of $28,502.66, and that you received reimbursement from the Government in the amount of $21,776.70, when it should have been $21,377.00 ~~$21,376.78~~, resulting in an overpayment of 399.70 ~~$399.92~~ for allowable costs through February 28, 1953. If these figures are accepted both by you and the Government it would appear then that an auditor would have to determine your costs for bills rendered ~~in February and~~ for March now held by the Executive Officer of Region II.

I am giving you the above figures to indicate that we are endeavoring to form a basis for final settlement of your account. This settlement cannot be made for several weeks primarily because the auditor for Region II was assigned to Region I early in June to assist in bringing up the audits of Region I to a current basis, and will probably not return to Region II until the 15th or 20th of July. Upon his return, however, he will immediately endeavor to review his audit of June 7, 1954 and bring it up to date. Therefore, he may need to either write to you or see you personally.

I would like to emphasize that the figures used above in this letter are not to be considered by you as a ~~desired~~ designated basis upon which the Government offers a final settlement, but they are stated here to

indicate ~~definitely~~ that the Government will give consideration to the statement made in the penultimate paragraph of your letter of June 24, 1955, to the effect that Ronnie B. Smith had been overpaid a certain amount.

I have also directed the Acting Assistant Solicitor to give me an opinion on whether or not we should look to you for any overpayment made to Ronnie B. Smith or whether Ronnie B. Smith should personally be held responsible under the terms of the Assignment; and also to explore your and Ronnie B. Smith's claim that the Executive Officer of Region II (then Region III) confirmed your claim that the contract was on an agreed unit cost for work actually performed.

Further communication with you will be effected when more definitive information is obtained from the audit division and legal.

STATEMENT OF ACCOUNT

IDM-E544, 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.

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

2/ An indicated figure preliminary [illegible] of the March 1-4, 1954, MIF-104.

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

*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
Indicated Total Acceptable Costs		29,910.43
Proper Government Participation (75%)		22,432.82
Paid by Government		21,776.70
**Balance Due Operator		$ 656.12

Summary for Contract

Costs Claimed	$53,853.77
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 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.

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

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals
Washington 25, D. C.

Re: Docket No. DMEA-2448
Mt. Diablo Quicksilver Mine
Contract No Idm-E544

Mr. Hofflund:

We are in receipt of copies of the letter sent to Clair Engle, our Congressman and Sidney Rudy one of our council, in regards to our above mentioned contract.

It is the opinion here that the payments should have been continued on a footage basis, therefore I will try to clarifie the situation by a breakdown of the audit and amounts disbursed, in regards to Ronnie Smith and ourselves, Mt. Diablo Mercury Co.

We took over the mine and DMEA contract as of November 1, 1953. The shaft at that time was completed to the 117 foot level. Mr. Smith's expenses and funds received are not known by us, except as shown by the audit report and footage payments. We purchased his inventory and started from the 117 foot level. We continued the shaft to the 330 foot level, cut the station at the 300 foot level and completed the crosscut 120 feet from the shaft. The cost is in excess of $36,500.00.

30,615.80

$32,615.60	Allowable footage cost (213 feet of shaft and 120 feet of crosscut)
29,035.60	Received from DMEA for November, December, and January.
$ 3,580.00	Balance due us. (This is our February account which was withheld)

$ 2,685.00	75% of February Account
1,002.26	75% of Dewatering (March Account) The dewatering procedure was set up on a cost basis at the time of our flood and there have been no misunderstandings in repards to the payments. It too has been withheld.
$ 3,687.26	Balance due Mt. Diablo Mercury Co. at the present time.

RECEIVED
JUL 5 1955
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

With the information and assurance given to us by your DMEA office in San Francisco and Mr. Scheahn ordering the mine shut down when we were at the 190 foot level with our dewatering project, etc., we believe this is a fair and equitable way to terminate this contract. It should then clear the way for the immediate sale of the machinery, which we will advertise and sell if you so desire. The sale price should be about $3,000.00.

It is our understanding that Ronnie B. Smith has been overpaid $1887.06. I have not consulted our council in regards to this matter but it would seem necessary to follow the coarse of law pertaining to same. If we are liable for this amount it can be deducted from our balance. With these figures in mind the final balance is very small.

Trusting you will find this proposal to your satisfaction.

Sincerely,

Mt. Diablo Mercury Co.

J. L. Jonas

J. L. Jonas Partner

John Johnson

John Johnson Partner

c. c. Hon. Clair Engle
Congress of the United States
House of Representatives
Washington 25, D. C.

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

140

Docket
Surname:
Martin
Chamberlin
Mittendorf

Mr. Sidney Rudy
Attorney at Law
369 Pine Street
San Francisco 4
California

JUN - 1 1955

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

My dear Mr. Rudy:

Your letter of May 20 to DMEA, attention of Mr. Mittendorf, has been referred to me for reply. I will be glad to collaborate with you in arriving at some equitable settlement of the affairs of your client, Messrs. Jonas and Johnson. Let us first understand the facts.

The contract is on a form which provides for contribution by the Government to the costs of exploration work on a basis of actual costs, payments to independent contractors for certain work specified for performance in that manner being one of the items to be allowed as actual cost. The operators, however, (first Ronnie B. Smith and later Jonas and Johnson, his assignee) did not let the work to independent contractors, as specified by the contract, but performed it themselves and made their claim against the Government on a basis of agreed unit costs instead of actual costs. The Government at first accepted these vouchers, and paid for a large part of the work on the basis of agreed unit costs. The mistake arose no doubt from the fact that the contract sets forth the maximum unit prices allowable for the work to be contracted, and the parties inadvertently took these to be agreed unit costs which is often made the basis for the Government's contribution under a different contract form.

Unforeseen difficulties arose in the performance of the work (an inrush of water and the death of a man), and the Operator abandoned its leasehold, failed to complete the work, and failed to dispose of equipment and to account for the proceeds to the Government.

R.C.S.

Under these circumstances I agree that the Government should not refuse to contribute to the cost of work performed merely because it was not performed by independent contractors, as provided in the contract. The Government in fact has not so refused. On the contrary, it has leaned over backward and has contributed to some costs not specifically provided for in the contract. Of course, if the work had been performed by independent contractors, as contemplated by the contract, the Government would have contributed its share of the payments made by the Operator to the independent contractors. Although the work was not so performed, the Government, nevertheless, is willing to contribute its share of the actual costs of performance, that may be allowable under the contract.

As a condition to contributing to additional costs incurred in a different manner than as provided in the contract, the Government makes two requirements:

1. The Operator must, as required by the contract, immediately liquidate and account to the Government for its interest in materials and equipment purchased under the provisions of the contract; and

2. The Operator must make a plausible showing of what the additional costs are, supported by documentary evidence of the expenditures claimed.

The fact is, contrary to the statement in your letter, that the Government already has endeavored to settle the matter on the basis above mentioned, and remains willing to do so. The difficulty seems to be to get an acceptable statement of what the additional costs are, supported by evidence of payments; or if no payment is involved (depreciation on equipment used), a clear statement of the facts supporting a claim for costs. In this regard, the Operator's letter to this Administration of May 10 makes nebulous statements concerning the alleged disallowance of such items as "mine cars, air hammers, miners lights, battery charger, hoisting cage, . . . gas testing equipment, etc." The Operators have a copy of the audit report issued by the Contract Administration and Audit Division under date of June 7, 1954. If they wish to claim further items they should, as indicated above, prepare a proper, detailed statement supported by appropriate documentation. Upon receipt of such claim, this Administration will be glad to give the matter further consideration, in the light of the conditions stated above.

The Operators state that the Government did not allow any costs for haulage of equipment and materials. The audit report of June 7, 1954, shows that the Government allowed a total of $1,303.06 for the rental of truck, for operating a truck, and for the operation of personal cars. Notwithstanding the fact that item (4) of Exhibit "A" of the contract specified that the operators were to furnish, without cost to the project, 3 Sterling trucks, and 1 Dodge pickup truck, among other pieces of equipment, the Government allowed a rental at $6.00 per day for 68 days for a truck. The Government further allowed mileage at 7 cents per mile for over 2,000 miles for operation of a truck and mileage at 5 cents a mile, for a total of over 9,000 miles for operation of personal automobiles.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor,
Defense Minerals

c.c. Hon. Clair Engle

JLHofflund:gjb 5/26/55
Copy to: DMEA Docket
Sol. Docket
Adm. R. File
Field Team, Reg. II (2)
H. M. Meyer, Mines
~~E. W. Ellis~~
T. H. Kiilsgaard, GS
Operating Committee
J. L. Hofflund
Chron. File

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

140

Hofflund
Martin
Chandler

JUN - 1 1955

Hon. Clair Engle
House of Representatives
Washington 25, D. C.

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

My dear Mr. Engle:

In your letter to me of April 27 you asked for a report on the affairs of Mr. J. L. Jonas, arising out of Exploration Project Contract Idm-E544, Docket No. DMEA-2448; and by my letter to you of May 4, I stated that the matter will be reviewed and a reply made at greater length as soon as possible. Since that correspondence we have received a further letter from Messrs. Jonas and Johnson, and under date of May 20 a letter from Sidney Rudy, Attorney at Law, in behalf of those operators.

Attached hereto is a copy of a letter of this date from the Acting Assistant Solicitor, Defense Minerals, replying to attorney Sidney Rudy. This will serve to bring you up to date on the affairs of Mr. Jonas, and will indicate the effort we are making to arrive at an equitable settlement of the contract in question.

Sincerely yours,

C. O. Mittendorf

Administrator

JLHofflund:gjb 5/27/55

Copy to: DMEA Docket
Sol. Docket
Adm. R. File
Operating Committee

T. H. Kiilsgaard, GS
H. M. Meyer, Mines
W. S. Martin
J. L. Hofflund
Field Team, Region II (2)
Chron. File

Pending file

R.C.L.

DRAFT
TLCHAPMAN/foc
5-3-55

Draft

Hon. Clair Engle
House of Representatives
Washington 25, D. C.

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

My dear Mr. Engle:

Reference is made to your letter of April 27, 1955, transmitting a letter dated April 10, 1955, from J. L. Jonas, Burlingame, California, requesting advice or information concerning his rights and privileges under the above-referenced contract.

The above-referenced contract between Jonas and Johnson and the Government was executed on June 5, 1953, on our regular Long Form Contract (revised in February 1952), which calls for all work to be done on an actual cost basis. We are sorry to note that a misunderstanding occurred concerning the type of contract and that the Operator went ahead and worked on a unit cost basis (all unit cost contracts are written on Short Form Contract). However, the discrepancy was not noted until an audit was made. This would not have made any great material difference if the operator had continued the operation with the efficiency that the work had been done up to that time. Unluckily a heavy flow of water was struck which flooded the mine. Work was started to pump the mine out and again fate seemed to intervene, as one of the miners lost his life. This brought the operation to the attention of the California State Division of Mines, Industrial Safety, and work was ordered stopped until further investigation could be made.

Amendments were written to the contract so that part of the allotted funds could be used for pumping out the water and to cover the costs of neutralizing the highly-acid water as is required by the California Water Pollution Board.

On June 9, 1954, the original lease to Ronnie B. Smith and Associates by the Mt. Diablo Quicksilver Company expired and as no application had been made for a renewal the lease was cancelled. Jonas and Johnson then applied for a new lease, but were informed that the lease was being given to other operators. This left Jonas and Johnson with no rights on the property.

Attempts were made to have the Cordero Mining Company who obtained the new lease on the property take over the Jonas and Johnson contract, but this was unsuccessful. Jonas and Johnson were requested several times to liquidate the equipment, material and supplies in which the Government had a 75 percent interest, but to date have made no attempt to do so. They also have the right to liquidate any equipment, material or supplies which they purchased on their own account. The Cordero Mining Company started rehabilitation work in December 1954 and are continuing at the present time. The equipment, material, and supplies would be more valuable to the Cordero Mining Company and we believe a fair deal can be made with them for its purchase. The Cordero Mining Company reports that the cost of pumping out the water and rehabilitation of shaft and workings was so expensive that work accomplished on the contract was of doubtful value.

Jonas and Johnson were overpaid on their contract and at the present time owe the Government $1,284.51 and several requests have been made for them to liquidate this account with no results. As things stand at the present time it will probably be necessary for us to give Jonas and Johnson a 30 day notice to liquidate the equipment, material, and supplies in which the Government has an interest or the contract will be terminated and the Government will liquidate the equipment, material, and supplies, of which 25 percent would be credited to the Jonas and Johnson account. Any balance of the $1,284.51 which is not paid would be referred to the Accounting Department for collection.

It is very doubtful under the present conditions if any of the cost of past work can be collected. In any case the Government put up 75 percent of this cost and would be entitled to this percentage in any monies obtained.

We believe the best course is for Jonas and Johnson to contact the Cordero Mining Company and try to make a deal on the equipment, material, and supplies and then a mutual termination of the contract could be made with the Government.

Sincerely yours,

Administrator

SIDNEY RUDY
ATTORNEY AT LAW
369 PINE STREET
SAN FRANCISCO 4, CALIFORNIA

TELEPHONE GARFIELD 1-3500

RECEIVED
MAY 23 1955
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

May 20, 1955

Defense Minerals Exploration Administration
Washington 25, D. C.

WSM

Attention: Mr. Mittendorf

Dear Sir:

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Kdm-E544
Mt. Diablo Quicksilver Mine
Contra Costa County, California

I represent Mr. John Johnson and Mr. J. L. Jonas, who are assignees of the exploration contract above referred to. They have placed in my hands for consideration the aforesaid contract as well as the correspondence which has already been carried on in connection with this matter.

I am enclosing herewith a letter addressed to you by Mr. Johnson and Mr. Jonas, which sets forth in detail the relevant information with respect to this transaction, so that it will not be necessary for me to further refer to these details.

The essence of the controversy is, of course, the refusal of your office to pay for the exploration work done on a footage basis. You take the position that the provisions of the contract are such that you will not pay on a footage basis because the work was not contracted out so as to include all major costs. At the same time, you refuse to reimburse the operators on the basis of actual cost incurred because in the contract the items for which they could claim reimbursement are limited.

I have advised my clients and I am stating to you my own opinion that this is an unreasonable view of the situation.

In the first place, before Johnson and Jonas took over this contract, they and their assignor, Ronnie Smith, met with Mr. Miller at the DMEA Office in San Francisco. Smith explained that he was contracting out labor, but was furnishing all equipment and material except small tools. He inquired at that time whether, in the light of this

arrangement, payment would still be made on a footage basis and Mr. Miller replied that it would be so made. The fact is that payments were made to Ronnie Smith on a footage basis and continued to be so made to Johnson and Jonas for a period of three months. Johnson and Jonas accepted assignment of the contract in reliance on the statement that payment would be made on a footage basis. These circumstances alone would, in my opinion, make your office both legally and morally liable to make payment on the footage basis.

Furthermore, even had these representations as to the nature of the contract not been made prior to the assignment to Johnson and Jonas, I see no equitable basis upon which you can contend that you will not pay on a footage basis nor will you pay on the basis of actual costs incurred. It is perfectly clear that the provisions in the contract limiting right of reimbursement to certain specified items of equipment were inserted only upon the basis that the exploration work done would be reimbursed on the footage basis at a figure which was adequate to cover all of the equipment which was not to be paid for on an actual cost basis. If you do take the position that the footage basis is to be abandoned, certainly the intent and purposes of the statute relating to defense minerals exploration require that the operators receive reimbursement on the basis of actual costs.

I would appreciate it if you would give this matter your further consideration in the light of the foregoing and let us hear from you.

Yours very truly,

Sidney Rudy

SR:ME
Enclosure

cc: Mr. John Johnson

May 10, 1955.
166 Los Robles Dr.
Burlingame, Calif.

Mr. Wittendorf
Defense Minerals Administration
Washington 25, D. C.

Sir:

In response to your letter of April 28, 1955, regarding the Mt. Diablo Quicksilver contract number 1488.

We do not want to be unreasonable or unfair, therefore we will try to bring forth some of the reasons for this situation which has transpired here. Perhaps you will see our picture more clearly.

When this DMA contract was transferred to us there was counsel from three law firms represented. Definite pointed questions were asked of the DMA office as to this contract. It was definitely and clearly stated and understood that this contract was on a footage basis. It was transferred only after these points were established beyond any doubt. All our payments have been on a footage basis.

As you know we bottomed the shaft at 330 feet and completed the cross-cut 140 feet to the foot wall of the ore deposit. Our flood occurred when we blasted into this foot wall of the ore zone. Our work was on schedule and we produced a good shaft as you have been informed by the engineers.

When Mr. Schehm, your engineer, visited the mine on March 1, 1954, to work out a program for dewatering the mine with Mr. Schuette, our engineer, he accused us of making a profit from the footage contract, although our expenses have been far greater than the estimated maximum. He also demanded to check our books. The day after our fatality, he arrived at the mine about ten oclock in the morning. He ordered us to, "shut the mine down". There is at least five people who were standing about him when he gave this order. We did not question his authority therefore we did as he ordered after pulling the pump. At this time we had the shaft dewatered to the one hundred, ninety foot level. All our work then reflooded.

By the time we established Mr. Schehm's authority and was ready to proceed again, Mr. Mayor, DMA auditor, notified us that the contract had been changed to a cost basis and ordered an audit.

Believing the contract on a footage basis we did not have our books in order for a cost basis. Many items used for the contract were purchased for cash and no invoice was retained. We have other mining property from which we obtained tools and equipment for which no cost was intended.

By the time the audit was completed we were thoroughly confused because according to the audit we must mine without mine cars, air hammers, pumps, miners lights, battery charger, hoisting cage, all gas testing equipment ordered by the California Mine Safety Department, etc. If the change is made to a cost basis why must these items be eliminated. You will allow a freight expense on delivered items but we hauled a great many loads of pipe, lumber, timbers, mucking machine, mine cage, mine cars, rail, and other equipment and you will not allow even gas expense in our truck. You will allow the total maximum cost if given to a contractor but not if we complete the work in a like degree.

We returned the lease with the understanding that a company, with whom we had discussed the mine, could proceed with the Office contract. Meanwhile a lease was issued to the Cordero Mining Co. They broke and picked the locks and have now been mining since November 1, 1951, using the contract machinery, supplies, and equipment without anyone's permission. No doubt a fair rental on the project equipment to date, would equal the amount due us. We purchased and paid in full for all the materials and equipment to finish the entire footage contract.

I have discussed the matter with Mr. Williamson of Cordero Mining Co. and he stated he had visited your office in Washington and he is of the opinion that you will give him this machinery, materials, and supplies for salvage value although he has been using it for seven months, therefore he refuses to discuss the situation in any other form.

He also stated he has submitted several plans to bring this contract to a close. One of them I understand is to use the balance of the money in this Bank loan. He has and is using the contract equipment, materials and supplies therefore why can not this plan be used. If this procedure is followed all parties involved will be justly compensated. We can be paid for the footage completed, Cordero Mining Co. will start with a clean sheet and the Bank will have their contract completed and should be repaid from the ore which we have opened. If our misunderstandings had not occured we feel we would have been producing quicksilver for one year to this date. One third to one half of the loan would have been repaid to date.

After discussing this situation with mining groups in two other counties and our consuel we do not feel it is proper to terminate this contract for the benifit of the present operators. We do understand the highest bidder buys the entire lot if put up for bids but that is no question in this situation. Although we have little due us even on a footage basis we do not feel it quite fair to terminate under these and other know conditions.

We sincerely trust a suitable solution can be worked out.

Sincerely,

John E. Johnson

John E. Johnson

John L. Jonas

John L. Jonas

CC: Clair Engle
Congress of the United States
House of Representatives
Washington, D. C.

S. Ricker
Defense Minerals Exploration Administration
1605 Evans Ave, Reno, Nevada.

DOCKET
SURNAME
Chapman
Martin

400

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

MAY - 4 1955

Hon. Clair Engle
House of Representatives
Washington 25, D. C.

Re: Docket No. DMEA 248 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-854

My dear Mr. Engle:

Reference is made to your letter of April 27, 1955, transmitting a letter dated April 10, 1955, from J. L. Jones, requesting advice or information concerning his rights and privileges on the above referenced project.

Because of the unusual number of misunderstandings, conflicts and unfortunate events experienced with this contract, it will be necessary for us to make a new review and study of the project from the start to the present time. We will reply at greater length as soon as the final conclusions are available.

Sincerely yours,

C. O. Mittendorf

Administrator

TLChapman:foc
5-3-55
cc to: Docket
Code 400
Adm. Reading File
FT. REG.II
H. M. Meyers, USBM
T. H. Kiilsgaard, USGS

R.C.G.

DOCKET
SURNAME
Martin

Acting Assistant Solicitor,
Defense Minerals
Chief, Iron and Ferro-Alloys Division, DMEA

May 3, 1955

Orig Rec'd by Legal
May 23
WSM

Docket No. DMEA 2445 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-8544

Transmitted herewith is a rough draft of a letter to Congressman Engle for your review and recommendations.

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

Attachment

TLCHAPMAN/foc
5-3-55
cc to: Docket
Code 400

1605 Evans Avenue
Reno, Nevada

April 28, 1955

Mr. J. L. Jonas
166 Los Robles Dr.,
Burlingame, California

Re:
Docket No. DMEA-2442 - Mercury
Contract No. Idm-E544
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Jonas:

Since my letter of April 21, 1955 to you regarding the above referenced docket, it has been suggested by our Washington office that they prepare an agreement with you formally terminating the contract. If agreeable to you, the termination agreement will be drawn up whereby your equity in the equipment and supplies will be assigned to the Government and we will credit your partnership with your 25 percent equity of the selling price. If your 25 percent equity is insufficient to cover the $1,284.51 overpayment to you by the Government, you will agree to refund the balance by check.

We would appreciate an immediate reply and a definite statement as to your reaction as to the Government's proposal.

Very truly yours,

S. Ricker

SRicker:gh
cc: Operating Committee, DMEA, Washington, D.C.
H. C. Miller
R. M. Smith
File

Finance Officer, Region II

COPY

DOCKET

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

April 27, 1955

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

DMEA 2448 - Mercury

Dear Mr. Mittendorf:

Enclosed is a letter I received from Mr. J. L. Jones of Burlingame, California, which is self-explanatory.

I would appreciate very much having a report on this case at your earliest convenience. In replying, please return the letter for my files.

Sincerely yours,

/s/ Clair Engle

CLAIR ENGLE, M.C.

COPY

April 10, 1955
166 Los Pobles Dr.
Burlingame, Calif.

Honorable Clair Engle
House of Representatives
Washington, D. C.

Sir:

I have been referred to you in the hope that you may be able to give me some advise on the following mining problem.

We have a DMEA contract number 2448, on the Mt. Diablo quicksilver mine.

In the San Francisco office they throughly explained to us that the contract was on a footage basis and it was paid on same for the first five months. In this time we sank a two compartment shaft 330 feet and drove a crosscut 120 feet. Then the DMEA changed the payment of the contract from a footage basis to a cost basis. This would not have caused trouble as our cost was more than the allowable maximum, but they are refusing to accept as a mining expense such articles as mine cars, hoisting cage, water pump, air blower for ventilation, all gas testing equipment ordered by the Mine Safety Division, battery charger, etc.

After months of discussion and no progress being made we gave up the lease and wanted to transfer the loan to a reliable mining company who will continue with the DMEA contract.

During this time an outsider obtained a lease on the mine. He has broken all the locks and started mining, using all our machinery, supplies and materials without anyone's permission.

The Reno office of the DMEA now insists we sell our machinery, supplies and materials for salvage, which is being used by the new operator to continue this DMEA contract.

What rights or privilege do we have and who can we contact in regards to them. I will greatly appreciate any advise or information you can offer.

Thanking you very much in advance.

Sincerely yours,

J. L. Jonas

J. L. Jonas

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

400

APR 27 1955

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

Re: Idm-F 544, DMEA-2448 (Mercury)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Dear Mr. Mayer:

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

There is no reason why Jones 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 Jones 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. Martin
Mr. Chambers

Clair Engle
2D DISTRICT, CALIFORNIA

HOME ADDRESS:
RED BLUFF, CALIFORNIA

OFFICE ADDRESS:
1033 HOUSE OFFICE BUILDING

Congress of the United States
House of Representatives
Washington, D. C.

Chairman
COMMITTEE:
Interior and Insular Affairs

400

April 27, 1955

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

Dear Mr. Mittendorf:

Enclosed is a letter I received from Mr. J. L. Jones of Burlingame, California, which is self-explanatory.

I would appreciate very much having a report on this case at your earliest convenience. In replying, please return the letter for my files.

Sincerely yours,

Clair Engle

CLAIR ENGLE, M.C.

April 10, 1955.
166 Los Robles Dr.
Burlingame, Calif.

Honorable Clair Engle
House of Representatives
Washington, D. C.

Sir:

I have been refered to you in the hope that you may be able to give me some advise on the following mining problem.

We have a DMEA contract number 2448, on the Mt. Diablo quicksilver mine.

In the San Francisco office they throughly explained to us that the contract was on a footage basis and it was paid on same for the first five months. In this time we sank a two compartment shaft 330 feet and drove a crosscut 120 feet. Then the DMEA changed the payment of the contract from a footage basis to a cost basis. This would not have caused trouble as our cost was more than the allowable maximum, but they are refuseing to accept as a mining expense such articles as mine cars, hoisting cage, water pump, air blower for ventilation, all gas testing equipment ordered by the Mine Safty Division, battery charger, etc.

After months of discussion and no progress being made we gave up the lease and wanted to transfer the loan to a reliable mining Company who will continue with the DMEA contract.

During this time an outsider obtained a lease on the mine. He has broken all the locks and started mining, using all our machinery, supplies and materials without anyone's permission.

The Reno office of the DMEA now insists we sell our machinery, supplies and materials for salvage, which is being used by the new operator to continue this DMEA contract.

What rights or privilege do we have and who can we contact in regards to them. I will greatly appreciate any advise or information you can offer.

Thanking you very much in advance.

Sincerely,

J. L. Jonas

J. L. Jonas

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

Chamber
Holland
Johnson
Ching
Ellis
Mitchell

APR 27 1955

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

Re: Idm-1544, DMEA-2448 (Mercury)
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Dear Mr. Mayer:

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

R.G.R.

MEMO

San Francisco, Cal
April 22, 1955

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

Defense Minerals Administration
RECEIVED
APR 25 1955

2448

Dear Mr. Chambers:

I am attaching hereto 2 copies of letter dated April 22, 1955 to D. Ricker, in connection with disposal of property under Jonas & Johnson Contract E-544.

You will note in the last paragraph that I advised Mr. Ricker that I was sending copies of letter to you, in order to obtain your advice, on accepting any bid from Jonas and Johnson, due to their tardy methods and failure to refund the overpayment of $1,784.51 due Govt.

When you give me your answers on the questions 1, 2 and 3 listed in letter to Mr. Ricker, would you send him a copy of ~~same~~ your reply to me.

Sincerely yours
George Mason

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

420 Custom House
555 Battery Street
San Francisco, 11, California

April 22, 1955

Mr. S. Ricker, Executive Officer
Defense Minerals Exploration Administration
1605 Evans Avenue
Reno, Nevada

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

Dear Mr. Ricker:

Reference is made to our telephone conversation of April 20, 1955 in connection with obtaining bids on property to be disposed of, under subject contract. As you know Mr. John L. Johnson was in my office when I telephoned you and you advised me that Mr. Sam Williston offered $2,600 cash, based on the estimated salvage value shown in Mr. Ben Sheahan's Interim Report dated March 23, 1955. You also stated that you were writing Jonas and Johnson and listing the salvage material at cost and asking them to submit a bid, together with a certified check for the amount of the bid.

After I went home last night Johnson phoned me from Burlingame and asked if he could submit a bid and I told him he could, and I also told him to try and obtain a third bid, which he said he would.

Before any credit to the contract from the sale of salvaged material and equipment there is an overpayment to Jonas and Johnson in amount of $1,284.51 which is 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 3/5/54	47,003.32	35,252.49
Overpaid to 3/5/54	$ 1,712.68	$ 1,284.51

In the event Sam Williston is the successful bidder for $2,600.00, then the Government should retain the entire amount, using the 25% equity due Jonas and Johnson to reduce their indebtedness to the Government as follows:

Sale of Salvage Material

75% due Government	$1,950.00
25% " Jonas and Johnson	650.00
Total amount of sale	$2,600.00

Amount due from Jonas & Johnson covering overpayment of MF-104	$1,284.51
Less: Amount due Jonas and Johnson from sale of property	650.00
Adjusted amount due from Jonas & Johnson	$ 634.51

If Jonas and Johnson makes a bid for $2,700.00, then they should send a check for the entire amount, and not for 75% representing the Government's equity which would be $2,025.00.

Then there is a legal question of refusing to accept their bid, until they had paid the $1,284.51 due the Government.

As you know Jonas and Johnson have made no effort to repay the $1,284.51, and failed to furnish an inventory of the material and equipment which was to be sold as salvage.

I am sending a copy of this letter to Mr. Jay L. Chambers, seeking his advice on any dealings with Jonas and Johnson in allowing them to bid on the salvage property, and a summary of the questions are as follows:

1. Due to Jonas and Johnson refusing to refund overpayment of $1,284.51 can the Government refuse to accept their bid?

2. In the event Jonas and Johnson are the successful bidders, can the Government insist on a certified check covering the total amount of the bid, and not the amount representing the Government's 75% equity?

3. Can the Government retain the amount due Jonas and Johnson representing their equity of 25% in the money received from the sale of salvaged property, and apply the money against the overpayment of $1,284.51 due from Jonas & Johnson?

Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor
Auditor

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

420 Custom House
555 Battery Street
San Francisco, 11, California

April 22, 1955

Mr. S. Richer, Executive Officer
Defense Minerals Exploration Administration
1605 Evans Avenue
Reno, Nevada

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

Dear Mr. Richer:

Reference is made to our telephone conversation of April 20, 1955 in connection with obtaining bids on property to be disposed of, under subject contract. As you know Mr. John L. Johnson was in my office when I telephoned you and you advised me that Mr. Sam Williston offered $2,600 cash, based on the estimated salvage value shown in Mr. Ben Sheahan's Interim Report dated March 23, 1955. You also stated that you were writing Jonas and Johnson and listing the salvage material at cost and asking them to submit a bid, together with a certified check for the amount of the bid.

After I went home last night Johnson phoned me from Burlingame and asked if he could submit a bid and I told him he could, and I also told him to try and obtain a third bid, which he said he would.

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As you know Jonas and Johnson have made no effort to repay the $1,284.51, and failed to furnish an inventory of the material and equipment which was to be sold as salvage.

I am sending a copy of this letter to Mr. Jay L. Chambers, seeking his advice on any dealings with Jonas and Johnson in allowing them to bid on the salvage property, and a summary of the questions are as follows:

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Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor
Auditor

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

1605 Evans Avenue
Reno, Nevada

April 21, 1955

Mr. J. L. Jonas
166 Los Robles Dr.,
Burlingame, Calif.

Re: Docket No. DMEA-2448
Contract No. Idm-E544

Dear Mr. Jonas:

Reference is made to your letter of April 8, 1955 regarding the above referenced docket.

Any work Mr. Williston has done on the Mt. Diablo property was done solely on his own initiative. I would assume, however, that he was granted permission to start operations by the Mt. Diablo Quicksilver Company to whom the property evidently reverted when your lease expired.

Since your lease expired you have not taken any steps whatsoever to remove any of your personal equipment from the property or to dispose of any of the salvageable equipment in which both you and the Government have equity. We would, therefore, appreciate an immediate reply to our letter of March 23, 1955 in which we requested that you advise us what action you are taking towards disposal of said property as well as your intention towards refunding the overpayment to you of $1,284.51 by the Government.

The H. T. Neal Machinery Co., 57 Post Street, San Francisco, California and the Cordero Mining Co., 131 University Avenue, Palo Alto, California have both shown an interest in bidding on the equipment at Mt. Diablo. Would suggest, therefore, that you request bids from these as well as any other companies you may have in mind so that the problem of the equipment can be concluded.

Our books show that the Government participated in the cost of the following equipment and supplies that were used on the project. Most of the material was consumed in the operation, and, of course, would have little or no salvage value.

Operating materials and supplies

Type of Item	Cost
Timber	$5,035.57
Pipe	1,793.49
Track	485.05
Miscellaneous	
Power - electricity	512.89
Ventube	426.60
Gasoline, fuel & lube 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 & acetylene	40.75
1,000 feet Roumex wire	67.50
Hanging rods	153.08
Electric cable, 350 feet	216.30
2 Stainless steel valves	214.50
Shovels, picks, mails	990.22
Freight	89.60
Hauling and material charges	1,303.06
	$12,425.00

Operating equipment

1 Electric hoist w/60-horsepower motor	2,115.00
1 Sheave wheel, 60-inch diameter	60.00
750 feet hoist cable, 5/8 inch	160.68
	$ 2,335.68

New buildings and improvements

Hoist room and headframe $2,000.00

We estimate that there may be a salvage value of from $2,000 to $3,000 on the foregoing totals.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:gh
cc: DMEA, Operating Committee, Wash., D.C. (2)
Geo. Mavor, Auditor, S.F., Calif.
Finance Officer, Region II
R. M. Smith, USGS
File

Surname 700

Chung
Ellis
Selfridge
Hoffstad
Chambers
Johnson
Whitenack

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

Mr. Spangler Ricker
Executive Officer
DMEA Field Team, Region II
420 Custom House
555 Battery Street
San Francisco 11, California

APR 20 1955

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-1544
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Ricker:

This is in response to your memoranda of March 23 and April 6, with attachments, in connection with the subject project.

We had hoped that the work being done by Cordero Mining Company would bring out the value of the work previously done under the subject exploration project and enable us to justify a certification of development. In view of the situation described in J. Eldon Gilbert's letter to you of April 4, such procedure does not appear to be justified now.

We believe that our next move should be to terminate the contract with Jonas and Johnson; by agreement if possible, by unilateral action if not. Such action will enable us to dispose of the equipment, materials, and supplies to Cordero before it is too late, in the event Jonas and Johnson continue to procrastinate in making such disposal.

If agreeable to Jonas and Johnson, we will draw up a termination agreement whereby their equity in the equipment and supplies will be assigned to us and we will credit the partnership with whatever amount the 25% equity is sold for. If such amount is insufficient to cover the $1,284.51 overpayment made by the Government, Jonas and Johnson will agree to refund the balance by check.

If Jonas and Johnson are unwilling to sign such an agreement, we propose to terminate under the terms of the contract, give written notice to the Operators of their obligation to dispose of the equipment and supplies, and, if after 90 days such disposal has not been made, make the disposal ourselves. Thereafter, any sums due the Government would be left to the General Accounting Office to collect.

R.C.G.

It is suggested that you contact Jonas and Johnson immediately and present the foregoing proposition to them.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

J. H. Hedges

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

MChing:am
4-13-55
cc to: Admr. Reading File
Operating Committee
Messrs. H.M.Meyer,Rm.2623
T.H.Kiilsgaard,Rm.5224
Code 700
Mr. Ching
Docket

mEa

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 12 1955

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

April 8, 1955

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

Attached are the original and three copies of an Interim Report on:

Docket No. DMEA- 2448

Contract No. Idm-E 544

Commodity Mercury

Operator S. H. Williston

Property Mt. Diablo Quicksilver Mine, Contra Costa Co., Calif.

By B. H. Sheahan

Dated April 8, 1955

S. Ricker
S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments 4

Copy to: Finance Officer, Region II (w/copy of report)
R. M. Smith-USGS (w/copy of report)

Defense Minerals Administration
RECEIVED
APR 12 1955

INTERIM REPORT

Docket No.: DMEA-2448 - Mercury April 8, 1955

Name and address of operator: John L. Jonas and John E. Johnson, co-partners
Assignees for: Ronnie B. Smith
166 Los Robles Drive
Burlingame, Calif.

Lessee: S. H. Williston, Vice Pres.,
Cordero Mining Co.,
131 University Ave.,
Palo Alto, Calif.

Name and location of property: Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Contract No.: Idm-E544

SUMMARY

The property was inspected on April 4, 1955. Operations being conducted at the property were discussed with Mr. H. A. Peterson, foreman for Cordero Mining Co. Mr. J. Eldon Gilbert, manager, well described the pumping and rehabilitating operations by a letter dated April 4, 1955 to the Executive Officer, DMEA Field Team, Region II.

The shaft was reconditioned to a depth of 320 feet. The crosscut on the 300 level was completely caved and the lessee intends to drive a new crosscut to the left and approximately parallel with the old one. About 90 gallons of water per minute was flowing into the

sump.

The crew at the property included Mr. H. A. Peterson, foreman; Vic Blomberg; and three other workmen.

B. H. Sheahan

B. H. Sheahan
Mining Engineer

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

1605 Evans Avenue
Reno, Nevada

April 6, 1955

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448 - Merrury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Relative to above subject docket, I am attaching two copies of a letter dated April 4, 1955 from Mr. J. Eldon Gilbert, manager of the Cordero Mining Co.

The letter will inform you as to the present status of the Cordero operation at the Mt. Diablo property.

S. Ricker

Attach.

CORDERO MINING COMPANY
131 UNIVERSITY AVENUE
PALO ALTO, CALIFORNIA

April 4, 1955

Mr. Spangler Ricker, Executive Officer
DMEA Field Team, Region 11
United States Department of the Interior
1605 Evans Avenue
Reno, Nevada

Dear Mr. Ricker:

To keep you posted on the Mt. Diablo Quicksilver exploration job, I am summarzing our operations there up to the present time.

We signed a contract with Mt. Diablo Corporation last fall but did no work for several months because we did not understand exactly how DMEA still fitted into the picture.

After considerable delay we started work about Christmas. We sent a good underground man from Cordero Mine in Nevada to take charge of the shaft and future underground work. From about the first of January to the last week in March we spent rehabilitating the old shaft, pumping out the accumulated water, and mucking and hoisting some 50 or 60 feet of muck in the bottom of the shaft.

In spite of the short time since the shaft was used last, we found it in relatively poor shape. Many of the shaft timbers, perhaps half of them, had kicked out or were broken and had to be replaced or reset. A great deal of the lagging was out and over half had to be replaced. The lack of lagging, of course, had allowed the muck to fall into the shaft and accumulate in the bottom. The water was removed by using a deep well, 13 stage, 25 HP pump which brought it to the collar of the shaft and from there we boosted it with a centrifugal through a 3" pipe line we had laid to the top of the hill. To date we have no water purification plant except this. We installed a 16" positive displacement blower to insure fresh air.

On about March 24th we had cleaned up the shaft and started to open the crosscut. There were no station sets and, we understand, no drift sets. The crosscuts had completely caved. After working on it for a week we are unable to make any progress. While the junction of the crosscut with the shaft is in fairly competent ground, the rest of the crosscut must be in shale and softer material. This soft material continues to slough down, mix with the water and ooze out into the shaft. We are unable to stop it with breastboarding because this would plug off the mouth of the crosscut and water, which is flowing at about 90 gallons per minute, would accumulate behind the dam and eventually force a large slug of rock and mud out into the shaft.

COPY

Mr. Ricker

We are now starting a new crosscut which will be to the left and approximately parallel to the old one.

As you can see, the benefit we have derived from having the shaft and crosscut there is highly questionable.

Very truly yours,

J. Eldon Gilbert

J. Eldon Gilbert
Manager

JEG:L

(Original and 1 copy)

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

Defense Minerals Administration
MAR 25 1955

2448

1605 Evans Avenue
Reno, Nevada

March 24, 1955

Mr. H. T. Neal
H. T. Neal Machinery Co.,
57 Post Street
San Francisco, California

Dear Mr. Neal:

Reference is made to your letter of March 21, 1955 regarding the equipment in which the Government has an equity at the Mt. Diablo Quicksilver property near Clayton, California.

You should communicate with Mr. John L. Jonas, 166 Los Robles Drive, Burlingame, California. Mr. Jonas has a minor equity in the equipment and in accordance with our contract with him, it is his responsibility to dispose of it for our joint account.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:gh
cc: DMEA, Operating Committee, Wash., D.C.
John L. Jonas
George Mavor
File

DMEA

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

Air Mail

1605 Evans Avenue
Reno, Nevada

March 23, 1955

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region II

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

Relative to above contract, we are attaching four copies of Interim Report by B. H. Sheahan. We have been holding up the report until we received a sample from the last material that came out of the crosscut.

A sample had been taken of the mine water in March 1954 shortly after the water burst at the face of the crosscut. Metallurgical Division of March 12, 1954 reports as follows:

> "Sample of water from shaft of Mt. Diablo Quicksilver Mine"
> DMEA-2448 - Idm E-544
> Water contains H_2S
> Black precipitate is H_gS"

That result prompted me to have a sample taken of the dump material of the last muck taken from the face. The mercury content was disappointing; the mercury content being only 0.1 lbs. per ton. At the time the sample was taken, March 11, 1955, the Cordero Mining Company had not yet reached the crosscut in the shaft.

BUREAU OF MINES
WASHINGTON, D. C.

APR 29 1 45 PM '55

Attached is a copy of my letter of March 23 to John L. Jonas concerning his debt to the Government and the disposal of the equipment in which the Government has a 75 percent equity.

Please let me have your suggestion as to any additional action you wish me to take regarding this docket. Perhaps certifying a development would be the proper course in lieu of some arrangement with the Cordero Mining Co.

S. Ricker

Attachments

RECEIVED
MAR 24 1955

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

Date: March 23, 1955

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -
Docket DMEA 2448

Contract Idm-E 544

Commodity Mercury

Operator - Cordero Mining Co., Palo Alto, Calif.

Property - Mt. Diablo Quicksilver Mine, Contra Costa Co., Calif.

By B. H. Sheahan

Dated March 23, 1955

S. Ricker
Executive Officer,
DMEA Field Team, Region II

Attachments

Copy to: R. M. Smith--USGS (w/copy of report)
Finance Officer, Region II (w/copy of report)
File

INTERIM REPORT
(Sixth)

Docket No.: DMEA-2448 (Mercury) March 23, 1955

Name and address of operator: John L. Jonas and John E. Johnson, Co-partners
Assignees for: Ronnie B. Smith,
166 Los Robles Drive,
Burlingame, Calif.

Lessee: S. H. Williston, Vice President
Cordero Mining Co.,
131 University Avenue,
Palo Alto, Calif.

Name and location of property: Mt. Diablo Quicksilver Mine
Contra Costa, County, California

Contract No.: Idm-E544

SUMMARY

This property was inspected on March 1, 1955 for the purpose of making an inventory of equipment and supplies in which Mr. Jonas and Mr. Johnson own an interest.

Exploration operations were suspended by the previous operators, John L. Jonas and John E. Johnson, early in March 1954 after the exploratory crosscut on the 300-foot level encountered acid water and gas. A previous interim report of March 19, 1954 described the work. No work was conducted at the property until the Cordero Mining Company resumed operations by lease in November 1954.

The records and transactions of Mr. John L. Jonas and John E. Johnson, co-partners and assignees for Mr. Ronnie B. Smith,

were examined by Mr. George Mavor, DMEA auditor. An interim audit, pertaining to the contract, was prepared on June 7, 1954.

The present operations, being conducted at the property, were discussed with Mr. H. A. Peterson, foreman for the Cordero Mining Co.

The Cordero Mining Co. has started to pump out the workings. A deep well pump was installed at the shaft with approximately 2,000 feet of waste water disposal pipelines. Improvements have been made to the ventilation equipment. Pumping operations lowered the mine water from a depth of 124 feet in the shaft to 280 feet. The water disposal and pumping problems have not been completely solved. Sandy filled material was being encountered in the shaft, and it is probable that the crosscut is partially caved and filled with muck from the fissure. The total depth of shaft including the sump is 330 feet.

The crew at the property included the foreman and three workmen. The company plans to dewater and recondition the shaft and crosscut, and drive toward the original objective.

Mr. Jonas, Mr. Johnson, and Mr. Ronnie B. Smith apparently owe $1,432.00 to the independent contractors on the previous work completed. A total of $1,284.51 is due the Government from Mr. Jonas and Mr. Johnson as described by Mr. George Mavor's audit of their transactions.

Amendment No. 2, dated April 22, 1954, provided for substituting a portion of the funds from drifting to be used for dewatering the flooded workings and for preliminary water treatment.

Amendment No. 3, dated November 1954, was prepared for the purpose of correcting the effective date of Amendment No. 2.

CONCLUSIONS

The total estimated salvage value of supplies and equipment at the property in which the Government and Mr. John L. Jonas and John E. Johnson have participating interest amounts to $2,600.00.

Inventory

An inventory of operating material and supplies in which Mr. John L. Jonas and John E. Johnson, assignees for Mr. Ronnie B. Smith, hold some interest, was obtained. The inspecting engineer referred to the interim audit of June 7, 1954 prepared by Mr. George Mavor, Auditor.

Operating Material and Supplies (Item 3)

Type of Item	Cost	Estimated Salvage Value
Timber	$ 5,035.57	$ 500.00
Pipe	1,793.49	400.00
Track	485.05	200.00
Miscellaneous		
Power - electricity	512.89	-
Ventube	426.60	100.00
Gasoline, fuel & lube oil	386.15	-
1 Die set	90.75	40.00
Bar steel	354.20	-
Concrete mix	174.89	-

Type of Item	Cost	Estimated Salvage Value
Drill Steel	$ 53.10	$ -
Electric Switches	37.50	20.00
Oxygen & acetylene	40.75	-
1,000 feet Romex wire	67.50	-
Hanging rods	153.08	-
Electric cable, 350 feet	216.30	20.00
2 Stainless steel valves	214.50	20.00
Shovels, picks, nails	990.22	100.00
Freight	89.60	-
Hauling and material charges	1,303.06	-
Total (Item 3)	$12,425.00	$1,400.00
Operating equipment (Item 4)		
1 Electric hoist w/60-horse-power motor	2,115.00	$1,000.00
1 Sheave wheel, 60-inch dia.	60.00	-
750 feet Hoist cable, 5/8 inch	160.68	-
Total (Item 4)	$ 2,335.68	$1,000.00
New Buildings and improvements (Item 5)		
Hoist room and headframe	$ 2,000.00	200.00
Total (Item 5)	$ 2,000.00	$ 200.00
TOTAL salvage value Items 3, 4, and 5		$2,600.00

Other operating equipment and supplies, furnished by Mt. Diablo Mining Co., or items recently furnished by the Cordero Mining Co., are not included with the above list.

The Cordero Mining Company was using the headframe, electric hoist, cable, ventube, electrical equipment, shaft, hoistroom, and miscellaneous supplies, all of which the Government has a 75 percent equity.

B. H. Sheahan

B. H. Sheahan
Mining Engineer

1605 Evans Avenue
Reno, Nevada

March 23, 1955

John L. Jonas
166 Los Robles Drive
Burlingame, California

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

Dear Mr. Jonas:

A short time ago you were in my office in San Francisco, discussing a settlement of above subject contract, and at that time, you stated that you were going to make a complete inventory of all equipment, materials, and supplies in which the Government had a 75 percent equity.

To date, we have not been favored with a copy of this inventory, and I would appreciate you forwarding the inventory to me at your earliest convenience. You should also request bids for this equipment based on salvage values as suggested by Mr. Frank E. Johnson, Acting Administrator, in his letter to you of February 18, 1955.

Your prompt attention as to what steps you are taking toward the disposal of this property, as well as to what steps you are taking to refund the $1,284.51 overpayment to you by the Government on this contract, will be appreciated.

Very truly yours,

S. RICKER

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:gh
cc: DMEA Operating Committee, Wash., D.C.
George Mavor
H. C. Miller
File

Surname

Ching
Ellis

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

MAR 1 - 1955

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

Re: Docket No. DMEA-244C (Mercury)
Contract No. Tum-1544
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Jonas:

Receipt is acknowledged of your letter of February 19, 1955 regarding the subject project.

In answer to your question, we did not give Mr. Williston permission to use the project equipment.

By this time you have, no doubt, received our letter of February 18, in which you were reminded that it is your responsibility under the contract to dispose of the jointly held equipment. Perhaps you would be interested in approaching Mr. Williston concerning the taking over of this equipment. In any event, it is suggested that you contact our Executive Officer, Mr. Kicker, regarding any questions that may arise in connection with it.

Sincerely yours,

C. O. Mittendorf

Administrator

MChing:am
2-28-55
cc to: Admr. Reading File
Operating Committee
Docket
Messrs. T. H. Kiilsgaard, Rm. 5224
H. M. Meyer, Rm. 2623
Code 700
Mr. Ching
DMEA Field Team, Region II(2)

R.C.L.

2/23/55 glc

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 23 1955

February 19, 1955.
166 Los Robles Dr.
Burlingame, Calif.

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

Sir:

I made a trip to the Mt. Diablo Quicksilver mine on February 13, 1955, on which we have a DMEA loan number 2448. As you know we have been trying to clear up some of the misunderstandings so as operations can be resumed.

At the mine I find that a Mr. Williston has been working. He has the water pumped down to the top of the station set. The station is three hundred feet from the collar of the shaft. The shaft is in good condition and only a small amount of repair work is required.

I am very surprised because he broke the locks off the hoist house, is useing our timber, lagging, wedges, hoist, air ventilating system, truck, and all the items necessary for mining. We did not give anyone our permission so we consulted Mr. Ricker of your San Francisco office and he too had not been consulted about the matter.

Will you please advise me on this matter or has your office given Mr. Williston this privilege. A great many of the items he is useing are not allowed in the DMEA audit, such as hoist cage, hoist cross head, air blower, etc,.

A speedy answer will be greatly appreciated.

Sincerely,

J. L. Jonas

J. L. Jonas

Surname 700

Ching
Chambers
Hoffman

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

FEB 18 1955

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

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

Dear Mr. Jonas:

Reference is made to your letter of January 23, concerning the subject project.

A careful reading of the contract will bring out the fact that it was drawn on an actual cost basis. Provisions were made for independent contracts because Ronnie Smith originally planned to sub-contract the sinking and drifting at prices per foot which would include all costs except those for consulting, a few items of equipment to be purchased or furnished by him, surface plant, head-frame, and assaying. The contract provided that only the actual costs of such independent contracts were chargeable to the project up to the allowable maximums. However, Ronnie Smith failed to contract out the work so as to include all major costs, as originally planned. Instead, his independent contracts provided only for labor, explosives, small tools and other minor costs. As a result, the various item of actual cost turned out quite differently from the estimated costs shown in the contract. Nevertheless, only the actual costs could be allowed since no provisions were made in the contract for fixed unit costs other than the unit prices specified in the independent contract between the Operator and his sub-contractor. The terms of the contract have remained the same at all times except where formally amended, and any mistakes or misinterpretations of such terms cannot affect proper settlements under the contract. Provisions were made in the contract for auditing the accounts for that very reason.

It is our understanding that the mine was shut down on March 5, 1954 by order of the Industrial Accident Commission of California and not by order of Mr. Sheahan. We further understand that you consulted the Commission about resuming the work prior to giving up the lease.

R.C.G.

As far as any future operations are concerned, by surrendering your lease on the property without prior advice to the Government you not only deprived yourself of all property rights, but you have made negotiations by the Government for completion of the project very difficult. We understand that the Cordero Mining Company now holds a lease on the property, and Cordero has stated that it is not interested in accepting an assignment of your contract with the Government. Under these circumstances it would be futile for the Government to request you to complete the contract since you no longer hold any property rights.

As I stated in my letter to you of November 16, 1954, the Government is willing to transfer the exploration contract and equipment to a qualified operator, but such an operator would have to hold a lease on the property.

With respect to the project equipment held jointly by you and the Government, you realize, of course, that it is your responsibility, under the contract, to dispose of it for the joint account. In the event an arrangement can be made for some operator to complete the exploration project, the equipment may command a greater salvage value than it would otherwise. However, you should be prepared to dispose of the equipment whether or not such an arrangement is made.

Your attention is again called to the fact that you have been overpaid $1,224.51 by the Government and that this sum is now overdue.

Sincerely yours,

Frank E. Johnson
by ESF
ACTING Administrator

MChing/am/gla
2-16-55
cc to: Admr. Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Kiilsgaard, Rm. 5224
Code 700
Mr. Ching
DMEA Field Team, Region II (2)

2/2/55 gla

RECEIVED

January 23, 1955.
166 Los Robles Dr.
Burlingame, Calif.

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

Mr. Mittendorf:

Our conversations here in San Francisco leads me to believe that your information, on our DMEA contract number 2448, on the Mt. Diablo Quicksilver mine is not complete. There fore a brief outling of our activities and interferences.

We purchased the contract and equipment from Ronnie B. Smith, who negotiated the DMEA loan, as of November 1, 1953. He was being paid by the foot for sinking the shaft. We consulted all persons at this office to make sure the contract was on a footage basis as that was the only way we were interested in this type of mine. We discussed specificaly the basis of payments to that date. The first report was made out and sent in on a cost basis which was returned and Mr. Smith was informed that the contract was on a footage basis. A new report was made on a footage basis and payment was continued on same. After our enterance into this contract we progressed according to schedule and a good shaft was completed.

F.T. wrong!

On February 18, 1954, when we blasted into the foot wall of the ore body, our flood occured. The water level settled at 124 feet below the collar of the shaft. March 3, 1954, Mr. Scheahan inspected the property, I believe the first time since December 1953, and a program was mapped for continueing the dewatering. March 4, 1954, when our fatality occured we had completed pumping and repairs to the 190 foot level. March 5, 1954, the day after our fatality, Mr. Scheahan arrived about ten o'clock and ordered us to shut the mine down. The deceased miner was a personal friend of his.

Jan. 5, 1954

This required a few weeks to straighten out as we did not question the authority of Mr. Scheahan, but during this time the mine again filled with water. We were once again ready to start work when Mr. Mavor, DMEA auditor called us into his office and informed us the contract had been put back on a cost basis. We had purchased and paid for all the materials to complete the remaining 500 feet of tunnel work on this contract. It consisted of fan bags, lagging, posts, timber, ties, mud sills, wedges, rail, spikes, fish plates, stainless steel pump, transite pipe, stainless foot and check valves, compressor, three gas testing equipments, battery charger, head lamps, etc, and machinery for the project.

K

We had no reason to believe other than that the contract was on a footage basis because of payment and the material and equipment required for this type of mine. We were forced to purchase, by the State Division of Mines, Health and Safty Division, many items which are not mentioned in the contract. Many more items which are necessary for the handleing of acid water are not mentioned. Most of these items were not allowed when the contract was changed from a footage basis to a cost basis and yet it is impossible to mine this property without them.

Not charged

We have expended a considerable amount on this property only to see a good mine fall by the wayside because of misunderstandings beyond our control. Instead of producing quicksilver for the past ten months we are still at a stand still.

? What does Rucker say?

There are two companies who are desirous of starting work immediately and completing this DMEA contract and producing quicksilver.

You don't have any property rights.

They informed me here that the DMEA can ask us to finish this contract. If this is true can these companies perform the work and start production and who can we see and how can it be arranged.

If you can give me any information on this situation will you please do so.

Sincerely Yours,

J. L. Jonas

J. L. Jonas

jj/JJ

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

JAN 25 1955

420 Custom House
555 Battery Street
San Francisco 11, Calif.

January 21, 1955

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

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

Reference is made to your letter of December 17, 1954, relating to the above-subject docket.

I am returning six copies of the proposed agreement which I recently discussed with officials of the Cordero Mining Company. I am retaining the Field Team copy temporarily in case it is necessary to make reference to it.

Attached also are two copies of a letter dated January 19, 1955, which I received today from the Cordero Mining Company regarding our conference on the proposed agreement and their counter-proposal.

It would appear that we are far from reaching an agreement that might be satisfactory to the Government. On the other hand, perhaps Mr. Williston's letter keeps the door open so that some common ground may be found on which a satisfactory agreement could be resolved.

Mr. Williston expects to be in the East sometime around the middle of February and it occurred to me that a discussion between you and Mr. Williston may possibly be fruitful. I am sure Mr. Williston would be pleased to discuss the matter with you but I do not wish to suggest it to him unless it is agreeable to you. Will you please advise me what course of action I should take.

S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments

CORDERO MINING COMPANY
131 UNIVERSITY AVENUE
PALO ALTO, CALIFORNIA

Defense Minerals Administration
RECEIVED
JAN 25 1955

January 19, 1955

Mr. Spangler Ricker, Executive Officer
Defense Minerals Exploration Administration
Field Team, Region III
Bureau of Mines
Department of the Interior
San Francisco 11, California

Dear Mr. Ricker:

Apologies are in order on my part for not writing you sooner after our conference in your office. I am sorry I have not been able to follow it up as I promised.

I am returning herewith the two copies of the proposed Agreement drawn up by Washington. On these conditions we could not honestly recommend to Mt. Diablo Quicksilver Company that they substitute a fixed lien on the property in place of what is now no obligation at all and could only be considered as a potential contingent liability.

There is one other point which apparently is not quite clear in their minds and that is the fact that the present dispute, if it could be called a dispute, is between the DMEA and the Mt. Diablo Quicksilver Company, and Cordero Mining Company is merely an innocent bystander. Any contract or agreement, if drawn up, should be between the Government and Mt. Diablo and we will merely use our good offices to endeavor to get something settled so we can go ahead and do some exploration work. I am perfectly willing to do anything I can to hurry this up but all I can really do is try and help a settlement along by trying to prevail on Mt. Diablo Quicksilver Company to accept some reasonable, even if not equitable, settlement.

At the present time the shaft and cross cut of the DMEA exploration did not result in discovery of ore and, with the shaft full of water and the cross cut presumably caved, both are inaccessible and of no immediate use.

We will do our best to persuade Mt. Diablo Quicksilver Company to agree to one of the following proposals:

(1) "If commercial ore is found within 300 feet either way from the point the cross cut hits the extension of the mineralized zone then Mt. Diablo will accept as a fixed obligation a 5% royalty on any ore produced between that level and the overlying workings until one-half of the Government's net investment in the DMEA project is repaid". This substitutes a fixed obligation for what is otherwise only a potential contingent liability.

(2) "The Mt. Diablo Quicksilver Company will agree to payments out of

royalty from ore which may be discovered as in (1) above in an amount equal to the Government's net investment in the DMEA loan less the cost of de-watering the shaft and reopening the cross cut, these costs to include accelerated depreciation on equipment used and all necessary water treatment costs and other costs applicable to the rehabilitation operation".

(3) In the event that neither of these are acceptable to the Government then we would suggest that the Government either remove or sell the equipment on the property in which it holds an interest and Cordero will go ahead and do the exploration it deems advisable. If nothing results there is no basis for argument between the Government and Mt. Diablo, and if ore should be discovered then the ultimate solution can be left to a decision by the courts.

There is a fourth solution, although Cordero Mining Company is not particularly interested in it, and the Mt. Diablo Quicksilver Company might be strongly adverse to it. This would be to grant a new DMEA loan to cover the costs of de-watering and the recovery of the cross cut to complete the drifting on the vein and it would have to include full cost of a water treatment plant and the necessary equipment. If this were successful then the Government would recover all of their net investment but would have to put up three-fourths of the money and since the last program carries so many unknown factors, difficult if not impossible to estimate, the provisions of the loan would have to be flexible and the amount, to cover contingencies, rather large.

If your office, or the Washington office, has any interest in any of these suggestions we will be glad to do what we can to bring them to an early conclusion. It has already been over ten months since work at Mt. Diablo was shut down.

Very truly yours,

S. H. Williston

SHW:L
Enc: 2 copies AGREEMENT
Additional copy this letter
cc - Mt. Diablo Quicksilver Company

Department of the Interior
Defense Minerals Administration
RECEIVED
DEC 21 1954

RECEIVED
DEC 21 3 19 AM '54
DEPT. OF THE INTERIOR
DMA - COMMUNICATIONS

NRH KKKK-067K SW062-WAF SFF 21 I-DCH

SAN FRANCISCO CALIF 12-20-54 315P

DEFENSE MINERALS EXPLORATION ADMINISTRATION,

INTERIOR BUILDING WA

CORDERO MINING COMPANY REQUESTING REACTION TO THEIR LETTER OF NOVEMBER 18 REGARDING DOCKET NO. DMEA-2443, MT. DIABLO QUICKSILVER. IF PUMPING SHOULD BE REQUIRED, IT IS HIGHLY DESIRABLE IT START DURING RAINY SEASON.

C RICKER EXECUTIVE OFFICER, DMEA FIELD TEAM REGION III

18 2443

LH 325PM

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

Selbridge
Jefferson
Mattendorf

DEC 17 1954

Mr. Spangler Richer
Executive Officer
DMEA Field Team, Region III
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-254
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County
California

Dear Mr. Richer:

Attached hereto is a draft of a proposed agreement for the execution of Cordura Mining Company (or whatever corporation or entity Mr. Williston expects to use) to carry out his suggestions, as we understand them, as set forth in your memorandum of November 22 to the Administrator.

The effect of this agreement is to give the Government an immediate lien in the sum of $25,000 in lieu of the inchoate or contingent lien provided for in the exploration contract in the sum of $36,537. Obviously, in the absence of production, the Government cannot recover any royalty, and the proposed contract with Mr. Williston seems to offer the most likely way of getting the property into production. In the light of all of the circumstances, I think the contract would be beneficial to the Government and justified both from a legal and practical basis.

You will note that we have suggested the sum of $25,000 instead of $20,000 as suggested in your memorandum. This increase was made because we felt it would be difficult to justify your lower figure by an analysis of the facts in the case. The facts will justify the $25,000 figure.

If the proposed agreement seems satisfactory to you, it is suggested that you arrange for a meeting with Mr. Williston for a full discussion of the matter. If he accepts the proposition he should sign all copies prior to execution by the Administrator for the Government.

Your attention is called to the necessity of procuring from Mt. Diablo Quicksilver Co., Ltd., an Owner's Consent to Lien to cover the proposed contract (see Article 3 of the contract). When the proposed contract with Mr. Willisten is executed by both parties, with this Owner's Consent to Lien attached, the previous Owner's Consent to Lien attached to the contract with Jesus and Johnson will become absolved and released; and a copy of this agreement will be furnished to Mt. Diablo Quicksilver Co., Ltd., to provide it with evidence of the fact.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (JLB)

Approved:

/s/ Robert W. Geehan
Member, Bureau of Mines (JLB)

Thor H. Kiilsgaard
Member, Geological Survey (JLB)

Enclosure

JLHofflund/emd/esf 12/8/54
Rewritten 12/17/54
Copy to: DMEA Docket
Solicitor's Docket
Admr. R. File
Operating Committee
H. M. Meyer, USBM
T. Kiilsgaard, USGS
E. W. Ellis
J. L. Hofflund
chron.

Hoffland
Ching
Ellis
Chamber
Mittendorf
~~Lefferts~~

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

Mr. Spangler Ricker
Executive Officer
DMEA Field Team, Region III
420 Custom House
555 Battery Street
San Francisco 11, California

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

Dear Mr. Ricker:

Attached hereto is a draft of a proposed agreement for the execution of Cordero Mining Company (or whatever corporation or entity Mr. Williston expects to use) to carry out his suggestions, as we understand them, as set forth in your memorandum of November 22 to the Administrator.

The effect of this agreement is to give the Government an immediate lien in the sum of $28,000 in lieu of the incheate or contingent lien provided for in the exploration contract in the sum of $36,537. Obviously, in the absence of production, the Government cannot recover any royalty, and the proposed contract with Mr. Williston seems to offer the most likely way of getting the property into production. In the light of all of the circumstances, I think the contract would be beneficial to the Government and justified both from a legal and practical basis.

If the proposed agreement seems satisfactory to you, please forward it to Mr. Williston with a copy of this letter for execution by him prior to execution by the Administrator for the Government.

Your attention is called to the necessity of procuring from Mt. Diablo Quicksilver Co., Ltd., an Owner's Consent to Lien to cover the proposed contract (see Article

3 of the contract). When the proposed contract with Mr. Williston is executed by both parties, with this Owner's Consent to Lien attached, the previous Owner's Consent to Lien attached to the contract with Jonas and Johnson will become absolved and released; and a copy of this agreement will be furnished to Mt. Diablo Quicksilver Co., Ltd., to provide it with evidence of the fact.

Chairman, Operating Committee

Approved:

Member, Bureau of Mines

Member, Geological Survey

JLHofflund/emd 12/8/54

Copy to: DMEA Docket
Solicitor's Docket
Adm. R. File
Operating Committee
H. M. Meyer, USBM
T. Kiilsgaard, USGS
E. W. Ellis
J. L. Hofflund
chron.
pending

(f) Lien for payment.--To secure the payment of its percentage royalty, there is hereby granted to the Government a lien upon the land or the Operator's interest in the land and upon any production of minerals therefrom, until the royalty claim is extinguished by lapse of time or is fully paid.

(g) Notice to purchasers.--The Operator shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Administrator, Defense Minerals Exploration Administration, or his successor, and his estimate thereof shall be final and binding upon the Operator.

(h) No obligation to produce.--Nothing in this Contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(i) Government not obligated to buy.--Nothing in this Contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

2. The Government does not intend by this Agreement to release or waive any claim it may have against said Jonas and Johnson arising out of said Exploration Project Contract or out of their default in the performance thereof; but if and to the extent that the Government may make any recovery of money from said Jonas and Johnson on any such claim, in excess of the sum of $16,537 (the difference between $36,537 and $20,000), such excess shall be for the credit and account of Cordero Mining Company. The Government may waive, forego, or prosecute any claim it may have against said Jonas and Johnson.

3. Upon the execution of this Agreement with an Owner's Consent to Lien of Mt. Diablo Quicksilver Co., Ltd., the owner and lessor of the land, attached, that certain Owner's Consent to Lien of said lessor dated

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

Defense Minerals Administration
RECEIVED
DEC 17 1954

420 Custom House
555 Battery Street
San Francisco 11, Calif.

December 13, 1954

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544
Amendment No. 3

Attached are the original and two copies of Amendment No. 3, dated November 19, 1954, made in connection with subject contract.

A justification sheet is attached to each copy of the amendment.

Proper distribution has been made of the remaining copies.

S. Ricker
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: A. C. Johnson, Reno (With copy of amendment)
Finance Officer, Region III (With copy of amendment)
Roscoe Smith, USGS
George Mavor

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

December 8, 1954

Memorandum

To: The Administrator, DMEA
Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jonas and Johnson
Contract No. Idm-2544 (Mercury)

Attached hereto is a letter for the signature of the Chairman of the Operating Committee, transmitting to the Field Team Executive Officer, Region III, a proposed agreement with Mr. Sam Williston (Cordero Mining Company) to enable him to take over the Mt. Diablo Quicksilver Mine involved in Contract Idm-2544, Docket No. DMEA-2448 with Jonas and Johnson. It is suggested that if you approve of the agreement, a copy of the letter to the Executive Officer be sent to Mr. Williston; but I am setting forth herewith some legal considerations which are not suitable for transmittal to Mr. Williston but a copy of which you may wish to give to the Executive Officer.

I understand the facts of this matter to be as follows: The Operator (an assignee) carried on operations under the contract, and completed a 300-foot shaft and a drift to the very margins of the target. At this point water broke in and disrupted further operations. Amendment No. 2 to the contract was entered into to authorize dewatering operations, the cost of which would be met by cutting down on certain drifting to the extent necessary so as not to increase the original estimated total cost. The Operator did perform some dewatering, and there is some dispute as to costs incurred for this purpose before the date of Amendment No. 2. The dewatering was never completed, and the Operator abandoned the project and surrendered its leasehold after the sum of $36,537 had been contributed by the Government ($1,284.51 of which is an overpayment).

The contract is on the 1952 form which permits abandonment by the operator. Abandonment under this provision probably clears the land and the operator from any

DMEA Docket

obligation to pay royalty. The abandonment provision was not intended to enable an operator to avoid the obligation to complete the work, but the default of the operator in this respect may be excusable in view of the nature of the contingency ("act of God") which caused the stoppage. Even if the Government could rescind the contract and demand repayment of its contribution for the default of the Operator, it is my understanding that this would be a useless gesture because the Operator is insolvent and could not repay; and of course any such claim for repayment would not be covered by the royalty provisions, because they depend upon the contract.

It is my understanding that the exploration workings have not actually gone through any mineralized ground, but did reach a point which confirms certain geological suppositions with respect to the target. It is possible that this project could be certified under the broad provisions of the contract form in spite of the fact that apparently no actual discovery has been made. However, the policy of certifying under these circumstances (which is an administrative rather than a legal problem) is doubtful. Certainly discovery is the essential purpose of the exploration program, and only unusual circumstances seem to justify certification upon any work short of discovery. Mr. Williston, of course, contends that the contract would not support a certification under these circumstances.

Should we certify the project, and thus attempt to put a lien upon any production therefrom before any discovery has been made, it may be that neither Mr. Williston nor any other operator would be interested in prosecuting the project any further. On the other hand, Mr. Williston himself has suggested the agreement referred to as a possible means of procuring the further prosecution of the work. Moreover, Mr. Williston represents that at this point at least he is not interested in any agreement with the Government for financial aid, and expects to finance the work himself.

It thus appears that in the absence of an agreement with Mr. Williston (Cordero) the Government has two doubtful and uncertain rights: (1) to stand on the contract,

certify, and look to the royalty; (2) to rescind the contract for the default of the Operator and demand repayment. Until the Government takes one course or the other it has no liquidated claim against the Operator or the land, and the beneficial results of either for the Government are doubtful. Mr. Williston offers at least a certain benefit in a fixed sum, dependent to be sure upon the contingency of production from the land, but this contingency is inherent in any case in the nature of a royalty. In my opinion the proposed transaction with Mr. Williston is not in the nature of a settlement of a claim (the Government does not now have any claim) but rather in the nature of a novation of parties, Mr. Williston assuming the contingent, unliquidated obligation of the former operator to the extent of a fixed sum ($20,000), secured by an unrecorded lien on the land and production in lieu of the Government's doubtful rights referred to above. I believe that this is a beneficial transaction for the Government, subject to no objection, legal or otherwise.

Once the proposed agreement with Mr. Williston is executed and in effect, we can clear the record of the contract with Jonas and Johnson either by giving them notice of termination or by a termination agreement. I doubt if we would want to attempt a rescission and recovery of money contributed, under all of the circumstances of the case.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

Attachment

JLHofflund/emd
Copy to: DMEA Docket
Solicitor's Docket
E. W. Ellis
J. D. Parriott
J. L. Hofflund
chron.

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

Air Mail

November 22, 1954

Memorandum

To: C. O. Mittendorf, Administrator, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

Mr. Sam Williston, of the Cordero Mining Company, and his Chief Mining Engineer, Elton Gilbert, discussed the above subject contract with me on November 17, 1954. They are considering the possibility of continuing the work as outlined in the contract but wish to do the work with their own funds. On the other hand, they appear willing to make some sort of an ethical settlement with the Government in order to avoid legal entanglements with the Government on its claim of having an equity in future production value from the property.

I requested a letter from Mr. Williston in which he would state his proposition. A copy of his letter dated November 18, 1954, is enclosed and I believe it expresses the views he seemed to have during the discussion with me. However, he mentioned in our discussion the sum of $20,000 to be paid the Government in royalties from any future production. The last paragraph of his letter does not specify any amount but he mentions the $25 decline in mercury prices. In plain words, he was willing on November 17 to buy the Government's equity of $36,537.00 for $20,000.00. The account at present stands as follows:

Contract	$73,571.00
Costs	47,003.32
Balance on Contract	$26,567.68
Paid to date by Govt.	$35,252.49
Overpayment by Govt. to Jonas & Johnson	1,284.51
Total	$36,537.00

Mr. Wiliston claims that inasmuch as the shaft is full of water and the crosscut is possibly caved, the discount is reasonable. He also mentions in his letter other complications which I believe are true.

Whether or not the Government has an equity in the property from now on is purely a legal question on which I am unable to pass an opinion. I doubt, however, if further expense by the Government is warranted in view of the following problems:

1. Cost of unwatering shaft and recovering crosscut.

2. Possible dangerous gassy conditions.

3. Assurance of finding commercial ore bodies not yet known.

4. Would any operator agree to assume assignment of present contract with problems 1, 2, and 3 unsolved?

5. In case of issuance of Certificate of Discovery or Development by the DMEA, would not the property be destined to remain idle without any chance of Government recovery of royalty and investment? Would such a Certificate be legal?

A bargaining method such as outlined above may not be according to Government policy and may not be legal but I am giving you this as a possible method of closing out this contract. It is the best I have to offer at the moment.

S. Ricker
Executive Officer
DMEA Field Team, Region III

Attachment Sent to 700 to be returned.

Copy to: Roscoe Smith, USGS

CORDERO MINING COMPANY
131 UNIVERSITY AVENUE
PALO ALTO, CALIFORNIA

November 18, 1954

Mr. Spangler Ricker, Executive Officer
Defense Minerals Exploration Administration
Field Team, Region III
Bureau of Mines
Department of the Interior
San Francisco 11, California

Dear Mr. Ricker:

Last week we took, somewhat hesitantly, a lease and option on the Mt. Diablo quicksilver property. This is for ten years and may at our election be extended another ten years. On the other hand, we have the option to cancel at any time on a notice of 60 days.

We find the legal situation, quite candidly, to be in a mess.

The State Water Pollution Agency has issued an order prohibiting the de-watering of the mine or the dumping of water into the surface drainage without a water treatment plant suitable and acceptable to them.

The State Mine Inspector has issued an order prohibiting anyone from entering the shaft for any purpose until it has been completely de-watered and he has personally examined it.

There is also a Quiet Title proceedings on a part of the property now under active litigation, probable outcome unknown.

In addition to this there is a DMEA project on the property which, we are told, was ordered shut down by DMEA Field personnel in March of 1954, almost nine months ago. At the present time, work under this project consists of a shaft and a cross cut. The shaft is filled with water and its condition is unknown. The cross cut, which was largely untimbered, is also in a completely unknown condition. Not So

Mr. Vic Blemberg, who has been on the property more or less continuously for many years, is of the opinion that this drift is down since gas, which comes with the water and normally continues to come with the water at this property, ceased entirely some time ago.

The original participant in the DMEA contract, Mr. Smith of Dallas, Texas, assigned his interests approximately a year ago but left behind some broken-down machinery and $2500 worth of debts. The assignees of that contract, Jones and Johnson, lost all of their title from Diablo under a lease and option some three months or more ago although they also have equipment on the property and potential litigation with DMEA. The DMEA project was not completed and no ore discovery was made.

COPY

Mr. Spangler Hicker

Our interpretation of the DMEA contract would indicate that since no discovery was made and since we are informed that the work was shut down by a Field representative of DMEA more than six months ago, the contract is concluded and that the Government has no title nor lien of whatsoever kind on the property. We understand from our conversation with you yesterday that the DMEA does not feel this to be the case and that the DMEA would hold that if any exploration work done by the DMEA should ever be used in the future, either for the discovery or removal of ore subsequently found, that the DMEA would hold that they were entitled to recovery of all amounts expended by the Government on the project. I believe that if a little study is given to this attitude on the part of the Government its effect on the probable application for future DMEA loans would be readily discernable. There would be a perpetual cloud upon the title of all properties on which a DMEA loan had ever been granted and no land owner would care to permit such a cloud.

We do not at the present time, have any contracts with the DMEA; neither are we seeking any contract on this property, nor would we accept an assignment for a continuation of the now expired contract. We would appreciate, from you or from Washington, a statement as to what the Government feels is its position in regard to this property.

The Mt. Diablo Mine has prospects for future additional production. If it did not we wouldn't bother with it under any conditions. On the other hand, the profits from it in the past have not been great and there is no reason to believe that future profits might be anything phenomenal. The present market price of mercury while good is, in relation to present costs, not nearly so good as it was during the early years of World War II. The present floor price of mercury granted by the Government is exactly the same in relationship to costs as $75 mercury was in 1939, or as 15¢ lead is today.

I think you can see from the problems involved that this property can be operated successfully only if it is not loaded down with unnecessary expenses or unnecessary litigation.

In the light of your present reorganization we would, if possible, like to cooperate in any way we can in spite of our previous experiences and we would be willing to do our best to arrange a compromise agreement with the Government and the Mt. Diablo Company under which it would be possible for us to operate the property. I hesitate to suggest any figure in the light of the $25 decline in mercury prices quoted today in the E&MJ Metal Markets where mercury is being offered for relatively early delivery at a price in the neighborhood of $305. This is a decline of almost 10% in two weeks.

Very truly yours,

S. H. Williston

SHW:L

Enc. - Additional copy

Su[illegible]me copy

700

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

Ching
Ellis
Chamberlain
Selfridge
JKJanson

NOV 22 1954

Mr. Spangler Ricker
Executive Officer
DMEA Field Team, Region III
420 Custom House
555 Battery Street
San Francisco 11, California

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

Dear Mr. Ricker:

In accordance with Mr. H. C. Miller's memorandum of October 29, 1954, concerning the subject docket, we are enclosing the original and five copies of a proposed Amendment No. 3 to the captioned contract, executed by the Administrator.

If you and the Operator find the proposed amendment in order, please have the latter sign all six copies and make the usual distribution thereafter.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures 6

APPROVED:
J. H. Hedges

Member, Bureau of Mines
E. L. Newcomb

Member, Geological Survey

MChing/gla
11-17-54
cc to: Admr. Reading File
Operating Committee
Docket
Messrs. H. M. Meyer, Rm. 2623
T. A. Kiilsgaard, Rm. 5224
Code 700
Mr. Ching

R.C.L.

Surname 700

Ching
Ellis

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

NOV 16 1954

Messrs. John L. Jonas and
John E. Johnson
166 Los Robles Drive
Burlingame, California

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

Gentlemen:

Thank you for your letter of October 29, 1954 concerning the subject project.

We have referred your letter to Mr. Spangler Ricker, our new Executive Officer, DMEA Field Team, Region III, for his consideration.

We agree with you that a transfer of the contract and equipment to a qualified operator would be desirable, but this procedure is possible only after the prospective operator has acquired a lease on the property.

Mr. Ricker will, no doubt, explore every possibility in connection with this problem and contact you in the event any action is required of you.

Sincerely yours,

C. O. Mittendorf

Administrator

MChing:am
11-15-54
cc to: Admr. Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Kiilsgaard, Rm. 5224
Code 700
Mr. Ching

Surname copy

700

Ching
Ellis

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

November 2, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Michael Ching, Mining Engineer
Rare and Miscellaneous Metals Division

Subject: Proposed Amendment No. 3
Docket No. DMEA-2448 (Mercury)
Contract No. Idm-E544
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Will you kindly prepare an Amendment No. 3 to the subject contract, making Amendment No. 2 effective as of February 18, 1954, instead of April 22, 1954.

/s/ Michael Ching

Michael Ching

MChing/gla
cc to: Docket file
Code 700 contract file
Mr. Ching

11/10/54 gla

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 9 - 1954

October 29, 1954.
166 Los Robles Dr.
Burlingame, California.

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

Sir:

As you know we could not proceed further with the Mt. Diablo Quicksilver Mine and the DMEA Contract Number 2448, due to mishaps and misunderstandings. I am very sorry for this condition because I feel the mine merits all the development work which has been planned for it.

There are two reliable and competent mining groups who are very desirous of completing this DMEA Contract. We have agreed to transfer the contract and equipment to them so as to further this undertaking by the DMEA.

The Mt. Diablo Company, for some reason unknown to me, wish to cancel this DMEA work and turn the mine over to the Sun Oil Company, under their Cordera Mining Company subsidiary, presumabley for their future needs.

We are interested, both from the stand point of tax payer and miner, in seeing this mine produce for the good of our government, who has contributed the greater part of the expense to explore the property.

Will you please advise if there is anything further we can do to help in the completion of this DMEA Contract.

Sincerely,

John L. Jonas
John L. Jonas

John E. Johnson
John E. Johnson

Copy to
H. C. Miller
Executive Officer, DMEA Field Team
555 Battery St.
San Francisco, California.

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, Calif.

October 29, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

As you know, water broke into the subject mine and flooded the DMEA workings on February 18, 1954. On February 24, I wired Mr. C. O. 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.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno
George Mavor

DMEA-Washington, D.C.

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

Defense Minerals Administration
RECEIVED
NOV 1 - 1954

420 Custom House
555 Battery Street
San Francisco 11, California

October 28, 1954

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

RE: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson, Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-5544

Dear Mr. Jonas:

Attached hereto are one original and five copies each of Forms MF-104 and MF-104A covering Operator's Monthly Report and Voucher for the month of March 1954, which have been prepared by this office for your signature. The figures shown in these vouchers are in accordance with audited figures compiled by Mr. George Mavor, DMEA Auditor.

It has been determined that the contract has been overpaid and the amount to be refunded to the Government amounts to $1,284.51, based on the March 1954 voucher and accounted for as follows:

Total costs to March 1954	$47,003.32
75% Government participation	$35,252.49
Paid by Government to January 31, 1954	$36,537.00
Overpayment due from Jonas and Johnson	$ 1,284.51

This overpayment of $1,284.51 has been outstanding on the Government records since February 15, 1954, or more than eight months. It is therefore imperative for you to refund this money and we would appreciate receiving your check in order to remove our claim against the partnership from our records.

Consideration should also be given to disposal of property in which the Government has a 75% equity. The property to be sold includes a hoist, lumber, and possibly other miscellaneous material. You would have to pay the Government 75% of the proceeds from the sale of this property; however, the sale of this property can be held in abeyance pending the final disposition of your contract.

After you have signed the enclosed vouchers you can retain one copy each of Forms WF-104 and WF-104A for your files and forward the original and four copies of each set to Mr. A. C. Johnson, Chief, Mining Division, Region III, Bureau of Mines, Reno, Nevada, for further processing.

Sincerely yours,

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Enclosures

Copy to: A. C. Johnson-Reno
G. Mavor
Finance Officer, Region III
Operating Committee-DMEA, Washington

Talbert
Ching
Ellis
Chamberlain

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

R.C.S.

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.

Ellis

October 21, 1954

Memorandum

To: The File

From: Michael Ching, Mining Engineer
Rare and Miscellaneous Metals Division

Subject: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-E544
John L. Jonas and John E. Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

In a conference between Mr. Ellis, Mr. Ching, and Mr. H. C. Miller, Executive Officer, Region III, on October 8, 1954, the question of a final settlement and termination agreement between the Government and the subject Operator was discussed. The possibility of some other operator taking over the project, and the procedures to be followed were also discussed.

It was agreed that the first requirement was to secure a refund of $2,286.76 in overpayments to Jonas and Johnson, in accordance with our letter of September 16 to Mr. Miller. The latter was rather optimistic on this point.

Mr. Miller stated that several operators were interested in taking over the subject property but were delaying action pending some form of settlement between the Government and Jonas and Johnson.

Mr. Miller was advised that the best interests of the Government would be served if a reliable operator were assigned the subject contract by Jonas and Johnson, thus assuming all the obligations of the contract. Jonas and Johnson were in default, but were still parties to the contract since no formal termination had taken place. It was agreed that Mr. Miller would advise any prospective operator of this fact so the latter could negotiate with Jonas and Johnson for an assignment of the contract. The form of assignment and the Government's consent would be drawn up in Washington if such negotiations were successful.

For background on this project, see my Memorandum to the Administrator, dated August 25, 1954.

Michael Ching
Michael Ching

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

Defense Minerals Administration
RECEIVED
OCT 18 1954

420 Custom House
555 Battery Street
San Francisco 11, California

October 13, 1954

Messrs. Jonas and Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket No. DM 5-2446 (Mercury)
Mt. Diablo Quicksilver Co., Ltd.
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. DMm-8544

Gentlemen:

As you know, your March 1, 1954 voucher covering costs for four days' operation under the above-cited contract is being held up subject to audit.

Apparently there are questions applicable to these costs which will require your presence in this office in order to complete all transactions up to March 4, 1954 when work under the contract was suspended.

Will you, therefore, kindly call at the office at your earliest convenience so that Mr. Mayor can discuss the matter with you and complete his audit of your account.

Sincerely yours,

By G. Miller

G. C. Miller
Executive Officer
DMEA Field Team, Region IV

Copy to: DMEA-Washington
E. T. Smith-USGS
A. C. Johnson, Reno

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

September 17, 1954

Air Mail

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

In regard to the subject contract, Mt. Diablo Quicksilver Company, Ltd., is very desirous to know the final decision on the termination of the Jonas and Johnson contract.

The company is making efforts to interest reliable operators in leasing the property and a number of parties are interested.

Negotiations, however, are stymied when the interested parties learn that the Government may have a lien on production as a result of the money spent by the Government in assisting in the sinking of the shaft and crosscutting.

As it seems to me, there are two ways the matter may be handled. The first and least preferable way would be to terminate the Jonas and Johnson contract and consider the matter washed up. The new operator would then start from scratch and if Government assistance is desired, he would have to make a new application for a loan. By that method the Government would have no chance to get back any of the money it spent in exploration to date.

The second method would be for the Government to assign the present contract to the new lessor. He would then be compelled to pay back the money the Government spent to date and is to spend, if a discovery is made and ore is mined, treated, and mercury sold.

Until it is definitely decided by your office which method is to be followed, there is little chance for the Mt. Diablo Company to make a binding deal.

Can you give us the desired information?

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

Surname 700

Ching
Ellis
Chandler
Selfridge
Johnson

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

Mr. H. C. Miller
Executive Officer
DMEA Field Team, Region III
420 Custom House
555 Battery Street
San Francisco 11, California

SEP 16 1954

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Ida-454
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County
California

Dear Mr. Miller:

Reference is made to your letters of August 6 and 26, 1954, regarding termination of the subject contract.

We have explored various procedures for terminating this project and, at the same time, protect the interests of the Government. A review of the Interim Audit Certificate, dated June 7, 1954, shows that the Operator was overpaid $2,286.76 to February 28, 1954, despite the fact that the voucher for February calling for Government participation in the amount of $2,685.00 remains unpaid. In other words, the Operator owes the Government $2,286.76, and no termination agreement is in order until this amount is refunded.

Will you kindly contact the Operator and make every possible effort to secure a refund. If the refund is made, please advise us immediately so the termination agreement can be forwarded to you. If the Operator refuses to refund the money, also advise us, so we can take appropriate action.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (HS)

APPROVED:

J. H. Hedges

Member, Bureau of Mines (HS)

Thor H. Kiilsgaard

Member, Geological Survey (HS)

MChing:am
9-14-54
cc to: Admin. Reading File
Operating Comm ttee
Docket
Messrs. H. M. Meyer, Rm. 2623
T. Kiilgaard, Rm. 5227
Mr. Ching
Code 700

R.C.h.

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

H. S. in R. R.

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
Jemas and Johnson, Mt. Diablo Quicksilver Mine,
Contra Costa County, California

I am forwarding the attached proposed Termination Agreement between the Government and Jemas 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

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

August 26, 1954

Air Mail

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

Concerning the subject contract, Mr. Vic Blomberg, President, Mt. Diablo Quicksilver Company, Ltd., called at the office on August 24 to find out what next step the company should take to "clear the decks."

At the request of Jonas and Johnson, their lease on the property was canceled. Jonas and Johnson, therefore, are out on a limb insofar as carrying out their DMEA contract is concerned.

The equipment in which the Government has an equity is still on the property. The hoist and sheave wheel remain in place. Mr. Blomberg has been having difficulty interesting other parties in taking over the exploration of the mine as those interested are afraid the Government has some kind of hold on the property.

It would seem to me that, under the circumstances, Jonas and Johnson should receive some kind of a notification to the effect that the Government is canceling its contract with them effective as of a certain date. A copy of the notice should be sent to Mt. Diablo Quicksilver Company so they would know where the matter stands. At the same time, Jonas and Johnson should be informed of their responsibility to dispose of the equipment in which the Government has an equity.

My memorandum to you dated August 6 relates to the above problem of what to do next. A re-reading of that memorandum makes me wonder if you might have interpreted the third paragraph as indicating that I would issue a termination notice. It is not my intent to do so as I understand your office takes care of termination notices. I am, therefore, awaiting termination of the contract by your office.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

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

August 25, 1954

Memorandum

To: The Administrator

From: Michael Ching, Mining Engineer
Rare & Miscellaneous Metals Division

Subject: Termination Agreement
Docket No. DMEA-2448
Contract No. Idm-E544
John L. Jonas and John E. Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

The subject contract, dated June 5, 1953, was originally negotiated with the partnership of Ronnie B. Smith, Jene Harper and James F. Dunnigan. It was assigned to John L. Jonas and John E. Johnson on January 20, 1954.

The contract provides for sinking a vertical shaft 330 feet, crosscutting therefrom to a known vein structure, and drifting along the vein structure below the old mine workings. Total crosscutting and drifting was not to exceed 625 feet. Total estimated cost of the project was $73,571.00.

On February 18, 1954, the shaft had been completed and the crosscut driven 120 feet. A sudden rush of water at this point flooded the crosscut and shaft to a depth of 187 feet. The crosscut apparently had reached the vicinity of the fault and vein structure which extended upward to the flooded workings of the old mine.

The total accepted cost of the project to February 28, 1954, was $45,666.98. The work had been prosecuted rather efficiently up to the time of the flooding.

The work done to date has not encountered any mineralization. The main objective is within the vein structure which was not reached, but which, apparently, was not far distant from the face. Amendment No. 2, dated April 22, 1954, was executed to enable the Operator to unwater the mine, complete the crosscut, and do a sufficient amount of drifting along the vein to give a good indication of the possibilities of finding significant deposits of mercury ore.

The Operator failed to resume work after the influx of water and has consequently defaulted under the terms of the contract. In a letter dated August 5, 1954, the Mt. Diablo Quicksilver Co., Ltd., owners of the property, terminated the Operator's lease.

In view of Operator's apparent inability to carry on the work, and the fact that his lease has been terminated, it is recommended that the subject contract be terminated by mutual consent, with the termination agreement containing a "pseudo-certification" provision preserving the Government's royalty rights. Possible alternatives would be to demand performance of the original operator and the assignee or demand repayment of the Government's contribution. Neither of these alternatives appear appropriate at this time.

Michael Ching

Michael Ching

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

Ching
J L Kuome

August 25, 1954

Memorandum

To: The Administrator

From: Michael Ching, Mining Engineer
Rare & Miscellaneous Metals Division

Subject: Termination Agreement
Docket No. DMEA-2448
Contract No. Idm-E544
John L. Jonas and John E. Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

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R.G.L.

SURNAME

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/s/ Michael Ching
Michael Ching

MChing/am

cc to: Docket File
Actg. Asst. Solicitor, DMEA
Code 700
Mr. Ching

Surname 700

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

Ching
J L Krouse

August 25, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Michael Ching, Mining Engineer
Rare & Miscellaneous Metals Division

Subject: Termination Agreement
Docket No. DMEA-2448
Contract No. Idm-1544
John L. Jonas and John E. Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Will you kindly have prepared a termination agreement covering the subject contract in accordance with the attached memorandum to the Administrator.

/s/ Michael Ching
Michael Ching

Attachment

MChing/am
cc to: Docket
Code 700 contract file
Mr. Ching

R.C.G.

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

August 6, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

There is attached a copy of a letter from Mt. Diablo Quicksilver Company, Ltd., Vic Blomberg, President, to Mr. John L. Jonas and Mr. John E. Johnson, dated August 5, 1954.

This letter informs Jonas and Johnson that the lease and all other rights of Jonas and Johnson and Mr. Ronnie B. Smith under the lease are terminated.

It would seem under the circumstances that a termination notice should now be sent to Jonas and Johnson and that they be required to dispose of the property in which the Government has an equity.

Kindly let me know if there is anything further that I should do at this time.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

MT. DIABLO QUICKSILVER CO., LTD.
CLAYTON, CALIFORNIA

August 5, 1954

Mr. John L. Jonas
Mr. John E. Johnson
133 Los Robles Drive
Burlingame, California

Gentlemen:

On May 23, 1954, you notified us that you proposed to surrender your mining lease with us, dated November 1, 1953, covering our property in Contra Costa County, and that you would abandon the premises covered by said lease at the expiration of thirty (30) days. This notice was accepted by our directors at their meeting of June 20, 1954. There have been no activities on our property by you since March, 1954.

On receipt of the notice from you, and on May 24, 1954, we notified Ronnie B. Smith thereof, and the option open to him under the lease. On June 8, 1954, we were advised by Mr. Smith's attorneys that he elected not to exercise his option. In view of the above, the lease, and all of the rights of you and Mr. Smith under the lease, are terminated.

We are presently negotiating a lease agreement with a new operator. In order to avoid further delay, we want you to clear up your affairs with your creditors, the government and any other parties that may involve our corporation.

Since we are in the process of negotiating a lease with this new operator, we think that you should be definitely informed that we are not in a position to consider any lease negotiations with you.

Very truly yours,
MT. DIABLO QUICKSILVER CO., LTD.

Vic Blomberg

Vic Blomberg - President

cc: Ronnie B. Smith, Trustee
Tower Petroleum Building
Dallas, Texas

7/27/54 gla

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

420 Custom House
555 Battery Street
San Francisco 11, California

July 21, 1954

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

RE: Docket No. DMEA-2446 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-1544

Dear Mr. Jonas:

In reply to certain of the matters we discussed in this office early last week, the Washington office advises that since no formal termination has been made of your contract, the contract is still operative.

That means that many of the matters discussed can be taken care of by an amendment to the contract.

If it is desired to have the contract amended so that you can proceed under a new lease arrangement, you should submit to this office a copy of the new lease and six copies of Owner's Consent to Lien. The Owner's Consent to Lien forms can be supplied by this office.

Sincerely yours,

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA-Washington, D.C.
A. C. Johnson, Reno
R. M. Smith-USGS

Surname 700

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

Ching
Selly
Selfridge
Johnson
Secretary

T E L E T Y P E

MChing
DMEA- Department of the Interior

[redacted]

14X4401(01) Revolving Fund,
Defense Production Act (Interior)
(Allocated Working Fund to the
Office of the Sec.)

M. C. MILLER, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION III
420 CUSTOM HOUSE
555 BATTERY STREET
SAN FRANCISCO 11, CALIFORNIA

REURLET JULY 15, 1954, JONAS AND JOHNSON DOCKET 2448 CONTRACT STILL OPERATIVE SINCE NO FORMAL TERMINATION. PLEASE SUBMIT COPY NEW LEASE AND SIX COPIES NEWLY REVISED OWNER'S CONSENT TO LEASE AFTER WHICH THIS OFFICE WILL PREPARE THE PROPOSED AMENDMENT.

George C. Selfridge

George C. Selfridge, Chairman (245)
Operating Committee

MChing/am
7-20-54
cc to: Admr. Reading File
Operating Committee
Docket
Messrs. H. M. Meyer, Rm. 2623
Benj. Gildersleeve, Rm. 5221
Code 700
Mr. Ching
Confirmation to Region III

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

July 15, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

Messrs. Jonas and Johnson, operators under the subject contract, finally came to the office early this week to discuss re-activation of work at the still flooded Mt. Diablo Quicksilver Mine.

Plans are under way, according to Jonas and Johnson, to get a lease on the property directly from the owners of the mine. Mr. Ronnie Smith's lease has expired or will expire in a week or so, and from all reports, he plans not to renew it. He is supposed to be in San Francisco some time next week at which time the matter undoubtedly will be settled.

If Jonas and Johnson can get a direct lease, they are planning (with Government help) to pump out the water and continue the workings as stipulated in the contract. They indicated to me that by the time the preliminary matters are settled they will be prepared financially to carry out the work.

They have been touch with the California Accident Commission and the State Water Pollution Board and both agencies have promised to work closely with them.

I told Jonas and Johnson that the contract had expired on April 5, 1954, and that I would have to take the matter up with Washington as I could not promise them that the contract would be re-activated after they had failed for several months to prosecute operations pursuant to the terms of the contract.

What they would like to know is if there is a chance that DMEA will allow them to continue under the contract. If so, they will then make every effort to get a direct lease from the owners. I gained from my discussion with them that if there is no chance to "renew" the contract, they will make no effort to get the new lease. They also will need a six months extension to complete the work if allowed.

Kindly let me have your thoughts at an early date. I believe that if Jonas and Johnson can clear up all legal entanglements, they will make a sincere effort to complete the contract. To date I have heard of no one else who might be interested in completing the work. It seems, therefore, that they should be given a chance.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

July 1, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

You may have wondered what has happened under the subject project and I wish I could give you some concrete information. The latest information is that during my absence last week, Mr. Vic Blomberg, President, Mt. Diablo Quicksilver Co., Ltd., left a sheaf of papers for me to review. Copies of these letters have been made and a set is attached.

We are doing all we can to get this "mess" straightened out.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachments

Copy to: Roscoe Smith, USGS (with attachments)

MT. DIABLO QUICKSILVER CO., LTD.
CLAYTON, CALIFORNIA

Refer to	Noted	Date
HC Miller		
Answered		

June 22, 1954

Mr. H. C. Miller
U. S. Bureau of Mines
420 Custom House
555 Battery St.
San Francisco 11, Calif.

Dear Mr. Miller:

First I should like to say that I am sorry to have missed you, both on Monday and again today.

Monday, when in your office, I left copies of cancellation notices from Johnson and Jonas, as well as for Ronnie B. Smith, in order that you be kept up to date on developments at our property.

We are wondering if the continued delay in the government audit on the Jonas-Johnson operation is going to work to our disadvantage in interesting a reliable operator to go ahead with the exploration and development program.

We want to establish exactly just what equity Jonas and Johnson might have in the equipment and supplies in connection with the DMEA work.

I shall try to drop in a see you real soon.

Yours very truly,

Vic Blomberg

Vic Blomberg,
Pres.

	Name	Date
D Ribar		6/18
Wallace	HLM	6/24

June 14, 1954.
166 Los Robles Dr.
Burlingame, Calif.

H. C. Miller
Executive Officer
DMEA Field Team, Region III
555 Battery St.
S. F. Calif.

Mr. Miller:

In answer to your letter of June 10, 1954, regarding the extension of time on our DMEA contract number IDM-E544.

As per our lease terms we have offered the lease back to Ronnie B. Smith. He has until June 23, 1954 in which to resume operations or abandon his interest.

It is my firm belief that Mt Diablo will resume operations soon after this date, either Mr. Smith or other interests. However it does seem logical to hold up the extension data until definite plans are formulated. When these plans are in order, and before work is started, I will be in your office to discuss the matter with you. I will come in at any time earlier if you so desire.

Thanking you very much in advance for your kind patience and consideration.

Sincerely,

J. L. Jonas

J. L. Jonas

JJ/jj

Law offices of
STURSON, McCALLUM & DAVIS
38 Sansome Street
San Francisco 4

June 9, 1954

Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

Attention: Mr. Vic Blomberg, President

Dear Mr. Blomberg:

Mr. Ronnie B. Smith has forwarded your letter of May 2 24, 1954, addressed to him, to this office and has requested that we reply in his behalf.

Please be advised that Mr. Smith does not elect to exercise his option of acquiring the Johnson-Jonas lease on the Mt. Diablo Quicksilver Co. Ltd., properties pursuant to paragraph 16 of the mining lease referred to in your letter.

For the purposes of the record, Mr. Smith has requested that we restate however, for the benefit of all parties concerned, the provision in the said lease which extends to him an overriding royalty on the said properties in the event of a renewal, extension or renegotiation of a new lease on the said properties is executed between Mr. Johnson, Mr. Jonas and the Mt. Diablo Quicksilver Co., Ltd.

Very truly yours,

(signed) Robert E. Zang

Robert E. Zang

REZ:fw
cc: Mr. John L. Jonas
Mr. John E. Johnson
Mr. Ronnie B. Smith

VIA AIR MAIL

May 24, 1954

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

VIA REGISTERED MAIL - RETURN RECEIPT REQUESTED

Dear Mr. Smith:

We have received the following letter via registered mail, return receipt requested:

"Reference is made to the mining lease dated November 1, 1953, between Mt. Diablo Quicksilver Co. Ltd. as Lessor and John L. Jonas and John E. Johnson as lessee.

"Notice is hereby given to you that the lessee proposes to surrender said lease and abandon the premises covered by said lease at the expriation of thirty (30) days after service upon you of this notice.

Yours very truly,
(signed)
John L. Jonas
John Johnson"

We are assuming that you have received your notice from Messrs. Jonas and Johnson.

With reference to paragraph 16 of the mining lease between Mt. Diablo Quicksilver Co. Ltd. and John L. Jonas & John E. Johnson please consider this your notification that the lease will be automatically terminated at the end of thirty days unless you exercise your rights under the above mentioned lease agreement.

It would seem that a letter of intent in now in order and we shall await your reply with interest.

Yours very truly,

(Signed) Vic Blomberg

Vic Blomberg, President

VB/cwp

MT. DIABLO QUICKSILVER CO., LTD.

Clayton, California

Messrs. John L. Jonas
John Johnson
166 Los Robles Drive
Burlingame, California

Gentlemen:

We are in receipt of your registered letter, dated May 23, 1954 which reads:

"Reference is made to the mining lease dated November 1, 1953, between Mt. Diablo Quicksilver Co. Ltd. as Lessor and John L. Jonas and John E. Johnson as Lessee.

"Notice is hereby given to you that the lessee proposes to surrender said lease and abandon the premises covered by said lease at the expiration of thirty (30) days after service upon you of this notice.

Very truly yours,
(Signed) John L. Jonas & John Johnson"

We assume that you have notified Ronnie B. Smith, Trustee of your intention to surrender the lease. As we understand the intent of the lease agreement, he has 30 days in which to assume the obligations described in the above lease agreement. Until that date we consider you to be so obligated.

Yours very truly,

Vic Blomberg, President

VB/ctp

May 23, 1954

Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

Dear Sirs:

Reference is made to the mining lease dated November 1, 1953, between Mt. Diablo Quicksilver Co. Ltd. as lessor and John L. Jonas and John E. Johnson as Lessee.

Notice is hereby given to you that the Lessee proposes to surrender said lease and abandon the premises covered by said lease at the expiration of thirty (30) days after service upon you of this notice.

Very truly yours,

S/John L. Jonas

S/John Johnson

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

June 10, 1954

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

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

Dear Mr. Jonas:

We acknowledge your letter dated May 23, 1954, with which you returned the original and four copies of Amendment No. 2 to the subject contract, signed by you and Mr. Johnson. Prior acknowledgment of that letter was not made as it was my understanding that you were coming to the office to discuss with me the matter of extending the completion date of the contract. Inasmuch as you failed to contact me I am writing this letter to point out to you certain matters of vital importance in connection with the contract.

The date of completion of the contract expired April 5, 1954, and though you requested in your May 23 letter an extension of the completion date to October 6, 1954, nothing has been done toward formulating an approval of that request, mainly for the following reasons:

1. We have no evidence in this office that you intend to carry out the provisions of the contract even if the extension of time is granted.

2. Since arrangements were made to allow you to dewater the mine under the exploration contract, to the best of our knowledge nothing has been done at the mine in the way of a dewatering program.

3. Rumors have come to our attention that you are planning to cancel your lease with Mr. Bonnie B. Smith with the expectation that he then in turn will relinquish his lease with the Mount Diablo Quicksilver Mining Company and that you will then negotiate a lease directly with that company.

The way matters stand at the present time, the entire issue is in a very confused state, and until I have a true picture of your intentions and the date on which operations definitely will be resumed, I can do nothing toward extending the completion date of the contract.

Sincerely yours,

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno
George Mavor

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

420 Custom House
555 Battery Street
San Francisco 11, Calif.

June 10, 1954

Memorandum

To: Operating Committee, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544
Amendment No. 2

Attached are the original and two copies of Amendment No. 2, dated April 22, 1954, made in connection with subject contract.

A justification sheet is attached to each copy of the amendment.

Proper distribution has been made of the remaining copies.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: A. C. Johnson, Reno (With copy of amendment)
Finance Officer, Region III (With copy of amendment)
Roscoe Smith, USGS
George Mavor

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

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

May 20, 1954

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

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

Dear Mr. Jonas:

On April 27, 1954, we sent you six copies of Amendment No. 2 to Contract Idm-E544 for execution by you and Mr. Johnson.

On April 30, 1954, in a letter addressed to you, we requested that you furnish us with written approval by the State Water Pollution Board and the California Industrial Accident Commission to proceed with the unwatering of the Mt. Diablo Quicksilver Mine.

To date neither the signed copies of the amendment nor the requested letters of approval have been received by this office.

Your attention is called to the fact that the original contract is dated June 5, 1953, and that the work was to be completed in ten months from that date.

Sincerely yours,

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno

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

1012 Flood Bldg.
870 Market Street
San Francisco 2, California

April 30, 1954

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

Re: Docket DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract Ida-E544

Dear Mr. Jonas:

In connection with Amendment No. 2 to the subject contract, the Washington Office of the Defense Minerals Exploration Administration suggests before approving payment of any bills for the treating of your mine waters that we make certain an adequate plant is erected and that, whatever method of treatment is adopted, it has the approval of the State Water Pollution Board. In that connection, a written approval is desired.

It is suggested also that we be furnished by you with the written approval of the California Industrial Accident Commission that the Commission has no objections to unwatering the workings and continuation of exploration work.

Sincerely yours,

H. C. Miller
Executive Officer, DMEA Field Team
Region III

Copy to: DMEA, Washington, D.C. (2)
R. M. Smith, USGS
A. C. Johnson, Reno
Finance Office, Region III

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

Defense Minerals Administration
RECEIVED
MAY 3 - 1954

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

April 27, 1954

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

Re: Docket No. DMEA-2446 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544
Amendment No. 2

Dear Mr. Jonas:

We are enclosing the original and five copies of proposed Amendment No. 2 to your contract, signed by the Administrator. You will note that the proposed amendment diverts $10,000 from drifting and crosscutting funds for unwatering the workings and installing treatment facilities for the acid mine water. This means 250 feet less of drifting along the vein if the cost reaches the allowable maximum of $40 per foot.

If you approve of the amendment as drawn, kindly sign, and have Mr. Johnson sign also, all six copies. When executed, please return the original and four copies to this office. The copy marked "Operator's Copy" is to be retained by you for your files.

Sincerely yours,

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Enclosure

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno

Surname
Docket copy

700

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

Ching
Ellis
Selfridge
K Johnson
Mittendorf

APR 26 1954

Mr. H. C. Miller
Executive Officer
DMEA Field Team, Region III
1012 Flood Building
870 Market Street
San Francisco 2, California

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

Dear Mr. Miller:

Further to our letter of April 22, 1954, with enclosed copies of proposed Amendment No. 2, we wish to call your attention to the fact that the Operator has presented no specific design for the acid water treatment plant and we have no assurance that the plant contemplated will be satisfactory to the California Water Pollution Board.

It is suggested, therefore, that the Field Team make certain that an adequate plant is erected and approved (in writing if feasible) by the Water Pollution Board before any bills for the work are approved for payment.

We have noted that the California Industrial Accident Commission has reportedly raised no objection to unwatering the workings and continuation of the exploration work. It is suggested that the Operator secure the written approval of the Commission, if possible, for resumption of the work.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (245)

APPROVED:

J. H. Hedges (245)
Member, Bureau of Mines

D. M. Larrabee (245)
Member, Geological Survey

MChing/gla
4-22-54
cc to: Adm. Reading File
Operating Committee
Docket
Messrs. HMMeyer, Rm. 3649
ARKinkel, Jr. Rm. B-242 A, GSA
Code 700
MChing

R.C.S.

700

DOCKET
SURNAME

Chipp
Miles
Chamberlin
Selfridge
Johnson
Westendorf

APR 22 1954

Mr. M.C. Miller
Executive Officer
DMEA Field Team, Region III
1012 Flood Building
870 Market Street
San Francisco, California

Re: Docket No. DMEA-2848 (Mercury)
Contract No. Ldm-8544
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller:

Your memorandum of April 14, 1954, regarding the subject contract is hereby acknowledged. We note your criticism of the manner in which the subject contract was drawn and suggest that you review the history of the application and subsequent correspondence for the explanation. You will find that Ronnie Smith's proposed alternate program of December 31, 1952 provided for an independent contractor to furnish all machinery and supplies and do all the work at $135 per foot for sinking and $40 per foot for drifts and crosscuts. Your memorandum of March 9, 1953 justified these costs on the basis of Mr. Smith's assurance that they were the lowest prices he could contract the work for. No other costs were to be involved except $3,500 for supervision and consultants.

In commenting on the Field Team report on April 1, 1953, Melvin M. Meyers stated: "I am not content, however, that the reasonableness of cost estimates has been ascertained, and feel that this question should be resolved before a contract is signed."

In a memorandum dated April 1, 1953, to F. L. Magnuson you recommended that an additional allowance of $500 be made for assaying and saw no objection to constructing the headframe and hoisting facilities independent of the sinking contract. The cost of these facilities, $4,575, deducted from the proposed independent contract price of $135 per foot of sinking, accounts for the allowable maximum independent contract price of $121.50 per foot.

Thus all the available data pointed to the fact that all costs except a few items were to be covered under independent contracts. While these costs were not completely justified nor fixed at the time, the fact that they were allowable maximums protected the interests of the Government in the event lower contract prices were arranged by the

R.C.G.

MEMORANDUM: 4-21-54
To: Adm. Reading File
Oper. Comm.
Bobbitt

cc to: H. H. Meyer, USBM
A. K. Kimball, Jr. USGS
Mr. Ching

cc to: Mr. Bang, Code 700

Operator. At no time were agreed unit costs suggested by you or the Operator, nor was the necessary breakdown of proposed costs submitted by you to justify agreed unit costs.

You realize, of course, that the added cost of mucking which you mention would not have been necessary if this mutual cost contract had been interpreted and administered correctly from the beginning.

We were pleased to learn that the California Industrial Accident Commission has raised no objection to unwatering the workings and proceeding with the project, and that the Operator has had no difficulty in getting liability insurance coverage.

In view of your recommendation that the mine be unwatered and the project continued, we are enclosing original and five copies of Proposed Amendment No. 2, signed by the Administrator. Please have all six copies signed by the Operator, retain three copies for the usual field distribution and return the original and two copies to this office.

You will note that the proposed amendment diverts $10,000 from drifting and crosscutting funds for unwatering the workings and installing treatment facilities for the acid mine water. This means 250 feet less of drifting along the vein if the cost reaches the allowable maximum of $40 per foot.

We have not attempted to amend the contract to a unit cost basis since the required substantiation and justification for the suggested unit cost was not furnished in your letter. We understand that the Operator is anxious to start unwatering the workings and further delay would not be justified.

Please note that any future amendment to a unit price basis would only be applicable to such advance that may be made after the unwatering operations and would not include any work prior to the flooding. You appear to have a misunderstanding on this point in the next to last paragraph of your letter. You there state that during March the crosscut was advanced an additional 39 feet, which is also confusing since we understand no advance has been possible since the flooding on February 18.

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee (JLB)

Enclosures

APPROVED:

J. H. Hedges
Member, Bureau of Mines (JLB)

D. M. Larrabee
Member, Geological Survey (JLB)

APR 20 1954

Mr. George Meyer
DSEA Auditor
1012 Flood Building
870 Market Street
San Francisco 2, California

Re: Ida-5,544, DSEA-2,48
James and Johnson (formerly
Reynolds B. Smith)

Dear Mr. Meyer:

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 us 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 headquarters 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

R.C.S.

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

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

April 14, 1954

Air Mail

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Reference is made to your letter dated April 8, 1954, concerning the subject property.

We thank you for attempting to straighten us out on the intent of the contract. We still do not see why a simple contract such as the one in question was not on a unit basis. I am sure it would have been so drawn if the Washington office had realized the work involved in auditing the contract as written. I appreciate that there is nothing we can do about it now except to take all of Mr. Ronnie Smith's records and attempt to get his true costs. The same thing will have to be done for the work Jonas and Johnson have done to date. It will cost plenty to do this, most of which could have been avoided if the contract had been drawn as we thought it had. As you know, small operators do not usually keep a complete set of books, and in this case there is no money allowed by the contract for a bookkeeper or an accountant. Consequently, the operator paid little attention to how and for what he spent his money so long as it went into the project, thinking that he would be reimbursed on a footage basis and did not need to be too particular about getting receipts for every expenditure. It just seems so asinine to me that a contract that could be so simple was made so complicated.

In connection with the project from here out, Mr. Jonas called at the office yesterday to tell me that the California Industrial Accident Commission has raised no objection to his unwatering the workings and proceeding with the project. The Commission, of course, will keep close check on the safety part of the work.

Mr. Jonas stated that he has had no difficulty in getting liability insurance coverage. Ronnie Smith's policy ran out but Mr. Jonas' broker has prepared a new one.

Insofar as treatment facilities for handling the mine acid water, Mr. Jonas said his plans were to pump the water up the hill to settling ponds where it will be limed and aerated before disposal. He will use the same facilities used by the Bradleys when they operated the mine, and if necessary will excavate additional ponds.

I could never understand why Benjamin Sheahan recommended termination of the contract at the time he did, because he was only guessing that water might be a problem. Of course, as matters turned out, he was right, but water problems are common things in mining and can usually be overcome. Schuette was watching carefully for water during the sinking of the shaft so that the influx of water was not entirely unexpected.

Mr. Jonas is ready, in fact anxious, to start pumping out the water and to proceed with crosscutting and drifting. However, in view of the "trouble" he has had in interpreting the contract, he hesitates to start operations until the proposed amendment is drawn and signed. He claims he is financially able to carry out the project and besides, he is dickering with a third party - I believe the Company owning the mine - to come in with him and his partner.

Mr. Roscoe Smith and I recommend that the mine be unwatered and the project continued. Mr. E. H. Bailey, of the Survey, is of a similar opinion.

It would certainly be a big help if the remaining crosscutting and drifting could be put on a unit basis. However, to do so may complicate matters, as the operator's February MF-104 bills the Government for 77 feet of crosscutting at $40 a foot, of which only 3 feet were timbered. During March the crosscut was advanced an additional 39 feet. As I understand it, no additional timbering was installed over and above the 3 feet placed in February. The February voucher has not been paid, so if the contract for crosscutting and subsequent drifting can be placed on a unit basis, we can cancel that voucher and have it replaced by a new one.

I trust that the foregoing information will enable you to prepare the proposed amendment.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno
Finance Officer, Region III
George Mavor

4/16/54 gla

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

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

April 14, 1954

Air Mail

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

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Mr. Roscoe Smith and I recommend that the mine be unwatered and the project continued. Mr. E. H. Bailey, of the Survey, is of a similar opinion.

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I trust that the foregoing information will enable you to prepare the proposed amendment.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno
Finance Officer, Region III
George Havor

DOCKET COPY
Surname:

Selfridge
Chamber
Butin
Hoffblind
Selfridge
Johnson
Mittendorf

4-6-54

Mr. M. G. Miller
Executive Officer
DMEA Field Team, Region III
1082 Flood Building
870 Market Street
San Francisco 2, California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-8544
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller:

Reference is made to your memoranda of March 11 and 19 to Mr. Mittendorf and to Mr. Sheahan's interim report of March 19, 1954, that relate to the various problems arising from a misinterpretation of the type of contract involved and from the flooding of the exploration workings by gaseous, acid water.

It is difficult for us to understand how everyone concerned misinterpreted the contract. It is drawn on the long form in the same fashion as all actual cost contracts. Allowable maximums are indicated, and the text of the contract under Article 6(1) Independent contracts states that the figures are estimates.

Furthermore, the contract, which is dated June 5, 1953, does not remotely resemble any of the long form contracts that provide for both unit costs and actual costs on the same project. This combination type of long form contract always sets forth items of agreed unit costs separately from items of actual costs, and it always contains a clause stating that the Government will contribute to the costs on the basis of these agreed unit costs per foot as they accrue for units of work actually performed in lieu of actual costs. The following contracts administered by your office are illustrative of the combination unit cost-actual cost contract:

Name	Docket No.	Date of Contract
New Idria Mining & Chemical Co.	DMEA-5478	July 18, 1952
Anheny Mineny	DMEA-2455	July 31, 1952
Walker Corporation	DMEA-2257	Nov. 12, 1952
Glidden Company	DMEA-1719	April 31, 1953
Mt. Wheeler Mines, Inc.	DMEA-2082	May 11, 1953
California Quicksilver Mines, Inc.	DMEA- 292	July 14, 1953

R.C.B.

Review of the Docket shows that work under the subject contract did not start until August 16, 1953, and Mr. Sheahan's interim report of September 25, 1953, states "The monthly report and voucher for the month of August 1953 lacked copies of the payroll, original invoices or certified copies of equipment and supply purchases." After giving careful consideration to your request that the contract be retroactively amended for a unit cost for footage advance in order to eliminate the audit difficulties you mention, we regret to inform you that we are not disposed to do so as it would be very difficult to justify such an action to GAO in view of the above-mentioned information. Moreover, we would give consideration to an amended contract on a unit cost basis for future work if properly substantiated and justified. This can probably be best done after completion of the audit.

Other problems in connection with this project which have left it in a state of suspension and uncertainty are:

1. The project workings have been flooded, and an estimated $10,000 must be diverted from the drifting funds for unwatering the shaft and installing treatment facilities for the acid mine water.

2. Resumption of operations is presently awaiting approval of the California Industrial Accident Commission after occurrence of a fatal accident that may have been caused by the presence of methane. The operators may also have difficulty in getting liability insurance.

3. The California Water Pollution Board requires neutralization of the mine waters before discharge into the creek.

4. Benjamin H. Sheahan, Bureau of Mines Engineer, recommends termination of the contract because of the serious and complicated nature of the gas and water problems. Previously, before the project work was started, he recommended that the contract be terminated or held in abeyance until definite answers to the water problems were available (see report of July 20, 1953).

We will draw up a proposed amendment making available $10,000 of the contract funds for unwatering the mine and installing treatment facilities for the acid mine water on an actual cost basis if you so recommend. Careful consideration should be given to the operators' ability as you express some doubt thereto in your memorandum of March 11. Their financial position should allow them to carry their share of the expense for completion of the work, whether the contract is written on an actual cost basis or on a unit cost basis. Consideration should also be given to the rehabilitation of the drift, which was not timbered, and to the possibility of not being able to pass beyond the structure that carries the water. A finely-broken shale saturated with water can be made even when employing breast boards. Unless the ground is closely held, the water will mill a hole in the back in short order.

We wish to call your attention to the contract assignment which provided that the Assignor "does hereby assign, transfer and convey to the Assignee, all of its right, title and interest in and to the 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 ...." Property devoted to the exploration work would include the list under (4) Operating Equipment of Exhibit A.

We shall await your advice and recommendations in respect to problems 2 and 4, and further justification for placing the remaining work on a unit cost basis. As soon as we receive the information, we shall act in accordance with what is deemed to be in the best interests of the Government.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (SHG)

APPROVED:

J. H. Hedges

Member, Bureau of Mines (SHG)

T. P. Thayer

Member, Geological Survey (SHG)

MChing/gla/GCSelfridge/hb 4/6/54

Copy to: Docket
Adm. R. File
Operating Committee
Miss H. M. Meyer, Rm. 3623
A. R. Kinkel, Jr., Rm. B-242-A, GSA
Code 700
Mr. Ching

Surname
Docket copy

700

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

Chipping Alli.

Mr. H. C. Miller
Executive Officer
DMEA Field Team, Region III
1082 Flood Building
870 Market Street
San Francisco 2, California

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

Dear Mr. Miller:

Reference is made to your memoranda to the Administrator dated March 11 and 19, and Benjamin H. Sheahan's interim report dated March 19, 1954, on the captioned project.

A number of problems have arisen in connection with this project which have left it in a state of suspension and uncertainty. The purpose of this letter is to outline the action that is possible in this office and to determine the effect of such proposed action upon the position of the Field Team and of the Operator.

The problems are summarized as follows:

1. The project workings have been flooded and $10,000 must be diverted from contract funds for unwatering the mine and installing treatment facilities for the acid mine water.

2. Resumption of operations is presently awaiting approval of the California Industrial Accident Commission after occurrence of a fatal accident that may have been caused by the presence of methane gas. The Operators may also have difficulty in getting liability insurance.

3. The California Water Pollution Board requires neutralization of the mine waters before discharge into the creek.

4. Benjamin H. Sheahan, Bureau of Mines Engineer, recommends termination of the contract because of the serious and complicated nature of the gas and water problems.

5. A misunderstanding by the former Operator, Ronnie B. Smith, by the present Operators, Jonas and Johnson, and by the Field Team, that the contract was based on unit costs as well as actual costs. The fact that the contract is on an actual cost

basis with a provision that certain operating equipment was to be furnished by the Operator at no cost to the project, has resulted in considerable accounting confusion and has greatly discouraged the present Operators. However, it should be born in mind that the contract assignment provided that the Assignor "does hereby assign, transfer and convey to the Assignee, all of its right, title and interest in and to the 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 ...". Property devoted to the exploration work would include the list under (4) Operating Equipment of Exhibit A.

This office is prepared to draw up a proposed amendment providing for diverting $10,000 from the original contract funds for unwatering the mine and installing treatment facilities for the said mine water on an actual cost basis. We would also consider placing the shaft sinking at $121.20 per foot and the crosscutting and drifting at $40.00 per foot on a unit cost basis, effective as of the date of the assignment of the exploration contract to Jones and Johnson, provided the proper justification is presented. For instance, if estimated costs, other than for the purchase or rental of equipment listed under (4) Operating Equipment of Exhibit A, equaled or exceeded $121.20 per foot for sinking and $40.00 per foot for drifting and crosscutting, the proper justification would be present.

The foregoing action proposed by this office would, in a large measure, solve problems numbered 1, 3 and 5. There would remain problem 2, securing approval by the Industrial Accident Commission of the resumption of operations, and problem 4, the question as to the desirability of carrying on with the project. These two questions must be resolved in the field. Problem 4, in particular, can only be resolved through consultations between the Operator and the FieldTeam and a careful study of the engineering problems involved.

We shall await your advice and recommendation in respect to problems 2 and 4, and further justification for placing the sinking, drifting and crosscutting on a unit cost basis, before proceeding further to amend the contract as suggested above.

Sincerely yours,

APPROVED:

Member, Bureau of Mines

Member, Geological Survey

Chairman, Operating Committee

MChing/gla 3-30-54
cc to Adm. Reading File
Operating Committee
Docket
Miss H.M.Meyer, 3623

Code 700
Mr. Ching
Mr.A.R.Kinkel

FILE COPY
SURNAME:

Selfridge

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

Memorandum April 6, 1954

To: The Administrator

From: George C. Selfridge
Special Assistant

Subject: Docket No. DMEA-2448 (Mercury)
John L. Jonas and John E. Johnson (formerly Ronnie B. Smith)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

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 $121.20/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 amended retroactively to put the advance 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:

R.C.G.

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	14	41	2.93—Also 43' of drift driven.

The work was done under contract at a very satisfactory rate in shale that broke well, could be trimmed 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 $17.50 a foot for the sinking and drifting respectively. The contractor also received a $500 bonus for completing the shaft sinking. Seemingly 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 maxima 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

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

Memorandum April 6, 1954

To: The Administrator

From: George C. Selfridge
Special Assistant

Subject: Docket No. DMEA-2448 (Mercury)
John L. Jonas and John E. Johnson (formerly Ronnie B. Smith)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

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.

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George C. Selfridge

George C. Selfridge

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 26 1954

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: March 22, 1954

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA -2448

Contract Idm-E 544

Commodity Mercury

Operator - John L. Jonas and John E. Johnson

Property - Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.

By B. H. Sheahan, Mining Engineer

Dated March 19, 1954

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

~~XXXXXXXXXXX~~ USGS (With one copy of report)
Roscoe Smith

Defense Minerals
MAR 26 1954

INTERIM REPORT
(Fifth)

Docket No.: DMEA-2448 (Mercury) March 19, 1954

Name and address of operator: John L. Jonas
166 Los Robles Drive
Burlingame, Calif.

John E. Johnson
520 South Van Ness Ave.,
San Francisco, Calif.

Name and location of property: Mt. Diablo Quicksilver Mine,
S.E. 1/4 sec. 29, T. 1 N., R. 1 E.,
M.D.B.&M., Contra Costa County,
Calif.

Contract No.: Idm-E544

SUMMARY

The property was visited by an engineer of the Bureau of Mines on March 1 and 2, 1954 and again on March 5, 1954. On March 2, the property was idle. Water and some gas had been encountered at the property. The possibilities of encountering water and gas was predicted by the engineer's first interim report dated July 20, 1953. C. N. Schuette, consultant; John L. Jonas, John E. Johnson, operators; Melvin Bruner, Guy Castle, Howard Castle, Independent contractors; and Vic Blomberg, a resident were at the property when the inspecting engineer visited the project. He warned the group present that gas might be present and every precaution should be taken before entering the shaft.

According to measurements, the water was within 130 feet of the collar.

The property was visited by engineers of the California Division of Mines and by an engineer from the U. S. Bureau of Mines, Accident Prevention and Health Division, Region III, a few days previous to March 2.

Work completed since the previous interim inspection included the advance of the two-compartment timbered shaft 37 feet and about 116 feet of crosscut. Water was encountered by blasting the next round.

Howard Castle, a miner, was killed on March 4, 1954 and the body was taken to Angels Camp.

On March 5, 1954, the property was again visited. An engineer from the Accident Prevention and Health Division of the Bureau of Mines provided five oxygen breathing apparatus for the purpose of removing a sinking pump from about the 160-foot depth. An engineer from the California State Division of Mines, Industrial Safety directed removal of the pump.

The operator was advised by the inspecting engineer to post a danger sign at the shaft and prevent any unfamiliar person from entering it on March 2 and on March 5, 1954.

CONCLUSIONS

The contract should be terminated. Sulphide zones opened by previous exploration and mining operations have been partially oxidized and are now open to percolating surface waters. Warm spring water near the mine and gases percolating through the ground, further add to

the mineral content of the water. Hazardous working conditions including gas and water problems of a serious and complicated nature exist.

RECOMMENDATIONS

The contract should be terminated.

STATEMENT OF WORK COMPLETED

Shaft sinking completed amounted to 330 feet. Crosscutting completed amounted to 116 feet, according to the last measurement by C. N. Schuette, consulting engineer. One more round encountered water on or about February 18, 1954. The crosscut was not timbered.

PROGRESS

The independent contract crew were skilled in their occupation and made excellent progress.

UNUSUAL CIRCUMSTANCES

The operator failed to have necessary pumping equipment on hand to handle water after it was encountered.

OPERATING CONDITIONS

Operating conditions were good up to the time water was encountered in the crosscut. After this time, conditions were extremely serious.

EFFICIENCY OF OPERATIONS

Work by the independent contractors was done efficiently. The engineer was of the same opinion as C. N. Schuette that the operators were not completely competent.

OPERATOR'S MONTHLY REPORTS

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
MAR 26 1954

The reports are good.

GEOLOGY AND MINERALIZATION

No mercury mineralization was reported by C. N. Schuette.

OTHER INFORMATION

The original operator, Ronnie B. Smith and Associates, assigned the contract Idm-E544 to Mr. John L. Jonas and John E. Johnson on January 19, 1954.

The independent contractors have not been paid in full for the work that was completed.

EQUIPMENT

Inventory of equipment purchased:

	Item	Cost	Salvage Value
*1	Hoist with 50 horsepower motor with 750-foot, 5/8-inch cable	$2,250	$2,000
1	Headframe and hoisthouse	2,000	None
	Total	$4,250	$2,000

*The original motor for the hoist cost $450.00 and a replacement cost was $1,440, according to the operator's November 1953 report. The extra cost was paid by the operator according to C. N. Schuette.

Other equipment and supplies are not listed under the contract since the work was done under an agreed unit cost basis.

Expected disposition is unknown. Recommended disposition would include sale of the item.

Benjamin H. Sheahan
Benjamin H. Sheahan
Mining Engineer

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

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Air Mail

March 19, 1954

Memorandum

To: C. O. Mittendorf, Administrator, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

To date we have not heard if operators Jonas and Johnson are going to go ahead with the unwatering of the Mt. Diablo Quicksilver mine, but the presumption is that they will if approval to do so is granted by the State Industrial Accident Commission and satisfactory arrangements can be made with insurance companies to provide compensation insurance.

In the meantime, Mr. Mavor is working on his audit of the operations of Ronnie B. Smith to the time of the assignment of the contract to Jonas and Johnson, and subsequent operations by the assignees. This is going to be a tremendous task because of the misunderstanding by every one involved of the terms of the contract. Until Mr. Talbert visited us a couple of weeks ago, it was generally understood that the contract was on the footage basis allowing the operator $121.00 per foot for sinking and $50.00 per foot for drifting. Mr. Smith and C. N. Schuette operated under that premise, and Jonas and Johnson took over the contract with that thought in mind.

Mr. Talbert informed us that the contract is not on a unit basis and that Mr. Mavor, therefore, will have to get copies of all invoices and determine the actual costs and that only if those costs equal or exceed $121.00 per foot for sinking and $50.00 per foot for drifting can the operators claim those rates.

If Mr. Smith has retained his vouchers and checks, they will have to be obtained from Dallas, Texas. It can perhaps be done, but after we get them the big problem will be to determine which vouchers

to pass and what expenditures to suspend. We, of course, are not sure at this time but we believe eventually we will show that Mr. Smith spent more than $121.00 a foot for sinking and $50.00/a foot for drifting.

As for Jonas and Johnson, the contract as interpreted by Mr. Talbert is unworkable. The contract allows nothing for rental of equipment, purchase of equipment, and many other items that they must provide and purchase to carry out the designated work. Up to the time water broke into the mine, Jonas and Johnson spent some $4000.00 for just such items. Also, Jonas and Johnson purchased a truck to transport supplies, etc., to the mine, yet according to the contract they cannot charge the cost of the truck or rental of the truck to the project.

Both Mr. Smith and later the assignees contracted the labor for sinking the shaft at $50.00 a foot and for drifting at $17.50 a foot. This is for labor ~~only~~ drills, steel, powder, caps, fuse, lamps & wiring, necessary equipment and small tools, $500 bonus at completion of shaft.

The fact that everyone involved misunderstood the contract leads me to believe that it was not well drawn up. Since the total costs per foot for sinking and drifting most likely will exceed the maximum allowable costs when every item that goes into such costs is considered, it would simplify our work, the work of the auditor, and the work of the operators if the contract could be amended.

Wouldn't it be possible, therefore, to amend the contract as of the date of issuance, clarifying the items involving cost of sinking and drifting so that those costs will be on an agreed unit basis as everyone out here assumed they were when the contract was received?

If this cannot be done, then consideration should be given to allow the operator depreciation on all equipment furnished by him together with an allowance for the purchase of other needed equipment including rentals.

Your studied consideration and favorable action on our request will be appreciated.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno
George Mavor
Finance Officer, Region III

P. S. Today Mr. Jonas brought in one copy of Agreement between Ronnie B. Smith and Guy A. Castle and Melvin Brunner, dated September 30, 1953, and one copy of Mining Lease, dated November 1, 1953, between Mt. Diablo Quicksilver Company, Ltd., and John L. Jonas and John E. Johnson.

You may need these copies. If our files should have a copy, will you please furnish us with a photostat of each.

HCM
H. C. M.

Attachments

Recorded at the Office of John Jones 3/14/54 [illegible]

MINING LEASE

THIS LEASE made this 1st day of November, 1953, by and between MT. DIABLO QUICKSILVER COMPANY, LTD., Clayton, California, a Nevada Corporation, hereinafter called the LESSOR, and JOHN L. JONAS of 166 LOS ROBLES DRIVE, BURLINGAME, California, and JOHN E. JOHNSON of 520 SOUTH VAN NESS AVENUE, San Francisco, California, Copartners, hereinafter called the LESSEE,

WITNESSETH:

1. Lessor leases to Lessee for mining and production of minerals, ore and rock only the mine and property and all appurtenances in Contra Costa County, California, described as follows:

PARCEL I. The northeast quarter of the southeast quarter of Section 29 and the south half of the southwest quarter of the northeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian, containing 60 acres, more or less;

EXCEPTING THEREFROM: "That certain syphon pipe leading therefrom to a water trough on the north-east quarter of the southeast quarter of said Section Twenty-nine (20), which said water spring, trough, and pipe are excepted from this deed," as provided for in the deed from Edward A. Howard and Daisy B. Howard, his wife, to Mount Diablo Quicksilver Company, Ltd., a corporation, dated December 29, 1933, and recorded Feb. 1, 1934 (File No. 1060);

PARCEL II. The northwest quarter (N.W.1/4) of the southeast quarter (S.E. 1/4) of Section 29, in Township 1 North of Range 1 East, Mount Diablo Base and Meridian. Said property shall not include the following described property, to wit: That land beginning at the northwest corner of the northwest quarter of the southeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian; thence running southerly along the dividing line between the northeast quarter of the southwest quarter and the northwest quarter of the southeast quarter of said Section 29, a distance of 20 chains to the southwest corner of the Northwest quarter of the Southeast quarter of Section 29; thence running along the Southerly line of the Northwest quarter of the southeast quarter of Section 29, a distance of 2.924 chains; thence leaving said line, and

running in a northerly direction, a distance of 20.23 chains to the point of beginning.

EXCEPTING therefrom the parcel on which rock quarry is situated BEGINNING at a fence corner which marks the center of Section 29, in Township 1 North, Range 1 East, M.D. M. in Contra Costa County, California; said point of beginning being an angle point in the westerly line of the lands of the Mt. Diablo Quicksilver Co. Ltd. and running thence along the center line of Section 29 and along the westerly line of the property of the Mt. Diablo quicksilver Co. Ltd. North 0° 13'05"West 653.80 feet to the northwest corner of the Mt. Diablo Quicksilver Co. property; thence leaving the center line of Section 29 and along the northerly line of the lands of the Mt. Diablo Quicksilver Co. Ltd. North 89° 45' East 632.85 feet; thence leaving said line South 0° 13' 05" East (parallel with the westerly line of the Mt. Diablo Quicksilver Co. Ltd. property) 656.80 feet to an iron pipe in concrete, known as Triangulation Station No. 23; thence South 8° 19' East (parallel with the westerly line of the lands of the Mt. Diablo Quicksilver Co. Ltd. 1334.94 feet to the southerly line of the Mt. Diablo Quicksilver Co. Ltd) property; thence along this last said line West 632.85 feet to the southwest corner of the Mt. Diablo Quicksilver Co. Ltd. property and thence along the westerly line of the lands of the Mt. Diablo Quicksilver Co. Ltd. property North 8° 19' West 1335.18 feet (20.23 chains) to the point of beginning.

Being a portion of the S-W-¼ of the N-E-¼, and the N-W-¼ of the S E ¼ of Section 29 in Township 1 North, Range 1 East M.D.M. (and a westerly portion of the property of the Mt. Diablo Quicksilver Co. Ltd.) in Contra Costa County, California.

2. This lease shall be for a term of ten years commencing November 1, 1953.

3. Lessee shall have the right to renew this lease for an additional term of ten years, conditioned upon full performance of Lessee's obligations under this lease, by written notice to Lessor given not later than May 1, 1963.

4. If Lessee shall remain in possession after the termination of this lease, whether the original term or the renewal term, then Lessee shall hold from month to month, subject to the terms of this lease, and either party may terminate the tenancy by thirty days notice in writing to the other.

5. Lessee shall pay the Lessor a monthly rent and royalty of seven and one-half percent of the gross proceeds of the production from the property received for the month. This shall be payable on the 15th of each month for the receipts of the previous calendar month. In the event this royalty shall be less than $1200.00 for any six month period the Lessee shall pay the difference up to a minimum of $1200.00 on the 15th of July or January for the previous six month period, but such minimum in excess of the seven and one-half percent royalty shall not be payable for any six month period ending June 30th or December 31st in which Lessee has performed the minimum number of shifts as provided in paragraph 17 nor shall the proportionate amount be payable for any month in which operations are suspended because uneconomical as defined in Paragraph 16 or excused by causes as provided in Paragraphs 19 and 20.

6. The term "production" shall include quicksilver, precious metals and any and all other minerals, rock, slag and/or values produced, extracted or taken from said property, and gross proceeds shall include any governmental subsidy paid or received on account of the production thereof.

7. Lessor shall have the monthly option of taking its royalty for any month in unsold production, by written notice to Lessee given not later than the end of that calendar month. This option shall extend to production of prior months stored by Lessee on the premises. Lessee shall not be required to sell any production. Lessee shall ship at Lessors direction and Lessors expense any production taken as royalty by Lessor; and upon Lessors direction Lessee shall instruct the purchaser to make payment for Lessor's share of production direct to Lessor, but Lessee shall not be liable for any loss to lessor arising from such shipment or instruction to purchaser.

8. Upon default of Lessee's purchaser for more than 30 days after shipment, Lessee shall pay to Lessor the royalty on such shipment as part of the next monthly royalty after default.

9. Lessee shall maintain true and correct records according to standard accounting practice and the requirements of government officials and contracts. The records shall include, and Lessor or its agents designated in writing shall have the right to inspect (a) production segregated to show quicksilver, other metals, and other items (b) logs of mining operations (c) Sales and shipments. Lessor or its agent designated in writing shall have the right to check all shipments of production before removal from the premises and Lessee shall notify Lessor or Lessors agent in advance and allow sufficient time to permit such checking.

10. Not later than the end of each calendar month Lessee shall furnish to Lessor a statement of production shipments and sales for the next previous calendar month. Lessee shall furnish Lessor currently a copy of invoice or receipt for each shipment on which royalty has not been previously paid, showing item, quantity and price.

11. Lessee shall have the option to purchase the property described in paragraph 1 of this lease and all appurtenances, exercisable by notice in writing to Lessor at any time during continuance of Lessee's tenancy and prior to the expiration of the original term or the renewal term of this lease in the event option to renew is exercised. The purchase price shall be $125,000.00 provided that after the production of 2,000 flasks of quicksilver or equavalent value of other production the purchase price shall be reduced $25,000,

and thereafter after each successive production of 2,000 flasks of quicksilver or equivalent value of other production this price shall be reduced $25,000.00. The purchase price shall be paid in full in lawful money of the United States within one year after the option to purchase is exercised. After option to purchase is exercised the monthly installment on the purchase price shall be not less than the amount of rent and royalty payable if such option had not been exercised and such minimum installment shall be payable not later than the time provided herein for the payment of rent and royalty. Promptly upon receipt of the full amount of such purchase price Lessor shall furnish appropriate conveyances of marketable title to Lessee or Lessee's assignee of all the real and personal property included in this lease.

12. Inventory of buildings and equipment appurtenant to the real property and included in this lease is attached marked Exhibit A. Lessee shall have the use of all buildings and equipment situated on or appurtenant to the premises and also all supplies now on the premises for production or maintenance on the premises provided that Lessee shall pay Lessor the reasonable value of such supplies used, removed or sold by Lessee. Lessee shall have the right to (a) place or erect any structures or equipment on the premises; (b) develop a supply of water for mine operation or domestic purposes on the property; (c) cut and use timber on the premises for developing, mining, roads, flumes or household purposes. There is presently located on the quarry premises adjacent to the demised premises a well from which water has in the past been taken for use on the demised premises. Lessee shall have the right to continue to use water from said well

on the demised premises and the right to enter upon said quarry premises for the purpose of obtaining said water and to repair and maintain pumps, tank, piping and other equipment appurtenant to or used in connection with said well in the event the Lessor or its successor fails to do so. In the event that the quarry premises are sold, the purchaser shall have the option to terminate such rights in Lessee at any time by giving two years' written notice to Lessee and at the end of such two year period after notice, all of lessee's rights in and to said well and equipment and the water therefrom and the rights incidental to the use of said water shall forthwith cease and terminate. In the event that a permanent reduction plant is erected on said quarry premises, then the Lessor or Lessor's lessee, vendee, licensee or agent shall have the same option to terminate such rights in Lessee as is hereinabove granted to a purchaser of the quarry premises. Nothing herein shall be construed to guarantee to Lessee any water or water supply from said well.

13. Lessee shall maintain the premises and all the Lessor's equipment and tools at Lessee's expense and may at Lessee's option replace or remodel any structures or equipment. At the termination of this lease Lessee shall surrender to Lessor the premises and equipment together with the replacements and alterations thereof in good order, condition and repair, reasonable use and wear thereof and damage by act of God or by the elements excepted. All additions to buildings or real property including retorts, furnaces, power plants, flumes, mills, and electrical systems, except machinery and other items installed as portable, shall be deemed affixed to the realty and shall be surrendered to Lessor at the termination of this

lease. Lessor or its agent designated in writing shall have the right to inspect the premises and equipment and Lessee's operations at all reasonable times.

14. Lessee shall have the right to remove all portable equipment, household furniture and personal effects furnished by Lessee at any time during his tenancy or within 60 days after the termination of the lease. Such portable equipment shall include automobiles, trucks, power cranes, power shovels and tools; also other equipment or installations on which Lessee has notified Lessor in writing at least 10 days prior to installation of intention that it shall remain the property of Lessee and Lessor has either approved in writing or failed to object in writing within 10 days after receipt of such notice. Termination of the lease for default of Lessee shall not affect Lessee's right to remove all such equipment and such other items. If Lessee shall abandon, vacate or surrender the premises, or be dispossessed by process of law, any such personal property belonging to Lessee and left on the premises after such 60 days period including production shall be deemed to be abandoned, at the option of Lessor.

15. The provisions of contract dated June 5, 1953, between the United States of America acting through the Department of the Interior, Defense Materials Exploration Administration and Ronnie B. Smith, Jean Harper and James F. Dunnigan designated as Exploration Project Contract, Docket No. DMEA-2448 (IDM- K 544) referred to as the Government Contract are incorporated herein and any provision of this lease contrary thereto or impossible of performance by rea-

son of the provisions of or operations under the Government Contract are hereby waived, cancelled or suspended to the extent necessary to make the Government Contract fully effective. Any performance made difficult or impossible by such contract is excused during the period of such difficulty or impossibility. In the event the rights of Ronnie B. Smith, Jean Harper and James F. Dunnigan under such contract are not transferred to and made available to Lessee by April 15, 1954, this lease may be cancelled at Lessee's option exercisable within sixty days after April 15, 1954. Such termination shall be by notice in writing thereof to Lessor. In the event this lease is so terminated, Lessor shall have no obligation or liability or responsibility to make any compensation or reimbursement to Lessee for any matter or thing or to any extent whatsoever and all of the provisions hereof in respect to the rights of the parties in the event of termination of this lease shall apply.

16. Lessee shall commence operations within 60 days after April 1, 1954, and operate continuously thereafter during the term of this lease and any renewal thereof to mine in a manner that will develop and preserve the premises as a workable mine and produce the maximum amount of quicksilver or other production, so long as operation shall be economical as provided below. Lessee agrees to perform a minimum of 240 eight-hour shifts during each six month period of the term of this lease. This condition shall be deemed satisfied by work in operation, development or maintenance, excluding watchman and supervision. In the event Lessee shall pay the minimum rent and royalty of $200.00 a month for such six month period Lessee shall not be required to perform the said minimum shifts. At all times when operations are suspended up to the time of terminating of the lease, Lessee shall keep a watchman on the premises as Lessee's expense. Whenever operations shall be

uneconomical (as prescribed below) for a period of 30 days then at any time thereafter and during the continuance of such conditions, Lessee at Lessee's option may terminate the lease by 30 days written notice to Lessor. After actual suspension of operations for a consecutive period of three or more months (except suspension of operations under paragraph 17(a) of the Lease) Lessor may at its option terminate the lease by thirty days' notice to Lessee and to RONNIE B. SMITH as provided in paragraph 28 and within such thirty days, either Lessee or RONNIE B. SMITH may pay the minimum monthly rent and royalty of $200.00 for the period of such suspension and continue to pay such minimum rent and royalty monthly thereafter during the period of such suspension of operation and for so long as such monthly payments are continued, the lease shall not be terminated.

17. Operation shall be deemed uneconomical (a) whenever the market price of quicksilver shall fall below $135.00 per flask and remain below such price for more than thirty days. (b) Whenever the net operating profit to Lessee shall be less than 10% of Lessee's gross investment. In the event of a suspension of operations under this sub-paragraph (b), Lessee shall promptly give written notice of such suspension of operation to Lessor.

18. The term net operating profit shall be deemed to include the receipts and disbursements on a cash basis. Deduction shall be allowed for (1) reasonable depreciation of Lessee's equipment and installation costs at rates not less than recommended by the Internal Revenue Service (2) reasonable salaries of partners included as Lessee at rates not less than union or customary rates for operating foreman. (3) Payments to the government under contract. (4) All rent and royalty

payments to Lessor and to former Lessee, Ronnie B. Smith, Trustee, or his assigns. (5) All material and Labor costs. Such profit shall exclude (1) commuting travel expense of such partners (2) interest on loans for capital investment.

Upon Lessor's demand after notice of suspension of operations under paragraph 17(b), Lessee shall furnish to Lessor a financial statement of Lessee's operations certified by a certified public accountant after audit at Lessee's expense. In the event of disagreement as to the net operating profit, the parties shall submit the matter to arbitration by three public accountants, one to be chosen by Lessor, one to be chosen by Lessee, and the two so chosen to select the third. The parties agree to be bound by the decision of such arbitrators. If the arbitrators should decide that Lessee was not entitled to suspend operations under paragraph 17(b), Lessee shall be required to pay to Lessor the minimum monthly rent of $200.00 for the period of such suspension.

19. Performance by Lessee shall be excused and the time for performance shall be extended to the extent necessary or reasonable, but not beyond the expiration of the term of this lease or the renewal term thereof, whenever prevented or delayed by any cause beyond the control of Lessee, including strikes, shortage of water, power, supplies, inadequate transportation, impassable roads, rain, fire, flood, explosion or other casualty or Act of God, act of government or the public enemy.

20. (a) In the event of the destruction by any casualty of the mine or structures or equipment leased to Lessee hereunder, or any part thereof, Lessee may, at their election, make the necessary repairs and replacements, and in such event Lessor shall pay to Lessee the cost thereof up to

the amount of the proceeds of insurance paid to Lessor for such loss, but Lessor shall not otherwise be liable or responsible for such repairs and replacements. If Lessee elects not to make such repairs and replacements, Lessor may, at its election, make the same, and Lessor shall have a period of one hundred twenty days after receipt of notice in writing by Lessee of their election within which to complete such necessary repairs and replacements. If Lessor elects not to make such repairs and replacements, or fails to complete same within said one-hundred-twenty-day period, Lessee may, at their option, terminate this lease by thirty days' notice in writing to Lessor, subject, however, to the rights reserved to RONNIE B. SMITH to take over the lease within such thirty-day period and make such repairs and replacements. If Lessee elects not to make such repairs and replacements, any insurance proceeds received by Lessee for loss or damage to property owned by Lessor shall be paid promptly to Lessor. Nothing contained herein shall be construed to release Lessee from any liability which Lessee would otherwise have to Lessor by reason of any negligent conduct by Lessee.

(b) Lessee waives all rights to make repairs at the expense of Lessor and all rights under §§ 1941 and 1942 of the Civil Code of the State of California. Lessor's agents shall have the right to enter on the demised premises for inspection of damage and repair and at all reasonable times for inspection of operations. No minimum royalty or rental shall be payable by Lessee during the period necessary for repairs after casualty, and the only rental or royalty payable during such period shall be the percentage royalty of gross proceeds as hereinabove provided.

21. Lessee assumes all liability for injury to any person or persons or damage to or loss of any property whatsoever arising frof the acts or operations of Lessee and Lessee agrees to defend, indemnify and save Lessor harmless from all costs, loss, claims for personal injury or death or damage to property arising from Lessee's acts or operations.

Lessee shall pay promptly for all labor employed and materials and supplies purchased or used by Lessee and shall relieve promptly all liens or encumbrances for labor or materials.

22. Lessee agrees to maintain at Lessee's expense such insurance as will protect both Lessor and Lessee from claims under the Workmen's Compensation or Employer Liability Laws, and from any other claims for personal injury, including death, or damage to property made by anyone whomsoever, which may arise from the operations or occupancy of Lessee. Public Liability policies on the premises and also on automobiles and trucks shall have limits of not less than $100,000 for injury to one person, $300,000 for injury to more than one person and $10,000. for property damage. Certificates of such insurance shall be filed with Lessor if so required and shall be subject to its approval for adequacy of protection.

23. Lessee agrees to indemnify and save harmless the Lessor and assumes full responsibility for payment of all state and federal payroll taxes for old age pensions, unemployment insurance and income tax as to all employees engaged in the performance under this lease; and agrees to satisfy all requirements of regulations or officials relating to the same.

24. Lessee shall provide and maintain at Lessee's expense fire insurance and other appropriate casualty insurance on the structures and equipment covering the full appraised insurance value thereof for the maximum protection of both Lessor and Lessee as their interests shall appear; and Lessee shall furnish to Lessor certificates of such insurance if required.

25. Lessee shall pay and assume all the taxes and licenses on the real property, personal property and operations on the premises leased by Lessee becoming due after October 31, 1953, for so long as Lessee's leasehold or occupancy shall continue.

26. Lessee accepts the premises as in good and sanitary order. Lessee shall not commit or suffer the commission of any waste beyond the operations specified herein, nor any public or private nuisance. Lessee will at Lessee's expense comply with all requirements of Municipal, State and Federal authorities pertaining to the premises and will faithfully observe all ordinances, statutes and regulations. A final decree or order in any state or federal court in any abatement proceedings, which would substantially prevent the operation of the demised premises for the purposes stated in the lease shall, at the option of the Lessor, be deemed a breach of the lease. Lessee waives all claims against Lessor for damage to goods or merchandise. Lessee acknowledges that they have notice of that certain decision and order of the Water Polution Control Board of the State of California dated December 14, 1953.

27. Lessor or his agents shall have the right to enter and post any ordinary or usual notices of non-liability.

28. Upon default of Lessee in performance of Lessee's obligations under any terms, conditions or covenants of this lease except as excused herein, Lessor may at its option terminate this lease and may re-enter the premises and remove all persons therefrom, using all lawful means so to do; and the rights of Lessee under the lease or in the premises shall terminate. Lessee shall not be deemed in default until written notice and demand for performance has been given by Lessor to Lessee and after 30 days from receipt of such notice Lessee has failed or refused to perform. Lessor shall give thirty days written notice to Lessee of intention to terminate under this paragraph as well as of termination under paragraph 16 for suspension of operations or abandonment by Lessee. The notice and demand for performance, as well as the thirty day written notice of intention to terminate for any reason, shall be given to Ronnie B. Smith, Trustee, at Tower Petroleum Building, Dallas, Texas, or to his agent designated in writing. Lessor shall also give written notice to said Smith, or his agent, of any notice received by Lessor from Lessee of intention to terminate under paragraph 15, 16 or 20 hereof.

Said Smith shall have the option of performing in the name of Lessee or of taking assignment of this lease and assuming all obligations thereunder in writing, and thereafter performing in his own name. He shall have this option for a period of thirty days after receiving the written notice of any intention to terminate from Lessor. He shall not have such option during the initial period of thirty days after written notice and demand for performance has been given by Lessor to Lessee and to said Smith.

29. Time is of the essence as to all provisions of this lease. All obligations of Lessee hereunder shall be

deemed both covenants and conditions on breach of which this lease may be terminated, except as excused or deferred herein. Upon reentry Lessor may recover any damage incurred by any breach hereof. Waiver by Lessor of any breach shall not constitute waiver of any other breach. Acceptance of rent and royalty shall not consitute waiver as to anything except the rent or royalty actually accepted.

30. Except as provided herein Lessee shall not assign this lease or any interest therein, and will not lease or underlet the premises or any part thereof, or any right, or privilege appurtenant thereto, without the written consent of the Lessor first had and obtained as to each assignment or subletting; provided that Lessee shall have the right to assign the lease to a corporation having a real net worth of at least One Hundred Thousand Dollars also Lessee shall have the right to assign this lease to Ronnie B. Smith, Trustee, of Tower Petroleum Building, Dallas, Texas, at any time and upon receipt by Lessor of such assignment and of written assumption of this lease by Ronnie B. Smith, Trustee, Lessee shall be discharged from all further obligation to Lessor; and except as provided above, any assignment or transfer or attempt thereat of this lease or any interest therein or underletting, either by voluntary or involuntary act of Lessee or by operation of law or otherwise, including attachment, receivership, bankruptcy and general assignment for benefit of creditors, shall at the option of Lessor, terminate this lease; and any such purported assignment (by death excepted), transfer or underletting without such consent, shall be null and void.

31. (a) Lessor warrants title to the demised premises and Lessee's quiet enjoyment thereof. Lessee shall

have the right to construct at any time during Lessee's occupancy of the demised premises, and use a road up to thirty feet in width from the existing road at approximately the high point thereof, thence across the quarry premises adjacent to the demised premises, approximately midway between the boundaries of the quarry premises, provided, however, that said road shall be so located and so constructed as not to interfere with the operations on the quarry premises. Lessee shall have the right to use any road now existing or hereafter constructed on the quarry premises, in connection with the operations of Lessee on the demised premises. Any sale of the quarry premises shall be subject to these rights of way, and Lessor agrees to make such reservations and exceptions in any conveyance of the quarry premises. Lessor reserves to itself and its assigns rights of way for road purposes, pipe lines and/or power lines, over and across the demised premises at such locations as may be hereafter determined upon, provided, however, that the same shall not interfere with the mining operations on the demised premises. In the event that the option to purchase the demised premises herein granted the Lessee is exercised, Lessee shall take said property subject to the reservations of rights of way to Lessor and its assigns as herein provided. In the event that Lessee and Lessor and its assigns use any road or roads jointly, all costs of upkeep and maintenance of such road or roads shall be shared by the parties using the same.

(b) Lessor agrees to use all due diligence and reasonable efforts to acquire and/or establish permanent rights of way over and across the lower property adjoining the demised premises to the County Road and the properties adjoining the quarry premises to the County Road for purposes

of ingress and egress to or from the demised premises, and Lessor agrees to grant to Lessee the right to use any such rights of way now held by or subsequently acquired by Lessor for such purpose. In the event that at any time there is not available to Lessee a right of ingress and egress between such County Road and the demised premises, Lessee may, at their election, terminate this lease, and during any period that such right of ingress and egress is not available, Lessee shall be excused from any performance hereunder. It is understood in this connection that Lessee is entitled to right of ingress and egress over a road that is usable for the purposes of Lessee's operations under this lease. If a right of way is obtained by Lessor, other than over an existing usable road, and Lessor shall elect not to place a road over such right of way in usable condition, then Lessee shall have their option to terminate as hereinabove stated, but Lessee shall not have any other or different right hereunder or against Lessor.

32. Lessee shall have the right to explore for, develop and extract quicksilver by underground operations on the quarry premises, and in the event quicksilver is uncovered by Lessor, or its successors, on said premises, Lessee shall have the right to develop and extract the same by surface operations, at Lessee's expense on the same terms and conditions as herein provided, provided, however, that Lessee shall not interfere with the quarry operations on said quarry premises.

33. A written notice shall be deemed given on the day mailed and received on the following day if enclosed in a sealed envelope addressed to the party at the address first given in this lease or such other address as shall be designated

by written notice actually received, and deposited in the United States Mail, postage prepaid and registered. Wherever notice is required to be given to Lessee, it shall be given to both JOHN L. JONAS and JOHN E. JOHNSON.

34. Each of the copartners included in Lessee does jointly and severally agree to be bound by all the terms of this lease. This lease shall be binding on the heirs, administrators, executors and assigns of both Lessor and each of the copartners included in Lessee.

IN WITNESS WHEREOF, the parties have executed this lease the day and year first above written.

MT. DIABLO QUICKSILVER COMPANY, LTD.

by_____

By_____

Lessor

_____

John L. Jonas Lessee

_____

John E. Johnson Lessee

AGREEMENT

THIS AGREEMENT, made this 30 day of September, 1953, by and between RONNIE B. SMITH, Trustee, first party, and GUY A. GAETLE and MELVIN BRUNNER, both of Angels Camp, California, second parties,

WITNESSETH:

In consideration of the mutual covenants provided for herein, and for other valuable consideration, it is agreed between the parties as follows:

(1) This agreement shall provide for the sinking and drifting on the property leased by first party from Mt. Diablo Quicksilver Co., Ltd., which property is located near Clayton, California. Said lease is the subject of Government Contract No. IBM-K 544, Docket No. 2448, which contract provides for the sinking of a timbered vertical shaft to a depth of approximately 330 feet -- with subsequent drifting and cross-cutting of approximately 625 feet.

(2) Second parties agree to furnish all labor, drills, drill steel, powder, miscellaneous caps, fuses, electric wiring, and electric lamps, together with all necessary equipment and small tools to perform the above work, it being agreed that first party shall put in good repair the Copco drill or jack-hammer now on the property; and first party shall also supply three lengths of steel -- being two (2) feet, four (4) feet, and six (6) feet, respectively, and in this connection second parties agree to maintain, at their own expense, reasonable wear and tear excepted, all equipment supplied by first party. First party agrees to furnish all timber, water lines, air lines, track, blowers, pumps, mucking machines, hand-cars, hoist, controls, cable and similar equipment, but it is agreed that second parties shall furnish any labor for the installation of any of the foregoing items, including installation of and framing of timber.

(3) First party shall compensate second parties for such work agreed upon herein, as follows:

First, in connection with the sinking of a two (2) compartment timbered shaft, which second parties agree to perform. First party shall pay second parties Fifty Dollars ($50) per feet -- such shaft shall be in cross-section 4-1/2 feet by 8-1/2 feet in clear of timbers -- to a depth of approximately 330 feet;

Second, for drifting and cross-cutting first party shall pay second party Seventeen and 50/100 Dollars ($17.50) per feet, it being understood that such drifting
R.B.S. and cross-cutting in and cross-section shall be 5 feet by 7 feet in clear of timbers at the top, and 6 feet at the bottom, it being understood that the total footage of cross-cuts and drifts will not exceed 625 feet, -- such specifications as to cross-sectional area in sinking, drifting and cross-cutting to be subject to the approval of the engineer, or engineers designated by the United States Bureau of Mines to inspect this contract project.

(4) In further consideration for the agreement to perform the work on the aforesaid basis, first party agrees to pay second parties an aggregate bonus sum of Five Hundred Dollars
R.B.S. ($500) at the expiration of the work specified herein, insofar as shaft is concerned, provided that said work is completed in a good and minerlike manner, and G.C. M.B.
R.B.S. also provided that said work is completed on or before 12/25/53 in the time alloted to first party under said Government Contract, or any extension thereof, it being understood that the time for completion of said contract is specified to be the 6th day of April, 1954.

(5) Compensation by first party to second parties for footage to be made on the 10th and 25th day of each month for footage measured by and approved, in writing, by C. N. Schuette and/or an authorized engineer of the United States Bureau of Mines,

which measurement and approval shall be made as of the last and 15th day of each month. In connection with such payments it is further understood that first party may withhold fifteen (15) percent of the compensation payable to second parties, as follows: The sinking of the shaft is agreed to be the first performance required, and until completion of such performance, together with written approval of an engineer of the United States Bureau of Mines, said first party may withhold fifteen (15) per cent of the compensation as to the foregoing work. Similarly, as to the drifting and cross-cutting, first party may withhold fifteen (15) percent of the compensation to second parties until this second phase of the work is completed and approved in writing by an engineer of the United States Bureau of Mines; provided, further, that if first party, at the request of second parties, furnishes any equipment or material which second parties are obligated to furnish hereunder, first party shall be credited with the cost of such equipment or material on the foregoing compensation to second parties.

(6) In connection with equipment to be supplied by first party hereunder, first party agrees to use his best efforts to see that such equipment, supplies, or material are furnished in such a manner as to cause no delay in the performance of this agreement by second parties, it being understood that first party shall be relieved from this provision in situations beyond first party's control, such as strikes, floods, acts of God, and similar occurrences beyond first party's control.

(7) Second parties may use the bunk house located on the premises, which second parties agree to be adequate for their purposes, and second parties may house their employees there free of cost, providing that second parties furnish their own beds, bedding, and other necessary articles and utilities, and providing second parties also maintain the property in good repair.

(8) It is agreed that the work to be performed hereunder shall be performed efficiently, expertly, and in a minerlike manner in accordance with good mining standards and all regulations for health and safety in compliance with the Mine Safety Regulations of the State of California, and in compliance with any and all directions of the engineer of the United States Bureau of Mines. Second parties further agree to install and skills where soft ground is encountered and to maintain a drainage ditch to a sump where second parties shall install a pump or pumps as required under the circumstances, it being understood that first party shall supply such pump or pumps and any necessary electricity for their operation. It is understood and agreed that all work and performance of second parties hereunder shall be done under the supervision of and be acceptable to said C. M. Schmette and/or such engineer of the United States Bureau of Mines in charge of said contract project.

(9) Second parties further agree to supply sufficient labor to complete the performance of the foregoing specified work on or before the 6th day of April, 1954, unless prevented by circumstances beyond their control.

(10) If first party determines to post notices of non-responsibility and supplies second parties with such notices, they shall be posted in accordance with the directions from first party.

(11) In the event that the United States Government cancels the foregoing contract with first party for any reason, all work hereunder, upon notification by first party to second parties shall cease and terminate, and first party shall compensate second party for performance to the date of such notice, it being understood that if first party decides to continue after such cancellation, second parties shall complete performance of the foregoing work, as herein set forth.

(12) It is agreed that the foregoing supersedes any and all agreements, negotiations, and representations by the parties hereto, and that this agreement shall not be deemed to be modified except by writing between the parties hereto. It is also agreed that first party may assign this agreement to any person, firm, or corporation acceptable to the Defense Minerals Exploration Administration of the United States Government, or its successor.

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

/s/ Bonnie B. Smith, Trustee
Bonnie B. Smith, Trustee

FIRST PARTY

/s/ Guy A. Castle
Guy A. Castle

/s/ Melvin Brunner
Melvin Brunner

SECOND PARTIES

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

RECEIVED
15 1954

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

March 11, 1954

Air Mail

Memorandum

To: C. O. Mittendorf, Administrator, DMEA, Interior Building
Washington, D. C.

From: Executive Officer, DMEA Field Team, Region III

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

In order to give you a break-down of estimated costs of dewatering the Mt. Diablo Quicksilver Mine, as requested in your teletype dated March 1, 1954, I asked Mr. C. N. Schuette, Consulting Engineer for the Project, to prepare the estimate.

Mr. Schuette, by letter dated March 5, sent me his estimate. A copy of his letter is attached.

At a conference in this office with Schuette and the operators, Jonas and Johnson, on March 8, Mr. Schuette mentioned the difficulty of estimating the possible costs, but believes what he sent me is about as near to actual as anyone can make at this time. In preparing his estimate, he was assisted by Mr. Benjamin Sheahan, of the Bureau of Mines, who was with him at the mine last week.

Since sending you my wire on February 24 and receiving verbal permission from Mr. Ellis to go ahead and pump down the water, an unfortunate incident occurred and one of the miners lost his life during pumping operations. See attached newspaper clipping.

It is not definite at this time what caused this man and Mr. Johnson - one of the operators who was down the shaft with Mr. Castle - to pass out. Tests showed some methane gas, and that may have been the cause.

At the present time the mine is shut down, awaiting approval of the resumption of operations by the Industrial Accident Commission of California. Until approval is given, no further pumping can be done.

When the operators unwater the mine and later keep it dry, they will have to watch their step, as the farmers in the area and the State Pollution Board won't let any salt or acid water run down the creek. Any acid water will have to be neutralized.

The operators were informed that their contract was not on a unit basis as they believed it was, and that did not set too well with them. The assignment to them of the contract from Ronnie B. Smith was made with that thought in mind, and to learn at this time that they would be paid only on an actual cost basis up to the maximum shown in the contract, virtually took the wind out of their sails. They have, for example, moved in some of their own equipment, but under the terms of the contract they will receive nothing for the use of it.

I am not too optimistic about the operators' ability to cope with the water, gas, and pollution problem, but they are determined to go ahead. They will have to wait, however, for the green light from the State Industrial Accident Commission. There may be a possibility also, according to grape-vine information, that the present operators will not be able to get liability insurance, without which they cannot operate. I may hear more about this shortly.

Regardless of the above, I believe it advisable that the Washington office prepare the requested amendment to permit unwatering the mine and repairing any damage incurred as a result of the water. I will then hold the amendment here until all matters have been settled before asking the operators to sign it.

Schuette no longer has anything to do with the project, as the money allotted for consulting services has run out. I have not yet learned whether the new operators will employ Mr. Schuette on their own account.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Enclosures

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

C. N. SCHUETTE
CONSULTING MINING ENGINEER
TELEPHONE SEBASTOPOL 6690
6590 BARNETT VALLEY ROAD W.
SEBASTOPOL, CALIFORNIA

March 5 1954.

DEPARTMENT OF
Defense Mobilization
MAR 15 1954

Mr. H. C. Miller, Executive Officer,
DMMA Field Team, Region III, U.S.B.M.,
1012 Flood Building, 870 Market St.,
San Francisco 2, California.

DMEA-2448

Dear Mr. Miller,

In response to Mr. Mittendorf's wire of 3-1-54 I submit the following data on the estimated cost of dewatering the Mt. Diablo mine.

At Mt. Diablo mine the 300 level crosscut from the shaft was getting near the point where we expected to get water from the shattered rock of the ore zone. Preliminary estimates had placed this point at 125 feet or possibly somewhat further from the shaft as the dip of the vein was known to become steeper in depth and this would extend the distance. At this point where water from the vein or ore zone could be expected in the crosscut, the face of this crosscut was still over 100 feet (horizontal measurement) and possibly 20 to 30 feet lower, from the bottom of an old winze, the nearest of water filled workings of the old mine.

No one saw the face of the crosscut after the last round which advanced the face to 120 feet. The previous round to 116 feet was in sandstone and the face was bone dry tho there was a small seepage accompanied by a smelly gas on the left side of the crosscut at about 112 feet in from the shaft. The last round was fired at 4 P.M. on February 17th. That night at 8 P.M. the cage was run up and down the shaft for purposes of testing a new brake lining and everything appeared normal.

On the morning of the 18th at 8 A.M. the water had risen in the shaft to 30 feet above the station and rose 70 feet more in another hour. Figuring back, the time required to drown the sump, crosscut and 30 feet of shaft above the level, it seems probable that water had burst into the workings with a rush starting about 5 A.M. on the morning of February 18th. The water continued to rise in the shaft until it reached the level of the old drain tunnel of the mine.

A pump was obtained and pumping was started at the rate of about 400 g.p.m. on Monday February 22nd. Pumping stopped on Feb. 25th. In this period the water had been lowered 38 feet.

Lift Crushes Quicksilver Miner to Death

CLAYTON, March 5.—Howard Castle, 41, of Copperopolis, was crushed to death between a mine skip and shaft timbers in the Mt. Diablo quicksilver mine on Curry Creek Road five miles east of here, the sheriff's office reported today in Martinez.

Castle and one of the co-operators of the mine, John Johnson, were working deep in the mine when the tragedy occurred late yesterday.

Johnson told Deputy Sheriff Robert Frank that Castle was working at shoring up timbers at the 150-foot level, while he worked about 12 feet below him. The men were pumping water from the shaft.

Johnson said he became alarmed when he saw bubbles forming on the top of the water. He shouted "gas" and believes Castle called to the hoistman, George Bartone, to raise the skip to the surface. Bartone said the skip moved about 12 feet when it stuck. He summoned other miners who descended the shaft by ladder.

John Jonas, the other operator of the mine, found Castle wedged between the skip and the timbers. He was pronounced dead by a doctor called to the scene. Johnson, who had lost consciousness, recovered sufficiently to climb from the shaft via the ladder with help of the other miners.

The body was taken to the Guy and Blackwell Mortuary in Concord.

It had been expected that some water might be encountered during the last 60 feet of shaft sinking and in the crosscutting. Surprisingly enough, practically no water was encountered in the shaft sinking aside from a few minor seepages and a small seepage in the bottom of the shaft. The crosscut also was dry and a sump pump available for such work, was never used.

As the water was pumped down in the shaft, the flow of water from the drain tunnel diminished and practically stopped, showing that any pumping from the shaft will drain the old mine of water.

The question is: how long will it take and what will it cost ? Aside from the volume of water to be pumped out, there are certain other considerations which are:

1. While the water pumped at first was not acid, the water flowing from the drain tunnel is acid in character and the water pumped from the shaft will be acid water as pumping proceeds.

2. The Water Pollution Board of the State of California requires that this water be neutralized and clear before being released into the creek.

3. General Considerations: Rainfall. On the day before the water break-out, i.e. on February 17th it was storming and raining hard all day. This may have had something to do with the break-out as heavy rains always affected the amount of water pumped during previous operations. In the dry season the water pumped from the old mine was roughly 100 g.p.m. as against 200 g.p.m. in the rainy season. The rains for this season are practically over, so that chances for sudden increases of water in the mine are slight from now on into the summer.

The mine water in the old workings stands a little above elevation 790, the portal elevation of the 165 or drainage level. Below the 165 level there is the 270 level at elevation 700. This level is some 190 feet long. Two inclined raises connect the 165 and the 270 levels. From the 165 level an inclined winze goes down to the 270 level and for some 70 to 90 feet slope measurement below the 270 level to an elevation of 655 or possibly 637 feet. Available maps do not agree on elevations and the original survey note books have not thus far been located. The amount of stoping between the 165 and 270 levels is not shown on any available map.

During previous operations, or rather intervals between operations, the lower workings have filled with water. On one occasion the water was pumped down (250 g.p.m. pump) from 14 feet above the 165 level to clear the 270 level in about one weeks time. In the summer the winze only, could be pumped down from the 165 to the 270 level in one day with the same pump.

Our present crosscut is a short distance below the bottom of the old winze, so that we have a greater depth of rock to drain and after pumping down, a somewhat greater flow of water can be expected than in previous operations, which as mentioned above varied from 100 to 200 g.p.m.

As the present unwatering operation proceeds, the shaft timbering will have to be caught up as the water is lowered. I would estimate that the crosscut level can be recovered in not more than 30 days of pumping with the pump now operating; with luck, it might be done in two weeks.

Pumping down must be done on a 24 hour per day basis. Three men are needed per shift with one extra man per day to run errands and be a general service man. Thus 10 men per 24 hours at $2.00 per hour would entail a labor cost of $160 per day. Power would take 40 HP x 24 = 960 HP hours per day. At prevailing power rates for a 15 day period this would cost $13.58 per day while for a 30 day period it would be $11.01 per day.

A rough estimate of the cost of unwatering would be:

	$160	labor
	14	power
	16	lumber and misc. supplies
Total	$190 per day	

Thus the direct cost would probably be not less than $2850 and not more than $5700.

To this cost must be added the cost of facilities to treat the water. This additional cost is not due to the flooding but is made necessary by the orders of the Water Pollution Board.

In former operations, lime was fed to the intake of the pump to neutralize the acidity and the water was then pumped up the hill to aerating tanks and then dispersed over the hillside. This system, the apparatus for which is no longer in existence, gave satisfaction for a 3 year period. It may or may not serve now as farmers and resort operators below the mine have been bringing suits and complaints against the mine for water pollution in late years and the subject has become acute with the Water Pollution Board insisting on compliance with their rather strict regulations.

Thus the treatment of acid water pumped from the mine becomes imperative and since such a treatment plant involves pumps, pipes, baffle troughs and similar equipment, an expenditure of another $5000 or so will probably be needed.

Even then there is the constant threat that an order of the Pollution Board might enforce a stoppage of pumping, and this of course would result in flooding the mine again.

Summing it all up, I would estimate that the unwatering and recovery of the 300 level would take some 30 days and would cost some $10,000.

In feet of drifting, $10,000 represents 250 feet of drifting at $40 per foot. Thus if the operators could trade this expenditure for unwatering for 250 feet or one half of the proposed drifting, that would help them over their present difficulties.

Later, if the drifting showed encourageing results, perhaps the contract could be amended to add 250 feet of drifting and so enable the operators to complete the project as originally set up.

Very sincerely yours

C. J. Schmitt.

Surname
Do[illegible]t copy

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MAR 1 1954

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Ellis

TELETYPE

Mching/pka 3-1-54

DMEA - Department of the Interior

[redacted]

Ex3923.970 Working Fund, DMEA

M. G. MILLER, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION XII
[illegible] FLOOD BUILDING
870 MARKET STREET
SAN FRANCISCO 2, CALIFORNIA

REFUTE FEBRUARY [illegible] DMEA-GSA JOINT AND COMMON AND TELEPHONE CONVERSATION WITH ELLIS PLEASE GIVE BREAKDOWN OF ESTIMATED COST DEMONSTRATING MORE SUFFICIENT DETAIL TO ALLOW APPROVAL EXHIBIT A, ESTIMATED COSTS OF PROJECT ON ACTUAL COST BASIS.

C. O. Mittendorf (for)

C. O. MITTENDORF, ADMINISTRATOR

cc to: Adm. Reading File
Docket
Messrs. HMeyer, Rm. 3623
ARKinkel, Jr. Rm. B-242A, GSA
MChing
Code 700
Confirmation to Region III, DMEA

R.C. 3-1-54

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C C MITTENDORF, ADMINISTRATOR

DEFENSE MINERALS EXPLORATION DMEXX ADM., INTERIOR BUILDING WASH

DOCKET DMEA-2448 /MERCURY/ MT. DIABLO QUICKSILVER MINE, CONTRACT IDN E544. ON FEBRUARY 18 WHEN CROSSCUT FROM SHAFT AT DEPTH OF 300 FEET REACHED MINERALIZED GROUND 120 FEET FROM SHAFT, WATER BROKE IN FLOODING WORKINGS AND SHAFT TO 155 FEET BELOW COLLAR. ESTIMATED INFLOW OF WATER ABOUT 200 GALLONS PER MINUTE. ESTIMATED COST OF DEWATERING MINE ABOUT $10,000 FOR LABOR, EQUIPMENT, ACID-RESISTANT PUMPS, AND SUPPLIES. CAN CONTRACT BE AMENDED TO ALLOW FOR THIS ADDITIONAL COST. PLEASE WIRE IMMEDIATE ANSWER SO OPERATOR MAY PLAN WHETHER OR NOT TO ABANDON PROJECT.

W C MILLER EXECUTIVE OFFICER, DMEA FIELD TEAM, REG. III

DMEA-2448 IDN E544 18 300 120 155 200 $10,000

RB 127P

FEB 25 8 56 AM '94
BUREAU OF MINES
MAIL ROOM
WASHINGTON D C.

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

1 2 1954

1012 Flood Bldg.
870 Market St.
San Francisco 2, Calif.

February 8, 1954

Mr. C. N. Schuette
6390 Barnett Valley Road W.
Sebastopol, California

Subject: Docket DMEA-2448 (Mercury)
Contract Ice-E544
Mt. Diable Quicksilver Mine
Contra Costa County, Calif.

Dear Mr. Schuette:

Reference is to your letter dated February 4, 1954, concerning the size of the timber sets to be installed in the crosscut now being driven under the subject contract at the Mt. Diablo mine.

Although the subject contract states that the cross-section of the crosscut should be 6 feet by 7.5 feet in the clear of timber, we do not interpret this to mean that the set should have vertical posts and be 6 feet in the clear at the top. To have a 6-foot clearance at the top would call for an excessively large cap, the expense of which does not seem warranted.

As is general practice in timbering drifts and crosscuts, we will consider as satisfying the contract if the sets are 6 feet in the clear of the timber at the bottom, 7-1/2 feet high, and 4 feet in the clear of the timber at the top. That size set agrees with that suggested in your original estimates based upon your timber allowance.

I am sending a copy of this letter to Messrs. Jonas and Johnson, at 166 Los Robles Drive, Burlingame, California.

Mighty glad to hear that the work is progressing so satisfactorily - that on February 3 the shaft was complete and 43 feet of crosscutting had been accomplished.

Sincerely yours,

H. C. Miller

H. C. Miller
Executive Officer, DMEA Field Team
Region III

Copy to: Messrs. John L. Jonas &
John S. Johnson, Burlingame, Calif.
Operating Committee, DMEA, Washington (2)
Roscoe M. Smith, USGS
A. C. Johnson, Reno

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 8 1954

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: February 2, 1954

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA - 2448

Contract Idm-E 544

Commodity Mercury

Operator - Ronnie B. Smith and partners

Property - Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.

By B. H. Sheahan, Mining Engineer

Dated January 20, 1954

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

~~XXXXXXXXXXXXX~~, USGS (With one copy of report)
Roscoe Smith

INTERIM REPORT
(Fourth)

Docket No.: DMEA-2448 (Mercury) January 20, 1954

Name and address of operator: Ronnie B. Smith and partners
2106 Tower Petroleum Bldg.
Dallas 1, Texas

Name and location of property: Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Contract No.: Idm-E544

SUMMARY AND CONCLUSIONS

The property was inspected by an engineer of the Bureau of Mines accompanied by Mr. Vic Blomberg and independent contractors, Mr. Guy Castle and Melvin Bruner on Jan. 5, 1954.

The two compartment exploratory shaft was sunk and timbered to a depth of 293 feet (see fig. 1). Advance was made in shale and progressed at a satisfactory rate.

No water has yet been encountered by this work. Exploration work on the 300 level will develop water and both pumping and water disposal will be difficult problems as mentioned in previous interim reports.

An order dated Dec. 14, 1953 from the California State Water Pollution Control Board to the operator, Vic Blomberg and Mt. Diablo Quicksilver Mine, states that they shall comply with Resolution No. 135.

RECOMMENDATIONS

For improvement of operations:

1. The operator should spend more time at the property. He should provide his superintendent with financial aid to handle water when it is encountered.

2. The operator should obtain the services of an authority on the disposal of industrial waste, and he should comply with the State Water Pollution Control Board's order.

WORK COMPLETED

The two compartment shaft was sunk and timbered to a depth of 293 feet. Surface facilities completed include the installation of a hoist, ventilation blower, headframe, and hoist house. Improvements recommended by the State Safety Engineer were practically completed.

COMMENTS ON PROGRESS

Excellent progress was made on the shaft sinking operation by the independent contractor. Work remaining uncompleted includes 37 feet of shaft and 625 feet of crosscutting or drifting. A station should be provided on the 300 level of the shaft.

OPERATING CONDITIONS

Operating conditions were good. Although no water was found in the shaft, crosscutting on the 300 level is certain to encounter water. The operator will have both pumping and water disposal problems as mentioned in previous interim reports.

EFFICIENCY OF OPERATIONS

The exploration work was efficiently supervised by Mr. C. N. Schuette, Consulting Engineer. Work conducted by the independent contractor was done efficiently.

The operator has spent very little time at the property and plans for successfully handling of water have apparently been neglected.

OPERATOR'S MONTHLY REPORTS

The operator's monthly reports, signed by the consulting engineer, are well prepared. Total expenditures amounted to $41,526.80 as shown by the December 1953 monthly report. Shaft sinking completed at that time amounted to 289 feet.

UNUSUAL CIRCUMSTANCES

A letter received from Mr. John L. Jonas, dated Dec. 21, 1953, indicated that he and Mr. John E. Johnson had taken over the contract Idm-E544.

This conveyance of the lease was not confirmed by Mr. Vic Blomberg of the Mt. Diablo Quicksilver Mine. Likewise, official notification has not been received from the Executive Officer, DMEA Field Team, Region III, showing that a transfer had been made.

GEOLOGY

Advance of the shaft was made in blocky dark gray shale containing an occasional trace of mercury mineralization.

OTHER INFORMATION

The State of California, Regional Water Pollution Control Board, 608 13th Street, Sacramento 14, California, held a public hearing on June 12, 1953 regarding water disposal at the Mt. Diablo Quicksilver Mine.

An order was made to Mr. Ronnie Smith, Vic Blomberg, Mt. Diablo Quicksilver Mine, and their counsel to comply with Resolution No. 135, on December 14, 1953.

Some requirements of Resolution No. 135 are stated:

"Resolved that the following requirements govern the nature of the discharge from the Mt. Diablo Mine to Marsh Creek by way of Dunn Creek:

1. "The maximum quantity of settleable solids in the pond effluent shall not exceed 0.5 ml per liter after one hour of quiescent settling in a standard Imhoff cone.

2. "The pond effluent shall not produce noticeable color or precipitates after 15 minutes aeration.

3. "The pond effluent shall not produce noticeable color or precipitation when pH is adjusted to neutrality 7.

4. "The pond effluent shall not produce excessive color in Marsh Creek.

5. "The pond effluent leaving the mine property shall have a pH between 6.5 and 8.5.

6. "The pond effluent shall not contain any toxic materials in such quantity or of such character as to be hazardous to public health or to plant or animal life.

B. H. Sheahan

B. H. Sheahan
Mining Engineer

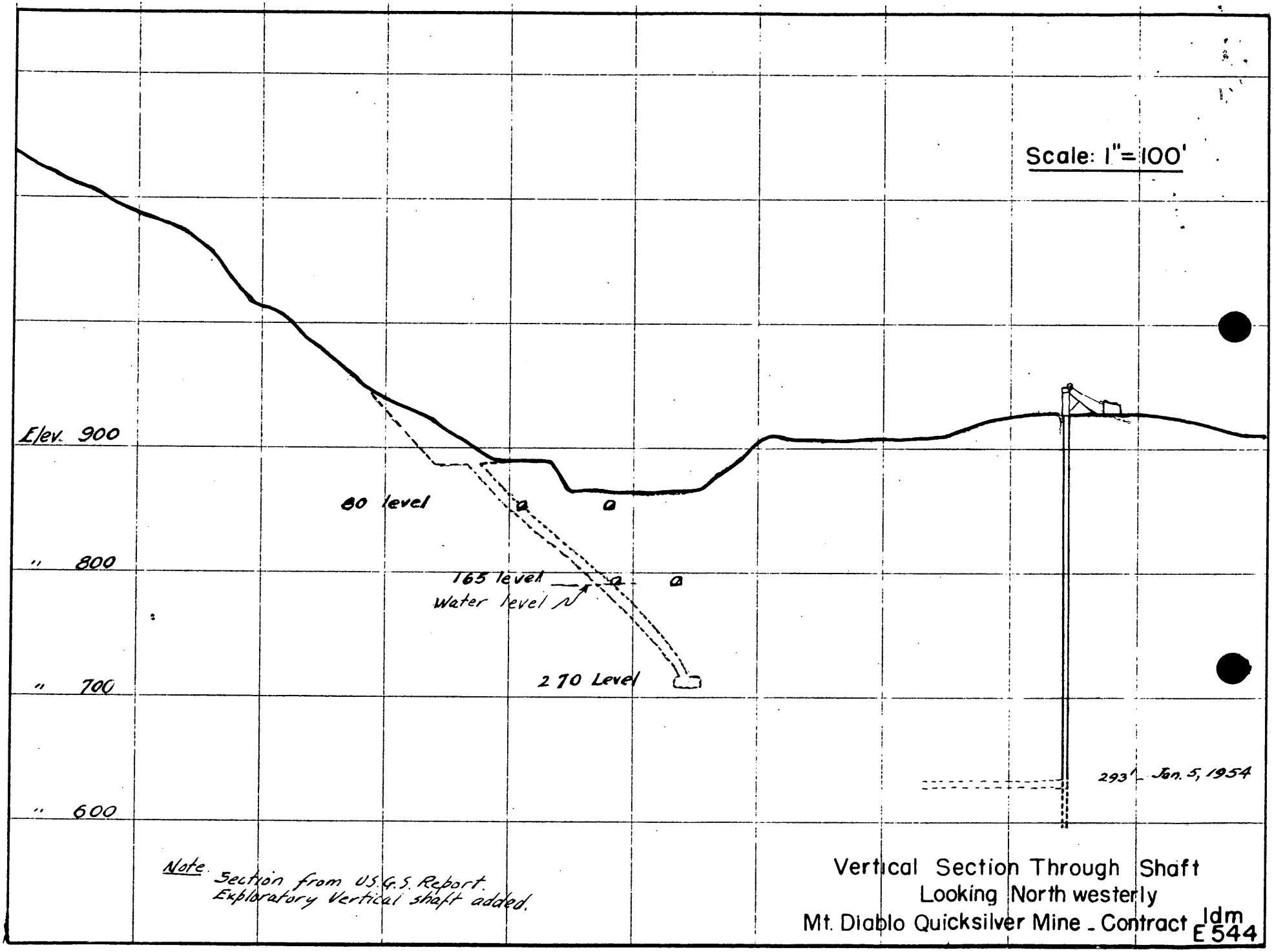
Scale: 1" = 100'
Elev. 900
" 800
" 700
" 600
80 level
165 level
Water level
270 Level
293' Jan. 5, 1954
Note. Section from U.S.G.S. Report.
Exploratory Vertical shaft added.
Vertical Section Through Shaft
Looking Northwesterly
Mt. Diablo Quicksilver Mine - Contract
ldm
E 544

Figure 1

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

1012 Flood Bldg.
870 Market St.
San Francisco 2, Calif.

January 28, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 - Mercury
Contract Idm-E544
Ronnie B. Smith and Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, California

The original and five copies of the Assignment of Contract, submitted to us with your letter of December 7, have been executed by all parties concerned with Contract Idm-E544. The Operator has retained his copy of the document, and the usual distribution has been made of the Field Team and Finance Officer's copies. The original and two remaining copies are returned herewith.

Mr. Ronnie Smith's attorney mentioned to us when returning the executed document that the notarization of the signatures of John L. Jonas and John E. Johnson has been placed on the second page of the instrument rather than on the fourth page where the typed form for notarization appears.

We also understand that Messrs. Jonas and Johnson will furnish us with the new lease of the Mt. Diablo premises, which they have negotiated with the owners.

S. Ricker

S. Ricker for H. C. Miller
Executive Officer, DMEA Field Team
Region III

Attachment

Copy to: A.C.Johnson, Reno (With copy of assignment)
Finance Officer, Region III (With copy of assignment)
Roscoe M. Smith, USGS
George Mavor

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 29 1954

1012 Flood Bldg.
870 Market Street
San Francisco 2, Calif.

January 25, 1954

Memorandum

To: A. C. Johnson, Bureau of Mines, Reno, Nevada

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract Idm-E544

Reference is to my letter dated January 20, 1954, to C. N. Schuette and to your reply, dated January 22, to your copy of that letter.

We now have a reply from Schuette that seems to point out that the drift is being driven according to specifications. As Schuette brings out, the drift will be 7-1/2 feet high in the clear, 4 feet wide at the top, and 6 feet wide at the bottom. That height will allow for the vent tube.

Schuette's letter with sketches is enclosed for your review. Please return it for our files when you have finished with it.

H. C. MILLER

H. C. Miller
Executive Officer, DMEA Field Team
Region III

Attachment

Copy to: Operating Committee, DMEA, Washington, D.C.
Roscoe M. Smith, USGS

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

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

January 20, 1954

Mr. C. N. Schuette
Consulting Mining Engineer
6390 Barnett Valley Road N.
Sebastopol, California

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

Dear Mr. Schuette:

Reference is made to the work being done at the subject property.

Mr. John W. Johnson called this morning, and during our conversation the matter of drifting and crosscutting was discussed. Mr. Johnson is desirous of buying timber for timbering the crosscuts and drifts, and called to find out what size crosscuts and drifts were required under the contract.

When told that the contract calls for crosscuts and drifts to be 6 feet by 7-1/2 feet in the clear of the timber, Mr. Johnson informed me that the work in progress at the present time will not result in openings of that size. In fact, he informed me that the crosscut is being driven of a size that will allow only a 4-foot clearance inside the timber at the top, 6 feet at the bottom, and 7 feet of head room.

The amount allowed for the crosscuts and drifts ($40 a foot) was based on the openings specified in the contract. It will not be allowed for any smaller size opening. Therefore, if it is decided to run smaller size openings, an attempt will have to be made to have the contract amended. The matter will have to be taken up with the Washington office as I have no authority to amend a contract to that extent.

In asking for approval to change the contract, I will first have to have a request from you. In that request you should give me the dimensions that the amended openings should have, a justification for now wanting to run a smaller opening, and an estimate of the cost of running the smaller opening. The cost, of course, will be less than $40 a foot.

It should be remembered that work not done in accordance with the contract may be disallowed and so may an amendment asking for a change of specifications, so you are taking a chance if drifting is not being done as specified.

Your prompt consideration of the foregoing is requested.

Sincerely yours,

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team
Region III

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno

FILE COPY
SURNAME:

Ching
Ellis
Rubin
McKee
Chairman
Secretary
Selfridge
Bernard

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

DEC 7 - 1953

[illegible] Miller
[illegible] Officer
[illegible] Field Office, [illegible]
1012 Flood Building
870 Market Street
San Francisco 2, California

Re: Docket No. [illegible]-2[illegible] (Secretary)
Contract No. [illegible]-[illegible]
[illegible] Smith and Partners
Contra Costa County, California

Dear Mr. Miller:

Reference is made to your letter of November 24, 1953, with attached copy of a proposed assignment document prepared by the captioned operator's attorney.

Enclosed please find signed copy of the proposed assignment, returned in accordance with requirements and signed by the Administrator. Also enclosed is a copy of a memorandum to the Administrator from the Chief Counsel, which is self-explanatory.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (SHB)

Enclosures 7

Approved:

J. H. Hedges (SHB)
Director, Bureau of Mines

D. M. Larrabee (SHB)
Director, Geological Survey

MChing/db
12-4-53
cc to: Adm. Reading File
Operating Committee
Docket
Messrs: H. H. Meyer, Rm. 3623
A. R. Kinkel, Rm. B-242S, GSA
Ellis
Ching
A. Kane, Rm. 4628

R.C.S.
12-8-53

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

December 3, 1953

Memorandum

To: The Administrator

Through: E. W. Ellis

From: Chief Counsel

Subject: Ronnie B. Smith - Docket No. DMEA-2448 (Mercury)

There is attached for your signature, a proposed Assignment of a contract from the Operator to John L. Jonas and John E. Johnson.

In accordance with the expressed desire of the Operator's attorney, the Government is releasing the Operator from any further liability ~~in~~ under the contract. I do not usually do this, but there is no objection to this procedure if the Government is satisfied with the financial responsibility of the Assignee who is to be the new Operator.

I have not approved of the Assignment form as drawn by the Operator's attorney, because two of the provisions seem to be conflicting as written. The Assignment provides that the Government shall pay the Operator the monies due before the first day of the second month following the month in which the Assignment is accepted. In this case, this would mean that payments would be made to the Operator until February 1. The Assignment then provides for the substitution of the Assignee in place of the Operator, as if the Assignee were the original party to the contract. This would seem to mean immediate payment to the Assignee of all monies due the Operator and of any money to become due thereafter. Consequently, I have redrawn the Assignment to provide for immediate payment to the Assignee of all monies due, releasing the original operator from his obligations under the contract, but protecting any claim of the Government arising against the original operator before the date of the execution of the Assignment.

J. L. Hofflund
Chief Counsel

Attachments

FILE COPY
SURNAME:

140

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

NSin RR

December 3, 1953

AEKane

Memorandum

To: The Administrator

Through: E. W. Ellis

From: Chief Counsel

Subject: Ronnie B. Smith - Docket No. DMEA-2448 (Mercury)

There is attached for your signature, a proposed Assignment of a contract from the Operator to John L. Jonas and John E. Johnson.

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I have not approved of the Assignment form as drawn by the Operator's attorney, because two of the provisions seem to be conflicting as written. The Assignment provides that the Government shall pay the Operator the monies due before the first day of the second month following the month in which the Assignment is accepted. In this case, this would mean that payments would be made to the Operator until February 1. The Assignment then provides for the substitution of the Assignee in place of the Operator, as if the Assignee were the original party to the contract. This would seem to mean immediate payment to the Assignee of all monies due the Operator and of any money to become due thereafter. Consequently, I have redrawn the Assignment to provide for immediate payment to the Assignee of all monies due, releasing the original operator from his obligations under the contract, but protecting any claim of the Government arising against the original operator before the date of the execution of the Assignment.

AEKane/ema
Copy to: Docket
E. W. Ellis (2)
A. E. Kane
J. L. Hofflund
Chron.

J. L. Hofflund
Chief Counsel

Attachments

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 27 1953

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

November 24, 1953

Air Mail

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 (Mercury)
Ronnie B. Smith and Partners
Mt. Diablo Quicksilver Mine, Contra Costa County, California
Contract No. Idm-E544

Mr. Ronnie Smith is planning to assign the subject contract to John L. Jonas and John E. Johnson, two mine operators of considerable experience.

Mr. Smith's attorney - Mr. Robert E. Zang, of San Francisco - called on November 24 to discuss the nature of the assignment and the papers necessary to effect an assignment.

On the basis of information previously given to Mr. Smith, the attorney prepared a document headed:

Assignment of Contract
Substitution of Parties
Assignee's Acceptance
Government's Consent

As Mr. Smith is in Texas and there is need for getting the papers signed promptly, Mr. Zang asked if I would send you a copy of the papers he drew up to get an opinion from our Chief Counsel as to their correctness.

The copy of the lawyer's document is enclosed. Will you kindly let me know if it meets the Administration's requirements, and if not, where it should be changed.

H. C. Miller, Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: E. H. Bailey, USGS

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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DEC 1 - 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: November 27, 1953

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA -2448

Contract Idm-E 544

Commodity Mercury

Operator - Ronnie B. Smith and partners

Property - Mt. Diablo Quicksilver Mine, Contra Costa Co., Calif.

By Benjamin H. Sheahan

Dated November 18, 1953

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

E. H. Bailey, USGS (With one copy of report)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 1 1953

INTERIM REPORT
(third)

Docket No.: DMEA-2448 (Mercury) November 18, 1953

Name and address of operator: Ronnie B. Smith and partners,
Tower Petroleum Building,
Dallas, Texas.

Name and location of property: Mt. Diablo Quicksilver Mine
SE 1/4 sec. 29, T. 1 N., R. 1 E.,
M.D.B.&M., Contra Costa County,
Calif.

Contract No.: Idm-E544

SUMMARY AND CONCLUSIONS

The property was inspected on Nov. 12, 1953 by an engineer of the Bureau of Mines accompanied by Mr. Vic Blomberg.

The exploratory shaft was sunk and timbered to a depth of 155 feet. No mercury mineralization was found. The rock consisted of sheared black shale and graywacke.

Work progressed at a satisfactory rate. Water problems are expected to be encountered by the work. The shaft was practically dry at its present depth.

The operation was conducted efficiently under the general supervision of Mr. C. N. Schuette, Consulting Engineer. Labor was performed by an independent contract crew of five men, led by Mr. Guy Castle and Melvin Bruner. Mr. Ronnie B. Smith, trustee, has retained financial control of the operation.

RECOMMENDATIONS

a. For improvement of operations:

The operator should spend more time at the property. He should provide his superintendent with financial aid to handle water problems that may be encountered, and other factors involved with the work.

WORK COMPLETED

The two compartment exploratory shaft was sunk to a depth of 155 feet, and timbered with standard shaft sets of 8- by 8-inch timber and 2-inch lagging.

Surface facilities completed included the construction of a headframe, hoist installation, hoist house, and dump track.

COMMENTS ON PROGRESS

Excellent progress was made on the work. Operations were temporarily stopped from Oct. 20 to Oct. 23 because of a failure of the hoist motor which had to be replaced.

The actual shaft sinking operation was done by independent contract at a price of $50.00 per foot for labor, who furnished explosives. Other material and supplies were purchased by the operator.

OPERATING CONDITIONS

Operating conditions were fair. Water has not yet been encountered in the shaft.

The operation was inspected by Mr. John C. Franz, California

State Safety engineer on October 28, 1953. His recommendations for improvements will be carried out as soon as possible according to the operator.

EFFICIENCY OF OPERATIONS

Mr. C. N. Schuette, consulting engineer, has efficiently supervised the work with some assistance from Vic Blomberg, resident and former operator.

The labor employed under the independent contract were skilled in their occupation and included five workmen. The work was conducted on a one shift per day basis. The men worked from 8 to 12 hours per day and six days per week.

OPERATOR'S MONTHLY REPORTS

Expenditures listed by the operator for the month of October showed a total expenditure to date of $19,680.40 when the shaft was 117 feet in depth.

The operator's narrative report prepared by his consulting engineer was good.

UNUSUAL CIRCUMSTANCES

The independent contractors hope to complete the shaft sinking portion of the operation to a depth of 330 feet by January 1954.

Future progress will depend to a large extent upon water problems that will be encountered.

GEOLOGY

Advance was made in sheared black shale and graywacke. No mercury mineralization was observed in the shaft.

SAMPLING

Samples of water taken from the portal of the 165-foot level and from an evaporation pond at the property were analyzed by the Bureau of Mines, Hydrometallurgical and Ore Dressing Branch, Region III.

Sample No.	%, Solids	Remarks
S-240	2.30	Water from 165 level adit.
S-241	4.80	Water from large evaporation pond.

Spectrographic examination of residues from evaporation of water samples S-240 and S-241 detected the presence of Al, Fe, Ca, Mg, Na, and K. Si was not detected in either sample.

Examination with ultra-violet light and fluorescent screen detected Hg in residue S-240 only.

OTHER INFORMATION

According to Mr. Vic Blomberg, the operator may convey his lease on the property to Mr. John Jonas and associates. (?

Benjamin H. Sheahan

B. H. Sheahan
Mining Engineer

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT - 2 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: September 28, 1953

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA - 2448

Contract Idm-E 544

Commodity Mercury

Operator - Ronnie B. Smith and Partners

Property - Mt. Diablo Quicksilver Mine,
Contra Costa County, California

By Benjamin H. Sheahan

Dated September 25, 1953

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

E. H. Bailey, USGS (With one copy of report)

INTERIM REPORT
Second

Docket No.: DMEA-2448 (Mercury) Sept. 25, 1953

Name and address of operator: Ronnie B. Smith and partners
Tower Petroleum Building
Dallas, Texas

Name and location of property: Mt. Diablo Quicksilver Mine,
SE 1/4 sec. 29, T. 1 N., R. 1 E.,
M.D.B.&M., Contra Costa County, Calif.

Contract No.: IdmE544

SUMMARY AND CONCLUSIONS

The property was inspected on September 15 and 16, 1953 by an engineer of the U. S. Bureau of Mines accompanied by Mr. C. N. Schuette, consulting engineer, and by Mr. Vic Blomberg, assistant superintendent.

Work was started at the property on August 15, 1953. Work completed included shaft site leveling; and a portion of headframe construction and hoist installation. The shaft was sunk to a depth of 8 feet and concrete was poured for the collar set, hoist foundation, and hoist room floor.

Preliminary work was done efficiently and operating conditions were fair. The operator has not found a solution to water problems at the property described by the previous interim report of July 20, 1953. An independent contract for the shaft sinking operation has not been obtained by the operator.

RECOMMENDATIONS

(a) For improvement of operations: The operator should spend

more time on the property and should delegate either his consultant or superintendent with the authority to pay bills.

(b) Changes in project or target: None.

(c) Amendments to contract: None.

STATEMENT OF WORK COMPLETED

The shaft site was excavated and a 2-compartment shaft, measuring 4'-6" by 8'-6" was sunk to a depth of 8 feet.

A concrete collar set was poured at the shaft, and the construction of a headframe was nearly completed. The collar of the shaft was established at elevation 916 and near the location indicated by the contract.

A hoist with a 50=horsepower induction motor was being installed. A cross head, 750 feet of new 5/8" - 6x19 hoist cable, timber for headframe, 300 feet of 12-pound mine rail and other supplies needed for starting exploration operations were located at the property.

Supplies and equipment not on hand included a sinking bucket, air and water pipe, ventilation equipment and sinking pumps.

COMMENTS ON PROGRESS

Preliminary work was done efficiently by a skilled crew. The operator obtained the services of C. N. Schuette, consulting engineer, and Vic Blomberg, assistant superintendent who was a former operator of the property. The present crew consists of four workmen and includes Mr. Guy Castle, Melvin Bruner and two other shaft men. An independent contract has not been signed.

Excavation work for the shaft site required drilling and blasting to a depth of 3 feet. Equipment used by the operator included one TD-9 International bulldozer with scoop loader, one pickup truck, one portable air compressor with hoses, rock drills and hand tools. A bulldozer with an angle blade was hired for use in leveling the shaft site.

The Mt. Diablo Mining Co. has supplied welding and cutting equipment, hand tools and several small items.

Additional bracing of the headframe was needed. The assistant superintendent installed a 54-inch sheave and the shaft was widened to 4'-6" in clear of timber.

OPERATING CONDITIONS

Present operating conditions are fair. The operator, Ronnie B. Smith, is not in close touch with the exploration operation. The crew were living at Angels Camp, Calif. Mr. C. N. Schuette expressed the opinion that the operator should spend more time at the property and delegate someone to pay bills.

Difficult water problems will be encountered at the property after the shaft reaches the water table.

OPERATOR'S MONTHLY REPORTS

The operator's monthly narrative report was good. The monthly report and voucher for the month of August 1953 lacked copies of the payroll, original invoices or certified copies of equipment and supply purchases.

GEOLOGY

The shaft was collared in altered sheared serpentine. No mercury mineralization was encountered.

SAMPLING

Samples of water were taken from the portal of the 165-foot level and from an evaporation pond at the property. The analyses will be included with the next interim report.

B. H. Sheahan

B. H. Sheahan
Mining Engineer

Minerals Administration
RECEIVED
AUG 1953

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

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

July 31, 1953

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Contract Idm-E544 - Docket DMEA-2448 (Mercury)
Ronnie B. Smith & Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Amendment No. 1

Attached are the original and two copies of Amendment No. 1, dated July 14, 1953, made in connection with subject contract.

A justification sheet is attached to each copy of the amendment.

The usual distribution has been made of the remaining copies of the amendment.

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachments

Copy to: A. C. Johnson, Reno (With copy of amendment)
Finance Officer, Region III (With copy of amendment)
E. H. Bailey, USGS
George Mavor

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 2 7 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: July 22, 1953

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA 2448

Contract Idm-E 544

Commodity Mercury

Operator - Ronnie B. Smith & Partners

Property - Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

By Benj. H. Sheahan, Mng. Engr.

Dated July 20, 1953

H C Miller

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

E. H. Bailey, USGS (With one copy of report)

Action indicated

INTERIM REPORT

Docket No.: DMEA-2448 (Mercury) July 20, 1953

Name and address of operator: Ronnie B. Smith & Partners
Tower Petroleum Bldg.,
Dallas, Texas

Name and location of property: Mt. Diablo Quicksilver Mine
S.E. 1/4 Sec. 29, T. 1 N., R. 1 E.,
M.D.B.&M., Contra Costa County, Calif.

Contract No.: Idm-E544

SUMMARY

The property was inspected on July 16, 1953 by an engineer of the U. S. Bureau of Mines accompanied by Mr. Vic Blomberg.

The operator has not started work under the exploration contract. Due to a legal difficulty involving the disposal of contaminated spring water from the property, no work on the exploration contract has been done.

A serious, difficult, and complicated water problem will be encountered at this property if shaft sinking outlined by the contract is attempted. The water contains considerable dissolved sulphates and acid, and is corrosive to metal iron pipes, rails and equipment. The water is injurious to plant and animal life, making the disposal of water that will be encountered by the proposed exploration work both expensive and difficult.

The water table at the property varies with the topography and season of the year. Sulphide zones opened by previous exploration and mining operations have been partially oxidized and are now open to

perculating surface waters. Warm spring water near the mine and gases perculating through the ground, further add to the mineral content of the water.

The disposal of this contaminated water solution will be both complicated and costly. Other factors related to pumping, corrosion, and volume of water also will require special attention. The proposed 330-foot shaft with crosscut and drift would drain the water table for many acres around the property.

CONCLUSIONS

There is no simple method to solve the complicated water problems that will be encountered at the Mt. Diablo mine by the proposed exploration work outlined by the contract.

RECOMMENDATIONS

The engineer recommends that the exploration contract be terminated or held in abeyance until definite answers to the water problems are completed by the operator, his consultant, and a consultant designated by the U. S. Bureau of Mines.

STATEMENT OF WORK COMPLETED

None.

UNUSUAL CIRCUMSTANCES

The exploration work outlined by the contract, consisting of 330 feet of shaft sinking and 625 feet of crosscutting and drifting, would be difficult because of the water problems.

Most of the exploratory core drilling that was done at the property in previous years was EX size. Some additional core drilling using

larger size holes, NX or BX, might be advisable for exploration work at the property. However, even a core drilling program would require careful examination and planning.

Mr. Bromberg thought that the present water table would now be at an elevation of 12 feet above the old 165 level of the mine. He claimed that he had pumped as much as 250 gallons per minute from the workings several years ago. The bottom of the proposed shaft would be at an elevation of 570 feet and would drain many acres of ground along the Northeast slope of Mt. Diablo. The exact quantity of water and its composition is unknown, however, complete factual data should be obtained.

Benjamin H. Sheahan

Benjamin H. Sheahan
Mining Engineer

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

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

June 29, 1953

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 (Mercury)
Ronnie B. Smith and Partners
Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.
Contract Idm-E544

Reference is made to Mr. George C. Selfridge's letter of June 5, 1953, transmitting to this office the original and five copies of subject contract.

The contract has been executed on the part of the Operator and one copy retained by him. Proper distribution has been made of the Field Team's and Finance Officer's copies, and the original and two remaining copies are returned herewith.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: A. C. Johnson, Reno (With copy of contract)
Finance Officer, Region III (With copy of contract)
E. H. Bailey, USGS
George Mavor

T-3

FILE COPY
SURNAME:

Murphy
Ellis
Taffut
Selfridge
Johnson

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

JUN 5 1953

Mr. M. C. Miller
Executive Officer
DMA Field Team, Region III
1012 Flood Building
870 Market Street
San Francisco 2, California

Re: Docket No. [illegible]-2[illegible] (Mercury)
Bonnie B. [illegible] and Partners
Mt. Table [illegible] Silver Line
Contra Costa County, California

Dear Mr. Miller:

Enclosed are the original and five copies of the captioned contract signed by the Government, with attachments.

If the terms and conditions of this contract meet with the approval of your office and the operator, insert in Article 3 of each copy of the contract the period of time within which the operator will be required to begin work; then the original and all copies should be signed by the three partners. Upon obtaining their signatures, kindly make the usual distribution of the copies.

If any part of this contract does not meet with the approval of the operator, the original and all copies are to be returned to this office with the proposed changes for consideration.

The original application requested exploration assistance in a contract totalling $27,000. The Field Team suggested a more extensive program increasing the cost of the project to $125,000. This was agreeable to the Operator. The proposed exploration was to be done in two stages, Stage II to be dependent on the results of Stage I. Exploration work as outlined for Stage I, with expenditure of $73,571.00, has been approved in this contract. Exploration aid for the work proposed in Stage II has been denied upon the recommendation of the Commodity Group members.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosure

Concur:

J. H. Hedges
Director, Bureau of Mines

A. R. Kinkel, Jr.
Director, Geological Survey

EMurphy/eef 5/13/53

cc to: Adm. Reading File
Operating Committee
Docket
Messrs. ARKinkel, Room B2422A GSA
HWTyer, Room 2623
Ellis Murphy
DMA Field Team, Region III (2)

6-5-53

NOTE:

This contract was reviewed by the Committee on 5/15/53, but the Committee did not sign the letter, and the case did not not appear on Minutes No. 216.

The Committee signed the letter today (6/1/53) and it is ready to go when Mr. Mittendorf signs the contract.

Hazel

MT-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 6-1-53

REFERRED TO:

1. [illegible]
2. [illegible]
3. [illegible]
4. [illegible]
5. Code 700 - 4645

FOR:

---------- Action	---------- Recommendation
---------- Approval	---------- Record of ----------
---------- Comment	---------- Referring to ----------
---------- Conference	---------- Reply for signature of ----------
---------- Consideration	---------- Rewriting
---------- Filing	✓ Signature Contr
---------- Instructions	---------- Suggestions
---------- Investigation	---------- Your information
✓ Initials	
✓ Mailing	
---------- Previous correspondence	

REMARKS: ----------

Check (X) before the items needing attention.

George C. Selfridge

(GCS) *Initials of sender.*

GPO 16—63815-1

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE May 15, 1953

REFERRED TO:
2x. Mails & Files, Rm. 4070
1. 2. Operating Comm
3.
4.

DMEA-2448

FOR:

Action	Recommendation
Approval	Record
Comment	of
Conference	Referring
Consideration	to
Filing	Reply for signa-
Instructions	ture of
Investigation	Rewriting
Initials	Signature
Mailing	Suggestions
Previous correspondence	Your information

Note of consulting

REMARKS: Denial telegram sent applicant since Mercury has been removed from list of strategic minerals. 6-1-53 New [illegible]

Check (X) before the items needing attention.

Ernest Wm. Ellis
gla *Initials of sender.*

GPO 16—63815-1

FILE COPY
SURNAME:

Docket

EWE[illegible]is/db

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

14X3923.970 Working Fund, DMEA, Interior.

Ellis

JUN 2 1953

Day Letter

RONNIE SMITH, TRUSTEE
TOWER PETROLEUM BUILDING
DALLAS, TEXAS

REFERENCE MAY 15 DENYING YOUR EXPLORATION APPLICATION, DOCKET NUMBER DMEA-2448, THIS IS TO ADVISE YOU THAT RESTRICTED PROGRAM DIRECTIVE DATED APRIL 15 MODIFIED ON JUNE 1 GIVING DMEA AUTHORITY TO EXECUTE YOUR CONTRACT WHICH WAS PENDING PRIOR TO MAY 15. ACCORDINGLY CONTRACT WILL BE SIGNED BY ME AND MAILED TO REGIONAL OFFICE AT SAN FRANCISCO, CALIFORNIA, FOR SUBMISSION TO YOU.

C. O. Mittendorf (fw)
C. O. MITTENDORF, ADMINISTRATOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

f.H.
6-2-53

EWEllis/db
6-2-53
cc to: Adm. Reading File
Docket
Messrs: H.M.Myer, Rm. 3623
A.R.Kinkel, Jr., Rm.B-242A, GSA
Ellis
Murphy
Confirmation to Applicant
DMEA FIELD Team, Region III (2)

FILE COPY
SURNAME:

FMMurphy/gla 5-15-53

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

11.15923.370 Original Fund.
Interior, [illegible]

Murphy
Ellis

MAY 15 1953

BY

Night Letter

Round.

ROBERT L. TRUSTLE
TO [illegible] PETROL[illegible] [illegible]
DALLAS, TEXAS

[illegible] APPLICATION [illegible] NUMBER DMA-2[illegible]B
MERCURY. THIS IS [illegible] EFFECTIVE APRIL 15,
1953 [illegible] AUTHORIZED TO ASSISTA[illegible] FOR
[illegible] MERCURY NO LONGER
[illegible] AUTHORITY OR FUNDS TO
[illegible] AUTHORITY
[illegible] THIS IS [illegible]T
[illegible] THAT
[illegible] MATTER FOR
[illegible]

S. O. Mittendorf

[illegible] A[illegible], ADMINISTRATOR
DEFENSE MINERALS [illegible] ADMINISTRATION

FMMurphy/gla 5-15-53
cc to: Administrator Reading File
Docket
Messrs. H. [illegible] Meyer, Rm. 3623
A.R.Kinkel, Jr. Rm. B-242A GSA
Ellis
Murphy
Confirmation to Applicant
DMEA Field Team, Region III (2)

5-15-53

1-1027
(April 1946)

UNITED STATES
DEPARTMENT OF THE INTERIOR

AGENCY Bureau of Mines

PRS TELETYPE

Originator:
Ext.: 472 Room: 1006

Appro.: Bureau of Mines
Date: May 14, 1953
Time: 4:25 p.m.
No.:
To: C. O. Mittendorf, Administrator, Defense Minerals Exploration Administration, Interior Building, Washington, D. C.
Subject:

Ronnie Smith, Docket DMEA 2448 Mercury, Walter Buaas, DMEA 2462 Mercury, and A. Vannini, DMEA 2826 Copper-Zinc, are urgently awaiting word as to status of their loan applications. Is there anything definite that I can tell them?

H. C. Miller
Executive Officer, DMEA Field Team
Region III

CONFIRMATION

Authorized:

H. C. Miller

Sign original message and transmit to Room ..... in duplicate

U. S. GOVERNMENT PRINTING OFFICE 16—50915-1

Office of
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

May 14, 1953

AIR MAIL

Mr. Ronnie B. Smith
Tower Petroleum Building
Dallas 1, Texas

Re: Docket DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Dear Mr. Smith:

Your letter of May 12 requesting advice as to the current status of your loan application is acknowledged.

I deeply regret to have to inform you that to date nothing has come to us in the way of a contract or further request for information concerning your property since you were last in this office.

As promised, I will communicate with you as soon as anything regarding your loan application reaches this office.

I will be glad to see you again when you come to San Francisco about June 10.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 18 1953

Sincerely yours,

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA, Washington, D. C.
E. H. Bailey, USGS

HCMiller:mpp
Files
Chron.

4/27/53 gla

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 27 1953

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

April 23, 1953

AIR MAIL

Memorandum

To: Defense Minerals Exploration Administration, Interior Building, Washington 25, D. C. Attn: F. L. Knouse

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.

Enclosed are the original and five copies of Owner's Consent to Lien forms left in this office this morning by Mr. Ronnie Smith. Enclosed also is a copy of a letter addressed to Mr. Smith from Mr. Vic Blomberg, President, Mt. Diablo Quicksilver Company, Ltd., dated April 22, 1953, with reference to Mr. Smith's lease to the effect that it is in good standing.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachments

Copy to: E. H. Bailey, USGS

April 22, 1953

Mr. Ronnie B. Smith, Trustee
21st Floor
Tower Petroleum Bldg.
Dallas, Texas

Dear Mr. Smith:

Regarding our lease dated September 12, 1951, please be advised that our board of directors is in agreement on the following:

(1) That the royalty to be paid by you to our company be reduced from 13% to 10% of the gross proceeds of all quicksilver or other precious metals or other values produced, taken or extracted by the lessee from the property. This is to be effective immediately.

(2) That, as of now, the lessee is considered to be not in default on this date notwithstanding any text recited in the lease to the contrary.

Very truly yours,

MT. DIABLO QUICKSILVER CO., LTD.

/s/t/ Vic Blomberg

Vic Blomberg - President

VB:HB

4/7/53 gla

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

Office of
Executive Officer
DMEA Field Team
Region III

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 6 1953

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

April 1, 1953

AIR MAIL

Memorandum

To: F. L. Knouse, Defense Minerals Exploration Administration, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.

Following Mr. Ronnie Smith's discussion with you and Mr. Ellis on March 25 he wrote C. N. Schuette with carbon copy to me for certain supplemental information.

He wrote that you wanted maps showing various levels and the stoped area. Schuette tells me that he has no maps and an inquiry at the Geological Survey revealed that they also have no maps of the various levels and stoped area. Mr. Smith also wrote Mr. Blomberg, Clayton, California, for the maps and asked him to send them to me. Two maps arrived today and are enclosed herewith. One is a projection of principal workings and the other is a map of the 165-foot level. Mr. Smith also asked Mr. Blomberg to send me 6 copies of Owner's Consent to Lien forms but they have not arrived to date.

Mr. Smith's second request was to send you assays of ore where available on maps and particularly the 708 and 787 foot levels. Schuette does not have this information which he said is already on the Geological Survey map which accompanies the Geological Survey (E. H. Pampeyan) report dated February 27, 1953.

No provisions, according to Mr. Smith, were made in his application for assays or cost of sampling. Schuette and I discussed this matter and agreed that allowance should be made for 125 assays at $4 each or $500.00.

Mr. Smith wrote that you are under the impression that Schuette contemplates using a bucket to hoist rock from drifting operations. Schuette states that he plans to use a bucket only

during sinking operations and asked for 6 mine cars and a cage for the other work.

Schuette says it is immaterial to him whether the contractor or the Operator constructs the headframe ore bin and tram to the dump. Schuette said he asked for, in his estimate of costs, the following for headframe and hoisting equipment:

1 50 HP hoist with motor and starter	$ 2250
1 36" sheave	125
750' - 5/8" hoisting cable	200
Headframe, etc., (includes labor)	2000
Total	$ 4575

There is no reason why the headframe, etc., cannot be constructed independent of the sinking contract.

As for supervision, Schuette feels that if Mr. Smith wants him to spend about 3 days a week supervising the work, an allowance of $500 a month for 7 months should be included in the estimate. That figure would include travel expenses.

As soon as the Consents to Lien are received from Mr. Blomberg they will be sent to you.

H. C. Miller
Executive Officer
MFA Field Team, Region III

Attachments

Copy to: E. H. Bailey, USGS
Ronnie Smith, Tower Petroleum Bldg., Dallas 1, Texas

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 6 1953

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

April 1, 1953

AIR MAIL

Memorandum

To: F. L. Knoope, Defense Minerals Exploration Administration, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-3448 (Mercury)
Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.

Following Mr. Ronnie Smith's discussion with you and Mr. Ellis on March 26 he wrote C. H. Schmette with carbon copy to me for certain supplemental information.

He wrote that you wanted maps showing various levels and the stoped area. Schmette tells me that he has no maps and an inquiry at the Geological Survey revealed that they also have no maps of the various levels and stoped area. Mr. Smith also wrote Mr. Blomberg, Clayton, California, for the maps and asked him to send them to me. Two maps arrived today and are enclosed herewith. One is a projection of principal workings and the other is a map of the 165-foot level. Mr. Smith also asked Mr. Blomberg to send me 6 copies of Owner's Consent to Lien forms but they have not arrived to date.

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750' - 5/8" hoisting cable	200
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Total	$ 4575

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As soon as the Consents to Lien are received from Mr. Blemberg they will be sent to you.

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachments

Copy to: E. H. Bailey, USGS
Bennie Smith, Tower Petroleum Bldg., Dallas 1, Texas

Powder Death — Mar. 20 — 84.

Minneota, Minn.

Telephone and Powell St.

San Francisco, Calif.

4/2/53 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

April 1, 1953

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 2 1953

Memorandum

To: E. W. Ellis

From: Helena M. Meyer

Subject: Field team report on DMEA Docket 2448, Ronnie Smith, Trustee, Mt. Diablo quicksilver mine, alternate proposal for exploration, $125,050

I have read the field team report and agree that Stage II of the proposal should be dependent upon the success of the exploration results under Stage I. I am not content, however, that the reasonableness of cost estimates has been ascertained, and feel that this question should be resolved before a contract is signed.

Moreover, it seems to me that it would be easier to judge the merits of the proposal if a Bureau of Mines engineer had accompanied the geologists on their visit to the property and had submitted a report on the proposed exploration work. This is not a large project in relation to many of the ones on copper, titanium, etc., but the amount of money involved is substantial from the standpoint of mercury.

Helena M. Meyer

Helena M. Meyer

Copy to: Minerals Division
Base Metals Branch
H. M. Meyer
Files
A. R. Kinkle, Jr. Rm 4234 GSA

3/24/53 gla

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

March 23, 1953

Re: Docket DMEA-2448
Ronnie B. Smith
Mt. Diablo Quicksilver mine
Contra Costa County, Calif.
Total cost: $125,050
Mercury

Memorandum

To: Mr. E. Wm. Ellis

From: Erwin J. Lyons

Subject: Recommendation for approval

The field team report on the Mt. Diablo Quicksilver mine has been reviewed. The field team recommends that the property be explored by sinking a shaft, crosscutting and drifting along the ore zone.

The present reviewer concurs with the recommendation that the property be explored, but wonders if a diamond drilling program might not investigate the same area at a smaller cost. This probably has been considered by the field team but, if so, no mention is made in their report. The property has been diamond drilled previously, and if there is some reason why drilling should not be used, the method proposed by the field team should be favorably considered.

Erwin J. Lyons
Erwin J. Lyons
Geologist

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

March 23, 1953

Re: Docket LMEA-2448
Ronnie B. Smith
Mt. Diablo Quicksilver mine
Contra Costa County, Calif.
Total cost: $125,050
Mercury

Memorandum

To: Mr. E. Wm. Ellis

From: Erwin J. Lyons

Subject: Recommendation for approval

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The present reviewer concurs with the recommendation that the property be explored, but wonders if a diamond drilling program might not investigate the same area at a smaller cost. This probably has been considered by the field team but, if so, no mention is made in their report. The property has been diamond drilled previously, and if there is some reason why drilling should not be used, the method proposed by the field team should be favorably considered.

Erwin J. Lyons
Geologist

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

March 23, 1953

Re: Docket DMEA-248
Ronnie B. Smith
Mt. Diablo Quicksilver mine
Contra Costa County, Calif.
Total cost: $125,050
Mercury

Memorandum

To: Mr. E. Wm. Ellis

From: Erwin J. Lyons

Subject: Recommendation for approval

The field team report on the Mt. Diablo Quicksilver mine has been reviewed. The field team recommends that the property be explored by sinking a shaft, crosscutting and drifting along the ore zone.

The present reviewer concurs with the recommendation that the property be explored, but wonders if a diamond drilling program might not investigate the same area at a smaller cost. This probably has been considered by the field team but, if so, no mention is made in their report. The property has been diamond drilled previously, and if there is some reason why drilling should not be used, the method proposed by the field team should be favorably considered.

Erwin J. Lyons
Geologist

3/16/53 gla

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

Office of
Executive Officer
DMEA Field Team
Region III

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 13 1953

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

March 9, 1953

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA, Washington 25, D. C.

Reviewed by DMEA OPERATING COMMITTEE 3-20-53 (date)

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 (Mercury), Mt. Diablo Quicksilver Mine, Contra Costa County, California

Reference is made to your subject letter dated January 23, 1953.

The geologist has now completed his examination of the subject property and four copies of a report entitled DMEA-2448, Mt. Diablo Quicksilver Mine, Contra Costa County, California, dated February 27, 1953, by E. H. Pampeyan, Geologist, U. S. Geological Survey, are attached herewith.

The Operator's application proposes two stages of exploration. Stage I consits of 330 feet of shaft sinking and 625 feet of crosscutting and drifting at a cost of $73,050. Stage II proposes an additional 1300 feet of drifting which would cost $52,000. At the present market price of mercury, Stage I could conceivably pay its way while Stage II offers less promise of being able to repay the loan. The application under Stage I is recommended. Exploration under Stage II should be dependent upon the success of Stage I, as the added exploration would only be worth the high risk involved if the mine were producing good ore found as a result of Stage I exploration.

Miss Helena M. Meyer in her memorandum of January 19, 1953, which was attached to your letter, inferred that estimated costs per foot of shaft sinking and drifting will be given close scrutiny during the field team investigation. These costs were discussed with Mr. Ronnie Smith and Mr. C. N. Schuette at a conference in this office on December 4 at which time Mr. Smith assured us that the cost of shaft sinking ($135.00 per foot) and crosscutting or drifting ($40.00 per foot) were the lowest prices he could contract the work for.

We have no Form MT-203, Owner's Consent to Lien to send at this time. Mr. Smith was informed as to the need for such forms

and it is very likely that he has furnished them to you directly or will obtain them for you just as soon as he learns that his application is receiving favorable consideration. Mr. Smith's address is Tower Petroleum Building, Dallas 1, Texas.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachments

Copy to: E. H. Bailey, USGS
A. C. Johnson, Reno

UNITED STATES
DEPARTMENT OF THE INTERIOR
SECRETARY OF THE INTERIOR, D. MCKAY

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION III

On-Site Exam. Rpt.

DMEA 2448, Mt. Diablo Quicksilver Mine

Contra Costa County, California

E. H. Pampeyan, Geologist
U. S. Geological Survey

February 27, 1953

Reviewed by
DMEA CHEMICAL COMMITTEE
3-20-53
(date)

Summary

A DMEA application was filed in December, 1952 by Mr. Ronnie Smith requesting Government aid to explore the Mt. Diablo mercury mine in Contra Costa County, California. The field examination was made by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, of the U. S. Geological Survey.

The original application proposed two phases of underground exploration with a total project cost of $75,000. On the advise of the Geological Survey, Mr. Smith filed an alternate proposal that changes the first phase to 330 feet of shaft sinking and 625 feet of drifting and crosscutting at a cost of $73,050. Phase two, which would depend on the results of phase one, consists of an additional 1300 feet of drifting at a cost of $52,000, bringing the total cost to $125,050.

At the present market price of mercury, the first phase of exploration might develop enough ore to permit the applicant to repay the Government's share of the exploration costs. Phase two, however, appears to offer much less hope for potential production. The application for exploration for phase one is recommended if the current need for mercury justifies Government participation.

Introduction

The Mt. Diablo Quicksilver mine is located in the SE$\frac{1}{4}$ of sec. 29, T. 1 N., R. 1 E., MDB&M, on the northeast side of Mt. Diablo Contra Costa County, California. The property is owned by the Mt. Diablo Quicksilver Company, Ltd., of Clayton, California, and has been leased to Ronnie Smith. The mine is 46 miles by paved road from San Francisco and is easily accessible by automobile. It is reached by travelling 4$\frac{1}{2}$ miles southeast from Clayton on the Marsh Creek road, then turning right on the Livermore road for $\frac{1}{4}$ mile to Mine Way, which is the entrance to the property.

The Mt. Diablo mine area was visited by E. H. Pampeyna, J. F. Robertson, and D. B. Tatlock, of the U. S. Geological Survey, for several days between December 1952 and February 1953. During this time, a topographic and geologic plane table map of the area under consideration was made.

The property was discovered between 1867 and 1875 and has been operated sporadically since that time. According to Mr. Vic Blomberg president of the Mt. Diablo Quicksilver Company, principal mercury production from the western end of the property was from 1875 to 1877. As much as 3,000 flasks of mercury is said to have been produced, but the amount probably was closer to 300 flasks judging by the extent of the underground workings. The greatest recorded production was between 1937 and 1947 when 10,454 flasks of mercury were produced from the Mill workings at the eastern end of the property. The most recent production was from November 1951 to January 1952 when 123 flasks were produced from the open

pit operations in the Mill area. This operation was halted by landslides into the pit that rendered surface work no longer feasible.

Workings

The workings in the Mill area amounted to some 3,400 feet of drifting and crosscutting on four levels with a vertical range of 210 feet. The proposed exploration would be at an elevation of 600 feet, or about 108 feet below the lowest level, on the down-dip extension of the ore zone. The adit level, as well as lower levels of the Mill Workings was caved at the beginning of 1952. Most of the workings above the 80 level were uncovered by open pit operations.

Underground work at the western end of the property consisted of 2,100 feet, more or less, of drifting and crosscutting with a vertical range of 230 feet. The Camp, Jones, and Ryne tunnels have been caved for almost 15 years. The Kitchen tunnel is open but does not expose any ore.

The surface workings consist of a pit 500 feet long, in an east-west direction, by 200 feet wide and 150 to 200 feet deep, with three main benches. The highest bench, No. 5 on the map, was being mined for ore when slides from the steep south face terminated the operation.

The property has furnacing, retorting, and housing facilities, all of which are in good condition and could be put into use on short notice.

Geology

The mines are located on the northeast side of the "plug" of Franciscan rocks and serpentine which has intruded Jurassic and younger sediments in a way comparable to the intrusion of a salt dome. The Franciscan formation in the mine area is made up of massive, poorly bedded silicified sandstone, in part graywacke, with lesser amounts of sheared shale and thin-bedded chert. Serpentine intrudes the Franciscan rocks as irregular lenticular masses, the contacts of which strike from N. 50° W. to west and dip about 50° northeast. This trend is pronounced in the regional strucutre. To the north and east, just beyond the limits of the mapped area, lower Cretaceous shales are exposed and form low rolling slopes. About one mile to the east, some Tertiary biotite andesite intrudes the Cretaceous sediments.

Silica carbonate rock, or hydrothermally altered serpentine, appears throughout most of the mapped area. It is similar to the silica-carbonate rock of other Coast Range quicksilver deposits and consists largely of chalcedony and quartz, with some dolomite and other carbonates with small amounts of pyrite, marcasite, and opal. Usually massive, it is locally banded or laminated in white and black. The bands are, in some places, parallel to the foliation of the serpentine and probably represent relic textures.

Ore Deposits

The ore minerals are metacinnabar and cinnabar that occur filling fractures and shear zones in the silica-carbonate rock and, to a lesser degree, as disseminations throughout the serpentine and silica-carbonate rock. Apparently the shales immediately above and below the silica-carbonate rock formed an impermeable barrier to the ore-bearing solutions for the enclosing sediments are barren. The main ore shoot was on the fault along the south side of the open pit which forms the contact between silica-carbonate rock and underlying sediments. However, mineralization was not limited to this lower contact and ore bodies were present along other shears in silica-carbonate rock. Ore mined during the 1936-1947 period from the Mill workings averaged 10 pounds of mercury to the ton.

Metacinnabar is the predominant ore mineral in the Mill workings whereas cinnabar forms the ore in the old mines at the western end of the property. Marcasite and pyrite occur in the silica-carbonate rock and some stibnite is also present. The rich ore-bodies encountered in the past are said to have been closely associated with massive iron sulphides. Mineralization is believed to have taken place in Tertiary time for some cinnabar was reported 1/ to have been found along the contact of Tertiary andesite and Cretaceous shales about one mile to the east of the mines.

Exploration

In his original DMEA application, Mr. Smith proposed todrive a 700-foot drift under the Mill Workings from the east to connect with the 270 level. He also proposed a second phase of work to explore the old mines at depth by drifting an additional 1300 feet westerly.

The U. S. Geological Survey conferred with the operator and suggested that a more efficient program could be carried out by sinking a shaft, then driving exploratory drifts and crosscuts from the bottom.

C. N. Schuette, consulting engineer for Mr. Smith, submitted a new application requesting 75 percent Government participation in a $125,050 program. The new proposal,in two parts, is as follows:

Phase 1. Sink a 330 foot shaft from a point 50 feet north of the new stack and then explore by 625 feet of drifting and crosscutting the ground 100 feet below the lowest mine level.

Phase 2. (To follow upon successful completion, and review by the Government and operator, of phase 1.) Drift northwesterly 1300 feet to explore the old Jones tunnel area at depth.

1/Turner, H. S., Geology of Mt. Diablo, Bull. GSA 2:391-2, 1890

(Breakdown of cost figures are to be found in the application with Form MF-103). The application states that the work will be contracted out at $135.00 per foot for sinking and $35.00 per foot for drifting and crosscutting. With the added cost of engineering, geology, assays, etc., the first phase would cost $73,050 and be completed in seven months, while the second phase, taking nine months, would cost an additional $52,000. Total cost of the project would be $125,050.

The first part of the revised application appears to offer the best means of exploring the ore deposit. The advantages of sinking a shaft at the proposed site rather than drifting in from the east are numerous, some of which are: 1 - it would be sunk in ground underlain by sediments, mainly sandstone, that have greater strength than the fracture and altered rocks over the ore body; 2 - it would explore new ground 100 feet below any existing workings; 3, waste would be dumped at no greater distance than 300 feet from the shaft, either into the open pit or just north of the ridge; 4, it would have the advantage of elevation as the collar would be higher than the mill; 5 - it would be only 60 feet from the existing grizzly, ore bin, and conveyer belt to the mill.

On the basis of cross section A-A', about 200 feet of crosscutting S. 24° W. from the bottom of the shaft, will be necessary to reach the main ore zone leaving some 425 feet of tunneling to be used in drifting on the mineralized fault zone. The log of drill hole no. 8, projected 120 feet to plane of section A-A', reports only 12 feet of silica-carbonate rock at the 447 foot mark. However, a cursory examination of the core proved that almost 40 feet of silica-carbonate rock is present below the 300-foot marker. The core is not complete; therefore, more silica-carbonate rock might be encountered than has been proved. Some cinnabar was observed in the core and it was reported that some eight-pound ore was cut -- probably in the missing section of core -- in this hole. Also, assays made from the mineralized zone in the winze below the 165 level (see enlarged portion of section A-A') show that good ore does occur below the lowest level of caved workings.

The second phase of the project would appear to offer less hope for discovering ore. Surface mapping and the logs of two old diamond drill cores indicate that there are about 600 feet of barren Franciscan sediments between the northwest end of the drift proposed in phase one and the first possible ore-bearing rocks to the west.

The Government's share of $73,050 for phase one will be $54,787. Under the 5 percent repayment schedule, and providing that the price of mercury does not drop, production of 4,980 flasks with a gross value of $1,095,740 would be necessary for the Government to recover it's share of the cost. It seems possible that at least half of the necessary ore might be found above the proposed level, but the additional ore would have to be found below the proposed level. Phase two, with a total cost of $52,000 would cost the Government $39,000 and require the production of 3,545 flasks with a gross value of about $780,000 for repayment of the loan.

$220 used
196 Mag Eng Mil

Recommendations and Conclusions

At the present market price of mercury, phase one could conceivably pay it's way while phase two offers less promise of being able to repay the loan. The application for exploration under phase one is recommended. Exploration under phase two should be dependent upon the success of phase one, as the added exploration would only be worth the high risk involved if the mine were producing from good ore found as a result of the phase one exploration.

FILE COPY
SURNAME:
700

F L Knouse
Ellis
Thayer
~~Hodges~~
Selfridge

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

JAN 23 1953

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

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

J:C 1/23/53

Dear Mr. Smith:

The application for assistance in exploring your property in Contra Costa County, California, under the above captioned docket number, has been reviewed by the Rare and Miscellaneous Metals Division of the Defense Minerals Exploration Administration. Your application has been referred for a field examination to the Executive Officer of Region III at the following address:

Mr. H. C. Miller
Executive Officer, Region III
DMEA Field Team
1012 Flood Building
870 Market Street
San Francisco 2, California

The Regional Office will contact you at the earliest opportunity in regard to your project.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

FLKnouse/jem
1/21/53
cc to: Adm. Reading File
Docket
Messrs. Ellis
Knouse
Field Team, Region IV (2)

FILE COPY
700 SURNAME:

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

FLKnouse
Ellis
Selfridge

JAN 2 3 1953

Mr. H. C. Miller
Executive Officer, Region III
DMEA Field Team
1012 Flood Building
870 Market Street
San Francisco 2, California

Re: Docket No. DMEA-2448 (Mercury)
Ronnie Smith
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller:

J. C. 1/23/53

The captioned application is submitted to your office for a field examination.

Copies of memoranda from Mr. L. L. Newcomb, dated January 15, 1953, and Miss Helena M. Meyer, dated January 19, 1953, outlining questions to be covered in the examining engineers reports are enclosed.

If your office recommends either the proposed program submitted by the applicant, or an alternate one approved by the applicant, please furnish us with the required detailed information to draft a contract. This information should include the required copies, signed by the property owners, of Form MF-203 "Owner's Consent to Lien" covering the property controlled by the applicant, but not owned, on which the work is to be done or that will be benefited by the recommended program. If your office recommends denying exploration aid for this project, a report should be submitted which details your reasons for the action.

Under the date of January 8, 1953, a copy of the revised application was transmitted to your office.

Sincerely yours,

George C. Selfridge

(JHB)

Chairman, Operating Committee

Enclosures
APPROVED:
J. H. Hedges (JHB)
Member, Bureau of Mines
(JHB)
Member, Geological Survey

FLKnouse/jme 1/21/53
cc to: Adm. Reading File Docket
Messrs. HMMeyer-3623
ARKinkel-4234 GSA
Ellis Knouse Opr. Committee
Field Team, Region III

1/19/53 file

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

January 19, 1953

Memorandum

To: E. W. Ellis

From: Helena M. Meyer

Subject: DMEA Docket 2448, Ronnie Smith, Trustee, Mt. Diablo quicksilver mine, alternate proposal for exploration, $125,050

The alternate proposal, according to the wording, developed out of conferences between the applicant and Bureau of Mines and Geological Survey representatives. It is a much more costly proposal than the original one and will have to be substantially better to justify the larger expenditure.

I recommend that a field team examination be made. Doubtless the estimated costs per foot of shaft sinking and drifting will be given close scrutiny during the field team investigation.

In my original comments on this proposal, April 10, I noted that the lessee's claim as follows: "the lessee shall steadily and continuously, mine and recover quicksilver" might prove an impediment toward the carrying out of an exploration project. This aspect should be considered.

The copies of MF-103, MF-100, dated March 21, 1952, 2 maps and a copy of the lease, are returned herewith as requested, and the new proposal likewise is returned herewith.

Helena M. Meyer

Helena M. Meyer

Enclosures

Copy to: Mr. Kinkel, GSA. Room 4234
Minerals Division
Base Metals Branch
H. M. Meyer
F I L E S

1/15/53 gla

IN REPLY REFER TO:

Cal. of mines, Oregon 1-16-53

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

January 15, 1953

Memorandum

Re: DMEA-2448
Mt. Diablo Mine
Contra Costa County, Calif.
$125,000
Mercury

To: Mr. E. Wm. Ellis

From: E. L. Newcomb

Subject: Recommendation for field referral

The applicant requests exploration assistance to explore for a downdip extension of mineralization about 100 feet below the lowest (205-foot level) present level.

This proposal is an alternative project which was apparently prepared after consultation with members of the field team. Under this proposal the cost of the project will be increased from $27,000 to $125,000, partly because a more extensive exploration is proposed. The new proposal involves two stages. The first stage consists of 330 feet of shaft sinking and 625 feet of crosscutting and drifting. The second stage provides for 1300 feet of drifting to explore the Jones Tunnel area northwest of the Mill Workings in the Mt. Diablo mine.

The old workings are reported to be inaccessible and partially flooded. The application material does not include any data about the grade of the ore on the various levels, nor any assays which might indicate that exploration at depth is warranted.

The Mt. Diablo mine (Mill Workings) was brought into production in 1937, and produced a total of 93,000 tons of ore before closing down in 1947. The present operator reactivated the mine in 1951 and production since then has totalled about 2,000 tons. The average recoverable grade of the total past production was about 8 lbs. of mercury per ton of ore. A large part of this production probably was obtained by benching operations at the surface.

Although a field examination will be limited to surface open cuts and a study of existing mine maps and records, the application should be referred to the field team for their review and recommendations. Further substantiating evidence is needed before a long drift to the Jones Tunnel area can be justified. The revised application implies that the field team has approved the two-stage program, but this needs to be confirmed.

E. L. Newcomb

E. L. Newcomb
Geologist

RONNIE SMITH
TOWER PETROLEUM BUILDING
DALLAS 1, TEXAS

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 2 1953

December 31, 1952

re: Docket No. DMEA-~~2240~~ 2448

Defense Minerals Exploration Administration
New Department of Interior Building
Washington, D. C.

Attention: Mr. Knouse

Gentlemen:

You will note from the enclosures that I have employed Mr. C. N. Schuette as Consulting Engineer on my quicksilver properties at Clayton, California.

After discussing the merits and demerits of the original plan of driving an adit of some several hundred feet, versus the sinking of a vertical shaft it seemed to be the consensus of opinion that sinking of the shaft was more practical, less expensive and would explore considerably more virgin territory.

Accordingly, please find attached hereto four (4) copies of the alternate plan looking toward the exploration of the Mt. Diablo properties now operated by myself as Trustee.

It would be much appreciated if there are any additional questions or information you would like at this time if you would communicate directly with Mr. C. N. Scheutte at 6390 Barnett Valley Road W., Sebastopol, California, with a copy to this office.

Thanking you for your cooperation in this matter, and with best wishes for the New Year, I am

Very sincerely yours,

Ronnie Smith

RONNIE B. SMITH

RBS:cr
Encls.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 2 1953

Proposed Alternate Program for Exploration of
Mt. Diablo Quicksilver Mine
Ronnie Smith, Trustee,
Docket No. DMEA-~~2248~~ 2448 (Mercury)

The original program contemplated driving an adit under the existing levels of the mine at an elevation of 650 feet.

This adit would have been only 58 feet below the lowest present level and would have been some 1500 feet long. It would have started on another property and any ore coming out thru it would have been 3/4 of a mile from and 250 feet lower in elevation than the coarse ore bin of the plant to which it would have to be transported. Also dump room below the tunnel was inadequate. Hence the U.S.G.S. suggested that perhaps a shaft would be more suitable for exploration purposes.

On December 4th a conference was held in the office of the Regional Director of the U.S.B.M. in San Francisco. Harold Miller, Regional Director of the U.S.B.M., Wm. P Erwin of the U.S.G.S., Ronnie Smith and C.N. Schuette were present at this conference and the problem of shaft vs adit was considered and debated. A tentative plan for an alternate program was agreed upon to consist of two stages of exploration: Stage 1. Sink a shaft to elevation 600 and crosscut and drift under the known orebodies to explore their downward extension. Stage 2. Drift northwest from the limits reached in the Stage 1 drifts some 1300 feet to explore the Jones Tunnel Area at depth.

On December 9th, C.N. Schuette, representing Ronnie Smith, and Jacques E. Robertson and Earl Pampeyan of the U.S.G.S.

visited the Mt. Diablo Mine to locate a shaft site. A site for an inclined shaft tentatively proposed by C.N. Schuette on December 4th proved to be unsuited on inspection. Several other possible sites would have necessitated the removal of large waste dumps. The best location for a shaft was found in the area between the boarding house and the coarse ore bin of the plant. This site can be leveled off by bulldozer to elevation 900 feet. A 330 foot vertical shaft (30 foot sump) will allow a new level to be driven at elevation 600, roughly 100 feet below the lowest present level. The location of this shaft is shown on the attached contour map on Section A - A and on the attached Cross Section A - A.

The Cross Section shows the present levels in the fault zone and the lines parallel to the line of levels indicate the Hanging and foot walls of the mineralized fault zones.

As shown in the Cross Section, the shaft will penetrate the hanging wall of the fault zone just before it reaches the proposed new level at elevation 600 and a crosscut of 125 feet will carry the work to the downward extension of the most heavily mineralized area mined above, which lies roughly in the center of the fault zone.

The topographic map also shows the shaft, the crosscut and 500 feet of drifting has been indicated to explore the area below the known orebodies that were worked above.

Thus 330 feet of shaft sinking, 125 feet of crosscutting and 500 feet of drifting are the initial work of exploration contemplated by this alternate program.

The second stage would be to drift NW under the Jones Tunnel area some 1300 feet from the end of the NW drift as shown

on the topographic map.

The shaft sinking and crosscutting and drifting will be done on contract at a price of $135 per foot for sinking and $40 per foot for drifts and crosscuts. The contractor is to furnish all machinery and supplies and do all the work.

Cost of Exploration Program:

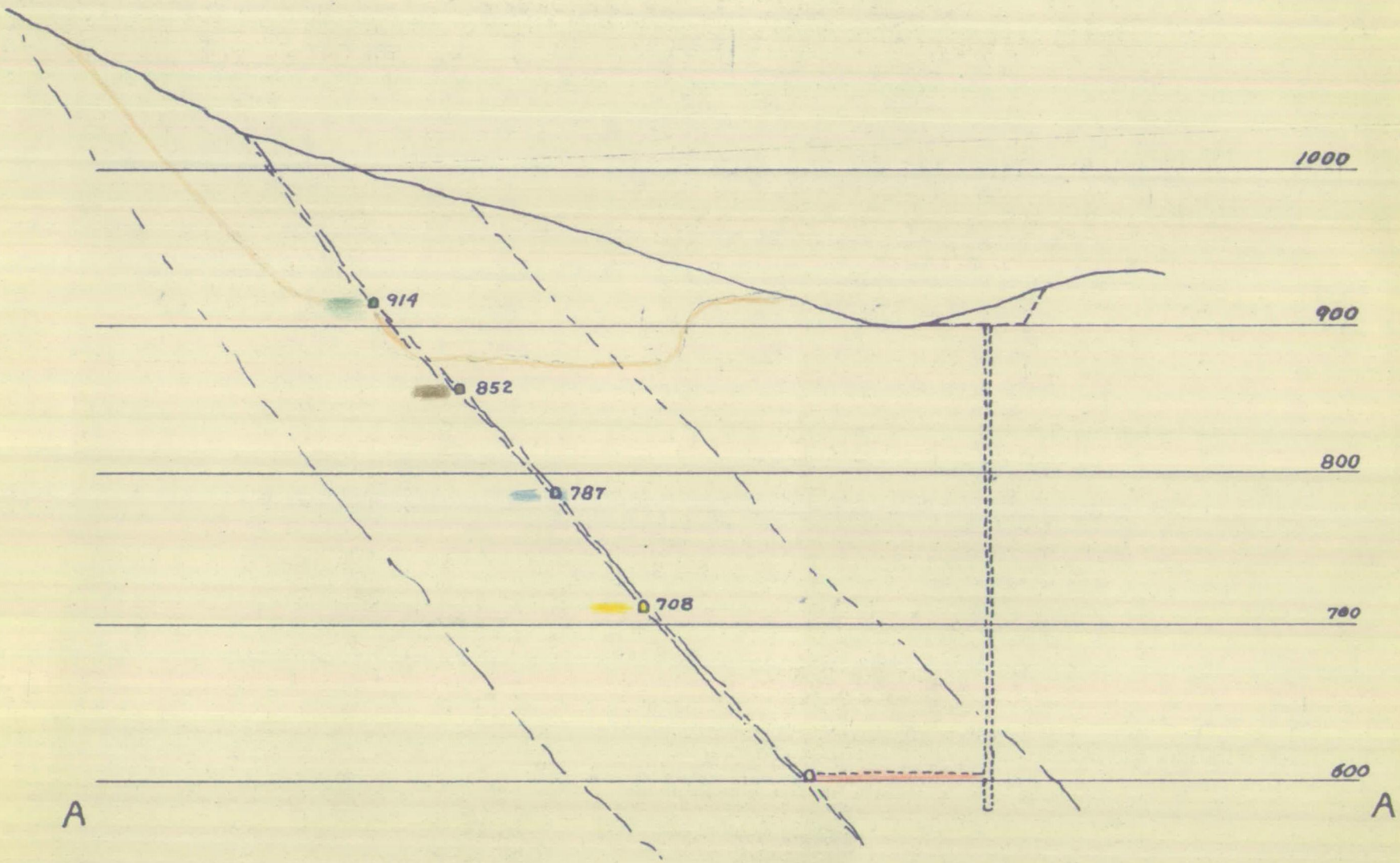
330 feet of shaft sinking @ $135 per foot	$ 44,550
625 ft. of crosscutting & drifting @ $40/ft.	25,000
Eng. & Geol. Consultants	3,500
Total for first stage of exploration	$ 73,050
1300 ft. drifting @ $40/ft = second stage, Total	52,000
Total for both stages	$125,050

Time Schedules:

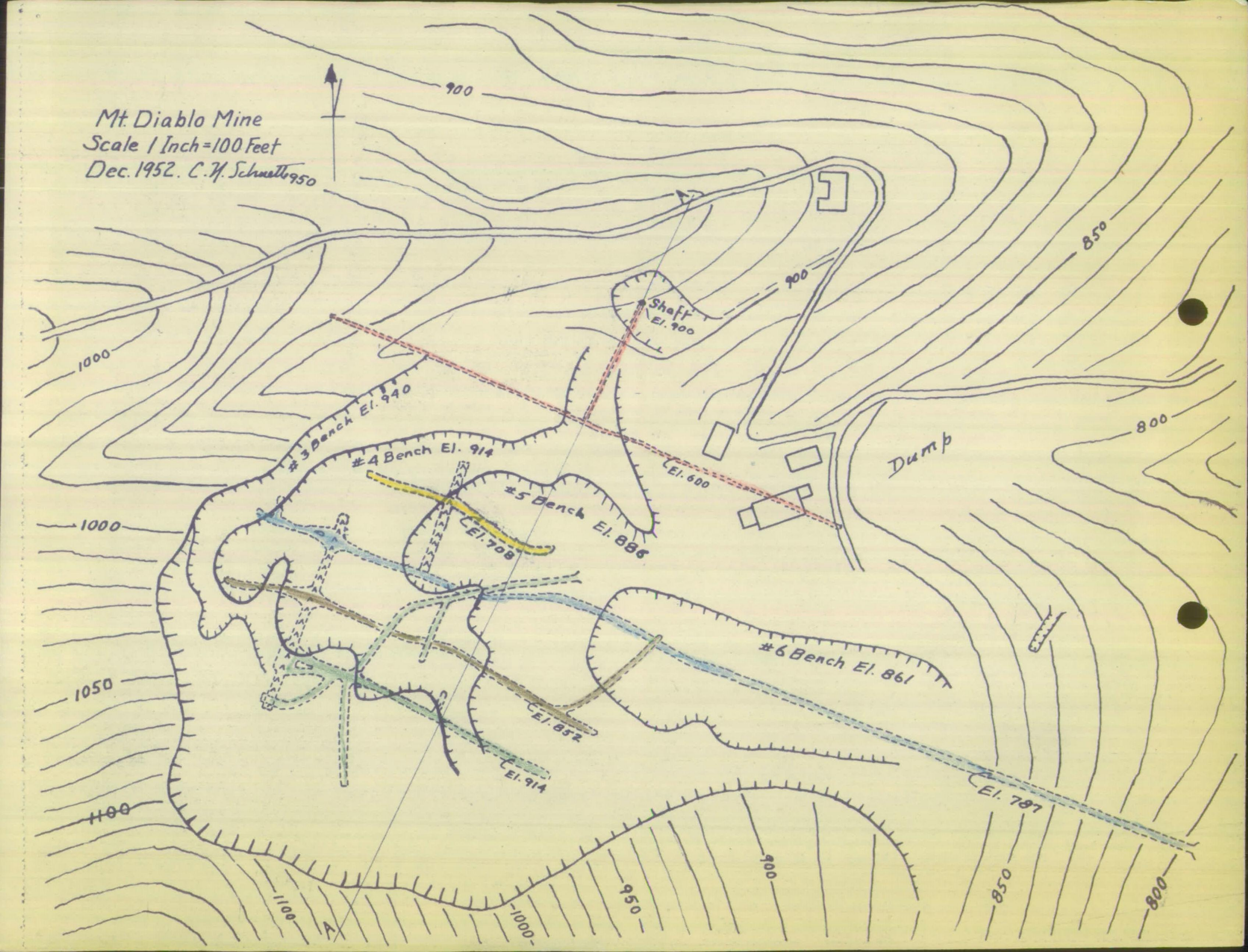
Preliminary grading, erecting headframe, etc.	0.5	months
Sinking 330 feet of shaft	4.0	"
Crosscutting & Drifting	2.5	"
Stage 1.	7.0	"
Stage 2. Drifting 1300 ft. on strike to NW	9.0	"
Total time for exploration program	16.0	"

Note: The Time Schedule is based on using two shifts per day in sinking and crosscutting and on 2 shifts per day in both the East and West drifts. This leaves room for making up delays due to lack of men or other causes by working 3 shifts per day for part of the time.

In Stage 2, two shifts per day in the West drift are assumed to arrive at the 9 months time as given.



Mt. Diablo Mine
Scale 1 Inch = 100 Feet
Dec. 1952. C. Y. Schmitt.


Mt. Diablo Mine
Scale 1 Inch = 100 Feet
Dec. 1952. C.H. Schmeltz 950
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Shaft
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#3 Bench El. 940
#4 Bench El. 914
#5 Bench El. 886
#6 Bench El. 861
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Form MF-103
(Revised June 1951)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.1.

MF-103 Should Be Filed With General Technical Data Form MF-100

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

Not To Be Filled in by Applicant

Docket No. DMEA-2448
Metal or Mineral
Date Received 3-24-52
Amount $
Participation (Government %)

Name and address of applicant

Date

If you have already filed MF-100, give date filed, type of assistance requested Exploration loan for the discovery of mercury ore deposit

DMA Docket Number (if available)

Appl-cation

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four copies each, of the signed application form, General Technical Data Form MF-100, and answers to questions as specified, to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive office thereof, with your name and address on each sheet of the application and all accompanying papers. If you have previously filed MF-100, it is not necessary to file it again. However, you should indicate in space provided above the type of assistance previously applied for (loans, procurement contracts, etc.) and DMA Docket Number, if available. *When a question is inapplicable it should be so stated in the form.* Additional sheets should be attached in answering any questions or in supplying additional information. IF YOU CANNOT ANSWER A QUESTION, SO STATE.

1. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.

   (*b*) If you are not the owner of the property, submit a copy of the lease, purchase option, or other agreements under which you are authorized to operate the property with each copy of your application.

   (*c*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

   NOTE: (1) If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*c*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

   (2) If applicant is not the owner of the property or if there are any liens or encumbrances against the property, copy of agreements of claimants, lienors, encumbrances, and lessors subordinating their interests in the property to the interest of the Government under the Exploration Project Contract will be required for attachment to the Contract.

2. (*a*) What metals or minerals do you expect to find?

   (*b*) Furnish statement of the geologic features of your property, giving type of ore deposit and reasons for expecting to find commercial ore bodies. Illustrate with maps or sketches. If you have a geologic or engineering report, or assay maps showing width and grade, please send them with application, stating whether or not you wish to have them returned.

The information requested in questions 3, 4, 5, 6, 7, 8, and 9 below should be answered specifically and in detail, as this information will be attached to and incorporated as part of the Exploration Project Contract, if such contract is entered into with you by the Government.

ANSWER EACH QUESTION ON SEPARATE SHEETS OF PAPER AND SUBMIT A COPY OF EACH ANSWER FOR EACH COPY OF YOUR APPLICATION.

3. (*a*) Describe fully the proposed work and give the total cost of the project.

   (*b*) State the time required to start the project and to complete it.

4. Submit a map or sketch of the property involved showing a plan (and cross section, if needed) of the present mine workings and the *location of the proposed exploration work* as related to geologic features, such as contacts, veins, ore-bearing beds, etc.

5. Furnish an itemized list of existing facilities, buildings, installations, and fixtures with a statement of the cost of any necessary rehabilitation or repairs to put into useful and operable condition.

6. Furnish a detailed list of additional facilities, buildings, and fixtures to be purchased, installed, or erected by you, with the estimated cost of each item.

7. Furnish a detailed list of operating equipment, separated into items to be—

   (*a*) Rented

   (*b*) Purchased

   (*c*) Furnished by you

   with the rental, purchase price, or depreciation of each item, as the case may be, to be charged as a cost of the project.

8. Furnish an itemized schedule of labor, by numbers and classes (miners, muckers, etc.) and of supervisors by numbers and positions, with the maximum wages or salaries to be paid to each.

9. Furnish a detailed list with estimated cost of each item for materials, supplies, engineering, assaying, accounting, power, water, utilities, and any other items not provided for above.

10. (*a*) How much are you prepared to invest in the proposed project?

    (*b*) Is this amount sufficient to pay your part of the cost of the project, in accordance with the regulations on Government participation (Sec. 9 of MO–5)?

11. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

CERTIFICATION

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

(Name of company)

By Ronnie Smith Trustee
(Signature of authorized official)

24 27
(Date)

(Title)

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.

U. S. GOVERNMENT PRINTING OFFICE 16—64067-2

1. (a) NE¼ SE¼ and a portion of N½ SE¼, Section 29, T. 1 N., R. 1 E., M.D.M.

(b) Lease - from Mt. Diablo Quicksilver Company, Ltd., see copy of lease marked Exhibit A.

(c) Area the same as described in sub-paragraph (a).

2. (a) Mercury (Quicksilver).

(b) Geology described in U.S.G.S. Bulletin 522-b, entitled Quicksilver Deposits of the Mount Diablo District, Contra Costa County, California, from which the following is quoted:

"Mt. Diablo and the uplands around it consist of Franciscan strata about 6,000 feet in thickness, associated with intrusive serpentine and other somewhat metamorphosed igneous rocks. This assemblage of rocks, commonly believed to be of Jurassic age, occupies a roughly circular area of about 15 square miles. It is surrounded by later sedimentary formations, which apparently range in age from Jurassic to Pliocene and have a total thickness of about 35,000 feet. Small andesitic masses presumably of Tertiary age have been intruded into the lower part of the post-Franciscan strata, and higher beds are overlapped by remnants of basaltic lava flows that may be of Quaternary age.

The quicksilver deposits occur only in the Franciscan formation, in serpentine, and in silica-carbonate rock, an alteration product of serpentine."

"The lodes are in fracture zones near the footwalls of inclined, more or less tabular serpentine masses in Franciscan rocks. They are thought to have been formed by hot-spring action so recent that it is still giving rise to sulphurous gases and methane. The lodes are unique in that metacinnabar is an abundant primary ore mineral. The ore shoots are in zones of intense brecciation and are controlled in part by cross fractures."

3. (a) It is proposed to drive a tunnel 75 feet below the level of the present tunnel, a distance of approximately 650 feet in a direction following the outcrop of mineralized zone or fracture until it intercepts the ore body which was mined from the present underground operations now flooded and inaccessible. It is expected that high grade mercury bearing ores will be encountered in the proposed tunnel at a distance of approximately 650 feet and below the level of the present underground workings. The tunnel will open up the old workings and dewater them and make available ore previously explored in the old workings. It is estimated that the proposed work will cost approximately $30.00 per foot or $19,500.00. It is also proposed to drift along the lode fault or brecciated zone in a northwesterly and southeasterly direction, 200 feet to the northwest and 100 feet to the southeast, also to upraise to the old workings a distance of 75 feet. Estimated cost of drifting 300 feet at $20.00 per foot $6,000.00. Upraise 75 feet at $20.00 per foot $1,500.00 - Total cost of proposed work $27,000.00.

See Exhibit B for location of proposed tunnel site.

3. (b) The proposed project can be started immediately. It is estimated that it can be completed five months after starting.

4. See map marked Exhibit E.

5. All facilities including electric power line to property, office, warehouse, shop, bunkhouse, boarding house, water well, well pump and water tank are now on the property.

6. No additional facilities will be required.

7. (a) A 320 cu. foot electric driven air compress to be rented at $350.00 per month.

   (b) Air and water pipe lines, small tools and rails to be purchased. Estimated cost $1,500.00. Mine timbers estimated cost $1,500.00.

   (c) Air drills and steel to be furnished by applicant.

8. Three miners at $15.28 per 8 hour day.
   Three muckers at $14.04 per 8 hour day.
   One supervisor at $400.00 per month.

9.

Powder fuse and caps	$1,000.00
Electric power	500.00
Engineering	900.00
Accounting	150.00

10. (a) $7,000.00

    (b) Yes.

Form MF-100
(May 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Form approved.
Budget Bureau No. 42-R1026.

GENERAL TECHNICAL DATA
FOR USE UNDER THE
DEFENSE PRODUCTION ACT OF 1950

NOT TO BE FILLED IN BY APPLICANT

Docket No. DMEA-2448

Date received 3-24-52

ROBERT L. SMITH, INC. [illegible]
Texas Petroleum Building
Dallas, Texas

Name and address of applicant

Date March 21, 1952

INSTRUCTIONS

This form is to be filed with Defense Minerals Administration, Department of the Interior, Washington 25, D. C. It should be accompanied by appropriate application form when a specific type of Government assistance is requested, in the form of (1) loan, (2) purchase contract, (3) Government guarantee of a private loan, (4) priorities or allocation of mining equipment, and maintenance, repair and operating supplies, and (5) other forms of Government assistance that might arise under the Act. Submit four (4) signed copies of the form and accompanying papers. Name and address should be stamped or typed on each sheet of this form and all accompanying papers. *When a question is inapplicable it should be so stated on the form.* Additional sheets may be attached in answering any questions or in supplying additional information. (IF YOU CANNOT ANSWER A QUESTION, SO STATE.) If a question is answered elsewhere indicate where answered. It is not necessary to answer it again.

GENERAL TECHNICAL DATA

Supply the following information on separate sheets, arranged, numbered, and lettered as indicated:

1. Materials produced:
   (*a*) What are the chief mine, mill, or smelter products?
   (*b*) What are the byproducts, if any?
2. Name(s) and type(s) of mine(s), mill(s), smelter(s), refinery(ies), pit(s), quarry (ies), drilling operation(s). Include old names of property, if any. Show extent of workings, including the following:
   (*a*) Linear feet of shafts.
   (*b*) Linear feet of drifts and crosscuts.
   (*c*) Linear feet of tunnels or adits.
   (*d*) Linear feet of other mine openings (explain briefly).

   Indicate whether mine is flooded or not. Describe any pumping problems. Give size or productive capacity.
3. For each operation listed above supply the following:
   (*a*) Distance and direction from nearest town and shipping point.
   (*b*) Mining district.
   (*c*) Township, Section, Range.
   (*d*) County, State.

   DEPARTMENT OF THE INTERIOR
   Defense Minerals Administration
   RECEIVED
   MAR 24 1952
4. (*a*) State whether or not property is now in operation, and if in operation, by whom operated
   (*b*) Are you operating this property as:
   - ☐ Owner.
   - ☒ Lessee.
   - ☐ Contractor.
5. Number of years in production 1936 to 1943 - September 1951 to date.

   If not in production or operation, estimated date when production will begin _____
6. Experience of operators:
   Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who manage the project.
7. History:
   (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for suspension of operation.
   (*b*) State briefly the known history and production of adjoining and neighboring properties.
   (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

8. Names and addresses of Officers, Directors, or Partners, and in addition thereto, the five largest stockholders if applicant is a corporation.

Name and Address (a)	Official Title (If officer is also director indicate by "D") (b)	Total of Annual Salary, Commissions, Bonuses, Etc., Received From Applicant and Affiliates During Last Fiscal Year (c)	Estimated Net Worth Outside of Interest in Applicant (d)	Number of Shares Held in Applicant Corporation: Common (e)	Number of Shares Held in Applicant Corporation: Preferred (f)	Life Insurance Carried for Benefit of Applicant: Amount (g)	Life Insurance Carried for Benefit of Applicant: Net Cash Surrender Value After Loans (h)
Ronnie D. Smith, Trustee,	Texas Petroleum Bldg., Dallas, Texas						
Jens Harper, President,	Franklin Supply Co., Chicago, Illinois						
James F. Dunnigan, Chicago, Illinois							
	Total		x x x x x			x x x x x	x x x x x

If more lines are needed continue on separate sheet.

9. Capital Stock Issues: A partnership/and not an incorporated company.

For Corporate Applicants

Item	Authorized (a)	Outstanding (b)	Par Value (c)	Number of Shares Outstanding (d)	Dividend Rate Last Paid* (e)
Common stock	$	$	$		
Preferred stock	$	$	$		

*Indicate period covered.

10. Production: See attached sheet, page 1 answering question 7.(a)

Item	Kind of Product (a)	1948 Total (b)	1949 Total (c)	1950 Total (d)	Present Average Monthly (e)
1. Quantity of product mined or quarried (Short, long, metric tons; barrels; pounds; etc.)					
2. Quantity of product processed (specify unit of measure and type of process)					
3. Quantity and grade of product sold or shipped (specify units of measure)					

11. Do you contemplate a change in the present average monthly rate of production? If so, state estimated maximum monthly production and basis of change.

12. Ore or Mineral Reserves:

(a) Describe the ore or mineral deposit briefly. Accompany the application by any available report on the geology and ore reserves.

1. (a) Mercury

(b) Cinder or furnace slag - burned rock minus $1\frac{1}{2}$ inch mesh used for road surfacing, etc.

2. Mount Diablo Quicksilver Mine. Open pit and underground mining operations. The ore is crushed and run through a rotary furnace. The furnace fumes are run through condensors. The mercury is recovered by retorting the dust from the condensors.

(a) None.

(b) 730' on 30' level. 900' on 165' level. 170' on 270' level.

(c) 370' of adit tunnel.

(d) 165' of winzes - 165-270' levels, 160' upraises - 165' to 30' level.

Mine is flooded, no pumping problems.

3. (a) Three miles northwest of Clayton and eight miles northwest of Concord, the nearest shipping point.

(b) Mt. Diablo Mining District.

(c) Middle of $E\frac{1}{2}$, Section 29, T. 1 N., R. 1 E., M.D.M.

(d) Contra Costa County, California.

4. (a) Now in operation. Ronnie Smith, Trustee, is the operator.

(b) Lessee.

5. The Mt. Diablo Mine was on production from 1936 to 1947 under lease by the Bradley Mining Co. In operation by Ronnie Smith, Trustee, since September 15, 1952.

6. (a) Mr. Smith has been operating the McCarty and Donner copper properties near Copperopolis for the past two years.

(b) Roy G. Mead, Manager for Ronnie Smith, is a mining engineer and geologist with over 30 years' experience in mining operations and geological work. Mr. Vic Blomberg, Superintendent of the mine, is an experienced quicksilver furnace operator, and open pit miner; he was employed by the Bradley Mining Company as furnace operator and superintendent of the Mt. Diablo Mine from 1936 to 1943. Previous to 1936 he operated the Mt. Diablo Mine and also worked in the old Ryan Mine.

7. (a) Mt. Diablo Mine on production since 1937, operated by Bradley Mining Co. from October 1936 until the end of 1947, during which time there was produced 10,454 flasks of mercury amounting to $1,438,340 and rock and cinder having a value of $97,768.00. The past production record is shown in the following table:

Year	Tons of Ore Treated	Flasks of Mercury Produced	Pounds of Mercury Per Ton of Ore	Flasks (76#) Mercury Sold	Gross Sales Mercury	Gross Sales Rock & Slag
1937	2,911	304	8.00	314	28,907	40
1938	8,850	1,422	12.20	1,361	99,695	6
1939	12,000	1,423	9.00	1,462	137,105	42
1940	14,400	1,084	5.70	1,084	139,249	263
1941	14,400	1,622	8.50	1,622	279,835	827
1942	12,000	1,366	8.65	1,366	261,015	375
1943	11,000	1,127	7.70	1,127	216,021	2,562
1944	5,500	698	9.60	698	75,909	1,886
1945	4,500	434	7.30	434	65,921	3,880
1946	6,000	861	10.90	861	83,865	11,253
1947	1,000	125	9.50	125	10,818	32,899
1948	None	None	-	None	None	25,739
1949	"	"	-	"	"	8,640
1950	"	"	-	"	"	9,356
1951	1,369	102½	5.69	45	9,420	59
*1952	309	21	5.16	78	15,950	94
	94,239	10,577½	8.1	10,577	1,463,710	97,862

*Operations by Ronnie E. Smith, Trustee

Ronnie Smith leased the Mt. Diablo Mine September 1951 and cleaned up the pits and rehabilitated the rotary furnace and made additions to the plant. Production from the mine commenced November 15, 1951 and continued until January 10th when the mine was temporarily closed down because of heavy rains. A landslide occurred January 17, 1952, which filled Benches No. 4 and 5 where mining operations were in progress, with more than 10,000 tons of earth. Since then, when permitted by weather conditions, the greater portion of the material from the slide has been removed. It is expected that pit mining operations will be resumed by April 1st and the furnace again put in operation.

During the 55 days the plant was in operation by Mr. Smith there were produced 123 flasks of mercury having a value of $25,370.00. The aforesaid production came from Bench No. 4 in the pit. The main adit tunnel to the underground workings below Bench Nos. 4, 5 and 6 in the pit was closed because of a cave in the tunnel located approximately 300 feet from the portal. Because of caving of the ground the tunnel cannot be reopened. Water has dammed up behind the cave and the entire mine is therefore flooded.

After the slide which occurred January 17, 1952 an attempt was made to reopen the adit tunnel without success. It was then decided to abandon the underground workings on and above the adit tunnel level. Consequently no exploration work leading to the discovery of new ore bodies from the old workings is now being carried on.

In order to carry on exploration work it was decided to drive a new tunnel from a portal to be located 250 feet to the northeast and 75 feet below the portal of the present adit tunnel.

The proposed tunnel is to follow the outcrop of silica-carbonate rock and iron oxide indicative of mercury bearing ore. The course of the tunnel will be approximately N 80° W and should intercept the mineralized and brecciated zone 75 feet below the old workings at a point 150 feet from the portal. This exploration work should lead to the development of ore bodies as large as heretofor mined in the open pit by the Bradley Mining Co.

(b) The adjoining mine known as the Jones tunnel and the Ryan Mine also under lease to Ronnie Smith is said to have been operated successfully from 1878 to 1877 and for a while to have produced as much as 98 flasks of quicksilver per month. It has been operated sporadically since the aforesaid time and an unknown quantity of mercury obtained. The workings are now caved and inaccessible.

(c) See U.S.G.S. Bulletin 972-E, " Quicksilver Deposits of the Mount Diablo District, Contra Costa County, California."

8. See page 2 of application.

9. See page 2 of application.

10. See attached sheet 7. (a).

11. Contemplate to increase production to 100 flasks per month after the proposed exploration work is completed and higher grade ore obtained from probable ore bodies below level of old workings, which are expected to be developed from proposed tunnel.

12. Ore deposit fully described in U.S.G.S. Bulletin 972-E.

13. Paved highway 1000 feet from property.

14. No water needed for plant operations. Domestic supply obtained from water-well located on property.

15. Electric power line (P.G. & E.) to property.

16. One miner, one shovel operator, three truck drivers, one bulldozer driver, three furnace operators, two crusher operators, one foreman.

17. One 40 Ton capacity (daily) Rotary furnace, Retort, mill buildings, crusher plant, office, boarding house, tunthouse, warehouse, shop building, fuel oil and gasoline storage tanks all in good condition and now being used.

2 - Sterling trucks (owned by applicant).
1 - International Bulldozer (owned by applicant).
1 - Dodge pickup truck (owned by applicant)
1 - Joy Mfg. Co. Rock Drill (owned by applicant)
3/4 yard Northwest power shovel (rented)
1 - Ingersoll-Rand air compressor (owned by Mt. Diablo Quicksilver Co., Ltd. and leased by applicant)

All equipment is in good condition and now being used.

18. No

(*b*) If deposit is other than [illegible]

(1) Submit assay plans [illegible]tions showing location and size of proved (measured) and probable (indicated) ore or mineral r[illegible]e.

(2) State the tonnage (indicate type of ton) and grade of each class of ore reserve, as above, and show how computed. Tabulated total ore reserve as follows:

TOTAL ORE OR MINERAL RESERVES

Ore or Mineral Reserve	Estimated Tons (a)	Metal or Mineral Content Per Ton (Grade) (b)	Gross Value Per Ton (c)	Recoverable Unit Value Per Ton (d)	Estimated Cost of Production Per Ton (e)
Measured (proved)	250,000	5" of mercury per ton of ore	$15.00	$12.00	$3.00
Indicated (probable)	500,000	"	15.00	12.00	3.00

(*c*) If placer:

(1) Give estimated total yardage and average marketable mineral content of each deposit.

(2) Submit map showing location of placer deposit and surrounding area, with all test holes or pits. Submit logs of each hole and test pit with depth and average value of each.

(3) Describe gravel, stating whether fine, medium or coarse; loose, tight, cemented, or frozen, and whether it contains stumps or boulders more than 1 foot in diameter; if so, how large, and in what proportion.

(4) Describe bedrock, giving type (granite, sandstone, shale, etc.) and state whether it is hard or soft, smooth, uneven or rough.

(5) Describe overburden, stating whether loose, tight, or cemented; fine or coarse textured; furnish estimate of average thickness and total amount.

(6) Tabulate the reserves using the form outlined above for ore or mineral reserves.

13. Access Roads:

Give road distances to shipping, supply and residence points, stating kind and condition of roads.

14. Water Supply:

State source and quantity of water available for operations and whether sufficient for all seasons of year.

15. Power:

State amount of power used, rate per hour, and source thereof.

16. Labor:

State number and classes (miners, muckers, millmen, etc.) of men employed during a recent representative payroll period.

17. Equipment and Facilities:

Describe present equipment on the property, including buildings. (State condition.) List major pieces of equipment now owned or controlled and in serviceable condition available for this operation.

18. Are there any particular conditions or circumstances affecting your operations that are not described above? If so, explain.

CERTIFICATION

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

Ronnie Smith Trustee
(Name of company)

By Ronnie Smith
(Signature of authorized official)

3/24/52
(Date)

owner
(Title)

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.

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DEPARTMENT OF THE INTERIOR
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Proposed Alternate Program for Exploration of

Mt. Diablo Quicksilver Mine

Ronnie Smith, Trustee,

Docket No. DMEA-~~2243~~ 2448 (Mercury)

The original program contemplated driving an adit under the existing levels of the mine at an elevation of 650 feet.

This adit would have been only 53 feet below the lowest present level and would have been some 1500 feet long. It would have started on another property and any ore coming out thru it would have been 3/4 of a mile from and 250 feet lower in elevation than the coarse ore bin of the plant to which it would have to be transported. Also dump room below the tunnel was inadequate. Hence the U.S.G.S. suggested that perhaps a shaft would be more suitable for exploration purposes.

On December 4th a conference was held in the office of the Regional Director of the U.S.B.M. in San Francisco. Harold Miller, Regional Director of the U.S.B.M., Wm. P Erwin of the U.S.G.S., Ronnie Smith and C.N. Schuette were present at this conference and the problem of shaft vs adit was considered and debated. A tentative plan for an alternate program was agreed upon to consist of two stages of exploration: Stage 1. Sink a shaft to elevation 600 and crosscut and drift under the known orebodies to explore their downward extension. Stage 2. Drift northwest from the limits reached in the Stage 1 drifts some 1300 feet to explore the Jones Tunnel Area at depth.

On December 9th, C.N. Schuette, representing Ronnie Smith, and Jacques B. Robertson and Earl Pampeyan of the U.S.G.S.

visited the Mt. Diablo Mine to locate a shaft site. A site for an inclined shaft tentatively proposed by C.N. Schuette on December 4th proved to be unsuited on inspection. Several other possible sites would have necessitated the removal of large waste dumps. The best location for a shaft was found in the area between the boarding house and the coarse ore bin of the plant. This site can be leveled off by bulldozer to elevation 900 feet. A 330 foot vertical shaft (30 foot sump) will allow a new level to be driven at elevation 600, roughly 100 feet below the lowest present level. The location of this shaft is shown on the attached contour map on Section A - A and on the attached Cross Section A - A.

The Cross Section shows the present levels in the fault zone and the lines parallel to the line of levels indicate the Hanging and foot walls of the mineralized fault zones.

As shown in the Cross Section, the shaft will penetrate the hanging wall of the fault zone just before it reaches the proposed new level at elevation 600 and a crosscut of 125 feet will carry the work to the downward extension of the most heavily mineralized area mined above, which lies roughly in the center of the fault zone.

The topographic map also shows the shaft, the crosscut and 500 feet of drifting has been indicated to explore the area below the known orebodies that were worked above.

Thus 330 feet of shaft sinking, 125 feet of crosscutting and 500 feet of drifting are the initial work of exploration contemplated by this alternate program.

The second stage would be to drift NW under the Jones Tunnel area some 1300 feet from the end of the NW drift as shown

on the topographic map.

The shaft sinking and crosscutting and drifting will be done on contract at a price of $135 per foot for sinking and $40 per foot for drifts and crosscuts. The contractor is to furnish all machinery and supplies and do all the work.

Cost of Exploration Program: 4 x 8.5' in clear timber

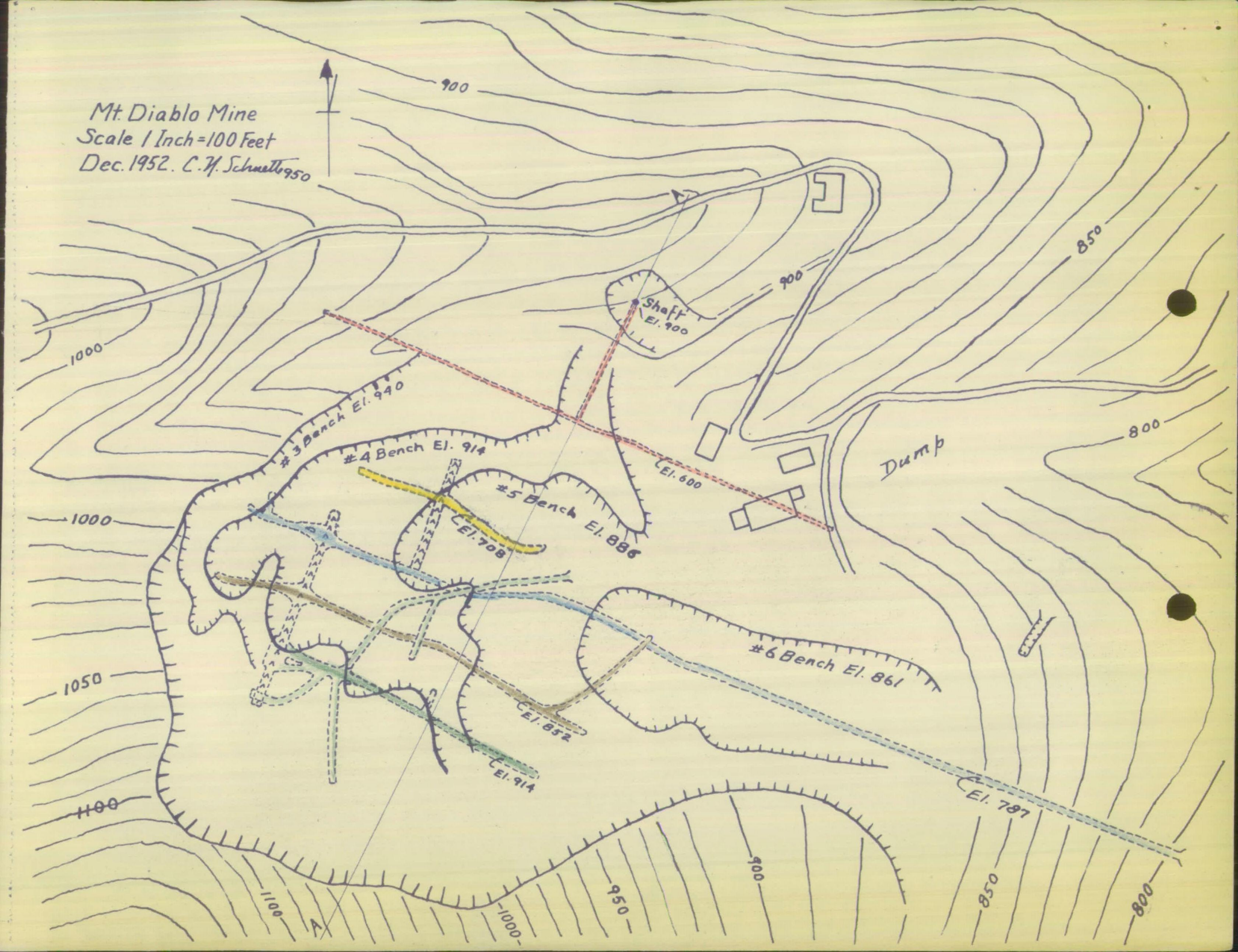
330 feet of shaft sinking @ $135 per foot,	$ 44,550
625 ft. of crosscutting & drifting @ $40/ft. 6 x 7.5'	25,000
Eng. & Geol. Consultants	3,500
Total for first stage of exploration	$ 73,050
1300 ft. drifting @ $40/ft = second stage, Total	52,000
Total for both stages	$125,050

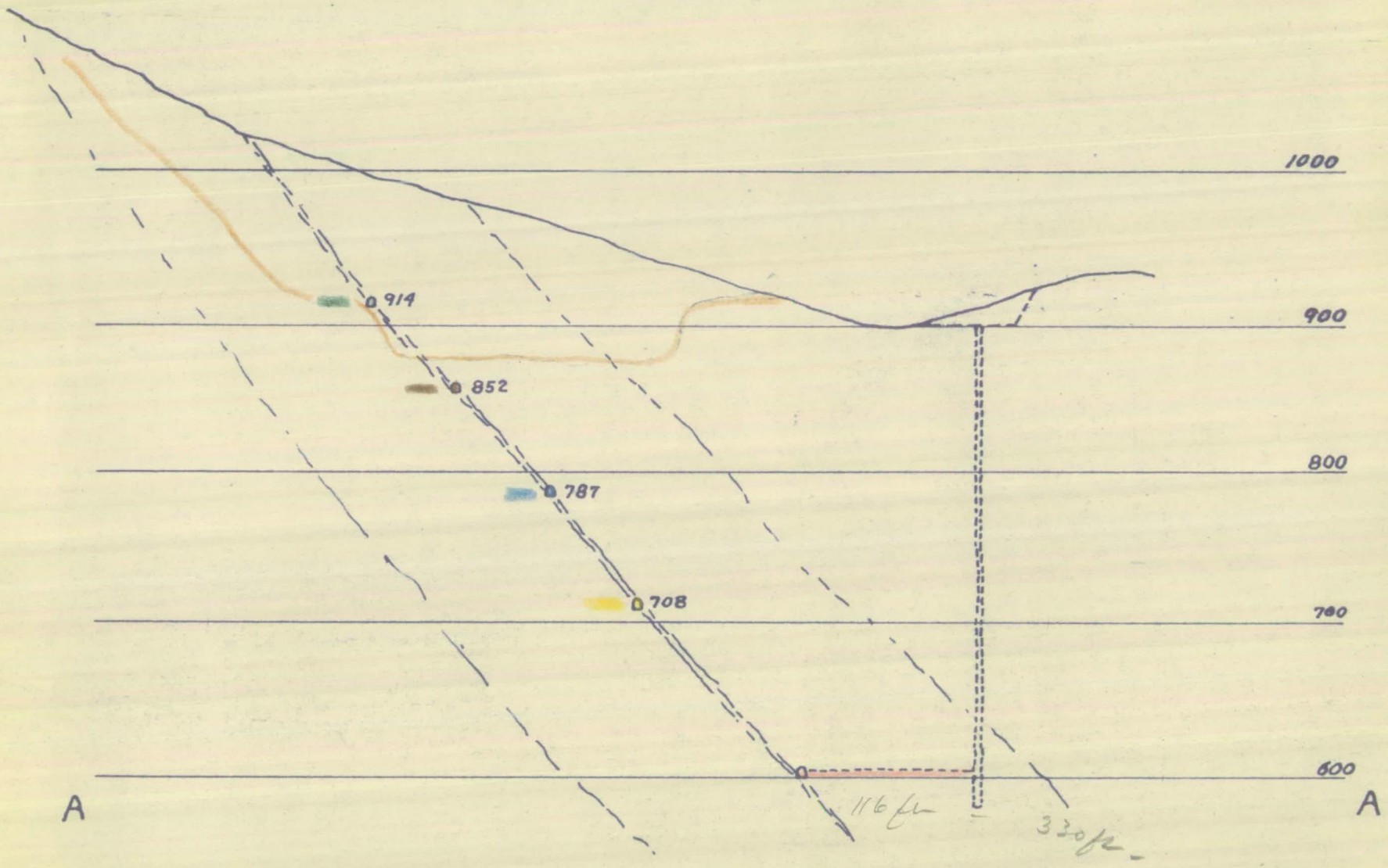
Time Schedule:

Preliminary grading, erecting headframe, etc.	0.5	months
Sinking 330 feet of shaft	4.0	"
Crosscutting & Drifting	2.5	"
Stage 1.	7.0	"
Stage 2. Drifting 1300 ft. on strike to NW	9.0	"
Total Time for exploration program	16.0	"

Note: The Time Schedule is based on using two shifts per day in sinking and crosscutting and on 2 shifts per day in both the East and West drifts. This leaves room for making up delays due to lack of men or other causes by working 3 shifts per day for part of the time.

In Stage 2, two shifts per day in the West drift are assumed to arrive at the 9 months time as given.


Mt. Diablo Mine
Scale 1 Inch = 100 Feet
Dec. 1952. C. H. Schuette 950
900
850
800
1000
1050
1100
950
Shaft
El. 900
#3 Bench El. 940
#4 Bench El. 914
#5 Bench El. 886
#6 Bench El. 861
El. 600
El. 708
El. 852
El. 914
El. 787
Dump
A



Mt. Diablo Mine
Scale 1 Inch = 100 Feet
Dec. 1952. C. Y. Schmutte.

COPY

THIS LEASE, made this 12th day of September, 1951, by and between MT. DIABLO QUICKSILVER COMPANY, LTD., a Nevada corporation, hereinafter called the Lessor, and [illegible] B. SMITH, [illegible], hereinafter called Lessee,

WITNESSETH:

That the said Lessee, for and in consideration of the royalties hereinafter reserved and agreed by the Lessee to be paid, and the covenants and agreements hereinafter expressed, and to be kept and performed, hereby leases to the said Lessee, and the Lessee leases from the said Lessor, all the following described mine and mining property, together with all appurtenances:

The northeast quarter of the southeast quarter of Section 29 and the south half of the southwest quarter of the northeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian, containing [illegible] acres, more or less;

EXCEPTING THEREFROM: "That certain [illegible] pipe leading [illegible] to a water trough on the northwest quarter of the [illegible] quarter of said Section Twenty-nine (29), which said [illegible] trough, and pipe are excepted from this deed," as [illegible] for in the deed from Edward A. Howard and Daisy B. [illegible] his wife, to Mount Diablo Quicksilver Company, Ltd. a corporation, dated December 29, 1[illegible], and recorded Feb. 1, 19[illegible] [illegible] No. 1060);

and

The northwest quarter (N.W.1/4) of the southeast quarter (S.E.1/4) of Section 29, in Township 1 North of Range 1 East, Mount Diablo Base and Meridian. Said property shall not include the following described property, to wit: That land beginning at the northwest corner of the northwest quarter of the southeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian; thence running southerly along the dividing line between the northeast quarter of the southwest quarter and the northwest quarter of the southeast quarter of said Section 29, a distance of 20 chains to the southwest corner of the Northwest quarter of the Southeast quarter of Section 29; thence running along the Southerly line of the Northwest quarter of the Southeast quarter of Section 29, a distance of 2.924 chains; thence, leaving said line, and running in a northerly direction, a distance of 20.23 chains to the point of beginning.

EXCEPTING from the demised premises the three houses known as the Blossom, Carlson and [illegible] houses and reserving to Lessor and persons claiming under Lessor the right to conduct quarrying

operations on the rock pit near the Blomberg house, as more fully set forth in paragraph 29 below.

1. This lease shall be for a term of five (5) years commencing October 1, 1951. The Lessee, conditional upon full performance of his obligations under this lease, shall have the right to renew the lease for an additional five-year term, by written notice to Lessor of election to renew, which notice shall be given not later than April 1, 1956. In the event that the Lessee has installed on the demised premises a 100-ton furnace, and has fully performed his obligations under the lease, Lessee shall have the right to renew for a third five-year term by written notice to Lessor of election to renew to be given not later than April 1, 1961.

2. If the Lessee shall remain in possession after the term of this lease, either as to the original term or after the extended term, in the event of a renewal thereof as hereinbefore provided, then he shall hold on a month to month basis and subject to the terms hereof, and thereafter either party may terminate said tenancy at any time by thirty (30) days' notice in writing to the other.

3. Whenever it is herein provided that written notice is to be given, said notice shall be deemed given if enclosed in a sealed envelope addressed to the party to whom the same is to be given at his or its last known address, and deposited in the United States Mail, postage prepaid, and registered, provided, however, that if any party entitled to receive notice shall, in writing, delivered to any party required to give such notice, specify an address to which notices shall be sent, then notices sent as aforesaid shall be addressed to said address. Unless changed as herein provided the addresses to which notices are to be sent for the parties named are as follows:

RONNIE B. SMITH, Trustee,
Tower Petroleum Building,
Dallas, Texas.

MT. DIABLO QUICKSILVER COMPANY, LTD.,
Clayton, California.

4. The Lessee may use in working on the demised premises all supplies now on the demised premises, but, in the event he should remove or dispose of said supplies otherwise than in developing the demised premises, he shall pay the Lessor the reasonable value thereof. During the term of this lease the Lessee may use all tools, machinery and equipment of the Lessor now on the demised premises for the purpose of developing the same and operating and maintaining the same, and shall have the privilege of replacing or remodeling the same, and any structures on the demised premises. An inventory enumerating such tools, machinery or equipment and structures, is attached hereto, marked Exhibit "A" and made a part hereof. Lessee shall maintain the same and replace any that are broken, damaged or worn out. Such replacements shall become the property of the Lessor. At the expiration of this lease or in the event of the Lessee vacating the demised premises for any reason, said structures, tools, machinery and equipment, with all replacements and additions, shall be left on the demised premises and left in good condition and repair.

5. The Lessee may cut and use any and all timber on the demised premises in developing and mining the same and for constructing roads and flumes.

6. Lessee shall, on or before October 1, 1951, enter upon the demised premises and shall at once diligently proceed to mine the same in good and minerlike manner to the end of producing the maximum amount of quicksilver. The said property shall be so mined and the ore taken therefrom in such way as to develop and preserve the demised premises as a workable mine. In producing ore and in recovering quicksilver and other metals therefrom, the Lessee shall work all ore in such way and with such combination of high grade and low grade ore as to maintain a reasonably consistent average recovery from all ore.

7. The Lessee shall, within sixty days from date hereof, cause the installation of and have in operation all equipment, tools, machinery,

furnaces, plants and structures necessary for the production and reduction of ore, and recovery therefrom of quicksilver, capable of efficiently handling forty (40) tons of ore every twenty-four (24) hours and of extracting therefrom all recoverable quicksilver, and shall have commenced the mining of said property and the production of ore and recovery of quicksilver therefrom. The said sixty-day period shall be extended for a time equivalent to any period that the Lessee may be delayed by factors beyond his reasonable control, such as unfavorable weather, road conditions, rains, fire, flood, scarcity of labor, Acts of God, and the like.

8. The Lessee shall steadily and continuously mine the said premises and recover quicksilver from the ore produced, as hereinbefore provided, provided, however, that if, at any time, the market price of quicksilver should fall below One Hundred Dollars ($100.00) per flask, the Lessee may discontinue operations until the market price shall rise to One Hundred Dollars ($100.00) or more. During any period when the mine is not in operation, the Lessee shall keep a watchman on the demised premises at all times.

9. All buildings, retorts, furnaces, structures, works, power plants, Diesel or otherwise, and all tools and equipment for mining and milling, and all pipes, flumes, tracts, cars, mills, pumps, appliances, materials, fixtures, and all other property of every kind or description, placed, used or brought upon the said land by the Lessee, for use upon the premises in connection with the development, operation or maintenance of the mine, whether affixed to the realty or not, shall become the property of the Lessor. Provided, however, that the automobiles and trucks of the Lessee, as well as any steam or power crane or shovel of the Lessee, and portable tools brought upon the premises by Lessee, shall not be subject to the above provision, but the same shall remain the sole and exclusive property of the Lessee, with the absolute right to remove the same at any time during the term of this lease, or within sixty (60)

days after the termination hereof, and provided also that any household furniture which the Lessee may bring upon the premises shall also remain the sole and exclusive property of the Lessee, with the absolute right to remove the same at any time during the term of this lease, or within sixty (60) days after the termination hereof; and provided further that if Lessee proposes to bring upon the premises movable machinery or equipment not enumerated in this last sentence of paragraph 9, as to which Lessee desires to reserve the right of removal, he shall so advise Lessor in writing; and if Lessor does not within ten days after such advice is given object thereto by written notice to Lessee, Lessee shall have the same right of removal as to such machinery or equipment as is above granted with respect to automobiles and trucks of the Lessee.

10. The lessee agrees to deliver up to the Lessor the said property, with the appurtenances and improvements, including all buildings, and tools and equipment, and other property referred to above, erected or built or brought upon the property during the life of this lease, in good order and condition, reasonable wear and tear excepted, without demand or further notice, at the termination of this lease, whether by expiration of time or by reason of the violation of any of the covenants or conditions of this lease, or otherwise.

11. Lessee, as one of the conditions for continuance of this lease, agrees to perform a minimum of five hundred (500) eight-hour shifts on underground development and prospecting work, during each six-month period of the term of this lease; provided

(a) said obligation shall be reduced by fifty (50) shifts for each One Thousand Dollars ($1,000.00) expended by lessee for diamond drill or churn drill exploration work at the demised premises during each such six-month period, but shall not be reduced below 250 such shifts each six months, and

(b) said obligation shall abate proportionately during any period when operations are suspended by reason of the contingencies referred to in paragraph 8 above or paragraph 14 below.

12. The Lessee shall keep all main haulage ways, tunnels, shafts or drifts open and timbered and free from any and all water, obstruction and refuse. However, if any tunnels, shafts or ways or drifts shall become, or be found to be, useless and worthless, they need not be kept timbered or open or free from water, obstruction or refuse. In the event of a dispute as to whether any main tunnel, shaft, drift or haulage way is useless or worthless, the parties hereto shall each choose a competent mining engineer, and the engineers so selected shall choose a third mining engineer, and the parties agree to abide by the decision of the three mining engineers as to whether any tunnel, shaft, drift is useless or worthless.

13. The Lessee shall have the right to place and erect on the property such structures, machinery and other equipment as he may deem necessary. The Lessee shall also have the right to take any and all steps which he may deem necessary to develop a supply of water which shall be adequate for the operation of the mine. It is understood that the Blomberg, Carlson and Hansen houses above referred to may remain on the premises and that Lessor and persons claiming under Lessor shall have the use thereof and access thereto and Lessee shall supply to said houses such water as is required for household purposes. However, if the present location of the house should interfere in any way with the development or operation of the mine, the Lessee shall have the right to move the same and locate them elsewhere on the premises.

14. The rights of the Lessee hereunder shall not be impaired by reason of any delays for any cause beyond the reasonable control of the Lessee, including, but this enumeration is not intended to be exclusive any delays due to strikes, shortage of water, power or supplies, insuf-

ficiency of transportation facilities, poor condition of roads due to rain, fire, flood, casualty, or Act of God, and whenever in this respect it is provided that anything shall be done by the Lessee, failure to do the same shall be excused by such delay, and wherever in this respect a time is specified within which to do or cause to be done anything, the time within which the same is to be done is to be increased by a period equivalent to the period of delay caused by any cause as aforesaid. The provision shall not, however, operate so as to increase the term of this lease.

15. As compensation, rent and royalty for the rights and privileges hereby granted the Lessee, the Lessee agrees to and shall pay to the Lessor thirteen per cent (13%) of the gross proceeds of all quicksilver or other precious metals or other values produced, taken or extracted by the Lessee from the property. The said thirteen per cent (13%) shall be paid to the Lessor as hereinafter specified in kind, or in lawful money of the United States of America, and the Lessor may demand payment in kind at any time as to any production not sold. The Lessee shall not be required to sell all the values produced on the property, but may store the same. If the Lessee shall have delivered Lessor's royalty to the Lessor in kind and the same remains stored on the premises, then Lessee agrees to load for shipment all quicksilver or other precious metals or minerals or other values constituting Lessor's royalty and direct the shipment thereof for Lessor's account to such purchaser as the Lessor may select; it being understood that all shipping charges beyond the loading point at the mine shall be billed directly to and paid by Lessor. Lessee shall not be in any manner liable for failure of Lessor's purchaser to remit to Lessor the purchase price for such shipments of royalty in kind.

If the Lessee shall sell any of the values produced from the property, on account of which Lessor's royalty has not theretofore been paid in kind, then the Lessee shall pay to the Lessor that sum of money equal to 13% of the gross sales price or, upon demand by Lessor, shall have the purchaser

pay directly to Lessor that sum of money equal to 15% of the gross sales price. Lessee shall pay all shipping charges on such shipments and thereafter bill Lessor for its pro rata part of shipping charges beyond the loading point at the mine. However, the Lessee shall not be relieved of his duty to pay the Lessor for any such production sold by reason of the default of any of the purchasers, or the failure of any purchaser to remit to the Lessor. All payments shall be made by the 10th day of each calendar month, and shall be equal to 13% of the proceeds of sales for the calendar month immediately preceding the month in which each payment is made. Whenever sales of any production are made on account of which Lessor's royalty has not been previously paid, then a copy of the sales receipt showing the amount sold and the price paid therefor shall be sent directly to the Lessor by the purchaser or by the Lessee.

The Lessee agrees to rehabilitate the existing furnace, crushing and condensing equipment and stack on the demised premises. Three per cent of the total production shall be withheld by Lessee and deducted from the 13% royalty and shall be retained by Lessee and applied to reimburse Lessee for the cost of such rehabilitation work, not to exceed, however, a total of $3,000.00.

16. The Lessee shall promptly pay for all labor employed and materials and supplies purchased or used by him and shall keep all of the lands, the subject of this agreement, free from any and all liens or encumbrances of whatsoever nature for labor performed or materials furnished or delivered on said property at his request. The Lessee agrees to defend, indemnify and save the Lessor harmless against all claims for or on account of any debt or expense incurred by Lessee, against all claims for personal injury or death or for loss or damage to property sustained by others on or as a result of operations upon or as a result of the use of the demised premises during the term of this lease. Lessee agrees at all times during

its occupancy and operation hereunder to carry full and adequate publica liability, workmen's compensation and all other appropriate insurance for the protection of the Lessor against any and all claims of workmen or other persons arising out of any injury or injuries to workmen or the public. The Lessee specifically agrees to carry public liability insurance with policy limits of not less that $100,000 as to accident to one person and $300,000 to more than one person and $10,000 as to property damage, which insurance shall designate the Lessor as a co-assured. The Lessee shall also carry fire insurance on structures and personal property in an amount to cover replacement cost in the event of loss by fire, which insurance shall name the Lessor as co-assured and shall be used to replace any property destroyed. Such insurance shall cover loss by fire as well as loss by risks covered by extended coverage insurance. The Lessee agrees to comply with all provisions of the Workmen's Compensation laws of the State of California as well as with laws of the State of California and the United States Government, as to social security and unemployment, all state and federal labor laws, and generally all legislation, rules and regulations of federal, state and county and other political subdivisions applicable to the use and occupancy of the demised premises by Lessee.

17. Should the Lessee be in default in the performance of any of the terms, conditions or covenants of this lease on his part to be kept or performed, then the Lessor may at its option terminate this lease, and thereupon the Lessor may re-enter said premises and remove all persons therefrom, using all lawful means so to do; and the rights of the Lessee under this lease and in or to said premises shall cease and terminate. A default within the meaning hereof shall be deemed to exist after the Lessee shall have failed, neglected or refused to perform any of the terms, conditions or covenants hereof after thirty (30) days' written notice thereof and deman for performance has been given by the Lessor to the Lessee, and after the expiration of such period, the Lessor may exercise any and all remedies, legal or equitable,

which it may have in the premises. Provided, however, that each and every provision of this paragraph shall be and is subject to the provisions of paragraph 25 hereof.

18. If the property shall prove to be unproductive and/or if it cannot be operated at a profit, the Lessee shall have the right to cease mining operations on the property and abandon the lease. For the purposes hereof, a profit shall be defined to be a sufficient return to Lessee to repay to him the cost of development and operation within the period of five years, plus 6% per annum on the cost of development. If the Lessee shall abandon the lease he shall give Lessor 30 days' written notice of his intention to abandon prior to any actual abandonment and shall maintain a watchman on the property during such thirty (30) day period at his own expense. The Lessee shall not abandon the lease unless the property shall prove to be unproductive and/or unprofitable as above defined. If Lessor and Lessee cannot agree as to the profitability or unprofitability of the operation, the Lessor shall select a qualified accountant and Lessee shall select a qualified accountant and the two accountants so selected shall select a third. Said three accountants shall arbitrate the dispute and both parties shall be bound by the decision thereof. In the event of abandonment by the Lessee, it shall be treated as a termination of the lease and Lessee shall be relieved of all obligations and liabilities thereunder.

19. Cessation of labor, or of actual mining operations, on the premises for the period of three (3) consecutive months, shall be deemed to be an abandonment by the Lessee and shall, ipso facto, in every respect, be deemed the equivalent of the thirty (30) days' written notice of intention to abandon, as provided in paragraph 18 above, but the date of such deemed termination shall be the actual date of the cessation of labor or operations. Provided, however, that a cessation of operations due to the low market price of quicksilver, as provided in paragraph 8 above, shall not be considered as forming a part of any such three months' period, or as in any way constituting

an abandonment.

20. In the event of the termination of this lease by reason of the default of the Lessee, as stated in paragraph 17 above, or by reason of the abandonment by the Lessee, as set out in paragraphs 18 or 19, the Lessor may retain all the quicksilver, and other values produced, on the property at the date of said termination.

21. The Lessee agrees to and shall pay all the taxes of every kind and description levied or assessed against the property, both real and personal, throughout the term of this lease, and the renewal thereof, if renewed for the second five (5) year period or the third five (5) year period, and so long as the Lessee shall continue to operate on and mine the said property.

22. The Lessee shall notify the Lessor of all clean-ups and of the time when all quicksilver will be run out of the furnaces in time sufficient to allow a representative of the Lessor to be present. The Lessor shall have the right, by its duly appointed representative, to inspect the demised premises and all workings thereon at all reasonable times. All shipments of quicksilver shall be checked by an authorized representative of the Lessor before they are shipped from the property, and the Lessee shall give the Lessor or an authorized representative of the Lessor notice of proposed shipments in time to allow a proper checking of such shipments.

23. The Lessee shall prepare and deliver to the Lessor, at the end of each calendar month, full, true and correct statements of the amount of all metals and minerals and other values extracted during the previous month, and shall, at any reasonable time, on demand, furnish and supply the Lessor any and all data necessary to enable the Lessor to have full information upon the mining operations of the Lessee and the gross revenues derived therefrom.

For each month during the term of this lease (except for any period during which operations are suspended by reason of any of the contingencies set forth in paragraph 14 above) the Lessee will pay to Lessor in addition to the royalty specified, the amount by which the royalty payable or the market

value at the mine of royalty taken in kind is less than three hundred dollars ($300.00).

Full, true and correct books of account appropriate to such operations, and showing all recoveries of quicksilver, minerals and metals or other values made by him in his mining operations on the said property, and full, true and correct and complete logs of such mining operations, shall be kept by the Lessee, and the Lessor shall have the right to receive, and shall receive, from the Lessee, full and complete information concerning the mining operations of the Lessee, and the revenues derived therefrom. Said records shall at all reasonable times be open to the inspection of the Lessor or its agents designated in writing. The Lessor retains the right to enter upon any part of the premises for the purpose of posting notices of non-liability, pursuant to law, thereon.

24. Time is of the essence of this lease and of all the provisions herein contained.

25. All of the provisions of this lease on the part of the Lessee to be performed are both covenants and conditions on breach of which this lease may be terminated as herein provided, and likewise this lease may be terminated in the event of insolvency or bankruptcy of the Lessee, or in the event any attachment in any action against the Lessee is levied against the demised premises or any property on or about the demised premises and is not released within ten (10) days. Likewise this lease may be terminated in the event a receiver is appointed for the whole or any of the assets of the Lessee, or if the Lessee makes a general assignment for the benefit of creditors. In the event of termination under the provisions of this paragraph 25, it shall not be necessary to give thirty (30) days' notice in writing as hereinbefore provided.

26. Destruction of the whole or any part of the demised premises, or of any structure or other property thereon, shall not be ground for termination of this lease. The Lessee shall not use the demised premises except for mining

and production of ore and rock. All things to be done by the Lessee shall be at his own cost and expense, and he shall bear all cost and expense of operations by him and other things done by him hereunder, including all license fees. He shall keep and maintain all structures in good order, shall maintain all structures used as dwellings in sanitary order and condition and waives all right to make repairs at the expense of the Lessor and all rights given to him by §.1942 and 1941 of the Civil Code of the State of California. By entry he accepts the premises as being in good and sanitary order, condition and repair. He shall not commit or suffer to be commited any waste or any public or private nuisance. He hereby waives all claims against the Lessor for damage to goods, wares or merchandise, or for injury to persons, and will hold the Lessor harmless from loss or liability on account thereof.

27. Should the Lessor elect to re-enter or retake possession it may recover any damage incurred by reason of any breach hereof. A waiver by the Lessor of any breach shall not constitute a waiver of any other breach hereof, and acceptance of rent and royalties shall not constitute a waiver in any form except as to the rent or royalty actually accepted. In the event of any suit by Lessor for damages or to enforce the obligations of this lease, the Lessee shall pay the Lessor a reasonable attorney's fee to be fixed by the court and recovered in such suit.

28. Lessor warrants its title to the property demised hereby and guarantees the right of Lessee to use the two existing roads now utilized, for access to said property from the north and from the east.

29. Lessor or persons claiming under Lessor shall have the right to conduct quarrying operations on the rock pit above referred to with necessary right of ingress and egress and reasonable space for storage and plant operation; provided, however, that such operations shall not interfere with the operations of Lessee pursuant to the terms of this lease.

30. Lessee, during the life of the lease, will not lease, buy, or operate mining property within one mile of the external boundary of the

demised premises or process any ore on the demised premises except ore from those premises.

31. Lessee shall not have the right to assign this lease or sublet hereunder, except that Lessee may assign to a corporation having a bona fide net worth at the time of assignment of at lease One Hundred Thousand Dollars ($100,000.00), and provided that Lessee shall remain liable for payment of the royalty and additional payments specified in paragraphs 15 and 23 of the lease.

32. In construing this agreement particularizations shall not be construed to restrict the otherwise broad and unrestricted scope of associated general terms.

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

MT. DIABLO QUICKSILVER COMPANY, LTD.

By Signed Vic Blomberg, Pres.

By Signed Harold Blombery, Secretary

Lessor

Signed Ronnie B. Smith

Trustee.

Lessee

Notarized by Lucie M. Henicke, Notary Public in and for the City and County of San Francisco, State of California, on the 12th day of September, 1951.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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Proposed Alternate Program for Exploration of

Mt. Diablo Quicksilver Mine

Ronnie Smith, Trustee,

Docket No. DMEA-~~2248~~ 2448 (Mercury)

applicant's original map shows 740 ft - EMe

The original program contemplated driving an adit under the existing levels of the mine at an elevation of 650 feet. Orig. application requested only 650 ft

This adit would have been only 58 feet below the lowest present level and would have been some 1500 feet long. It would have started on another property and any ore coming out thru it would have been 3/4 of a mile from and 250 feet lower in elevation than the coarse ore bin of the plant to which it would have to be transported. Also dump room below the tunnel was inadequate. Hence the U.S.G.S. suggested that perhaps a shaft would be more suitable for exploration purposes.

On December 4th a conference was held in the office of the Regional Director of the U.S.B.M. in San Francisco. Harold Miller, Regional Director of the U.S.B.M., Wm. P. Erwin of the U.S.G.S., Ronnie Smith and C.N. Schuette were present at this conference and the problem of shaft vs adit was considered and debated. A tentative plan for an alternate program was agreed upon to consist of two stages of exploration: Stage 1. Sink a shaft to elevation 600 and crosscut and drift under the known orebodies to explore their downward extension. Stage 2. Drift northwest from the limits reached in the Stage 1 drifts some 1300 feet to explore the Jones Tunnel Area at depth.

On December 9th, C.N. Schuette, representing Ronnie Smith, and Jacques E. Robertson and Earl Pampeyan of the U.S.G.S.

visited the Mt. Diablo Mine to locate a shaft site. A site for an inclined shaft tentatively proposed by C.N. Schuette on December 4th proved to be unsuited on inspection. Several other possible sites would have necessitated the removal of large waste dumps. The best location for a shaft was found in the area between the boarding house and the coarse ore bin of the plant. This site can be leveled off by bulldozer to elevation 900 feet. A 330 foot vertical shaft (30 foot sump) will allow a new level to be driven at elevation 600, roughly 100 feet below the lowest present level. The location of this shaft is shown on the attached contour map on Section A - A and on the attached Cross Section A - A.

The Cross Section shows the present levels in the fault zone and the lines parallel to the line of levels indicate the Hanging and foot walls of the mineralized fault zones.

As shown in the Cross Section, the shaft will penetrate the hanging wall of the fault zone just before it reaches the proposed new level at elevation 600 and a crosscut of 125 feet will carry the work to the downward extension of the most heavily mineralized area mined above, which lies roughly in the center of the fault zone.

The topographic map also shows the shaft, the crosscut and 500 feet of drifting has been indicated to explore the area below the known orebodies that were worked above.

Thus 330 feet of shaft sinking, 125 feet of crosscutting and 500 feet of drifting are the initial work of exploration contemplated by this alternate program.

The second stage would be to drift NW under the Jones Tunnel area some 1300 feet from the end of the NW drift as shown

on the topographic map.

The shaft sinking and crosscutting and drifting will be done on contract at a price of $135 per foot for sinking and $40 per foot for drifts and crosscuts. The contractor is to furnish all machinery and supplies and do all the work.

Cost of Exploration Program:

330 feet of shaft sinking @ $135 per foot	$ 44,550
625 ft. of crosscutting & drifting @ $40/ft.	25,000
Eng. & Geol. Consultants	3,500
Total for first stage of exploration	$ 73,050
1300 ft. drifting @ $40/ft = second stage, Total	52,000
Total for both stages	$125,050

Time Schedules:

Preliminary grading, erecting headframe, etc.	0.5 months
Sinking 330 feet of shaft	4.0 "
Crosscutting & Drifting	2.5 "
Stage 1.	7.0 "
Stage 2. Drifting 1300 ft. on strike to NW	9.0 "
Total time for exploration program	16.0 "

Note: The Time Schedule is based on using two shifts per day in sinking and crosscutting and on 2 shifts per day in both the East and West drifts. This leaves room for making up delays due to lack of men or other causes by working 3 shifts per day for part of the time.

In Stage 2, two shifts per day in the West drift are assumed to arrive at the 9 months time as given.

Form MF-100
(May 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Form approved.
Budget Bureau No. 42-R1026.

GENERAL TECHNICAL DATA FOR USE UNDER THE DEFENSE PRODUCTION ACT OF 1950

NOT TO BE FILLED IN BY APPLICANT

Docket No. DMEA-2448

Date received 3-24-52

ROWLIE D. SMITH, TRUSTEE
Tower Petroleum Building
Dallas, Texas

Name and address of applicant

Date March 21, 1952

INSTRUCTIONS

This form is to be filed with Defense Minerals Administration, Department of the Interior, Washington 25, D. C. It should be accompanied by appropriate application form when a specific type of Government assistance is requested, in the form of (1) loan, (2) purchase contract, (3) Government guarantee of a private loan, (4) priorities or allocation of mining equipment, and maintenance, repair and operating supplies, and (5) other forms of Government assistance that might arise under the Act. Submit four (4) signed copies of the form and accompanying papers. Name and address should be stamped or typed on each sheet of this form and all accompanying papers. *When a question is inapplicable it should be so stated on the form.* Additional sheets may be attached in answering any questions or in supplying additional information. (IF YOU CANNOT ANSWER A QUESTION, SO STATE.) If a question is answered elsewhere indicate where answered. It is not necessary to answer it again.

GENERAL TECHNICAL DATA

Supply the following information on separate sheets, arranged, numbered, and lettered as indicated:

1. Materials produced:
   (*a*) What are the chief mine, mill, or smelter products?
   (*b*) What are the byproducts, if any?
2. Name(s) and type(s) of mine(s), mill(s), smelter(s), refinery(ies), pit(s), quarry (ies), drilling operation(s). Include old names of property, if any. Show extent of workings, including the following:
   (*a*) Linear feet of shafts.
   (*b*) Linear feet of drifts and crosscuts.
   (*c*) Linear feet of tunnels or adits.
   (*d*) Linear feet of other mine openings (explain briefly).
   Indicate whether mine is flooded or not. Describe any pumping problems. Give size or productive capacity.
3. For each operation listed above supply the following:
   (*a*) Distance and direction from nearest town and shipping point.
   (*b*) Mining district.
   (*c*) Township, Section, Range.
   (*d*) County, State.
4. (*a*) State whether or not property is now in operation, and if in operation, by whom operated.
   (*b*) Are you operating this property as:
   ☐ Owner.
   ☒ Lessee.
   ☐ Contractor.
5. Number of years in production 1936 to 1948 - September 1951 to date.
   If not in production or operation, estimated date when production will begin _____
6. Experience of operators:
   Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who manage the project.
7. History:
   (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for suspension of operation.
   (*b*) State briefly the known history and production of adjoining and neighboring properties.
   (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
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8. Names and addresses of Officers, Directors, or Partners, and in addition thereto, the five largest stockholders if applicant is a corporation.

Name and Address (a)	Official Title (If officer is also director indicate by "D") (b)	Total of Annual Salary, Commissions, Bonuses, Etc., Received From Applicant and Affiliates During Last Fiscal Year (c)	Estimated Net Worth Outside of Interest in Applicant (d)	Number of Shares Held in Applicant Corporation: Common (e)	Number of Shares Held in Applicant Corporation: Preferred (f)	Life Insurance Carried for Benefit of Applicant: Amount (g)	Life Insurance Carried for Benefit of Applicant: Net Cash Surrender Value After Loans (h)
Ronnie B. Smith, Trustee, Tower Petroleum Bldg., Dallas, Texas							
Jene Harper, President, Franklin Supply Co., Chicago, Illinois							
James F. Dunnigan, Chicago, Illinois							
	Total		x x x x x			x x x x x	x x x x x

If more lines are needed continue on separate sheet.

9. Capital Stock Issues: A partnership/and not an incorporated company.

For Corporate Applicants

Item	Authorized (a)	Outstanding (b)	Par Value (c)	Number of Shares Outstanding (d)	Dividend Rate Last Paid* (e)
Common stock	$	$	$		
Preferred stock	$	$	$		

*Indicate period covered.

10. Production: See attached sheet, page 1 answering question 7.(a)

Item	Kind of Product (a)	1948 Total (b)	1949 Total (c)	1950 Total (d)	Present Average Monthly (e)
1. Quantity of product mined or quarried (Short, long, metric tons; barrels; pounds; etc.)					
2. Quantity of product processed (specify unit of measure and type of process)					
3. Quantity and grade of product sold or shipped (specify units of measure)					

11. Do you contemplate a change in the present average monthly rate of production? If so, state estimated maximum monthly production and basis of change.

12. Ore or Mineral Reserves:

(a) Describe the ore or mineral deposit briefly. Accompany the application by any available report on the geology and ore reserves.

1. (a) Mercury

   (b) Cinder or furnace slag - burned rock minus $1\frac{1}{2}$ inch mesh used for road surfacing, etc.

2. Mount Diablo Quicksilver Mine. Open pit and underground mining operations. The ore is crushed and run through a rotary furnace. The furnace fumes are run through condensors. The mercury is recovered by retorting the dust from the condensors.

   (a) None.

   (b) 780' on 80' level. 960' on 165' level. 170' on 270' level.

   (c) 370' of adit tunnel.

   (d) 165' of winzes - 165'-270' levels, 160' upraises - 165' to 80' level.

   Mine is flooded, no pumping problems.

3. (a) Three miles northwest of Clayton and eight miles northwest of Concord, the nearest shipping point.

   (b) Mt. Diablo Mining District.

   (c) Middle of $E\frac{1}{2}$, Section 29, T. 1 N., R. 1 E., M.D.M.

   (d) Contra Costa County, California.

4. (a) Now in operation. Ronnie Smith, Trustee, is the operator.

   (b) Lessee.

5. The Mt. Diablo Mine was on production from 1936 to 1947 under lease by the Bradley Mining Co. In operation by Ronnie Smith, Trustee, since September 15, 1952.

6. (a) Mr. Smith has been operating the McCarty and Donner copper properties near Copperopolis for the past two years.

   (b) Roy G. Mead, Manager for Ronnie Smith, is a mining engineer and geologist with over 30 years' experience in mining operations and geological work. Mr. Vic Blomberg, Superintendent of the mine, is an experienced quicksilver furnace operator, and open pit miner; he was employed by the Bradley Mining Company as furnace operator and superintendent of the Mt. Diablo Mine from 1936 to 1948. Previous to 1936 he operated the Mt. Diablo Mine and also worked in the old Ryan Mine.

7. (a) Mt. Diablo Mine on production since 1937, operated by Bradley Mining Co. from October 1936 until the end of 1947, during which time there was produced 10,454 flasks of mercury amounting to $1,438,340 and rock and cinder having a value of $97,768.00. The past production record is shown in the following table:

The proposed tunnel is to follow an outcrop of silica-carbonate rock and iron oxide indicative of mercury bearing ore. The course of the tunnel will be approximately N 80° W and should intercept the mineralized and brecciated zone 75 feet below the old workings at a point 850 feet from the portal. This exploration work should lead to the development of ore bodies as large as heretofor mined in the open pit by the Bradley Mining Co.

(b) The adjoining mine known as the Jones tunnel and the Ryan Mine also under lease to Ronnie Smith is said to have been operated successfully from 1875 to 1877 and for a while to have produced as much as 85 flasks of quicksilver per month. It has been operated spasmodically since the aforesaid time and an unknown quantity of mercury obtained. The workings are now caved and inaccessible.

(c) See U.S.G.S. Bulletin 922-B, "Quicksilver Deposits of the Mount Diablo District, Contra Costa County, California."

8. See page 2 of application.

9. See page 2 of application.

10. See attached sheet 7. (a).

11. Contemplate to increase production to 100 flasks per month after the proposed exploration work is completed and higher grade ore obtained from probable ore bodies below level of old workings, which are expected to be developed from proposed tunnel.

12. Ore deposit fully described in U.S.G.S. Bulletin 922-B.

13. Paved highway 1200 feet from property.

14. No water needed for plant operations. Domestic supply obtained from water-well located on property.

15. Electric power line (P.G. & E.) to property.

16. One miner, one shovel operator, three truck drivers, one bulldozer driver, three furnace operators, two crusher operators, one foreman.

17. One 40 Ton capacity (daily) Rotary furnace, Retort, mill buildings, crusher plant, office, boarding house, bunkhouse, warehouse, shop building, fuel oil and gasoline storage tanks all in good condition and now being used.

3 - Sterling trucks (owned by applicant).
1 - International Bulldozer (owned by applicant).
1 - Dodge pickup truck (owned by applicant)
1 - Joy Mfg. Co. Wagon Drill (owned by applicant)
3/4 yard Northwest power shovel (rented)
1 - Ingersoll-Rand air compressor (owned by Mt. Diablo Quicksilver Co., Ltd. and leased by applicant)

All equipment is in good condition and now being used.

18. No

Year	Tons of Ore Treated	Flasks of Mercury Produced	Pounds of Mercury Per Ton of Ore	Flasks (76#) Mercury Sold	Gross Sales Mercury	Gross Sales Rock & Slag
1937	2,911	304	8.00	314	28,907	40
1938	3,850	1,422	12.20	1,361	99,695	6
1939	12,000	1,423	9.00	1,462	137,105	42
1940	14,400	1,084	5.70	1,084	189,249	263
1941	14,400	1,622	8.50	1,622	279,335	827
1942	12,000	1,366	8.65	1,366	261,015	375
1943	11,000	1,127	7.70	1,127	216,021	2,562
1944	5,500	698	9.60	698	75,909	1,886
1945	4,500	434	7.30	434	55,921	3,880
1946	6,000	861	10.90	861	83,865	11,253
1947	1,000	125	9.50	125	10,818	32,899
1948	None	None	-	None	None	25,739
1949	"	"	-	"	"	8,640
1950	"	"	-	"	"	9,356
[c]1951	1,369	102½	5.69	45	9,420	59
[c]1952	309	21	5.16	78	15,950	94
	94,239	10,577½	8.1	10,577	1,463,710	97,862

[c]Operations by Ronnie E. Smith, Trustee

Ronnie Smith leased the Mt. Diablo Mine September 1951 and cleaned up the pits and rehabilitated the rotary furnace and made additions to the plant. Production from the mine commenced November 15, 1951 and continued until January 10th when the mine was temporarily closed down because of heavy rains. A landslide occurred January 17, 1952, which filled Benches No. 4 and 5 where mining operations were in progress, with more than 10,000 tons of earth. Since then, when permitted by weather conditions, the greater portion of the material from the slide has been removed. It is expected that pit mining operations will be resumed by April 1st and the furnace again put in operation.

During the 55 days the plant was in operation by Mr. Smith there were produced 123 flasks of mercury having a value of $25,370.00. The aforesaid production came from Bench No. 4 in the pit. The main adit tunnel to the underground workings below Bench Nos. 4, 5 and 6 in the pit was closed because of a cave in the tunnel located approximately 300 feet from the portal. Because of caving of the ground the tunnel cannot be reopened. Water has dammed up behind the cave and the entire mine is therefore flooded.

After the slide which occurred January 17, 1952 an attempt was made to reopen the adit tunnel without success. It was then decided to abandon the underground workings on and above the adit tunnel level. Consequently no exploration work leading to the discovery of new ore bodies from the old workings is now being carried on.

In order to carry on exploration work it was decided to drive a new tunnel from a portal to be located 450 feet to the northeast and 75 feet below the portal of the present adit tunnel.

(*b*) If deposit is other than placer:

(1) Submit assay plans and/or sections showing location and size of proved (measured) and probable (indicated) ore or mineral reserve.

(2) State the tonnage (indicate type of ton) and grade of each class of ore reserve, as above, and show how computed. Tabulated total ore reserve as follows:

TOTAL ORE OR MINERAL RESERVES

Ore or Mineral Reserve	Estimated Tons (a)	Metal or Mineral Content Per Ton (Grade) (b)	Gross Value Per Ton (c)	Recoverable Unit Value Per Ton (d)	Estimated Cost of Production Per Ton (e)
Measured (proved)	250,000	5# of mercury per ton of ore	$15.00	$12.00	$3.00
Indicated (probable)	500,000	"	15.00	12.00	3.00

(*c*) If placer:

(1) Give estimated total yardage and average marketable mineral content of each deposit.

(2) Submit map showing location of placer deposit and surrounding area, with all test holes or pits. Submit logs of each hole and test pit with depth and average value of each.

(3) Describe gravel, stating whether fine, medium or coarse; loose, tight, cemented, or frozen, and whether it contains stumps or boulders more than 1 foot in diameter; if so, how large, and in what proportion.

(4) Describe bedrock, giving type (granite, sandstone, shale, etc.) and state whether it is hard or soft, smooth, uneven or rough.

(5) Describe overburden, stating whether loose, tight, or cemented; fine or coarse textured; furnish estimate of average thickness and total amount.

(6) Tabulate the reserves using the form outlined above for ore or mineral reserves.

13. Access Roads:

Give road distances to shipping, supply and residence points, stating kind and condition of roads.

14. Water Supply:

State source and quantity of water available for operations and whether sufficient for all seasons of year.

15. Power:

State amount of power used, rate per hour, and source thereof.

16. Labor:

State number and classes (miners, muckers, millmen, etc.) of men employed during a recent representative payroll period.

17. Equipment and Facilities:

Describe present equipment on the property, including buildings. (State condition.) List major pieces of equipment now owned or controlled and in serviceable condition available for this operation.

18. Are there any particular conditions or circumstances affecting your operations that are not described above? If so, explain.

CERTIFICATION

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

Ronnie Smith Trustee
(Name of company)

By Ronnie Smith
(Signature of authorized official)

3/24/52
(Date)

Owner
(Title)

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.

U. S. GOVERNMENT PRINTING OFFICE 16—63792-1

Form MF-103
(Revised June 1951)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.1.

MF-103 Should Be Filed With General Technical Data Form MF-100

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

Not To Be Filled in by Applicant

Docket No. DMEA-2448
Metal or Mineral
Date Received 3-24-52
Amount $
Participation (Government %)

Name and address of applicant

Mando [illegible], Trustee
Sewer Petroleum Building
Dallas, Texas

Date March 22, 1952

If you have already filed MF-100, give date filed March 21, 1952, type of assistance requested Exploration loan, for discovery of mercury ore deposit

DMA Docket Number (if available)

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four copies each, of the signed application form, General Technical Data Form MF-100, and answers to questions as specified, to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive office thereof, with your name and address on each sheet of the application and all accompanying papers. If you have previously filed MF-100, it is not necessary to file it again. However, you should indicate in space provided above the type of assistance previously applied for (loans, procurement contracts, etc.) and DMA Docket Number, if available. *When a question is inapplicable it should be so stated in the form.* Additional sheets should be attached in answering any questions or in supplying additional information. IF YOU CANNOT ANSWER A QUESTION, SO STATE.

1. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.

   (*b*) If you are not the owner of the property, submit a copy of the lease, purchase option, or other agreements under which you are authorized to operate the property with each copy of your application.

   (*c*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

   NOTE: (1) If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*c*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

   (2) If applicant is not the owner of the property or if there are any liens or encumbrances against the property, copy of agreements of claimants, lienors, encumbrances, and lessors subordinating their interests in the property to the interest of the Government under the Exploration Project Contract will be required for attachment to the Contract.

2. (*a*) What metals or minerals do you expect to find?

   (*b*) Furnish statement of the geologic features of your property, giving type of ore deposit and reasons for expecting to find commercial ore bodies. Illustrate with maps or sketches. If you have a geologic or engineering report, or assay maps showing width and grade, please send them with application, stating whether or not you wish to have them returned.

The information requested in questions 3, 4, 5, 6, 7, 8, and 9 below should be answered specifically and in detail, as this information will be attached to and incorporated as part of the Exploration Project Contract, if such contract is entered into with you by the Government.

ANSWER EACH QUESTION ON SEPARATE SHEETS OF PAPER AND SUBMIT A COPY OF EACH ANSWER FOR EACH COPY OF YOUR APPLICATION.

3. (*a*) Describe fully the proposed work and give the total cost of the project.

   (*b*) State the time required to start the project and to complete it.

4. Submit a map or sketch of the property involved showing a plan (and cross section, if needed) of the present mine workings and the *location of the proposed exploration work* as related to geologic features, such as contacts, veins, ore-bearing beds, etc.

5. Furnish an itemized list of existing facilities, buildings, installations, and fixtures with a statement of the cost of any necessary rehabilitation or repairs to put into useful and operable condition.

6. Furnish a detailed list of additional facilities, buildings, and fixtures to be purchased, installed, or erected by you, with the estimated cost of each item.

7. Furnish a detailed list of operating equipment, separated into items to be—

   (*a*) Rented

   (*b*) Purchased

   (*c*) Furnished by you

   with the rental, purchase price, or depreciation of each item, as the case may be, to be charged as a cost of the project.

8. Furnish an itemized schedule of labor, by numbers and classes (miners, muckers, etc.) and of supervisors by numbers and positions, with the maximum wages or salaries to be paid to each.

9. Furnish a detailed list with estimated cost of each item for materials, supplies, engineering, assaying, accounting, power, water, utilities, and any other items not provided for above.

10. (*a*) How much are you prepared to invest in the proposed project?

    (*b*) Is this amount sufficient to pay your part of the cost of the project, in accordance with the regulations on Government participation (Sec. 9 of MO–5)?

11. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

CERTIFICATION

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

Ronald [illegible] Trustee
(Name of company)
Ft. Diablo Quicksilver Mine

By Ronnie Smith Trustee
(Signature of authorized official)

March 24, 1952
(Date)

Trustee
(Title)

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.

U. S. GOVERNMENT PRINTING OFFICE 16—64067-2

1. (a) NE¼ SE¼ and a portion of NW¼ SE¼, Section 29, T. 1 N., R. 1 E., M.D.M.

(b) Lease - from Mt. Diablo Quicksilver Company, Ltd., see copy of lease marked Exhibit A.

(c) Area the same as described in sub-paragraph (a).

2. (a) Mercury (Quicksilver).

(b) Geology described in U.S.G.S. Bulletin 522-B, entitled Quicksilver Deposits of the Mount Diablo District, Contra Costa County, California, from which the following is quoted:

> "Mt. Diablo and the uplands around it consist of Franciscan strata about 6,000 feet in thickness, associated with intrusive serpentine and other somewhat metamorphosed igneous rocks. This assemblage of rocks, commonly believed to be of Jurassic age, occupies a roughly circular area of about 15 square miles. It is surrounded by later sedimentary formations, which apparently range in age from Jurassic to Pliocene and have a total thickness of about 35,000 feet. Small andesitic masses presumably of Tertiary age have been intruded into the lower part of the post-Franciscan strata, and higher beds are overlapped by remnants of basaltic lava flows that may be of Quaternary age.
>
> The quicksilver deposits occur only in the Franciscan formation, in serpentine, and in silica-carbonate rock, an alteration product of serpentine."
>
> "The lodes are in fracture zones near the footwalls of inclined, more or less tabular serpentine masses in Franciscan rocks. They are thought to have been formed by hot-spring action so recent that it is still giving rise to sulphurous gases and methane. The lodes are unique in that metacinnabar is an abundant primary ore mineral. The ore shoots are in zones of intense brecciation and are controlled in part by cross fractures."

3. (a) It is proposed to drive a tunnel 75 feet below the level of the present tunnel, a distance of approximately 650 feet in a direction following the outcrop of mineralized zone or fracture until it intercepts the ore body which was mined from the present underground operations now flooded and inaccessible. It is expected that high grade mercury bearing ores will be encountered in the proposed tunnel at a distance of approximately 650 feet and below the level of the present underground workings. The tunnel will open up the old workings and dewater them and make available ore previously explored in the old workings. It is estimated that the proposed work will cost approximately $30.00 per foot or $19,500.00. It is also proposed to drift along the lode fault or brecciated zone in a northwesterly and southeasterly direction, 200 feet to the northwest and 100 feet to the southeast, also to upraise to the old workings a distance of 75 feet. Estimated cost of drifting 300 feet at $20.00 per foot $6,000.00. Upraise 75 feet at $20.00 per foot $1,500.00 - Total cost of proposed work $27,000.00.

See exhibit A for location of proposed tunnel site.

3. (b) The proposed project can be started immediately. It is estimated that it can be completed five months after starting.

4. See map marked Exhibit B.

5. All facilities including electric power line to property, office, warehouse, shop, bunkhouse, boarding house, water well, well pump and water tank are now on the property.

6. No additional facilities will be required.

7. (a) A 320 cu. foot electric driven air compress to be rented at $350.00 per month.

   (b) Air and water pipe lines, small tools and rails to be purchased. Estimated cost $1,500.00. Mine timbers estimated cost $1,500.00.

   (c) Air drills and steel to be furnished by applicant.

8. Three miners at $15.28 per 8 hour day.
   Three muckers at $14.04 per 8 hour day.
   One supervisor at $400.00 per month.

9.

Powder fuse and caps	$1,000.00
Electric power	500.00
Engineering	900.00
Accounting	150.00

10. (a) $7,000.00

    (b) Yes.

COPY

THIS LEASE, made this 12th day of September, 1951, by and between MT. DIABLO QUICKSILVER COMPANY, LTD., a Nevada corporation, hereinafter called the Lessor, and RONNIE B. SMITH, trustee, hereinafter called Lessee,

WITNESSETH:

That the said Lessor, for and in consideration of the royalties hereinafter reserved and agreed by the Lessee to be paid, and the covenants and agreements hereinafter expressed, and by the said Lessee to be kept and performed, hereby leases to the said Lessee, and the Lessee leases from the said Lessor, all the following described mine and mining property, together with all appurtenances:

The northeast quarter of the southeast quarter of Section 29 and the south half of the southwest quarter of the northeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian, containing 60 acres, more or less;

EXCEPTING THEREFROM: "That certain syphon pipe leading therefrom to a water trough on the northeast quarter of the southeast quarter of said Section Twenty-nine (29), which said water spring, trough, and pipe are excepted from this deed," as provided for in the deed from Edward A. Howard and Daisy B. Howard, his wife, to Mount Diablo Quicksilver Company, Ltd. a corporation, dated December 29, 1933, and recorded Feb. 1, 1934 (File No. 1060);

And

The northwest quarter (N.W.1/4) of the southeast quarter (S.E.1/4) of Section 29, in Township 1 North of Range 1 East, Mount Diablo Base and Meridian. Said property shall not include the following described property, to wit: That land beginning at the northwest corner of the northwest quarter of the southeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian; thence running southerly along the dividing line between the northeast quarter of the southwest quarter and the northwest quarter of the southeast quarter of said Section 29, a distance of 20 chains to the southwest corner of the Northwest quarter of the Southeast quarter of Section 29; thence running along the Southerly line of the Northwest quarter of the Southeast quarter of Section 29, a distance of 2.924 chains; thence, leaving said line, and running in a northerly direction, a distance of 20.23 chains to the point of beginning.

EXCEPTING from the demised premises the three houses known as the Blomberg, Carlson and Hansen houses and reserving to Lessor and persons claiming under Lessor the right to conduct quarrying

operations on the rock pit near the Blomberg house, as more fully set forth in paragraph 29 below.

1. This lease shall be for a term of five (5) years commencing October 1, 1951. The Lessee, conditional upon full performance of his obligations under this lease, shall have the right to renew the lease for an additional five-year term, by written notice to Lessor of election to renew, which notice shall be given not later than April 1, 1956. In the event that the Lessee has installed on the demised premises a 100-ton furnace, and has fully performed his obligations under the lease, Lessee shall have the right to renew for a third five-year term by written notice to Lessor of election to renew to be given not later than April 1, 1961.

2. If the Lessee shall remain in possession after the term of this lease, either as to the original term or after the extended term, in the event of a renewal thereof as hereinbefore provided, then he shall hold on a month to month basis and subject to the terms hereof, and thereafter either party may terminate said tenancy at any time by thirty (30) days' notice in writing to the other.

3. Whenever it is herein provided that written notice is to be given, said notice shall be deemed given if enclosed in a sealed envelope addressed to the party to whom the same is to be given at his or its last known address, and deposited in the United States Mail, postage prepaid, and registered, provided, however, that if any party entitled to receive notice shall, in writing, delivered to any party required to give such notice, specify an address to which notices shall be sent, then notices sent as aforesaid shall be addressed to said address. Unless changed as herein provided the addresses to which notices are to be sent for the parties named are as follows:

RONNIE B. SMITH, Trustee,
Tower Petroleum Building,
Dallas, Texas.

MT. DIABLO QUICKSILVER COMPANY, LTD.,
Clayton, California.

4. The Lessee may use in working on the demised premises all supplies now on the demised premises, but, in the event he should remove or dispose of said supplies otherwise than in developing the demised premises, he shall pay the Lessor the reasonable value thereof. During the term of this lease the Lessee may use all tools, machinery and equipment of the Lessor now on the demised premises for the purpose of developing the same and operating and maintaining the same, and shall have the privilege of replacing or remodeling the same, and any structures on the demised premises. An inventory enumerating such tools, machinery or equipment and structures, is attached hereto, marked Exhibit "A" and made a part hereof. Lessee shall maintain the same and replace any that are broken, damaged or worn out. Such replacements shall become the property of the Lessor. At the expiration of this lease or in the event of the Lessee vacating the demised premises for any reason, said structures, tools, machinery and equipment, with all replacements and additions, shall be left on the demised premises and left in good condition and repair.

5. The Lessee may cut and use any and all timber on the demised premises in developing and mining the same and for constructing roads and flumes.

6. Lessee shall, on or before October 1, 1951, enter upon the demised premises and shall at once diligently proceed to mine the same in good and minerlike manner to the end of producing the maximum amount of quicksilver. The said property shall be so mined and the ore taken therefrom in such way as to develop and preserve the demised premises as a workable mine. In producing ore and in recovering quicksilver and other metals therefrom, the Lessee shall work all ore in such way and with such combination of high grade and low grade ore as to maintain a reasonably consistent average recovery from all ore.

7. The Lessee shall, within sixty days from date hereof, cause the installation of and have in operation all equipment, tools, machinery,

furnaces, plants and structures necessary for the production and reduction of ore, and recovery therefrom of quicksilver, capable of efficiently handling forty (40) tons of ore every twenty-four (24) hours and of extracting therefrom all recoverable quicksilver, and shall have commenced the mining of said property and the production of ore and recovery of quicksilver therefrom. The said sixty-day period shall be extended for a time equivalent to any period that the Lessee may be delayed by factors beyond his reasonable control, such as unfavorable weather, road conditions, rains, fire, flood, scarcity of labor, Acts of God, and the like.

8. The Lessee shall steadily and continuously mine the said premises and recover quicksilver from the ore produced, as hereinbefore provided, provided, however, that if, at any time, the market price of quicksilver should fall below One Hundred Dollars ($100.00) per flask, the Lessee may discontinue operations until the market price shall rise to One Hundred Dollars ($100.00) or more. During any period when the mine is not in operation, the Lessee shall keep a watchman on the demised premises at all times.

9. All buildings, retorts, furnaces, structures, works, power plants, Diesel or otherwise, and all tools and equipment for mining and milling, and all pipes, flumes, tracts, cars, mills, pumps, appliances, materials, fixtures, and all other property of every kind or description, placed, used or brought upon the said land by the Lessee, for use upon the premises in connection with the development, operation or maintenance of the mine, whether affixed to the realty or not, shall become the property of the Lessor. Provided, however, that the automobiles and trucks of the Lessee, as well as any steam or power crane or shovel of the Lessee, and portable tools brought upon the premises by Lessee, shall not be subject to the above provision, but the same shall remain the sole and exclusive property of the Lessee, with the absolute right to remove the same at any time during the term of this lease, or within sixty (60)

days after the termination hereof, and provided also that any household furniture which the Lessee may bring upon the premises shall also remain the sole and exclusive property of the Lessee, with the absolute right to remove the same at any time during the term of this lease, or within sixty (60) days after the termination hereof; and provided further that if Lessee proposes to bring upon the premises movable machinery or equipment not enumerated in this last sentence of paragraph 9, as to which Lessee desires to reserve the right of removal, he shall so advise Lessor in writing; and if Lessor does not within ten days after such advice is given object thereto by written notice to Lessee, Lessee shall have the same right of removal as to such machinery or equipment as is above granted with respect to automobiles and trucks of the Lessee.

10. The Lessee agrees to deliver up to the Lessor the said property, with the appurtenances and improvements, including all buildings, and tools and equipment, and other property referred to above, erected or built or brought upon the property during the life of this lease, in good order and condition, reasonable wear and tear excepted, without demand or further notice, at the termination of this lease, whether by expiration of time or by reason of the violation of any of the covenants or conditions of this lease, or otherwise.

11. Lessee, as one of the conditions for continuance of this lease, agrees to perform a minimum of five hundred (500) eight-hour shifts on underground development and prospecting work, during each six-month period of the term of this lease; provided

(a) said obligation shall be reduced by fifty (50) shifts for each One Thousand Dollars ($1,000.00) expended by lessee for diamond drill or churn drill exploration work at the demised premises during each such six-month period, but shall not be reduced below 250 such shifts each six months, and

(b) said obligation shall abate proportionately during any period when operations are suspended by reason of the contingencies referred to in paragraph 8 above or paragraph 14 below.

12. The Lessee shall keep all main haulage ways, tunnels, shafts or drifts open and timbered and free from any and all water, obstruction and refuse. However, if any tunnels, shafts or ways or drifts shall become, or be found to be, useless and worthless, they need not be kept timbered or open or free from water, obstruction or refuse. In the event of a dispute as to whether any main tunnel, shaft, drift or haulage way is useless or worthless, the parties hereto shall each choose a competent mining engineer, and the engineers so selected shall choose a third mining engineer, and the parties agree to abide by the decision of the three mining engineers as to whether any tunnel, shaft, drift is useless or worthless.

13. The Lessee shall have the right to place and erect on the property such structures, machinery and other equipment as he may deem necessary. The Lessee shall also have the right to take any and all steps which he may deem necessary to develop a supply of water which shall be adequate for the operation of the mine. It is understood that the Blomberg, Carlson and Hansen houses above referred to may remain on the premises and that Lessor and persons claiming under Lessor shall have the use thereof and access thereto and Lessee shall supply to said houses such water as is required for household purposes. However, if the present location of the house should interfere in any way with the development or operation of the mine, the Lessee shall have the right to move the same and locate them elsewhere on the premises.

14. The rights of the Lessee hereunder shall not be impaired by reason of any delays for any cause beyond the reasonable control of the Lessee, including, but this enumeration is not intended to be exclusive any delays due to strikes, shortage of water, power or supplies, insuf-

ficiency of transportation facilities, poor condition of roads due to rain, fire, flood, casualty, or Act of God, and whenever in this respect it is provided that anything shall be done by the Lessee, failure to do the same shall be excused by such delay, and wherever in this respect a time is specified within which to do or cause to be done anything, the time within which the same is to be done is to be increased by a period equivalent to the period of delay caused by any cause as aforesaid. The provision shall not, however, operate so as to increase the term of this lease.

15. As compensation, rent and royalty for the rights and privileges hereby granted the Lessee, the Lessee agrees to and shall pay to the Lessor thirteen per cent (13%) of the gross proceeds of all quicksilver or other precious metals or other values produced, taken or extracted by the Lessee from the property. The said thirteen per cent (13%) shall be paid to the Lessor as hereinafter specified in kind, or in lawful money of the United States of America, and the Lessor may demand payment in kind at any time as to any production not sold. The Lessee shall not be required to sell all the values produced on the property, but may store the same. If the Lessee shall have delivered Lessor's royalty to the Lessor in kind and the same remains stored on the premises, then Lessee agrees to load for shipment all quicksilver or other precious metals or minerals or other values constituting Lessor's royalty and direct the shipment thereof for Lessor's account to such purchaser as the Lessor may select; it being understood that all shipping charges beyond the loading point at the mine shall be billed directly to and paid by Lessor. Lessee shall not be in any manner liable for failure of Lessor's purchaser to remit to Lessor the purchase price for such shipments of royalty in kind.

If the Lessee shall sell any of the values produced from the property, on account of which Lessor's royalty has not theretofore been paid in kind, then the Lessee shall pay to the Lessor that sum of money equal to 13% of the gross sales price or, upon demand by Lessor, shall have the purchaser

pay directly to Lessor that sum of money equal to 13% of the gross sales price. Lessee shall pay all shipping charges on such shipments and thereafter bill Lessor for its pro rata part of shipping charges beyond the loading point at the mine. However, the Lessee shall not be relieved of his duty to pay the Lessor for any such production sold by reason of the default of any of the purchasers, or the failure of any purchaser to remit to the Lessor. All payments shall be made by the 10th day of each calendar month, and shall be equal to 13% of the proceeds of sales for the calendar month immediately preceding the month in which each payment is made. Whenever sales of any production are made on account of which Lessor's royalty has not been previously paid, then a copy of the sales receipt showing the amount sold and the price paid therefor shall be sent directly to the Lessor by the purchaser or by the Lessee.

The Lessee agrees to rehabilitate the existing furnace, crushing and condensing equipment and stack on the demised premises. Three per cent of the total production shall be withheld by Lessee and deducted from the 13% royalty and shall be retained by Lessee and applied to reimburse Lessee for the cost of such rehabilitation work, not to exceed, however, a total of $3,000.00.

16. The Lessee shall promptly pay for all labor employed and materials and supplies purchased or used by him and shall keep all of the lands, the subject of this agreement, free from any and all liens or encumbrances of whatsoever nature for labor performed or materials furnished or delivered on said property at his request. The Lessee agrees to defend, indemnify and save the Lessor harmless against all claims for or on account of any debt or expense incurred by Lessee, against all claims for personal injury or death or for loss or damage to property sustained by others on or as a result of operations upon or as a result of the use of the demised premises during the term of this lease. Lessee agrees at all times during

its occupancy and operation hereunder to carry full and adequate public liability, workmen's compensation and all other appropriate insurance for the protection of the Lessor against any and all claims of workmen or other persons arising out of any injury or injuries to workmen or the public. The Lessee specifically agrees to carry public liability insurance with policy limits of not less that $100,000 as to accident to one person and $300,000 to more than one person and $10,000 as to property damage, which insurance shall designate the Lessor as a co-assured. The Lessee shall also carry fire insurance on structures and personal property in an amount to cover replacement cost in the event of loss by fire, which insurance shall name the Lessor as co-assured and shall be used to replace any property destroyed. Such insurance shall cover loss by fire as well as loss by risks covered by extended coverage insurance. The Lessee agrees to comply with all provisions of the Workmen's Compensation laws of the State of California as well as with laws of the State of California and the United States Government, as to social security and unemployment, all state and federal labor laws, and generally all legislation, rules and regulations of federal, state and county and other political subdivisions applicable to the use and occupancy of the demised premises by Lessee.

17. Should the Lessee be in default in the performance of any of the terms, conditions or covenants of this lease on his part to be kept or performed, then the Lessor may at its option terminate this lease, and thereupon the Lessor may re-enter said premises and remove all persons therefrom, using all lawful means so to do; and the rights of the Lessee under this lease and in or to said premises shall cease and terminate. A default within the meaning hereof shall be deemed to exist after the Lessee shall have failed, neglected or refused to perform any of the terms, conditions or covenants hereof after thirty (30) days' written notice thereof and deman for performance has been given by the Lessor to the Lessee, and after the expiration of such period, the Lessor may exercise any and all remedies, legal or equitable,

which it may have in the premises. Provided, however, that each and every provision of this paragraph shall be and is subject to the provisions of paragraph 25 hereof.

18. If the property shall prove to be unproductive and/or if it cannot be operated at a profit, the Lessee shall have the right to cease mining operations on the property and abandon the lease. For the purposes hereof, a profit shall be defined to be a sufficient return to Lessee to repay to him the cost of development and operation within the period of five years, plus 6% per annum on the cost of development. If the Lessee shall abandon the lease he shall give Lessor 30 days' written notice of his intention to abandon prior to any actual abandonment and shall maintain a watchman on the property during such thirty (30) day period at his own expense. The Lessee shall not abandon the lease unless the property shall prove to be unproductive and/or unprofitable as above defined. If Lessor and Lessee cannot agree as to the profitability or unprofitability of the operation, the Lessor shall select a qualified accountant and Lessee shall select a qualified accountant and the two accountants so selected shall select a third. Said three accountants shall arbitrate the dispute and both parties shall be bound by the decision thereof. In the event of abandonment by the Lessee, it shall be treated as a termination of the lease and Lessee shall be relieved of all obligations and liabilities thereunder.

19. Cessation of labor, or of actual mining operations, on the premises for the period of three (3) consecutive months, shall be deemed to be an abandonment by the Lessee and shall, ipso facto, in every respect, be deemed the equivalent of the thirty (30) days' written notice of intention to abandon, as provided in paragraph 18 above, but the date of such deemed termination shall be the actual date of the cessation of labor or operations. Provided, however, that a cessation of operations due to the low market price of quicksilver, as provided in paragraph 8 above, shall not be considered as forming a part of any such three months' period, or as in any way constituting

an abandonment.

20. In the event of the termination of this lease by reason of the default of the Lessee, as stated in paragraph 17 above, or by reason of the abandonment by the Lessee, as set out in paragraphs 18 or 19, the Lessor may retain all the quicksilver, and other values produced, on the property at the date of said termination.

21. The Lessee agrees to and shall pay all the taxes of every kind and description levied or assessed against the property, both real and personal, throughout the term of this lease, and the renewal thereof, if renewed for the second five (5) year period or the third five (5) year period, and so long as the Lessee shall continue to operate on and mine the said property.

22. The Lessee shall notify the Lessor of all clean-ups and of the time when all quicksilver will be run out of the furnaces in time sufficient to allow a representative of the Lessor to be present. The Lessor shall have the right, by its duly appointed representative, to inspect the demised premises and all workings thereon at all reasonable times. All shipments of quicksilver shall be checked by an authorized representative of the Lessor before they are shipped from the property, and the Lessee shall give the Lessor or an authorized representative of the Lessor notice of proposed shipments in time to allow a proper checking of such shipments.

23. The Lessee shall prepare and deliver to the Lessor, at the end of each calendar month, full, true and correct statements of the amount of all metals and minerals and other values extracted during the previous month, and shall, at any reasonable time, on demand, furnish and supply the Lessor any and all data necessary to enable the Lessor to have full information upon the mining operations of the Lessee and the gross revenues derived therefrom.

For each month during the term of this lease (except for any period during which operations are suspended by reason of any of the contingencies set forth in paragraph 14 above) the Lessee will pay to Lessor in addition to the royalty specified, the amount by which the royalty payable or the market

value at the mine of royalty taken in kind is less than three hundred dollars ($300.00).

Full, true and correct books of account appropriate to such operations, and showing all recoveries of quicksilver, minerals and metals or other values made by him in his mining operations on the said property, and full, true and correct and complete logs of such mining operations, shall be kept by the Lessee, and the Lessor shall have the right to receive, and shall receive, from the Lessee, full and complete information concerning the mining operations of the Lessee, and the revenues derived therefrom. Said records shall at all reasonable times be open to the inspection of the Lessor or its agents designated in writing. The Lessor retains the right to enter upon any part of the premises for the purpose of posting notices of non-liability, pursuant to law, thereon.

24. Time is of the essence of this lease and of all the provisions herein contained.

25. All of the provisions of this lease on the part of the Lessee to be performed are both covenants and conditions on breach of which this lease may be terminated as herein provided, and likewise this lease may be terminated in the event of insolvency or bankruptcy of the Lessee, or in the event any attachment in any action against the Lessee is levied against the demised premises or any property on or about the demised premises and is not released within ten (10) days. Likewise this lease may be terminated in the event a receiver is appointed for the whole or any of the assets of the Lessee, or if the Lessee makes a general assignment for the benefit of creditors. In the event of termination under the provisions of this paragraph 25, it shall not be necessary to give thirty (30) days' notice in writing as hereinbefore provided.

26. Destruction of the whole or any part of the demised premises, or of any structure or other property thereon, shall not be ground for termination of this lease. The Lessee shall not use the demised premises except for mining

and production of ore and rock. All things to be done by the Lessee shall be at his own cost and expense, and he shall bear all cost and expense of operations by him and other things done by him hereunder, including all license fees. He shall keep and maintain all structures in good order, shall maintain all structures used as dwellings in sanitary order and condition and waives all right to make repairs at the expense of the Lessor and all rights given to him by §.1942 and 1941 of the Civil Code of the State of California. By entry he accepts the premises as being in good and sanitary order, condition and repair. He shall not commit or suffer to be commited any waste or any public or private nuisance. He hereby waives all claims against the Lessor for damage to goods, wares or merchandise, or for injury to persons, and will hold the Lessor harmless from loss or liability on account thereof.

27. Should the Lessor elect to re-enter or retake possession it may recover any damage incurred by reason of any breach hereof. A waiver by the Lessor of any breach shall not constitute a waiver of any other breach hereof, and acceptance of rent and royalties shall not constitute a waiver in any form except as to the rent or royalty actually accepted. In the event of any suit by Lessor for damages or to enforce the obligations of this lease, the Lessee shall pay the Lessor a reasonable attorney's fee to be fixed by the court and recovered in such suit.

28. Lessor warrants its title to the property demised hereby and guarantees the right of Lessee to use the two existing roads now utilized, for access to said property from the north and from the east.

29. Lessor or persons claiming under Lessor shall have the right to conduct quarrying operations on the rock pit above referred to with necessary right of ingress and egress and reasonable space for storage and plant operation; provided, however, that such operations shall not interfere with the operations of Lessee pursuant to the terms of this lease.

30. Lessee, during the life of the lease, will not lease, buy, or operate mining property within one mile of the external boundary of the

demised premises or process any ore on the demised premises except ore from those premises.

31. Lessee shall not have the right to assign this lease or sublet hereunder, except that Lessee may assign to a corporation having a bona fide net worth at the time of assignment of at lease One Hundred Thousand Dollars ($100,000.00), and provided that Lessee shall remain liable for payment of the royalty and additional payments specified in paragraphs 15 and 23 of the lease.

32. In construing this agreement particularizations shall not be construed to restrict the otherwise broad and unrestricted scope of associated general terms.

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

MT. DIABLO QUICKSILVER COMPANY, LTD.

By Signed Vic Blomberg, Pres.

By Signed Harold Blombery, Secretary

Lessor

Signed Ronnie B. Smith

Trustee.

Lessee

Notarized by Lucie M. Kenicke, Notary Public in and for the City and County of San Francisco, State of California, on the 12th day of September, 1951.

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

November 14, 1952

Memorandum

To: Mr. F. L. Knouse

From: Ernest Wm. Ellis, Chief
Rare and Miscellaneous Metals Division

Subject: Docket No. DMA-1131X (Copper)
Contract No. Idm-E104
Sierra Copper Company

- - -

DMEA-2448 (Mercury)
Ronnie Smith, Trustee
Mt. Diablo Quicksilver Mine

Ronnie Smith called today from Dallas, Texas, regarding the two captioned projects. Since I was "cold" on these two projects I was unable to give him much information.

However, it appears that he is quite anxious about the Donner Mine of the Sierra Copper Company (DMA-1131X). The reason for his anxiety is that time is running out on his lease. I told him the matter was on your desk and today we had gotten from the Copper Division of DMPA two reports mentioned in Mr. Miller's memorandum of November 7, and that you were expected to be in the office by Monday. With that, he asked if we would send him a telegram Monday, or by Tuesday, as to how this property was coming.

With respect to the Mt. Diablo property (DMEA-2448), I stated we had written him a letter in Dallas as of November 12 and doubtless he should receive it in a day or so.

EWE
geo

Ernest Wm. Ellis

FILE COPY
SURNAME:

Schmidt
Ellis
Mattcady

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

NOV 12 1952

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

Re: Docket No. DMA-2448 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Smith:

We are in receipt of a communication from Mr. H. C. Miller, Executive Officer of our San Francisco Office, in which he advises that you called at his office and informed him that you now have acquired control of the adjoining property, without which your proposed exploration program was held in abeyance. He indicated that since you are now concerned with an exploration program for this property that we authorize him to make a field examination.

As your application proposed to explore this property with an adit about 1200 feet in length, we requested certain information to justify your proposal which has not been received. It will be necessary for us to have this information, or an alternate program of exploration with supporting data, before a field team examination can be authorized.

Upon receipt of the necessary information we can proceed with the processing of your application.

Sincerely yours,

Signed E.H. 11-12-52

Ernest H. Ellis, Chief
Rare and Misc. Metals Division

FLEnouse/F.Schmidt/jem
11-12/52 cc to: Adm. Reading File
Docket
Messrs. H.M.Meyer-2623
E.T.McKnight-4204 GSA
Ellis Knouse
Field Team, Region III (2)

11/10/52 gla

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 1952

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

November 3, 1952

Memorandum

To: Mr. F. L. Knouse, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 (Mercury), Mt. Diablo Quicksilver Mine, Contra Costa County, California

The applicant, Mr. Ronnie Smith, called at the office on October 30 and conferred with Mr. Bailey and me on matters concerning the subject property.

Mr. Smith stated that he has cleared up the matter concerning the property adjacent to that which he now controls and will furnish you shortly with the needed copies of Owner's Consent to Lien.

Mr. Smith is now concerned with the manner of exploring his property, i.e., whether by tunnel or shaft; also, whether he should propose running the tunnel he tentatively seemed inclined to favor, clear over to the Ryan Mine and Jones Tunnel, about 1200 feet beyond his present workings.

As neither Mr. Bailey nor I are familiar enough with the property to venture an opinion at this time as to the best means for exploring it, we suggested to Mr. Smith, inasmuch as his application already is on file and docketed, that the best way to handle the matter would be for you to request us to make a field examination, and to work out a satisfactory program with the applicant, based upon our geologic findings.

If you agree, kindly arrange to have a request for a field examination sent to me.

Mr. Smith plans to be in Washington week after next at which time he will call on you.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to E. H. Bailey, USGS

Executive Officer
DMEA Field Team
Region III

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 1952

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

November 3, 1952

Memorandum

To: Mr. F. L. Knouse, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 (Mercury), Mt. Diablo Quicksilver Mine, Contra Costa County, California

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As neither Mr. Bailey nor I are familiar enough with the property to venture an opinion at this time as to the best means for exploring it, we suggested to Mr. Smith, inasmuch as his application already is on file and docketed, that the best way to handle the matter would be for you to request to make a field examination, and to work out a satisfactory program with the applicant, based upon our geologic findings.

If you agree, kindly arrange to have a request for a field examination sent to me.

Mr. Smith plans to be in Washington week after next at which time he will call on you.

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to E. H. Bailey, USGS

FILE COPY
SURNAME:
700

F.L. Knouse

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

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

Re: Docket No. DMA-2444 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Smith:

Reference is made to our letter of April 15, 1952, and your visit to this office on May 22, with respect to the above-captioned application.

As a result of your discussion with Mr. Knouse in May, it is my understanding that you were to furnish a copy of the lease which covers the area where the proposed work is to be done, as well as analytical and other data that Mr. Knouse explained was required.

We would appreciate learning how you are progressing with the compilation of the information we need to complete our review of your application, and the approximate date we may expect to receive it.

Sincerely yours,

signed 8/27/52

Ernest M. Ellis, Chief
Rare and Misc. Metals Division

FLKnouse/jem/gla
8/26/52
cc to: Adm. Reading File
Docket
Messrs.H.M.Meyer-2623
E.T.McKnight-4204 GSA
Ellis Schmidt
Field Team, Region III (2)

FILE COPY
SURNAME:

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

APR 1 5 1952

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

Re: Docket No. D[illegible]-2446 (Mercury)
Ronnie Smith
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Smith:

We refer you to the captioned application now being processed by this office.

When you were in this office on March 24, 1952, Mr. Knouse requested certain additional information i.e. maps of the working levels showing elevations with plotted sample data, and the location of exposures and sample data made on the mineralized zone that you propose to follow with the adit to the location of the projected ore body. In addition we will require a map in section showing the elevations of the proposed adit in relation to the 205 foot level shown on Plate [illegible] of U. S. Geological Survey Bulletin 922B and the lowest workings on the known ore body. From incomplete data available to us, the proposed new adit would appear to cut the lowermost old workings.

On the receipt of the above information we will be able to continue processing your application.

Sincerely yours,

4/15

Ernest Am. Ellis, Chief
Rare and Miscellaneous Metals Division
Defense Minerals Exploration
Administration

FLKnouse/jem
4/14/52
cc to: Adm. Reading File
Docket
Messrs. H.M.Meyer, Rm. 3623
E.T.McKnight, Rm. 4204 GS
Ellis
Knouse
Field Team, Reg. III (2)

4/11/52 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

April 10, 1952

APR 11 1952

Memorandum

To: E. W. Ellis, DMEA

From: Helena M. Meyer, Base Metals Branch

Subject: Docket #DMEA 2448, Ronnie Smith, Trustee, Tower Petroleum Building, Dallas, Texas, (Mt. Diablo Quicksilver Co., Inc., Clayton, California). Exploration loan for the discovery of mercury ore deposits.

The Mt. Diablo Mine is in the Mt. Diablo Mining District, Sec. 29, T. 1 N., R. 1 E., Contra Costa County, Northern California. It is described in Geological Survey Bulletin 922.

Its known production record dates from recent times although it is said that mercury was produced successfully at the mine in the eighteen seventies; it produced in every year 1936-1946, inclusive.

Bureau of Mines production figures for the Mt. Diablo do not check year by year with the figures given in the application, but represent about the same total quantity of metal.

The mine is said to have measured reserves of 250,000 tons of 5-pound ore which can be produced and furnaced at a $3-per-ton cost and indicated reserves of 500,000 tons of the same grade and estimated same cost. If these figures can be substantiated there would appear to be ample justification for granting the loan requested, even though the recoverable value per ton ($12) is estimated under the most favorable price level ever maintained, and above the current level.

A detailed breakdown of costs under 3.(a), form MF-103, should be obtained from the applicant.

It would seem that a field team investigation is needed to check the area of the proposed work, reserves, estimated costs, etc. Sections 7 and 8 of the lease, which provides that the lessee shall, within 60 days, cause installation of and have in operation all equipment, tools, machinery, furnaces, etc. for production, and that the lessee shall steadily and continuously, mine and recover quicksilver, should be considered as a possible impediment in the carrying out of an exploration project.

The proposed exploration is through a long tunnel, at greater depth than appears justified, and is through silica-carbonate rock rather than serpentine with which production thus far has been associated. If the field team determines that exploration should be in the direction indicated, it might give consideration to exploration through a shaft at a depth of about 75 feet, located near the plant and present workings.

Ross' suggestion that particular attention should be paid in the future in the footwall sides of tilted serpentine lobes and tills, especially where silica-carbonate rock is plentiful, should be given consideration.

Helena M. Meyer

HELENA M. MEYER

Copy to Minerals Division
Base Metals Branch
Mr. McKnight - G.S.
H. M. Meyer
F I L E S

4/3/5 rgl

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

April 3, 1952

Memorandum

Re: DMEA-248
Ronnie B. Smith
Mount Diablo mine
Exploration, $27,000
Quicksilver

To: Mr. E. Wm. Ellis

From: Edwin T. McKnight

Subject: Geologic appraisal

A geologic report available on this property (U.S. Geological Survey Bulletin 922B) is dated 1940 whereas there has been extensive work done on the property since that time, with resultant large production. From the location of the later open-cut workings, it would appear that a hanging wall orebody very sketchily indicated on some of the illustrations in Bulletin 922B may have yielded much of the more recent production. This orebody dips at a steeper angle than the one on which the main underground workings were developed, and if it maintains the dip shown on Figure 3 of Bull. 922B, it should join the underlying orebody approximately on the 205 foot level shown on plate 8 of the bulletin.

The proposed exploration is a new 650 foot adit with 300 feet of drifting on the ore structure at the end. The sketch map shows the proposed drifting in part superposed on the 205 level drift of plate 8, Bull. 922B, and from incomplete and conflicting data on elevations of levels given by the applicant and surmised from the bulletin, it appears that the elevation is no lower than the 205 level drift and may even be a little higher. As the pre-existing adit to the underground workings has caved (in January 1952?), causing all the underground workings to flood, it would appear that the proposed exploration might be designed to supply a lower adit to the lowermost underground working in order to give gravity drainage to the mine. In this case it would hardly be a good exploration proposal, even though the proposed drifting at the end might extend the 205 foot drift somewhat to the southeast.

I suggest that applicant be written requesting additional information on the elevations of some of the levels. It should be pointed out that his map shows the proposed new adit starting at the 740 contour which is 47 feet below the caved adit, whereas his statement is that the new adit is to be 75 feet lower. The elevation of the proposed adit should be confirmed, and in addition he should be requested to give the floor elevation of the 205 foot drift shown on plate 8 of Bull. 922B. He is acquainted with this bulletin, for one of the

illustrations submitted is a photostat of another plate in the bulletin. It might be mentioned to him that from incomplete data available to us, the proposed new adit would appear to cut the lowermost old workings.

It may be pointed out, parenthetically, that the caved adit is an extension of the 126 foot level of plate 8. If the 205 foot level is 79 feet lower (=difference between level designations), the proposed drifting from the new adit, if it is 75 feet lower, would be in part superposed in space on the existing 205 foot level drift.

Edwin T. McKnight

Edwin T. McKnight
Geologist

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

April 3, 1952

Memorandum

Re: DMEA-2448
Ronnie B. Smith
Mount Diablo mine
Exploration, $27,000
Quicksilver

To: Mr. E. Wm. Ellis

From: Edwin T. McKnight

Subject: Geologic appraisal

A geologic report available on this property (U.S. Geological Survey Bulletin 922B) is dated 1940 whereas there has been extensive work done on the property since that time, with resultant large production. From the location of the later open-cut workings, it would appear that a hanging wall orebody very sketchily indicated on some of the illustrations in Bulletin 922B may have yielded much of the more recent production. This orebody dips at a steeper angle than the one on which the main underground workings were developed, and if it maintains the dip shown on Figure 3 of Bull. 922B, it should join the underlying orebody approximately on the 205 foot level shown on plate 8 of the bulletin.

The proposed exploration is a new 650 foot adit with 300 feet of drifting on the ore structure at the end. The sketch map shows the proposed drifting in part superposed on the 205 level drift of plate 8, Bull. 922B, and from incomplete and conflicting data on elevations of levels given by the applicant and surmised from the bulletin, it appears that the elevation is no lower than the 205 level drift and may even be a little higher. As the pre-existing adit to the underground workings has caved (in January 1952?), causing all the underground workings to flood, it would appear that the proposed exploration might be designed to supply a lower adit to the lowermost underground working in order to give gravity drainage to the mine. In this case it would hardly be a good exploration proposal, even though the proposed drifting at the end might extend the 205 foot drift somewhat to the southeast.

I suggest that applicant be written requesting additional information on the elevations of some of the levels. It should be pointed out that his map shows the proposed new adit starting at the 740 contour which is 47 feet below the caved adit, whereas his statement is that the new adit is to be 75 feet lower. The elevation of the proposed adit should be confirmed, and in addition he should be requested to give the floor elevation of the 205 foot drift shown on plate 8 of Bull. 922B. He is acquainted with this bulletin, for one of the

illustrations submitted is a photostat of another plate in the bulletin. It might be mentioned to him that from incomplete data available to us, the proposed new adit would appear to cut the lowermost old workings.

It may be pointed out, parenthetically, that the caved adit is an extension of the 126 foot level of plate 8. If the 205 foot level is 79 feet lower (=difference between level designations), the proposed drifting from the new adit, if it is 75 feet lower, would be in part superposed in space on the existing 205 foot level drift.

Edwin T. McKnight

Edwin T. McKnight
Geologist

EXPLORATION

Subject: DMEA-2448
Re: Exploration Loan
Mount Diablo Quicksilver Mine
March 25, 1952

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

My dear Mr. Smith:

This will acknowledge receipt of your application dated March 21, 1952 for a loan under the Defense Production Act of 1950.

Your application was assigned Docket Number DMEA-2448 and referred to the Rare and Miscellaneous Metals Division.

Kindly refer to DMEA-2448 in any future correspondence relating to your application.

Sincerely yours,

ROBERT E. ADAMS

Robert E. Adams
Acting Administrative Officer

7862

Form MF-103
(Revised June 1951)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Budget Bureau No. 42-R1035.1.

MF-103 Should Be Filed With General Technical Data Form MF-100

APPLICATION FOR AID FOR AN EXPLORATION PROJECT PURSUANT TO MINERAL ORDER 5, UNDER DEFENSE PRODUCTION ACT OF 1950

Not To Be Filled in by Applicant

Docket No. DMEA-2448
Metal or Mineral
Date Received 3-24-52
Amount $
Participation (Government %)

Name and address of applicant

Ronnie Smith, Trustee

Tower Petroleum Building
Dallas, Texas

Date March 21, 1952

If you have already filed MF-100, give date filed March 21, 1952, type of assistance requested Exploration loan for discovery of mercury ore deposit.

DMA Docket Number (if available)

INSTRUCTIONS

Read Mineral Order 5, Regulations Governing Government Aid in Defense Projects, before completing this application. Submit four copies each, of the signed application form, General Technical Data Form MF-100, and answers to questions as specified, to Defense Minerals Administration, Department of the Interior, Washington 25, D. C., or to the nearest field executive office thereof, with your name and address on each sheet of the application and all accompanying papers. If you have previously filed MF-100, it is not necessary to file it again. However, you should indicate in space provided above the type of assistance previously applied for (loans, procurement contracts, etc.) and DMA Docket Number, if available. *When a question is inapplicable it should be so stated in the form.* Additional sheets should be attached in answering any questions or in supplying additional information. IF YOU CANNOT ANSWER A QUESTION, SO STATE.

1. (*a*) Give a description of the real property that will be in any way involved in the exploration project, including any existing mine or operating property.

   (*b*) If you are not the owner of the property, submit a copy of the lease, purchase option, or other agreements under which you are authorized to operate the property with each copy of your application.

   (*c*) Give the legal description of the exact parcel, plot, or area upon which the exploration is to be conducted.

   NOTE: (1) If both areas are the same, so state. The only obligation to repay the Government is from the net earnings from any commercial discovery made in the area specified in (*c*) above in which the exploration is to be conducted, and the expenditure of funds which may be charged as costs of the project must be limited to that area or to work necessary to perform the exploration in that area.

   (2) If applicant is not the owner of the property or if there are any liens or encumbrances against the property, copy of agreements of claimants, lienors, encumbrances, and lessors subordinating their interests in the property to the interest of the Government under the Exploration Project Contract will be required for attachment to the Contract.

2. (*a*) What metals or minerals do you expect to find?

   (*b*) Furnish statement of the geologic features of your property, giving type of ore deposit and reasons for expecting to find commercial ore bodies. Illustrate with maps or sketches. If you have a geologic or engineering report, or assay maps showing width and grade, please send them with application, stating whether or not you wish to have them returned.

The information requested in questions 3, 4, 5, 6, 7, 8, and 9 below should be answered specifically and in detail, as this information will be attached to and incorporated as part of the Exploration Project Contract, if such contract is entered into with you by the Government.

ANSWER EACH QUESTION ON SEPARATE SHEETS OF PAPER AND SUBMIT A COPY OF EACH ANSWER FOR EACH COPY OF YOUR APPLICATION.

3. (*a*) Describe fully the proposed work and give the total cost of the project.

   (*b*) State the time required to start the project and to complete it.

4. Submit a map or sketch of the property involved showing a plan (and cross section, if needed) of the present mine workings and the *location of the proposed exploration work* as related to geologic features, such as contacts, veins, ore-bearing beds, etc.

5. Furnish an itemized list of existing facilities, buildings, installations, and fixtures with a statement of the cost of any necessary rehabilitation or repairs to put into useful and operable condition.

6. Furnish a detailed list of additional facilities, buildings, and fixtures to be purchased, installed, or erected by you, with the estimated cost of each item.

7. Furnish a detailed list of operating equipment, separated into items to be—

   (*a*) Rented

   (*b*) Purchased

   (*c*) Furnished by you

   with the rental, purchase price, or depreciation of each item, as the case may be, to be charged as a cost of the project.

8. Furnish an itemized schedule of labor, by numbers and classes (miners, muckers, etc.) and of supervisors by numbers and positions, with the maximum wages or salaries to be paid to each.

9. Furnish a detailed list with estimated cost of each item for materials, supplies, engineering, assaying, accounting, power, water, utilities, and any other items not provided for above.

10. (*a*) How much are you prepared to invest in the proposed project?

    (*b*) Is this amount sufficient to pay your part of the cost of the project, in accordance with the regulations on Government participation (Sec. 9 of MO–5)?

11. State any conditions or circumstances regarding the property not sufficiently brought out by the foregoing questions.

CERTIFICATION

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

Ronnie B. Smith, Trustee -
Mt. Diablo Quicksilver Mine
(Name of company)

By Ronnie Smith Trustee
(Signature of authorized official)

March 24, 1952
(Date)

Trustee
(Title)

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.

U. S. GOVERNMENT PRINTING OFFICE 16—64067-2

1. (a) NE$\frac{1}{4}$ SE$\frac{1}{4}$ and a portion of NW$\frac{1}{4}$ SE$\frac{1}{4}$, Section 29, T. 1 N., R. 1 E., M.D.M.

(b) Lease - from Mt. Diablo Quicksilver Company, Ltd., see copy of lease marked Exhibit A.

(c) Area the same as described in sub-paragraph (a).

2. (a) Mercury (Quicksilver).

(b) Geology described in U.S.G.S. Bulletin 522-B, entitled Quicksilver Deposits of the Mount Diablo District, Contra Costa County, California, from which the following is quoted:

> "Mt. Diablo and the uplands around it consist of Franciscan strata about 6,000 feet in thickness, associated with intrusive serpentine and other somewhat metamorphosed igneous rocks. This assemblage of rocks, commonly believed to be of Jurassic age, occupies a roughly circular area of about 15 square miles. It is surrounded by later sedimentary formations, which apparently range in age from Jurassic to Pliocene and have a total thickness of about 35,000 feet. Small andesitic masses presumably of Tertiary age have been intruded into the lower part of the post-Franciscan strata, and higher beds are overlapped by remnants of basaltic lava flows that may be of Quaternary age.
>
> The quicksilver deposits occur only in the Franciscan formation, in serpentine, and in silica-carbonate rock, an alteration product of serpentine."
>
> "The lodes are in fracture zones near the footwalls of inclined, more or less tabular serpentine masses in Franciscan rocks. They are thought to have been formed by hot-spring action so recent that it is still giving rise to sulphurous gases and methane. The lodes are unique in that metacinnabar is an abundant primary ore mineral. The ore shoots are in zones of intense brecciation and are controlled in part by cross fractures."

3. (a) It is proposed to drive a tunnel 75 feet below the level of the present tunnel, a distance of approximately 650 feet in a direction following the outcrop of mineralized zone or fracture until it intercepts the ore body which was mined from the present underground operations now flooded and inaccessible. It is expected that high grade mercury bearing ores will be encountered in the proposed tunnel at a distance of approximately 650 feet and below the level of the present underground workings. The tunnel will open up the old workings and dewater them and make available ore previously explored in the old workings. It is estimated that the proposed work will cost approximately $30.00 per foot or $19,500.00. It is also proposed to drift along the lode fault or brecciated zone in a northwesterly and southeasterly direction, 200 feet to the northwest and 100 feet to the southeast, also to upraise to the old workings a distance of 75 feet. Estimated cost of drifting 300 feet at $20.00 per foot $6,000.00. Upraise 75 feet at $20.00 per foot $1,500.00 - Total cost of proposed work $27,000.00.

See Exhibit B for location of proposed tunnel site.

3. (b) The proposed project can be started immediately. It is estimated that it can be completed five months after starting.

4. See map marked Exhibit B.

5. All facilities including electric power line to property, office, warehouse shop, bunkhouse, boarding house, water well, well pump and water tank are now on the property.

6. No additional facilities will be required.

7. (a) A 320 cu. foot electric driven air compress to be rented at $350.00 per month.

   (b) Air and water pipe lines, small tools and rails to be purchased. Estimated cost $1,500.00. Mine timbers estimated cost $1,500.00.

   (c) Air drills and steel to be furnished by applicant.

8. Three miners at $15.28 per 8 hour day.
   Three muckers at $14.04 per 8 hour day.
   One supervisor at $400.00 per month.

9.

Powder fuse and caps	$1,000.00
Electric power	500.00
Engineering	900.00
Accounting	150.00

10. (a) $7,000.00

    (b) Yes.

Form MF-100
(May 1951)

U. S. DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

Form approved.
Budget Bureau No. 42-R1026.

GENERAL TECHNICAL DATA FOR USE UNDER THE DEFENSE PRODUCTION ACT OF 1950

NOT TO BE FILLED IN BY APPLICANT

Docket No. DMEA-2448

Date received 3-24-52

RONNIE B. SMITH, TRUSTEE
Tower Petroleum Building
Dallas, Texas

Name and address of applicant

Date March 21, 1952

INSTRUCTIONS

This form is to be filed with Defense Minerals Administration, Department of the Interior, Washington 25, D. C. It should be accompanied by appropriate application form when a specific type of Government assistance is requested, in the form of (1) loan, (2) purchase contract, (3) Government guarantee of a private loan, (4) priorities or allocation of mining equipment, and maintenance, repair and operating supplies, and (5) other forms of Government assistance that might arise under the Act. Submit four (4) signed copies of the form and accompanying papers. Name and address should be stamped or typed on each sheet of this form and all accompanying papers. *When a question is inapplicable it should be so stated on the form.* Additional sheets may be attached in answering any questions or in supplying additional information. (IF YOU CANNOT ANSWER A QUESTION, SO STATE.) If a question is answered elsewhere indicate where answered. It is not necessary to answer it again.

GENERAL TECHNICAL DATA

Supply the following information on separate sheets, arranged, numbered, and lettered as indicated:

1. Materials produced:
   (*a*) What are the chief mine, mill, or smelter products?
   (*b*) What are the byproducts, if any?
2. Name(s) and type(s) of mine(s), mill(s), smelter(s), refinery(ies), pit(s), quarry (ies), drilling operation(s). Include old names of property, if any. Show extent of workings, including the following:
   (*a*) Linear feet of shafts.
   (*b*) Linear feet of drifts and crosscuts.
   (*c*) Linear feet of tunnels or adits.
   (*d*) Linear feet of other mine openings (explain briefly).

   Indicate whether mine is flooded or not. Describe any pumping problems. Give size or productive capacity.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 24 1952

3. For each operation listed above supply the following:
   (*a*) Distance and direction from nearest town and shipping point.
   (*b*) Mining district.
   (*c*) Township, Section, Range.
   (*d*) County, State.
4. (*a*) State whether or not property is now in operation, and if in operation, by whom operated.
   (*b*) Are you operating this property as:
   - ☐ Owner.
   - ☒ Lessee.
   - ☐ Contractor.
5. Number of years in production 1936 to 1948 - September 1951 to date.

   If not in production or operation, estimated date when production will begin _____
6. Experience of operators:

   Describe the mining and general business experience of (*a*) the applicant, and (*b*) the person or persons who manage the project.
7. History:
   (*a*) Give a statement, as complete as possible, of previous exploration, development, operation, and production of property, with reasons for suspension of operation.
   (*b*) State briefly the known history and production of adjoining and neighboring properties.
   (*c*) Furnish any available (private) reports that may apply to this application, including results of mine examinations, recommended exploration and development, and metallurgical investigations.

8. Names and addresses of Officers, Directors, or Partners, and in addition thereto, the five largest stockholders if applicant is a corporation.

Name and Address (a)	Official Title (If officer is also director indicate by "D") (b)	Total of Annual Salary, Commissions, Bonuses, Etc., Received From Applicant and Affiliates During Last Fiscal Year (c)	Estimated Net Worth Outside of Interest in Applicant (d)	Number of Shares Held in Applicant Corporation: Common (e)	Number of Shares Held in Applicant Corporation: Preferred (f)	Life Insurance Carried for Benefit of Applicant: Amount (g)	Life Insurance Carried for Benefit of Applicant: Net Cash Surrender Value After Loans (h)
Ronnie B. Smith, Trustee, Tower Petroleum Bldg., Dallas, Texas							
Jene Harper, President, Franklin Supply Co., Chicago, Illinois							
James F. Dunnigan, Chicago, Illinois							
	Total		x x x x x			x x x x x	x x x x x

If more lines are needed continue on separate sheet.

9. Capital Stock Issues: A partnership/and not an incorporated company.

For Corporate Applicants

Item	Authorized (a)	Outstanding (b)	Par Value (c)	Number of Shares Outstanding (d)	Dividend Rate Last Paid* (e)
Common stock	$	$	$		
Preferred stock	$	$	$		

*Indicate period covered.

10. Production: See attached sheet, page 1 answering question 7.(a)

Item	Kind of Product (a)	1948 Total (b)	1949 Total (c)	1950 Total (d)	Present Average Monthly (e)
1. Quantity of product mined or quarried (Short, long, metric tons; barrels; pounds; etc.)					
2. Quantity of product processed (specify unit of measure and type of process)					
3. Quantity and grade of product sold or shipped (specify units of measure)					

11. Do you contemplate a change in the present average monthly rate of production? If so, state estimated maximum monthly production and basis of change.

12. Ore or Mineral Reserves:

(a) Describe the ore or mineral deposit briefly. Accompany the application by any available report on the geology and ore reserves.

1. (a) Mercury.

   (b) Cinder or furnace slag - burned rock minus $1\frac{1}{2}$ inch mesh used for road surfacing, etc.

2. Mount Diablo Quicksilver Mine. Open pit and underground mining operations. The ore is crushed and run through a rotary furnace. The furnace fumes are run through condensors. The mercury is recovered by retorting the dust from the condensors.

   (a) None.

   (b) 780' on 80' level. 960' on 165' level. 170' on 270' level.

   (c) 370' of adit tunnel.

   (d) 165' of winzes - 165'-270' levels, 160' upraises - 165' to 80' level.

   Mine is flooded, no pumping problems.

3. (a) Three miles northwest of Clayton and eight miles northwest of Concord, the nearest shipping point.

   (b) Mt. Diablo Mining District.

   (c) Middle of $E\frac{1}{2}$, Section 29, T. 1 N., R. 1 E., M.D.M.

   (d) Contra Costa County, California.

4. (a) Now in operation. Ronnie Smith, Trustee, is the operator.

   (b) Lessee.

5. The Mt. Diablo Mine was on production from 1936 to 1947 under lease by the Bradley Mining Co. In operation by Ronnie Smith, Trustee, since September 15, 1952.

6. (a) Mr. Smith has been operating the McCarty and Donner copper properties near Copperopolis for the past two years.

   (b) Roy G. Mead, Manager for Ronnie Smith, is a mining engineer and geologist with over 30 years' experience in mining operations and geological work. Mr. Vic Blomberg, Superintendent of the mine, is an experienced quicksilver furnace operator, and open pit miner; he was employed by the Bradley Mining Company as furnace operator and superintendent of the Mt. Diablo Mine from 1936 to 1948. Previous to 1936 he operated the Mt. Diablo Mine and also worked in the old Ryan Mine.

7. (a) Mt. Diablo Mine on production since 1937, operated by Bradley Mining Co. from October 1936 until the end of 1947, during which time there was produced 10,454 flasks of mercury amounting to $1,438,340 and rock and cinder having a value of $97,768.00. The past production record is shown in the following table:

Year	Tons of Ore Treated	Flasks of Mercury Produced	Pounds of Mercury Per Ton of Ore	Flasks (76#) Mercury Sold	Gross Sales Mercury	Gross Sales Rock & Slag
1937	2,911	304	8.00	314	28,907	40
1938	8,850	1,422	12.20	1,361	99,695	6
1939	12,000	1,423	9.00	1,462	137,105	42
1940	14,400	1,084	5.70	1,084	189,249	263
1941	14,400	1,622	8.50	1,622	279,835	827
1942	12,000	1,366	8,65	1,366	261,015	375
1943	11,000	1,127	7.70	1,127	216,021	2,562
1944	5,500	698	9.60	698	75,909	1,886
1945	4,500	434	7.30	434	55,921	3,880
1946	6,000	861	10.90	861	83,865	11,253
1947	1,000	125	9.50	125	10,818	32,899
1948	None	None	-	None	None	25,739
1949	"	"	-	"	"	8,640
1950	"	"	-	"	"	9,356
°1951	1,369	102½	5.69	45	9,420	59
°1952	309	21	5.16	78	15,950	94
	94,239	10,577½	8.1	10,577	1,463,710	97,862

°Operations by Ronnie B. Smith, Trustee

Ronnie Smith leased the Mt. Diablo Mine September 1951 and cleaned up the pits and rehabilitated the rotary furnace and made additions to the plant. Production from the mine commenced November 15, 1951 and continued until January 10th when the mine was temporarily closed down because of heavy rains. A landslide occurred January 17, 1952, which filled Benches No. 4 and 5 where mining operations were in progress, with more than 10,000 tons of earth. Since then, when permitted by weather conditions, the greater portion of the material from the slide has been removed. It is expected that pit mining operations will be resumed by April 1st and the furnace again put in operation.

During the 55 days the plant was in operation by Mr. Smith there were produced 123 flasks of mercury having a value of $25,370.00. The aforesaid production came from Bench No. 4 in the pit. The main adit tunnel to the underground workings below Bench Nos. 4, 5 and 6 in the pit was closed because of a cave in the tunnel located approximately 300 feet from the portal. Because of caving of the ground the tunnel cannot be reopened. Water has dammed up behind the cave and the entire mine is therefore flooded.

After the slide which occurred January 17, 1952 an attempt was made to reopen the adit tunnel without success. It was then decided to abandon the underground workings on and above the adit tunnel level. Consequently no exploration work leading to the discovery of new ore bodies from the old workings is now being carried on.

In order to carry on exploration work it was decided to drive a new tunnel from a portal to be located 250 feet to the northeast and 75 feet below the portal of the present adit tunnel.

The proposed tunnel is to follow an outcrop of silica-carbonate rock and iron oxide indicative of mercury bearing ore. The course of the tunnel will be approximately N 86° W and should intercept the mineralized and brecciated zone 75 feet below the old workings at a point 650 feet from the portal. This exploration work should lead to the development of ore bodies as large as heretofor mined in the open pit by the Bradley Mining Co.

(b) The adjoining mine known as the Jones tunnel and the Ryan Mine also under lease to Ronnie Smith is aaid to have been operated successfully from 1875 to 1877 and for a while to have produced as much as 85 flasks of quicksilver per month. It has been operated spasmodically since the aforesaid time and an unknown quantity of mercury obtained. The workings are now caved and inaccessible.

(c) See U.S.G.S. Bulletin 922-B, "Quicksilver Deposits of the Mount Diablo District, Contra Costa County, California."

8. See page 2 of application.

9. See page 2 of application.

10. See attached sheet 7. (a).

11. Contemplate to increase production to 100 flasks per month after the proposed exploration work is completed and higher grade ore obtained from probable ore bodies below level of old workings, which are expected to be developed from proposed tunnel.

12. Ore deposit fully described in U.S.G.S. Bulletin 922-B.

13. Paved highway 1200 feet from property.

14. No water needed for plant operations. Domestic supply obtained from water-well located on property.

15. Electric power line (P.G. & E.) to property.

16. One miner, one shovel operator, three truck drivers, one bulldozer driver, three furnace operators, two crusher operators, one foreman.

17. One 40 Ton capacity (daily) Rotary furnace, Retort, mill buildings, crusher plant, office, boarding house, bunkhouse, warehouse, shop building, fuel oil and gasoline storage tanks all in good condition and now being used.

3 - Sterling trucks (owned by applicant).
1 - International Bulldozer (owned by applicant).
1 - Dodge pickup truck (owned by applicant)
1 - Joy Mfg. Co. Wagon Drill (owned by applicant)
3/4 yard Northwest power shovel (rented)
1 - Ingersoll-Rand air compressor (owned by Mt. Diablo Quicksilver Co., Ltd. and leased by applicant)

All equipment is in good condition and now being used.

18. No

(*b*) If deposit is other than placer:

(1) Submit assay plans and/or sections showing location and size of proved (measured) and probable (indicated) ore or mineral reserve.

(2) State the tonnage (indicate type of ton) and grade of each class of ore reserve, as above, and show how computed. Tabulated total ore reserve as follows:

TOTAL ORE OR MINERAL RESERVES

Ore or Mineral Reserve	Estimated Tons (a)	Metal or Mineral Content Per Ton (Grade) (b)	Gross Value Per Ton (c)	Recoverable Unit Value Per Ton (d)	Estimated Cost of Production Per Ton (e)
Measured (proved)	250,000	5# of mercury per ton of ore	$15.00	$12.00	$3.00
Indicated (probable)	500,000	"	15.00	12.00	3.00

(*c*) If placer:

(1) Give estimated total yardage and average marketable mineral content of each deposit.

(2) Submit map showing location of placer deposit and surrounding area, with all test holes or pits. Submit logs of each hole and test pit with depth and average value of each.

(3) Describe gravel, stating whether fine, medium or coarse; loose, tight, cemented, or frozen, and whether it contains stumps or boulders more than 1 foot in diameter; if so, how large, and in what proportion.

(4) Describe bedrock, giving type (granite, sandstone, shale, etc.) and state whether it is hard or soft, smooth, uneven or rough.

(5) Describe overburden, stating whether loose, tight, or cemented; fine or coarse textured; furnish estimate of average thickness and total amount.

(6) Tabulate the reserves using the form outlined above for ore or mineral reserves.

13. Access Roads:

Give road distances to shipping, supply and residence points, stating kind and condition of roads.

14. Water Supply:

State source and quantity of water available for operations and whether sufficient for all seasons of year.

15. Power:

State amount of power used, rate per hour, and source thereof.

16. Labor:

State number and classes (miners, muckers, millmen, etc.) of men employed during a recent representative payroll period.

17. Equipment and Facilities:

Describe present equipment on the property, including buildings. (State condition.) List major pieces of equipment now owned or controlled and in serviceable condition available for this operation.

18. Are there any particular conditions or circumstances affecting your operations that are not described above? If so, explain.

CERTIFICATION

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

Ronnie Smith Trustee
(Name of company)

By Ronnie Smith
(Signature of authorized official)

3/24/62
(Date)

owner
(Title)

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.

U. S. GOVERNMENT PRINTING OFFICE 16—63792-1

COPY

THIS LEASE, made this 12th day of September, 1951, by and between MT. DIABLO QUICKSILVER COMPANY, LTD., a Nevada corporation, hereinafter called the Lessor, and RONNIE B. SMITH, trustee, hereinafter called Lessee,

WITNESSETH:

That the said Lessor, for and in consideration of the royalties hereinafter reserved and agreed by the Lessee to be paid, and the covenants and agreements hereinafter expressed, and by the said Lessee to be kept and performed, hereby leases to the said Lessee, and the Lessee leases from the said Lessor, all the following described mine and mining property, together with all appurtenances:

The northeast quarter of the southeast quarter of Section 29 and the south half of the southwest quarter of the northeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian, containing 60 acres, more or less;

EXCEPTING THEREFROM: "That certain syphon pipe leading therefrom to a water trough on the northeast quarter of the southeast quarter of said Section Twenty-nine (29), which said water spring, trough, and pipe are excepted from this deed," as provided for in the deed from Edward A. Howard and Daisy B. Howard, his wife, to Mount Diablo Quicksilver Company, Ltd. a corporation, dated December 29, 1933, and recorded Feb. 1, 1934 (File No. 1060);

And

The northwest quarter (N.W.1/4) of the southeast quarter (S.E.1/4) of Section 29, in Township 1 North of Range 1 East, Mount Diablo Base and Meridian. Said property shall not include the following described property, to wit: That land beginning at the northwest corner of the northwest quarter of the southeast quarter of Section 29, Township 1 North, Range 1 East, Mount Diablo Base and Meridian; thence running southerly along the dividing line between the northeast quarter of the southwest quarter and the northwest quarter of the southeast quarter of said Section 29, a distance of 20 chains to the southwest corner of the Northwest quarter of the Southeast quarter of Section 29; thence running along the Southerly line of the Northwest quarter of the Southeast quarter of Section 29, a distance of 2.924 chains; thence, leaving said line, and running in a northerly direction, a distance of 20.23 chains (to the point of beginning. ?)

EXCEPTING from the demised premises the three houses known as the Blomberg, Carlson and Hansen houses and reserving to Lessor and persons claiming under Lessor the right to conduct quarrying

operations on the rock pit near the Blomberg house, as more fully set forth in paragraph 29 below.

1. This lease shall be for a term of five (5) years commencing October 1, 1951. The Lessee, conditional upon full performance of his obligations under this lease, shall have the right to renew the lease for an additional five-year term, by written notice to Lessor of election to renew, which notice shall be given not later than April 1, 1956. In the event that the Lessee has installed on the demised premises a 100-ton furnace, and has fully performed his obligations under the lease, Lessee shall have the right to renew for a third five-year term by written notice to Lessor of election to renew to be given not later than April 1, 1961.

2. If the Lessee shall remain in possession after the term of this lease, either as to the original term or after the extended term, in the event of a renewal thereof as hereinbefore provided, then he shall hold on a month to month basis and subject to the terms hereof, and thereafter either party may terminate said tenancy at any time by thirty (30) days' notice in writing to the other.

3. Whenever it is herein provided that written notice is to be given, said notice shall be deemed given if enclosed in a sealed envelope addressed to the party to whom the same is to be given at his or its last known address, and deposited in the United States Mail, postage prepaid, and registered, provided, however, that if any party entitled to receive notice shall, in writing, delivered to any party required to give such notice, specify an address to which notices shall be sent, then notices sent as aforesaid shall be addressed to said address. Unless changed as herein provided the addresses to which notices are to be sent for the parties named are as follows:

RONNIE B. SMITH, Trustee,
Tower Petroleum Building,
Dallas, Texas.

MT. DIABLO QUICKSILVER COMPANY, LTD.,
Clayton, California.

4. The Lessee may use in working on the demised premises all supplies now on the demised premises, but, in the event he should remove or dispose of said supplies otherwise than in developing the demised premises, he shall pay the Lessor the reasonable value thereof. During the term of this lease the Lessee may use all tools, machinery and equipment of the Lessor now on the demised premises for the purpose of developing the same and operating and maintaining the same, and shall have the privilege of replacing or remodeling the same, and any structures on the demised premises. An inventory enumerating such tools, machinery or equipment and structures, is attached hereto, marked Exhibit "A" and made a part hereof. Lessee shall maintain the same and replace any that are broken, damaged or worn out. Such replacements shall become the property of the Lessor. At the expiration of this lease or in the event of the Lessee vacating the demised premises for any reason, said structures, tools, machinery and equipment, with all replacements and additions, shall be left on the demised premises and left in good condition and repair.

5. The Lessee may cut and use any and all timber on the demised premises in developing and mining the same and for constructing roads and flumes.

6. Lessee shall, on or before October 1, 1951, enter upon the demised premises and shall at once diligently proceed to mine the same in good and minerlike manner to the end of producing the maximum amount of quicksilver. The said property shall be so mined and the ore taken therefrom in such way as to develop and preserve the demised premises as a workable mine. In producing ore and in recovering quicksilver and other metals therefrom, the Lessee shall work all ore in such way and with such combination of high grade and low grade ore as to maintain a reasonably consistent average recovery from all ore.

7. The Lessee shall, within sixty days from date hereof, cause the installation of and have in operation all equipment, tools, machinery,

furnaces, plants and structures necessary for the production and reduction of ore, and recovery therefrom of quicksilver, capable of efficiently handling forty (40) tons of ore every twenty-four (24) hours and of extracting therefrom all recoverable quicksilver, and shall have commenced the mining of said property and the production of ore and recovery of quicksilver therefrom. The said sixty-day period shall be extended for a time equivalent to any period that the Lessee may be delayed by factors beyond his reasonable control, such as unfavorable weather, road conditions, rains, fire, flood, scarcity of labor, Acts of God, and the like.

8. The Lessee shall steadily and continuously mine the said premises and recover quicksilver from the ore produced, as hereinbefore provided, provided, however, that if, at any time, the market price of quicksilver should fall below One Hundred Dollars ($100.00) per flask, the Lessee may discontinue operations until the market price shall rise to One Hundred Dollars ($100.00) or more. During any period when the mine is not in operation, the Lessee shall keep a watchman on the demised premises at all times.

9. All buildings, retorts, furnaces, structures, works, power plants, Diesel or otherwise, and all tools and equipment for mining and milling, and all pipes, flumes, tracts, cars, mills, pumps, appliances, materials, fixtures, and all other property of every kind or description, placed, used or brought upon the said land by the Lessee, for use upon the premises in connection with the development, operation or maintenance of the mine, whether affixed to the realty or not, shall become the property of the Lessor. Provided, however, that the automobiles and trucks of the Lessee, as well as any steam or power crane or shovel of the Lessee, and portable tools brought upon the premises by Lessee, shall not be subject to the above provision, but the same shall remain the sole and exclusive property of the Lessee, with the absolute right to remove the same at any time during the term of this lease, or within sixty (60)

days after the termination hereof, and provided also that any household furniture which the Lessee may bring upon the premises shall also remain the sole and exclusive property of the Lessee, with the absolute right to remove the same at any time during the term of this lease, or within sixty (60) days after the termination hereof; and provided further that if Lessee proposes to bring upon the premises movable machinery or equipment not enumerated in this last sentence of paragraph 9, as to which Lessee desires to reserve the right of removal, he shall so advise Lessor in writing; and if Lessor does not within ten days after such advice is given object thereto by written notice to Lessee, Lessee shall have the same right of removal as to such machinery or equipment as is above granted with respect to automobiles and trucks of the Lessee.

10. The Lessee agrees to deliver up to the Lessor the said property, with the appurtenances and improvements, including all buildings, and tools and equipment, and other property referred to above, erected or built or brought upon the property during the life of this lease, in good order and condition, reasonable wear and tear excepted, without demand or further notice, at the termination of this lease, whether by expiration of time or by reason of the violation of any of the covenants or conditions of this lease, or otherwise.

11. Lessee, as one of the conditions for continuance of this lease, agrees to perform a minimum of five hundred (500) eight-hour shifts on underground development and prospecting work, during each six-month period of the term of this lease; provided

(a) said obligation shall be reduced by fifty (50) shifts for each One Thousand Dollars ($1,000.00) expended by lessee for diamond drill or churn drill exploration work at the demised premises during each such six-month period, but shall not be reduced below 250 such shifts each six months, and

(b) said obligation shall abate proportionately during any period when operations are suspended by reason of the contingencies referred to in paragraph 8 above or paragraph 14 below.

12. The Lessee shall keep all main haulage ways, tunnels, shafts or drifts open and timbered and free from any and all water, obstruction and refuse. However, if any tunnels, shafts or ways or drifts shall become, or be found to be, useless and worthless, they need not be kept timbered or open or free from water, obstruction or refuse. In the event of a dispute as to whether any main tunnel, shaft, drift or haulage way is useless or worthless, the parties hereto shall each choose a competent mining engineer, and the engineers so selected shall choose a third mining engineer, and the parties agree to abide by the decision of the three mining engineers as to whether any tunnel, shaft, drift is useless or worthless.

13. The Lessee shall have the right to place and erect on the property such structures, machinery and other equipment as he may deem necessary. The Lessee shall also have the right to take any and all steps which he may deem necessary to develop a supply of water which shall be adequate for the operation of the mine. It is understood that the Blomberg, Carlson and Hansen houses above referred to may remain on the premises and that Lessor and persons claiming under Lessor shall have the use thereof and access thereto and Lessee shall supply to said houses such water as is required for household purposes. However, if the present location of the house should interfere in any way with the development or operation of the mine, the Lessee shall have the right to move the same and locate them elsewhere on the premises.

14. The rights of the Lessee hereunder shall not be impaired by reason of any delays for any cause beyond the reasonable control of the Lessee, including, but this enumeration is not intended to be exclusive, any delays due to strikes, shortage of water, power or supplies, insuf-

ficiency of transportation facilities, poor condition of roads due to rain, fire, flood, casualty, or Act of God, and whenever in this respect it is provided that anything shall be done by the Lessee, failure to do the same shall be excused by such delay, and wherever in this respect a time is specified within which to do or cause to be done anything, the time within which the same is to be done is to be increased by a period equivalent to the period of delay caused by any cause as aforesaid. The provision shall not, however, operate so as to increase the term of this lease.

15. As compensation, rent and royalty for the rights and privileges hereby granted the Lessee, the Lessee agrees to and shall pay to the Lessor thirteen per cent (13%) of the gross proceeds of all quicksilver or other precious metals or other values produced, taken or extracted by the Lessee from the property. The said thirteen per cent (13%) shall be paid to the Lessor as hereinafter specified in kind, or in lawful money of the United States of America, and the Lessor may demand payment in kind at any time as to any production not sold. The Lessee shall not be required to sell all the values produced on the property, but may store the same. If the Lessee shall have delivered Lessor's royalty to the Lessor in kind and the same remains stored on the premises, then Lessee agrees to load for shipment all quicksilver or other precious metals or minerals or other values constituting Lessor's royalty and direct the shipment thereof for Lessor's account to such purchaser as the Lessor may select; it being understood that all shipping charges beyond the loading point at the mine shall be billed directly to and paid by Lessor. Lessee shall not be in any manner liable for failure of Lessor's purchaser to remit to Lessor the purchase price for such shipments of royalty in kind.

If the Lessee shall sell any of the values produced from the property, on account of which Lessor's royalty has not theretofore been paid in kind, then the Lessee shall pay to the Lessor that sum of money equal to 13% of the gross sales price or, upon demand by Lessor, shall have the purchaser

pay directly to Lessor that sum of money equal to 13% of the gross sales price. Lessee shall pay all shipping charges on such shipments and thereafter bill Lessor for its pro rata part of shipping charges beyond the loading point at the mine. However, the Lessee shall not be relieved of his duty to pay the Lessor for any such production sold by reason of the default of any of the purchasers, or the failure of any purchaser to remit to the Lessor. All payments shall be made by the 10th day of each calendar month, and shall be equal to 13% of the proceeds of sales for the calendar month immediately preceding the month in which each payment is made. Whenever sales of any production are made on account of which Lessor's royalty has not been previously paid, then a copy of the sales receipt showing the amount sold and the price paid therefor shall be sent directly to the Lessor by the purchaser or by the Lessee.

The Lessee agrees to rehabilitate the existing furnace, crushing and condensing equipment and stack on the demised premises. Three per cent of the total production shall be withheld by Lessee and deducted from the 13% royalty and shall be retained by Lessee and applied to reimburse Lessee for the cost of such rehabilitation work, not to exceed, however, a total of $3,000.00.

16. The Lessee shall promptly pay for all labor employed and materials and supplies purchased or used by him and shall keep all of the lands, the subject of this agreement, free from any and all liens or encumbrances of whatsoever nature for labor performed or materials furnished or delivered on said property at his request. The Lessee agrees to defend, indemnify and save the Lessor harmless against all claims for or on account of any debt or expense incurred by Lessee, against all claims for personal injury or death or for loss or damage to property sustained by others on or as a result of operations upon or as a result of the use of the demised premises during the term of this lease. Lessee agrees at all times during

its occupancy and operation hereunder to carry full and adequate publica liability, workmen's compensation and all other appropriate insurance for the protection of the Lessor against any and all claims of workmen or other persons arising out of any injury or injuries to workmen or the public. The Lessee specifically agrees to carry public liability insurance with policy limits of not less that $100,000 as to accident to one person and $300,000 to more than one person and $10,000 as to property damage, which insurance shall designate the Lessor as a co-assured. The Lessee shall also carry fire insurance on structures and personal property in an amount to cover replacement cost in the event of loss by fire, which insurance shall name the Lessor as co-assured and shall be used to replace any property destroyed. Such insurance shall cover loss by fire as well as loss by risks covered by extended coverage insurance. The Lessee agrees to comply with all provisions of the Workmen's Compensation laws of the State of California as well as with laws of the State of California and the United States Government, as to social security and unemployment, all state and federal labor laws, and generally all legislation, rules and regulations of federal, state and county and other political subdivisions applicable to the use and occupancy of the demised premises by Lessee.

17. Should the Lessee be in default in the performance of any of the terms, conditions or covenants of this lease on his part to be kept or performed, then the Lessor may at its option terminate this lease, and thereupon the Lessor may re-enter said premises and remove all persons therefrom, using all lawful means so to do; and the rights of the Lessee under this lease and in or to said premises shall cease and terminate. A default within the meaning hereof shall be deemed to exist after the Lessee shall have failed, neglected or refused to perform any of the terms, conditions or covenants hereof after thirty (30) days' written notice thereof and deman for performance has been given by the Lessor to the Lessee, and after the expiration of such period, the Lessor may exercise any and all remedies, legal or equitable,

which it may have in the premises. Provided, however, that each and every provision of this paragraph shall be and is subject to the provisions of paragraph 25 hereof.

18. If the property shall prove to be unproductive and/or if it cannot be operated at a profit, the Lessee shall have the right to cease mining operations on the property and abandon the lease. For the purposes hereof, a profit shall be defined to be a sufficient return to Lessee to repay to him the cost of development and operation within the period of five years, plus 6% per annum on the cost of development. If the Lessee shall abandon the lease he shall give Lessor 30 days' written notice of his intention to abandon prior to any actual abandonment and shall maintain a watchman on the property during such thirty (30) day period at his own expense. The Lessee shall not abandon the lease unless the property shall prove to be unproductive and/or unprofitable as above defined. If Lessor and Lessee cannot agree as to the profitability or unprofitability of the operation, the Lessor shall select a qualified accountant and Lessee shall select a qualified accountant and the two accountants so selected shall select a third. Said three accountants shall arbitrate the dispute and both parties shall be bound by the decision thereof. In the event of abandonment by the Lessee, it shall be treated as a termination of the lease and Lessee shall be relieved of all obligations and liabilities thereunder.

19. Cessation of labor, or of actual mining operations, on the premises for the period of three (3) consecutive months, shall be deemed to be an abandonment by the Lessee and shall, ipso facto, in every respect, be deemed the equivalent of the thirty (30) days' written notice of intention to abandon, as provided in paragraph 18 above, but the date of such deemed termination shall be the actual date of the cessation of labor or operations. Provided, however, that a cessation of operations due to the low market price of quicksilver, as provided in paragraph 8 above, shall not be considered as forming a part of any such three months' period, or as in any way constituting

an abandonment.

20. In the event of the termination of this lease by reason of the default of the Lessee, as stated in paragraph 17 above, or by reason of the abandonment by the Lessee, as set out in paragraphs 18 or 19, the Lessor may retain all the quicksilver, and other values produced, on the property at the date of said termination.

21. The Lessee agrees to and shall pay all the taxes of every kind and description levied or assessed against the property, both real and personal, throughout the term of this lease, and the renewal thereof, if renewed for the second five (5) year period or the third five (5) year period, and so long as the Lessee shall continue to operate on and mine the said property.

22. The Lessee shall notify the Lessor of all clean-ups and of the time when all quicksilver will be run out of the furnaces in time sufficient to allow a representative of the Lessor to be present. The Lessor shall have the right, by its duly appointed representative, to inspect the demised premises and all workings thereon at all reasonable times. All shipments of quicksilver shall be checked by an authorized representative of the Lessor before they are shipped from the property, and the Lessee shall give the Lessor or an authorized representative of the Lessor notice of proposed shipments in time to allow a proper checking of such shipments.

23. The Lessee shall prepare and deliver to the Lessor, at the end of each calendar month, full, true and correct statements of the amount of all metals and minerals and other values extracted during the previous month, and shall, at any reasonable time, on demand, furnish and supply the Lessor any and all data necessary to enable the Lessor to have full information upon the mining operations of the Lessee and the gross revenues derived therefrom.

For each month during the term of this lease (except for any period during which operations are suspended by reason of any of the contingencies set forth in paragraph 14 above) the Lessee will pay to Lessor in addition to the royalty specified, the amount by which the royalty payable or the market

value at the mine of royalty taken in kind is less than three hundred dollars ($300.00).

Full, true and correct books of account appropriate to such operations, and showing all recoveries of quicksilver, minerals and metals or other values made by him in his mining operations on the said property, and full, true and correct and complete logs of such mining operations, shall be kept by the Lessee, and the Lessor shall have the right to receive, and shall receive, from the Lessee, full and complete information concerning the mining operations of the Lessee, and the revenues derived therefrom. Said records shall at all reasonable times be open to the inspection of the Lessor or its agents designated in writing. The Lessor retains the right to enter upon any part of the premises for the purpose of posting notices of non-liability, pursuant to law, thereon.

24. Time is of the essence of this lease and of all the provisions herein contained.

25. All of the provisions of this lease on the part of the Lessee to be performed are both covenants and conditions on breach of which this lease may be terminated as herein provided, and likewise this lease may be terminated in the event of insolvency or bankruptcy of the Lessee, or in the event any attachment in any action against the Lessee is levied against the demised premises or any property on or about the demised premises and is not released within ten (10) days. Likewise this lease may be terminated in the event a receiver is appointed for the whole or any of the assets of the Lessee, or if the Lessee makes a general assignment for the benefit of creditors. In the event of termination under the provisions of this paragraph 25, it shall not be necessary to give thirty (30) days' notice in writing as hereinbefore provided.

26. Destruction of the whole or any part of the demised premises, or of any structure or other property thereon, shall not be ground for termination of this lease. The Lessee shall not use the demised premises except for mining

and production of ore and rock. All things to be done by the Lessee shall be at his own cost and expense, and he shall bear all cost and expense of operations by him and other things done by him hereunder, including all license fees. He shall keep and maintain all structures in good order, shall maintain all structures used as dwellings in sanitary order and condition and waives all right to make repairs at the expense of the Lessor and all rights given to him by §.1942 and 1941 of the Civil Code of the State of California. By entry he accepts the premises as being in good and sanitary order, condition and repair. He shall not commit or suffer to be commited any waste or any public or private nuisance. He hereby waives all claims against the Lessor for damage to goods, wares or merchandise, or for injury to persons, and will hold the Lessor harmless from loss or liability on account thereof.

27. Should the Lessor elect to re-enter or retake possession it may recover any damage incurred by reason of any breach hereof. A waiver by the Lessor of any breach shall not constitute a waiver of any other breach hereof, and acceptance of rent and royalties shall not constitute a waiver in any form except as to the rent or royalt actually accepted. In the event of any suit by Lessor for damages or to enforce the obligations of this lease, the Lessee shall pay the Lessor a reasonable attorney's fee to be fixed by the court and recovered in such suit.

28. Lessor warrants its title to the property demised hereby and guarantees the right of Lessee to use the two existing roads now utilized, for access to said property from the north and from the east.

29. Lessor or persons claiming under Lessor shall have the right to conduct quarrying operations on the rock pit above referred to with necessary right of ingress and egress and reasonable space for storage and plant operation; provided, however, that such operations shall not interfere with the operations of Lessee pursuant to the terms of this lease.

30. Lessee, during the life of the lease, will not lease, buy, or operate mining property within one mile of the external boundary of the

UNITED STATES
DEPARTMENT OF THE INTERIOR
U. S. BUREAU OF MINES
WASHINGTON 25, D. C.

OFFICIAL BUSINESS

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

~~Bill~~

Miss McClain

FIRST CLASS MAIL

demised premises or process any ore on the demised premises except ore from those premises.

31. Lessee shall not have the right to assign this lease or sublet hereunder, except that Lessee may assign to a corporation having a bona fide net worth at the time of assignment of at lease One Hundred Thousand Dollars ($100,000.00), and provided that Lessee shall remain liable for payment of the royalty and additional payments specified in paragraphs 15 and 23 of the lease.

32. In construing this agreement particularizations shall not be construed to restrict the otherwise broad and unrestricted scope of associated general terms.

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

MT. DIABLO QUICKSILVER COMPANY, LTD.

By Signed Vic Blomberg, Pres.

By Signed Harold Blombery, Secretary

Lessor

Signed Ronnie B. Smith

Trustee.

Lessee

Notarized by Lucie M. Renicke, Notary Public in and for the City and County of San Francisco, State of California, on the 12th day of September, 1951.

certify, and look to the royalty; (2) to rescind the contract for the default of the Operator and demand repayment. Until the Government takes one course or the other it has no liquidated claim against the Operator or the land, and the beneficial results of either for the Government are doubtful. Mr. Williston offers at least a certain benefit in a fixed sum, dependent to be sure upon the contingency of production from the land, but this contingency is inherent in any case in the nature of a royalty. In my opinion the proposed transaction with Mr. Williston is not in the nature of a settlement of a claim (the Government does not now have any claim) but rather in the nature of a novation of parties, Mr. Williston assuming the contingent, unliquidated obligation of the former operator to the extent of a fixed sum ($20,000), secured by an unrecorded lien on the land and production in lieu of the Government's doubtful rights referred to above. I believe that this is a beneficial transaction for the Government, subject to no objection, legal or otherwise.

Once the proposed agreement with Mr. Williston is executed and in effect, we can clear the record of the contract with Jonas and Johnson either by giving them notice of termination or by a termination agreement. I doubt if we would want to attempt a rescission and recovery of money contributed, under all of the circumstances of the case.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

Attachment

JLHofflund/cmd
Copy to: DMEA Docket
Solicitor's Docket
E. W. Ellis
J. D. Parriett
J. L. Hofflund
chron.

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 2/14/54

REFERRED TO:

1. Mr. Hyland
2. M. Johnson
3.
4.

FOR:

- Action
- Approval
- Comment
- ✓ Conference
- Consideration
- Filing
- Instructions
- Investigation
- Initials
- Mailing
- Previous correspondence
- Recommendation
- Record
- of
- Referring to
- Reply for signature of
- Rewriting
- Signature
- Suggestions
- Your information

RECEIVED
FEB 15 1954
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

REMARKS:

Check (X) before the items needing attention.

FRANK E. JOHNSON

Initials of sender.

GPO 16—63815-1

Under the exploitation contract, the obligation to repay the Government's contribution comprises a lien on the property which is the subject of the exploitation project and agrees to impoverishment resulting from discontinuance of development

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

Mr. Vic Blomberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

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

Dear Mr. Blomberg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jonas and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 18, 1954, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jonas and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Williston of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement carrying such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cordero; however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with Cordero that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

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

Mr. Vic Blomberg, President
Mt. Diable Quicksilver Co., Ltd.
Clayton, California

Re: Docket No. DMEA-248 (Mercury)
Contract No. Idm-E544
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Blomberg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 18, 1954, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Williston of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement carrying such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

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We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

MChing/gla
2-10-55
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Kiilsgaard, Rm. 5224
Code 700
Mr. Ching
Mr. F. E. Johnson
DMEA Field Team, Region II (2)

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

Mr. Vic Blomberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

Re: Docket No. DMEA-248 (Mercury)
Contract No. Idm-254
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Blomberg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 18, 1954, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Willisten of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement carrying such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cordero; however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with Cordero that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

MChing/gla
2-10-55
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Kiilsgaard, Rm. 5224
Code 700
Mr. Ching
Mr. F. E. Johnson
DMEA Field Team, Region II (2)

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

OFFICIAL BUSINESS

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

Mr. Vic Blomberg, President
Mt. Diablo Quicksilver Co., Ltd.
Blayton, California

Surname copy

Ching
J L Kenoine
Osmundson

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

Mr. Vic Blomberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

INTERIOR DEPT.
FEB 15 1955
SOLICITOR

Re: Docket No. DMEA-248 (Mercury)
Contract No. Idm-E544
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Blomberg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jonas and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 18, 1954, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jonas and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Williston of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement carrying such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cordero; however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with Cordero that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

MChing/gla
2-10-55
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Kiilsgaard, Rm. 5224
Code 700
Mr. Ching
Mr. F. E. Johnson
DMEA Field Team, Region II (2)

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

Mr. Vic Blomberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idr-4544
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Blomberg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 18, 1954, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Williston of the Cordero Mining Company regarding the reservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement carrying such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cordero; however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with Cordero that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

MChing/gla
2-10-55
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Killegaard, Rm. 5224
Code 700
Mr. Ching
Mr. F. E. Johnson
DMEA Field Team, Region II (2)

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

Mr. Vic Blomberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

Re: Docket No. DMA-248 (Mercury)
Contract No. Ir-151
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Blomberg:

As you know, operations under the subject project were suspended in March of 1951. The Operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 18, 1951, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Billinton of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement carrying such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cordero; however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with Cordero that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

MChing/gla
2-10-55
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Mayer, Rm. 2623
T. H. Killegaard, Rm. 5224
Code 700
Mr. Ching
Mr. F. E. Johnson
DMEA Field Team, Region II (2)

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

Mr. Vic Blomberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

Re: Docket No. DMEA-240 (Forney)
Contract No. Ker-454
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Blomberg:

As you know, operations under the subject project were suspended in March of 1954. The operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 18, 1954, flooded the crosscut and shaft, and there workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provision will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Williston of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement covering such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cordero; however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with (understand that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

MChing/gla
2-20-51
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Mayer, Rm. 2623
T. H. Killingsard, Rm. 5224
Code 700
Mr. Ching
Mr. F. E. Johnson
DMEA Field Team, Region II (2)

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

Mr. Wm Blanberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

Re: Project No. DMA-4140 (Germany)
Contract No. Id-454
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Blanberg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 30 feet of shaft and 120 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 13, 1954, flooded the crosscut and shaft, and there work has recently remained flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which ore-grade material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we naturally expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Hillinton of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.0), plus the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement covering such a contingent liability of $2,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cenmare believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cenmare, however, we are hereby advising you of the terms of our offer to Cenmare, which represent the minimum requirements of the Government. If you agree with Cenmare that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

WChing/gla
2-10-53
cc to: Admr.'s Reading File
Docket
Messrs. E. M. Mayer, Rm. 2623
T. H. Killingsard, Rm. 5224
Code 700
Mr. Ching
Mr. F. E. Johnson
IPEA Field Team, Region II (2)

Mr. Vic Hamburg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

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

Dear Mr. Hamburg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $34,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 185 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An influx of water on February 16, 1954, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which cinnabar material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we reasonably expect that provision will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Sam Williams of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($34,537.00), leaving estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $21,537.00). An agreement carrying such a contingent liability of $55,000.00 was presented to Cordero for execution but was returned.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Quicksilver Company. We do not know the terms of your agreement with Cordero; however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with Cordero that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

NChing/gla
8-20-55
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Wagner, Rm. 2623
T. H. Kiliegaard, Rm. 5224
Code 700
Mr. Ching
Mr. F. K. Johnson
DMEA Field Team, Region II (2)

Mr. Vic Kleinberg, President
Mt. Diablo Quicksilver Co., Ltd.
Clayton, California

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

Dear Mr. Kleinberg:

As you know, operations under the subject project were suspended in March of 1954. The Operators, Jones and Johnson, have since been in default on the contract with the Government.

The Government has contributed $36,537.00 to the cost of exploration work on the property. The work completed consists of 300 feet of shaft and 220 feet of crosscutting from the bottom of the shaft toward the mineralized zone. An inflow of water on February 16, 1954, flooded the crosscut and shaft, and these workings presently remain flooded.

You will, no doubt, recognize the fact that the Government has made a substantial contribution toward opening up a promising zone in which cinnabar material is known to exist.

It is our understanding that Jones and Johnson relinquished their lease on the property, and you have since granted a lease and option to the Cordero Mining Company. Under these circumstances we reasonably expect that provisions will be made to protect the Government's interest. Accordingly, we have recently had some correspondence with Mr. Ken Williston of the Cordero Mining Company regarding the preservation of the Government's right to royalty payments.

Our first impression was that Cordero would be willing to assume a contingent liability, payable in the form of royalties on production, up to the amount of the Government's contribution to the project ($36,537.00), less the estimated cost of unwatering and rehabilitating the shaft and crosscut, and installing a water treatment plant (approximately $11,537.00). An agreement assuming such a contingent liability of $25,000.00 was presented to Cordero for execution but was refused.

We are now informed that Cordero believes that any agreement should be between the Government and the Mt. Diablo Cobalt-Silver Company. We do not know the terms of your agreement with Cordero, however, we are hereby advising you of the terms of our offer to Cordero, which represent the minimum requirements of the Government. If you agree with Cordero that any agreement should be between your company and the Government, we are prepared to enter into such an agreement based upon the terms outlined above. The agreement would impose no obligation on you or your successor in interest to engage in any mining or production operations. Royalties would be due the Government only in the event of production from the property.

We believe the foregoing offer is fair to all parties concerned. As an alternative, we are prepared to complete the exploration work provided for in the contract as it now stands, either through an assignment of the old contract or through a new agreement. We understand that several parties have shown an interest in taking over the old contract.

A prompt solution to the problems that have arisen in connection with this project is essential if an early resumption of operations is to be made possible. We would appreciate a prompt reply to this communication.

Sincerely yours,

Administrator

MChing/gla
2-10-55
cc to: Admr.'s Reading File
Docket
Messrs. H. M. Wagner, Rm. 2603
T. E. Killingsted, Rm. 5224
Code 700
Mr. Ching ✓
Mr. F. E. Johnson
FMA Field Team, Region II (2)

submitted vouchers on a unit cost basis which vouchers were paid, prior to audit, on that basis in accordance with the usual practice of DMEA to expedite payments to the Operators under DMEA contracts.

Insert (X) Article 7 of the Contract ~~dealing with~~ ("Reports, accounts, audits") ~~makes~~ clearly indicates that the Operator's vouchers are subject to subsequent audit. It is quite clear that the ~~To [illegible] of the contract misinterpret the~~ ~~preclude [illegible] allowance of the [illegible]~~

Insert X on p. 2

Article 6 of the Contract, however, plainly specified, however, that the vouchers should have been submitted on the basis of actual costs ~~up to~~ not in excess of the maximums allowed in Exhibit A, and

misunderstanding as to the basis of payment is not sanctioned by the terms of the contract, and would not have arisen if those ~~terms had~~ provisions had been kept in mind by the Operator, and that the contract does not leave any room for a "difference in the methods of computation" such as you suggest.

~~The overpayment did arose~~ ~~did not arise~~

~~The statement in the~~

The second paragraph of your letter is inaccurate in stating that the overpayment arose "~~of~~ out of a difference in the methods of computation by the Government Engineer of the Bureau of Mines.... and the Auditor for the DMEA." Instead, the overpayment arose because ~~the~~ Mr. Ronnie B. Smith and associates

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

FEB 8 1955.

Memorandum

To: The Administrator, DMEA
Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448 (Mercury), Jonas and Johnson

Reference is made to a letter dated January 19 to the Executive Officer, Region II (formerly Region III), from Cordero Mining Company by Mr. S. H. Williston, rejecting our proposed agreement regarding the Government's royalty interest under the subject contract with Jonas and Johnson. The facts concerning this matter, as I understand them, were set forth in my memorandum to you of December 8, 1954, transmitting the proposed agreement with Cordero.

Since Cordero refuses to agree with us, I think that the only course left is to issue a certification (for whatever it may be worth). Any agreement that Mt. Diablo might make with us to pay royalty would be on the theory that we would have a valid claim for royalty upon certification. Once the certification is made, I think that we would be in a better position to deal with Cordero or any other operator who may take over the project.

I realize that in my memorandum to you of December 8, 1954, I indicated my opinion that any claim for royalty may be defeated by the abandonment provision in the Jonas and Johnson contract. Nevertheless, unless you deem it undesirable as a matter of policy to certify where no discovery has been made, I think that the certification presents the best chance of any benefit accruing to the Government.

I am not at all sure that any benefit should accrue to the Government under the circumstances of this case. The abandonment provision was placed in our earlier contract forms on the theory that if the operator was

willing to forego all chances of benefit the Government would generally be willing to follow suit, and that the Government would not feel injured if some subsequent operator took over the project and had some benefit from the previous exploration work.

In the foregoing view of the case, I do not approve a draft of a letter for your signature to Mt. Diablo which was submitted here on February 3 by Mr. Ching. This proposed letter would seem to offer to Mt. Diablo an agreement on the same basis as was offered to Cordero but with the threat that if it should not be accepted the Government would certify. This seems like something of an impropriety to me, and to throw further doubt on the already shaky rights of the Government based on any certification in this case.

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DMEA-2448

REFERRED TO: DATE 2/8/55

1. ~~Solicitor's Docket Rm.~~
2. ~~DMEA Docket Rm.~~
3. ~~E. W. Ellis~~
4.

FOR:

- ---------- Action
- ---------- Approval
- ---------- Comment
- ---------- Conference
- ---------- Consideration
- ---------- Filing
- ---------- Instructions
- ---------- Investigation
- ---------- Initials
- ---------- Mailing
- ---------- Previous correspondence
- ---------- Recommendation
- ---------- Record of ----------
- ---------- Referring to ----------
- ---------- Reply for signature of ----------
- ---------- Rewriting
- ---------- Signature
- ---------- Suggestions
- ---------- Your information

INTERIOR DEPT.
FEB 9 - 1955
SOLICITOR

REMARKS:

Check (X) before the items needing attention.

GPO 16—63815-1

JLHofflund/emd
Initials of sender.

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

FEB 8 1955

Memorandum

To: The Administrator, DMEA

Attention: Mr. R. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448 (Mercury), Jonas and Johnson

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Since Cordero refuses to agree with us, I think that the only course left is to issue a certification (for whatever it may be worth). Any agreement that Mt. Diablo might make with us to pay royalty would be on the theory that we would have a valid claim for royalty upon certification. Once the certification is made, I think that we would be in a better position to deal with Cordero or any other operator who may take over the project.

I realize that in my memorandum to you of December 8, 1954, I indicated my opinion that any claim for royalty may be defeated by the abandonment provision in the Jonas and Johnson contract. Nevertheless, unless you deem it undesirable as a matter of policy to certify where no discovery has been made, I think that the certification presents the best chance of any benefit accruing to the Government.

I am not at all sure that any benefit should accrue to the Government under the circumstances of this case. The abandonment provision was placed in our earlier contract forms on the theory that if the operator was

willing to forego all chances of benefit the Government would generally be willing to follow suit, and that the Government would not feel injured if some subsequent operator took over the project and had some benefit from the previous exploration work.

In the foregoing view of the case, I do not approve a draft of a letter for your signature to Mt. Diablo which was submitted here on February 3 by Mr. Ching. This proposed letter would seem to offer to Mt. Diablo an agreement on the same basis as was offered to Cordero but with the threat that if it should not be accepted the Government would certify. This seems like something of an impropriety to me, and to throw further doubt on the already shaky rights of the Government based on any certification in this case.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

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

FEB 8 1955

Memorandum

To: The Administrator, DMEA

Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448 (Mercury), Jonas and Johnson

Reference is made to a letter dated January 19 to the Executive Officer, Region II (formerly Region III), from Cordero Mining Company by Mr. S. H. Willisten, rejecting our proposed agreement regarding the Government's royalty interest under the subject contract with Jonas and Johnson. The facts concerning this matter, as I understand them, were set forth in my memorandum to you of December 8, 1954, transmitting the proposed agreement with Cordero.

Since Cordero refuses to agree with us, I think that the only course left is to issue a certification (for whatever it may be worth). Any agreement that Mt. Diablo might make with us to pay royalty would be on the theory that we would have a valid claim for royalty upon certification. Once the certification is made, I think that we would be in a better position to deal with Cordero or any other operator who may take over the project.

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J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

JLHofflund/emd

Copyto: DMEA Docket
Solicitor's Docket
E. W. Ellis (2)
J. L. Hofflund
chron.

December 8, 1954

Memorandum

To: The Administrator, DMEA
Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-8448, Jones and Johnson
Contract No. Idm-8544 (Mercury)

Attached hereto is a letter for the signature of the Chairman of the Operating Committee, transmitting to the Field Team Executive Officer, Region III, a proposed agreement with Mr. Sam Williston (Cordero Mining Company) to enable him to take over the Mt. Diablo Quicksilver Mine involved in Contract Idm-8544, Docket No. DMEA-8448 with Jones and Johnson. It is suggested that if you approve of the agreement, a copy of the letter to the Executive Officer be sent to Mr. Williston; but I am setting forth herewith some legal considerations which are not suitable for transmittal to Mr. Williston but a copy of which you may wish to give to the Executive Officer.

I understand the facts of this matter to be as follows: The Operator (an assignee) carried on operations under the contract, and completed a 300-foot shaft and a drift to the very margins of the target. At this point water broke in and disrupted further operations. Amendment No. 2 to the contract was entered into to authorize dewatering operations, the cost of which would be met by cutting down on certain drifting to the extent necessary so as not to increase the original estimated total cost. The Operator did perform some dewatering, and there is some dispute as to costs incurred for this purpose before the date of Amendment No. 2. The dewatering was never completed, and the Operator abandoned the project and surrendered its leasehold after the sum of $36,537 had been contributed by the Government ($1,[illegible].51 of which is an overpayment).

The contract is on the 1952 form which permits abandonment by the operator. Abandonment under this provision probably clears the land and the operator from any

obligation to pay royalty. The abandonment provision was not intended to enable an operator to avoid the obligation to complete the work, but the default of the operator in this respect may be excusable in view of the nature of the contingency ("act of God") which caused the stoppage. Even if the Government could rescind the contract and demand repayment of its contribution for the default of the Operator, it is my understanding that this would be a useless gesture because the Operator is insolvent and could not repay; and of course any such claim for repayment would not be covered by the royalty provisions, because they depend upon the contract.

It is my understanding that the exploration workings have not actually gone through any mineralized ground, but did reach a point which confirms certain geological suppositions with respect to the target. It is possible that this project could be certified under the broad provisions of the contract form in spite of the fact that apparently no actual discovery has been made. However, the policy of certifying under these circumstances (which is an administrative rather than a legal problem) is doubtful. Certainly discovery is the essential purpose of the exploration program, and only unusual circumstances seem to justify certification upon any work short of discovery. Mr. Williston, of course, contends that the contract would not support a certification under these circumstances.

Should we certify the project, and thus attempt to put a lien upon any production therefrom before any discovery has been made, it may be that neither Mr. Williston nor any other operator would be interested in prosecuting the project any further. On the other hand, Mr. Williston himself has suggested the agreement referred to as a possible means of procuring the further prosecution of the work. Moreover, Mr. Williston represents that at this point at least he is not interested in any agreement with the Government for financial aid, and expects to finance the work himself.

It thus appears that in the absence of an agreement with Mr. Williston (Cordero) the Government has two doubtful and uncertain rights: (1) to stand on the contract,

certify, and look to the royalty; (2) to rescind the contract for the default of the Operator and demand repayment. Until the Government takes one course or the other it has no liquidated claim against the Operator or the land, and the beneficial results of either for the Government are doubtful. Mr. Williston offers at least a certain benefit in a fixed sum, dependent to be sure upon the contingency of production from the land, but this contingency is inherent in any case in the nature of a royalty. In my opinion the proposed transaction with Mr. Williston is not in the nature of a settlement of a claim (the Government does not now have any claim) but rather in the nature of a novation of parties, Mr. Williston assuming the contingent, unliquidated obligation of the former operator to the extent of a fixed sum ($20,000), secured by an unrecorded lien on the land and production in lieu of the Government's doubtful rights referred to above. I believe that this is a beneficial transaction for the Government, subject to no objection, legal or otherwise.

Once the proposed agreement with Mr. Williston is executed and in effect, we can clear the record of the contract with Jenna and Johnson either by giving them notice of termination or by a termination agreement. I doubt if we would want to attempt a rescission and recovery of money contributed, under all of the circumstances of the case.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

Attachment

JLHofflund/cmd
Copy to: DMEA Docket
Solicitor's Docket
E. W. Ellis
J. D. Parriott
J. L. Hofflund
chron.

December 8, 1954

Memorandum

To: The Administrator, DMEA
Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jonas and Johnson
Contract No. Idm-2344 (Mercury)

Attached hereto is a letter for the signature of the Chairman of the Operating Committee, transmitting to the Field Team Executive Officer, Region III, a proposed agreement with Mr. Sam Williston (Cordero Mining Company) to enable him to take over the Mt. Diablo Quicksilver Mine involved in Contract Idm-2344, Docket No. DMEA-2448 with Jonas and Johnson. It is suggested that if you approve of the agreement, a copy of the letter to the Executive Officer be sent to Mr. Williston; but I am setting forth herewith some legal considerations which are not suitable for transmittal to Mr. Williston but a copy of which you may wish to give to the Executive Officer.

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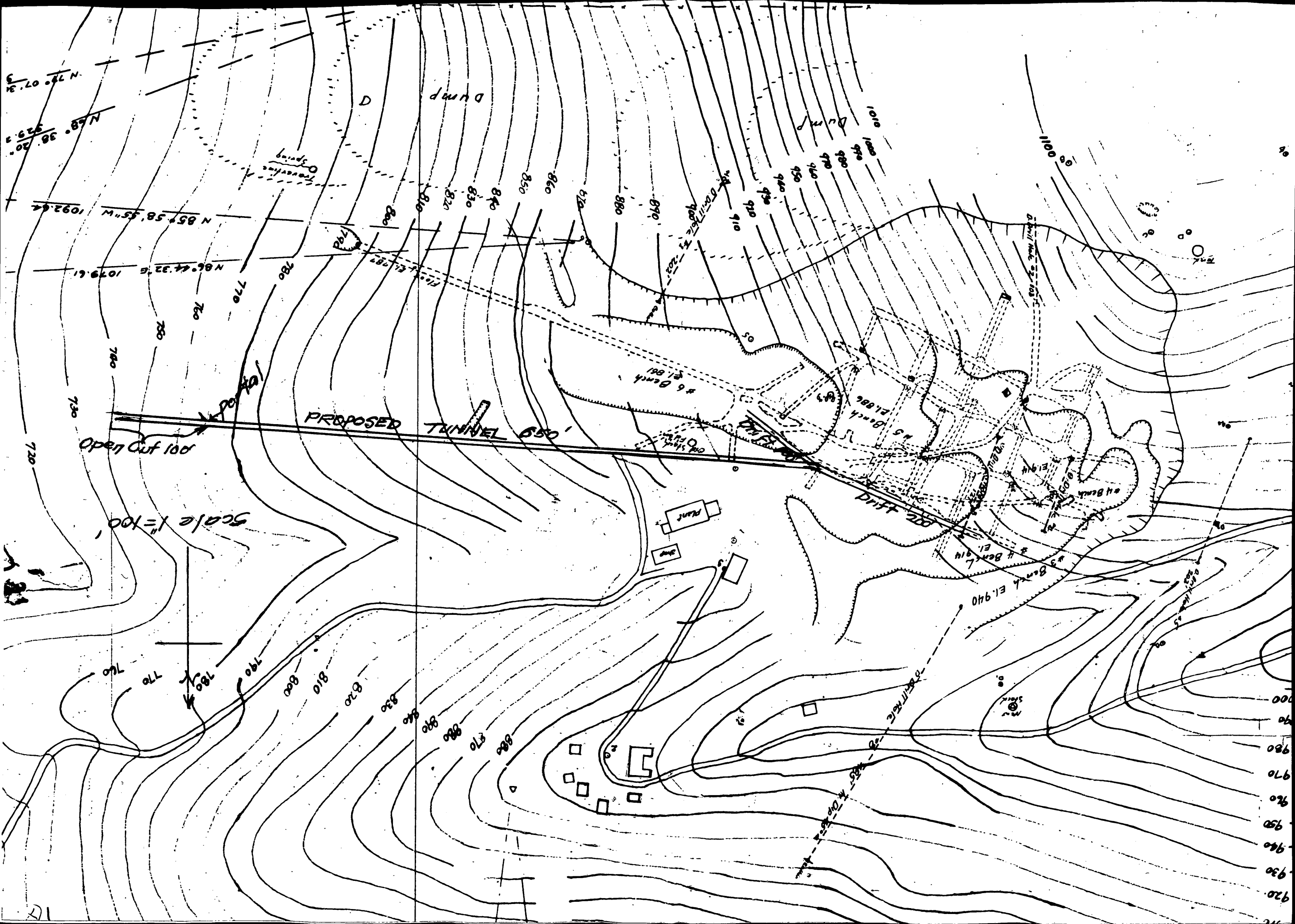
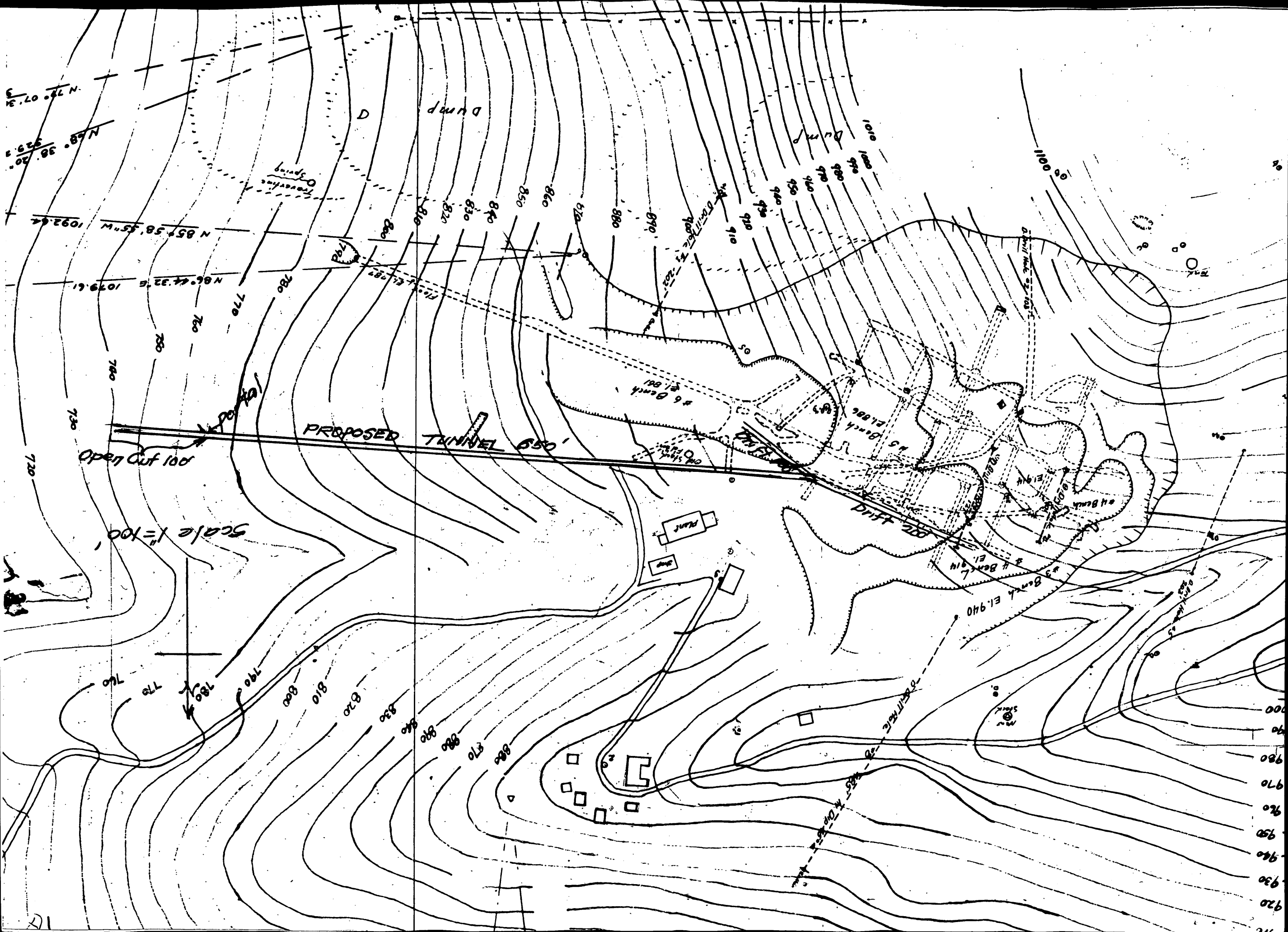

PROPOSED TUNNEL 650'
Portal
Open Cut 100'
Scale 1" = 100'
Dump
Dump
Dump
Spring
Shop
Plant
Drill Hole
Drill Hole
Drill Hole
Drill Hole
Drill Hole
Drill Hole
Drift 200'
#6 Bench El. 861
#5 Bench El. 886
#4 Bench El. 914
#3 Bench El. 940
Old Shaft
Old Shaft
Old Shaft
Old Shaft
Tank
N 85° 58' 45" W 1092.64'
N 86° 44' 32" E 1079.61'
N 78° 07' 31" E
N 68° 38' 20" E 929.3'


PROPOSED TUNNEL 650'
Portal
Open Cut 100'
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Dump
Dump
Dump
Spring
Shop
Plant
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#5 Bench El. 886
#4 Bench El. 914
#3 Bench El. 940
Drill Hole
Drill Hole
Drill Hole
Drill Hole
Old Shaft
New Shaft
Old Bunk House
Tank
Tank
N 85° 58' 45" W 1092.64
N 86° 44' 32" E 1079.61
N 78° 07' 30"
N 48° 38' 20"
1100
1090
1080
1070
1060
1050
1040
1030
1020
1010
1000
990
980
970
960
950
940
930
920
910
900
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790
780
770
760
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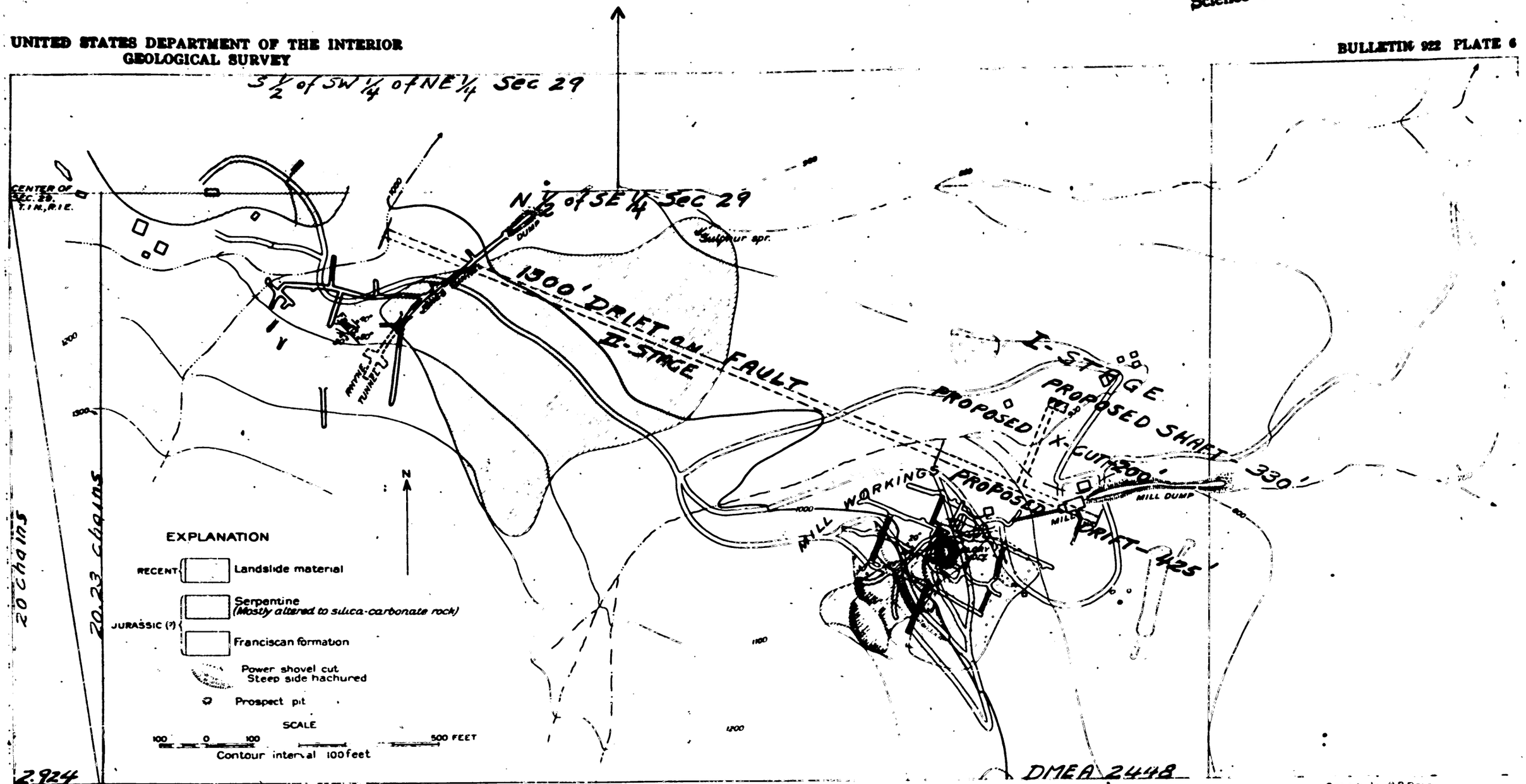
740
730
720

Science & Industry Dept

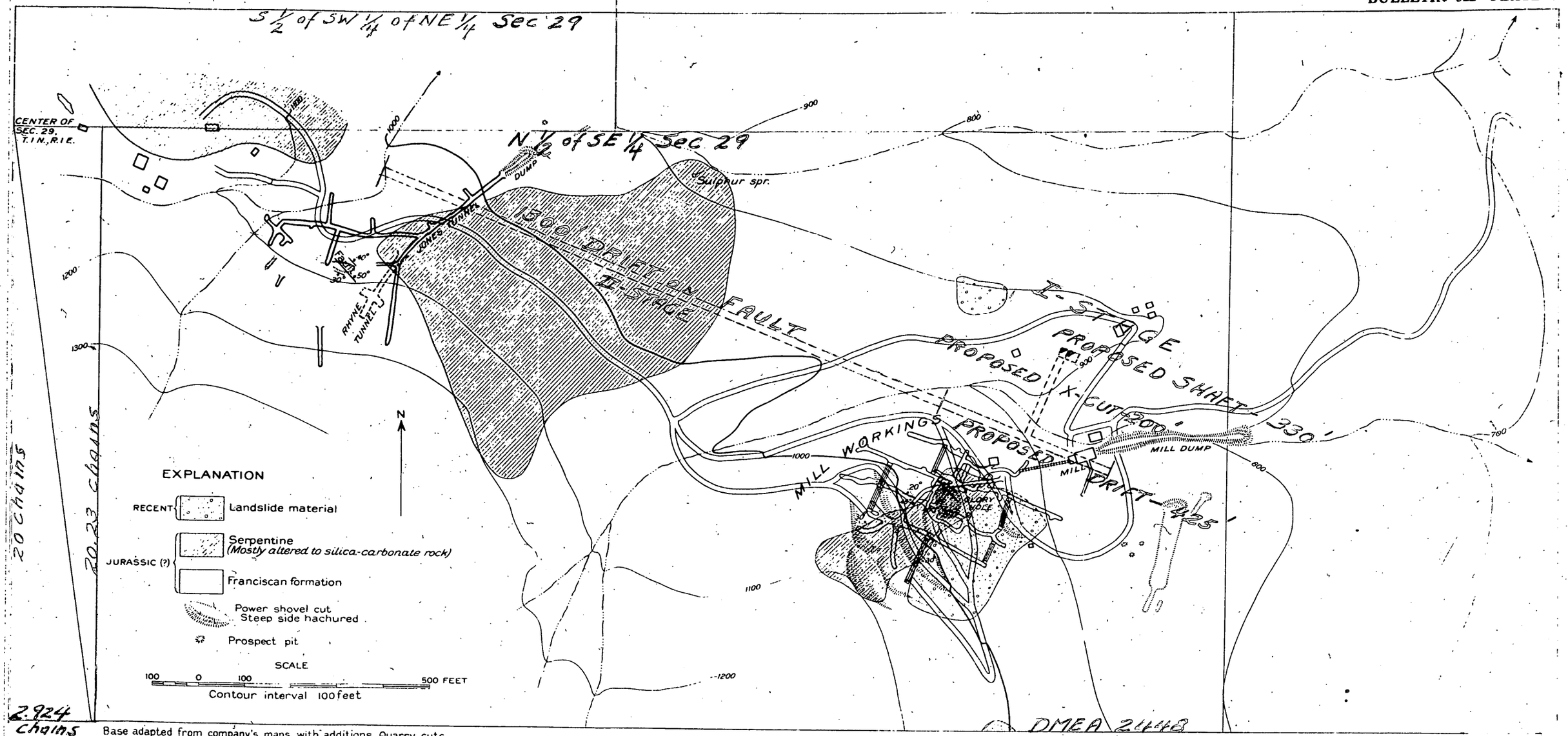


Base adapted from company's maps, with additions Quarry cuts southwest of mill from plane-table survey by C P Ross and James Pollock

Geology by C P Ross

GEOLOGIC MAP OF MOUNT DIABLO MINE

Science & Industry Dept.



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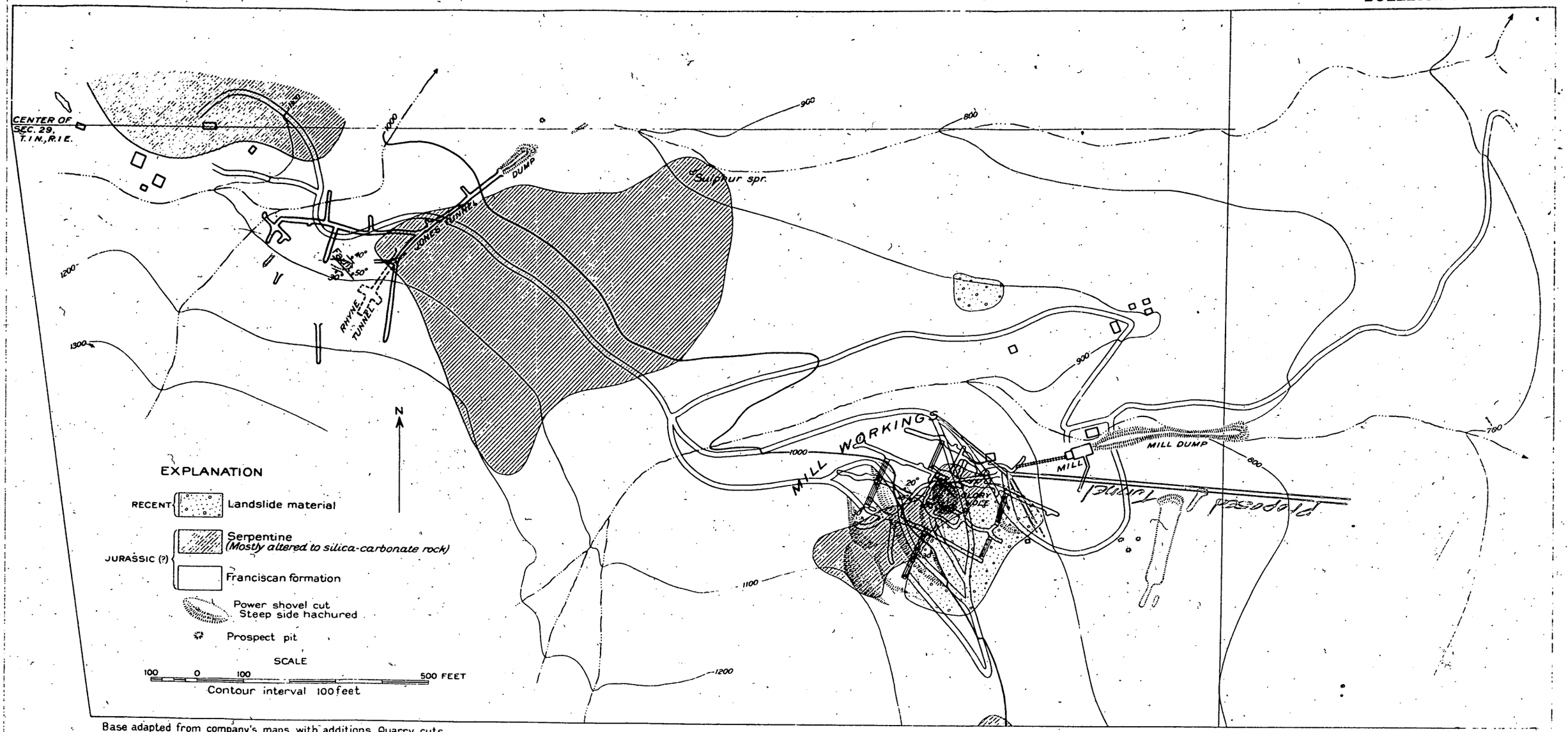

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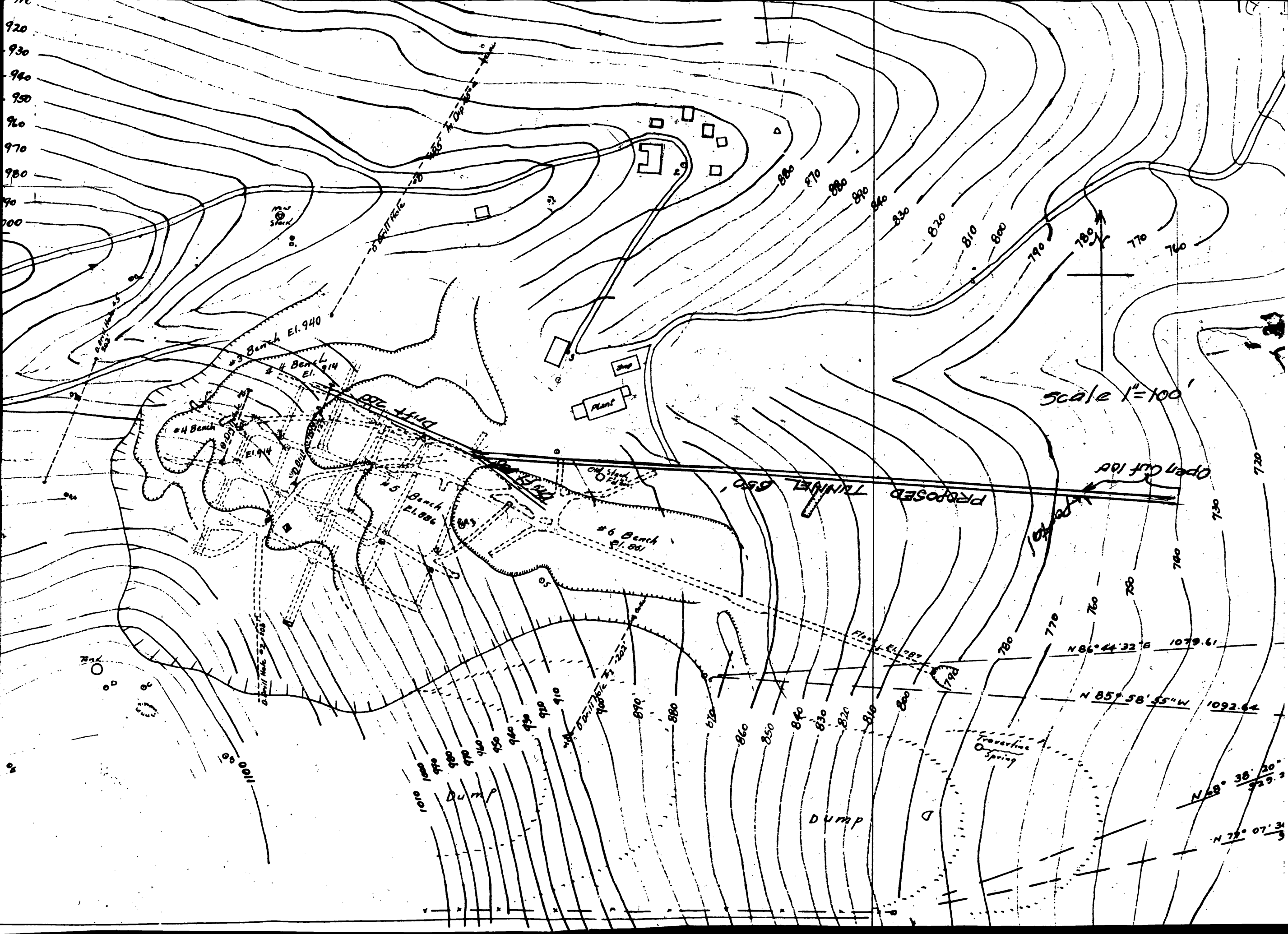
Scale 1"=100'
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PROPOSED TUNNEL 650'
Portal
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#4 Bench El. 914
#5 Bench El. 886
#6 Bench El. 861
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Plant
Dump
Dump
Travertine Spring
Tank
N 86° 44' 32" E 1079.61
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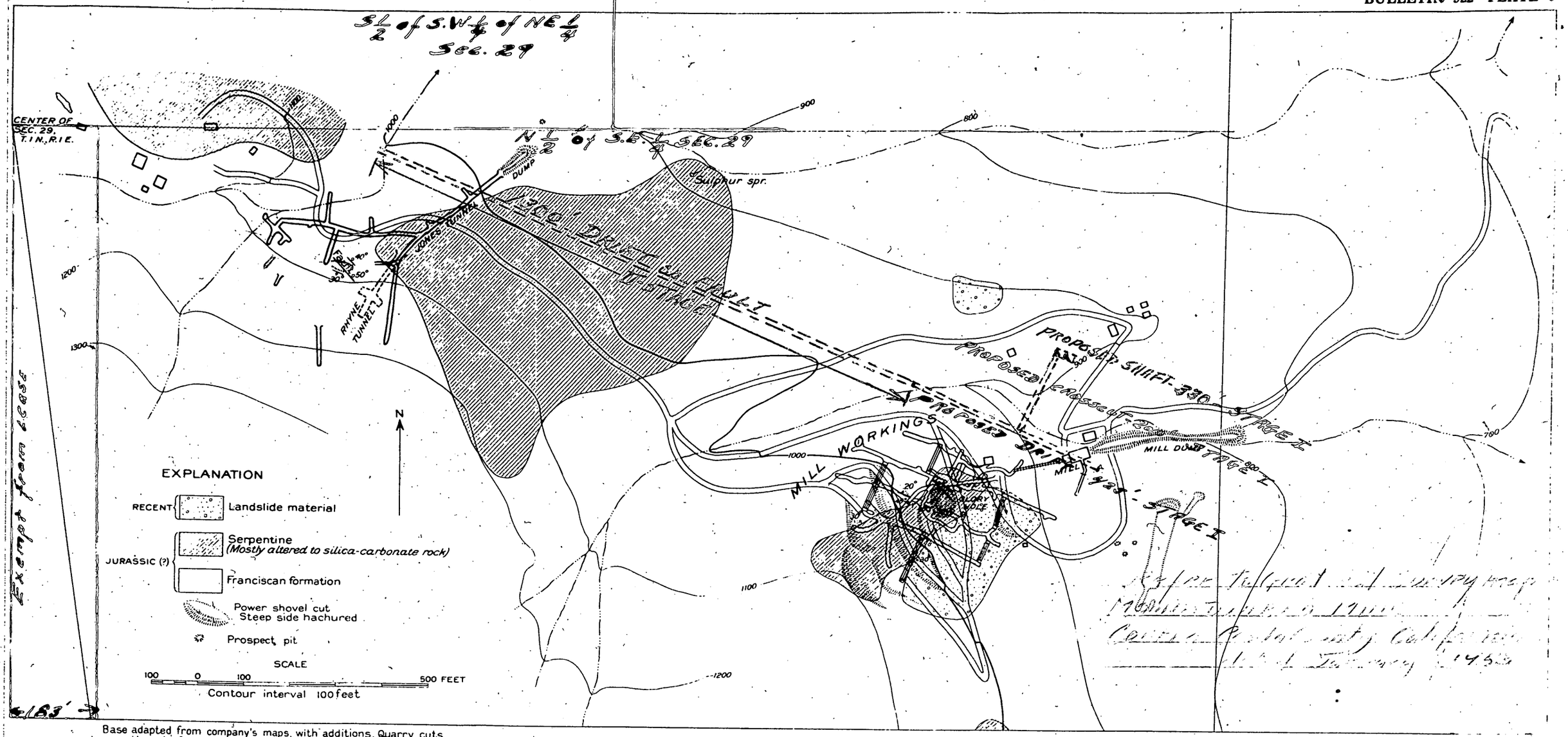

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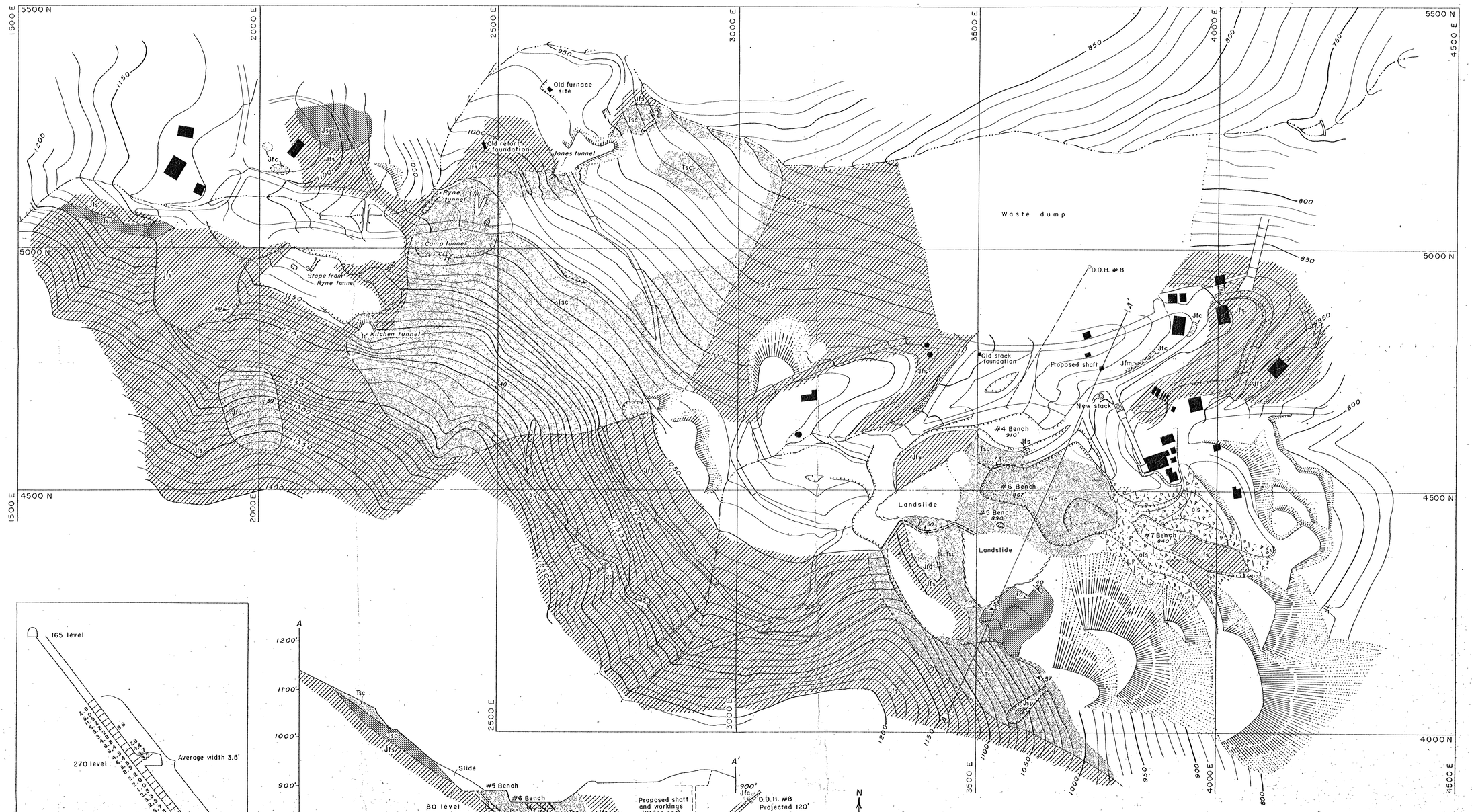
GEOLOGIC MAP OF MOUNT DIABLO MINE

Geology by C.P. Ross

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA—2448
(MERCURY)



Geology and topography by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, January 1953

EXPLANATION

QUATERNARY

- Soil cover, waste and/or overburden (geology unknown)
- ols — Old landslide material: blocky, poorly cemented, and slightly silicified

TERTIARY

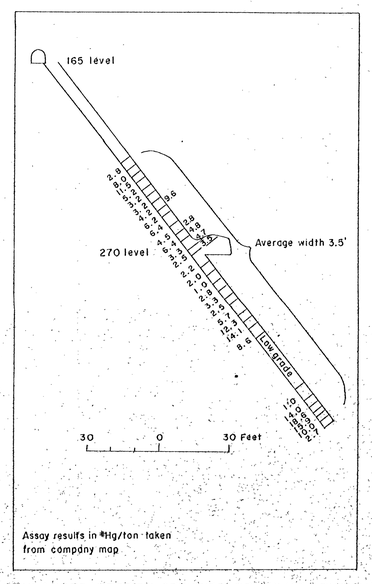
- Tsc — Silica-carbonate rock (altred serpentine) locally massive and also laminated

JURASSIC

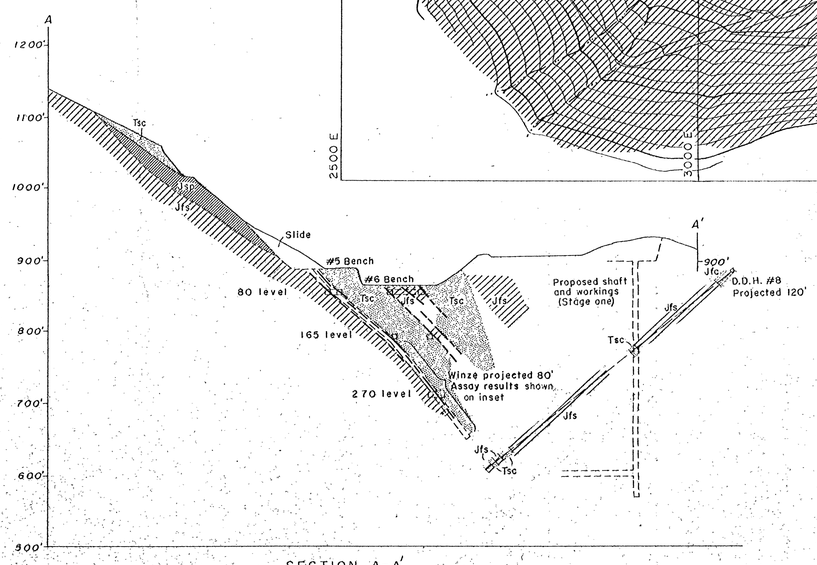
- Jsp — Sheared serpentine
- Jfm — Metamorphic rocks, including actinolite schist, amphibolite, and quartz-mica schist
- Jfc — Thin-bedded reddish chert
- Jfs — Silicified graywacke, with some calcite veinlets, and sheared black shales with inclusions of graywacke, serpentine, and chert (locally pyritized)

Franciscan group

- 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



ENLARGED SECTION OF WINZE BELOW 165 LEVEL



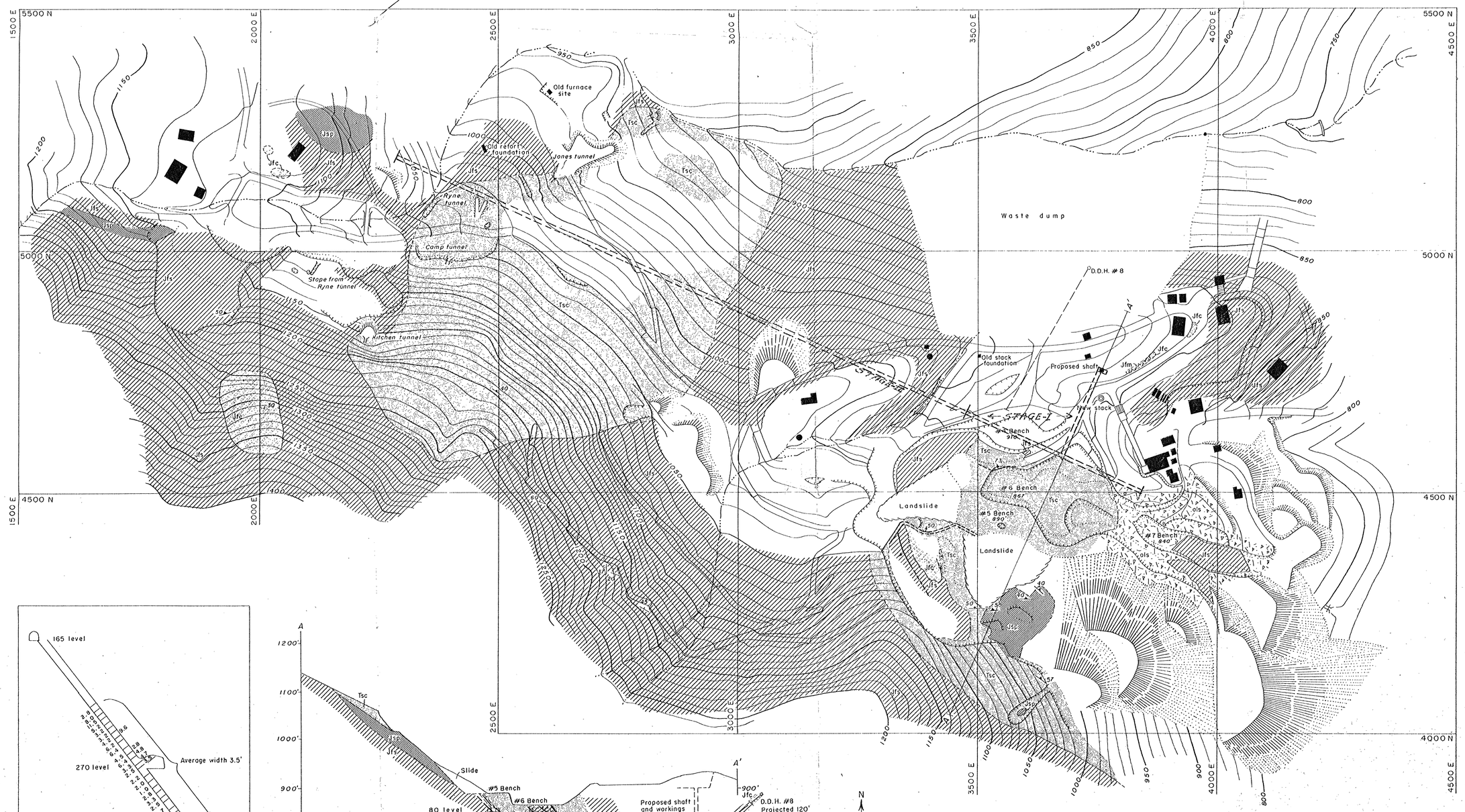
SECTION A–A'

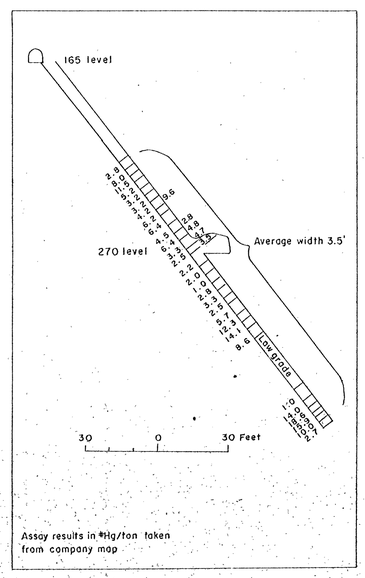
MOUNT DIABLO MINE, CONTRA COSTA COUNTY, CALIFORNIA

100 0 100 200 300 Feet
Contour interval 10 feet
Datum is mean sea level

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA—2448
(MERCURY)





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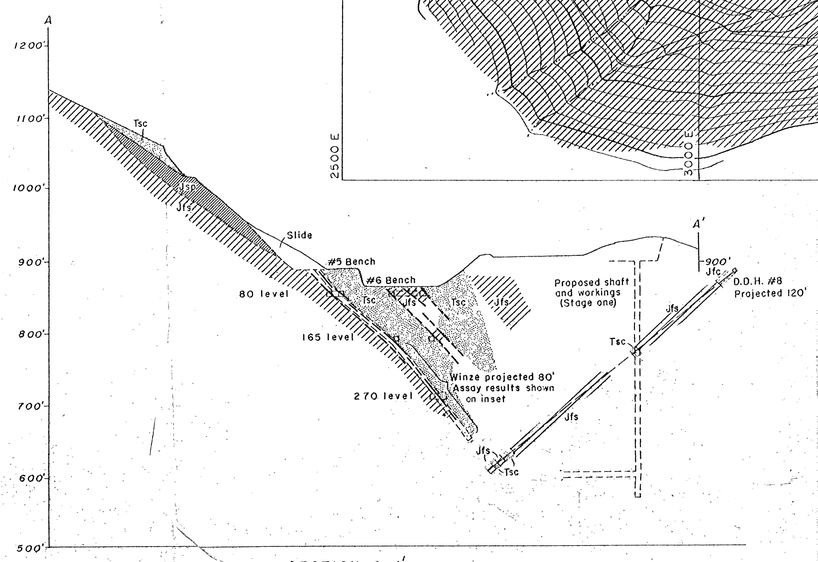

SECTION A–A'

N

Geology and topography by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, January 1953

EXPLANATION

QUATERNARY

- Soil cover, waste and/or overburden (geology unknown)
- ols — Old landslide material: blocky, poorly cemented, and slightly silicified

TERTIARY

- Tsc — Silica-carbonate rock (altred serpentine) locally massive and also laminated

JURASSIC

- Jsp — Sheared serpentine
- Franciscan group
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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

MOUNT DIABLO MINE, CONTRA COSTA COUNTY, CALIFORNIA

100 0 100 200 300 Feet

Contour interval 10 feet
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UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

OMEA-2448
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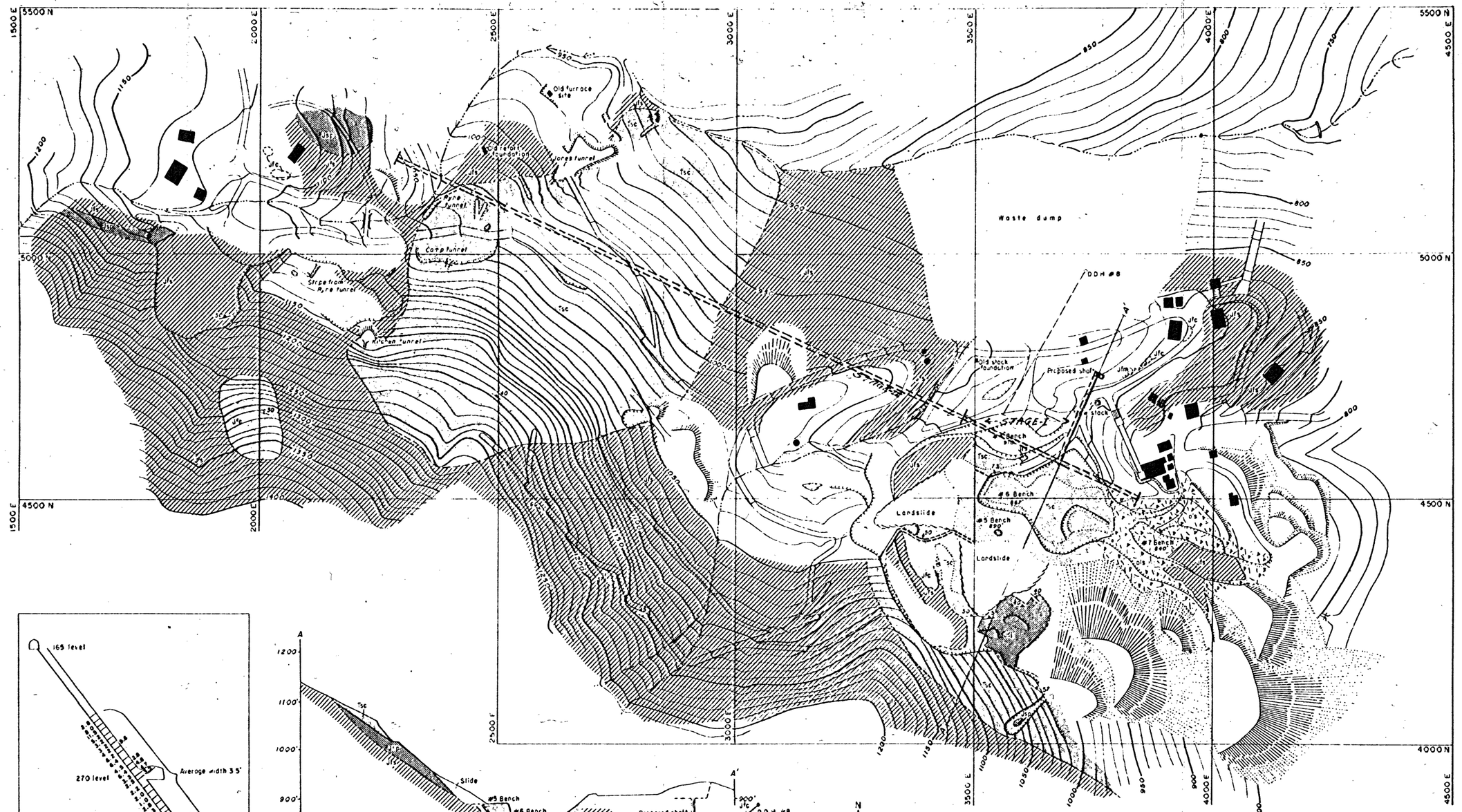

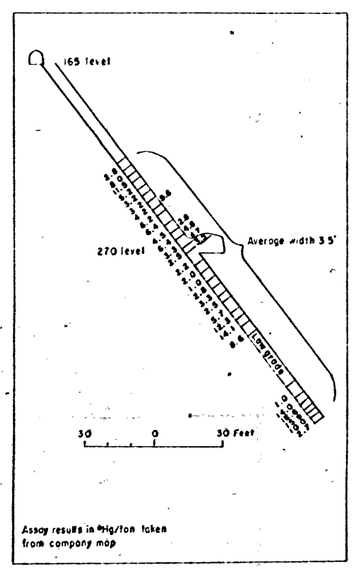

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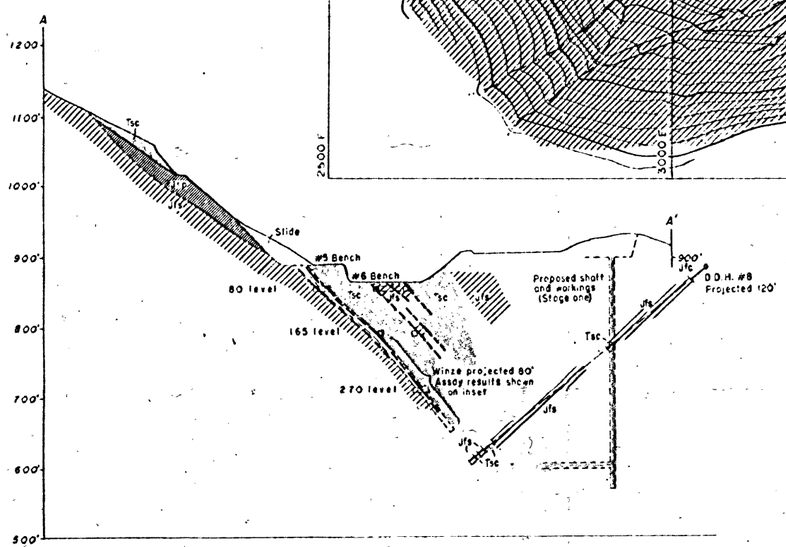

SECTION A-A'

N

EXPLANATION

QUATERNARY

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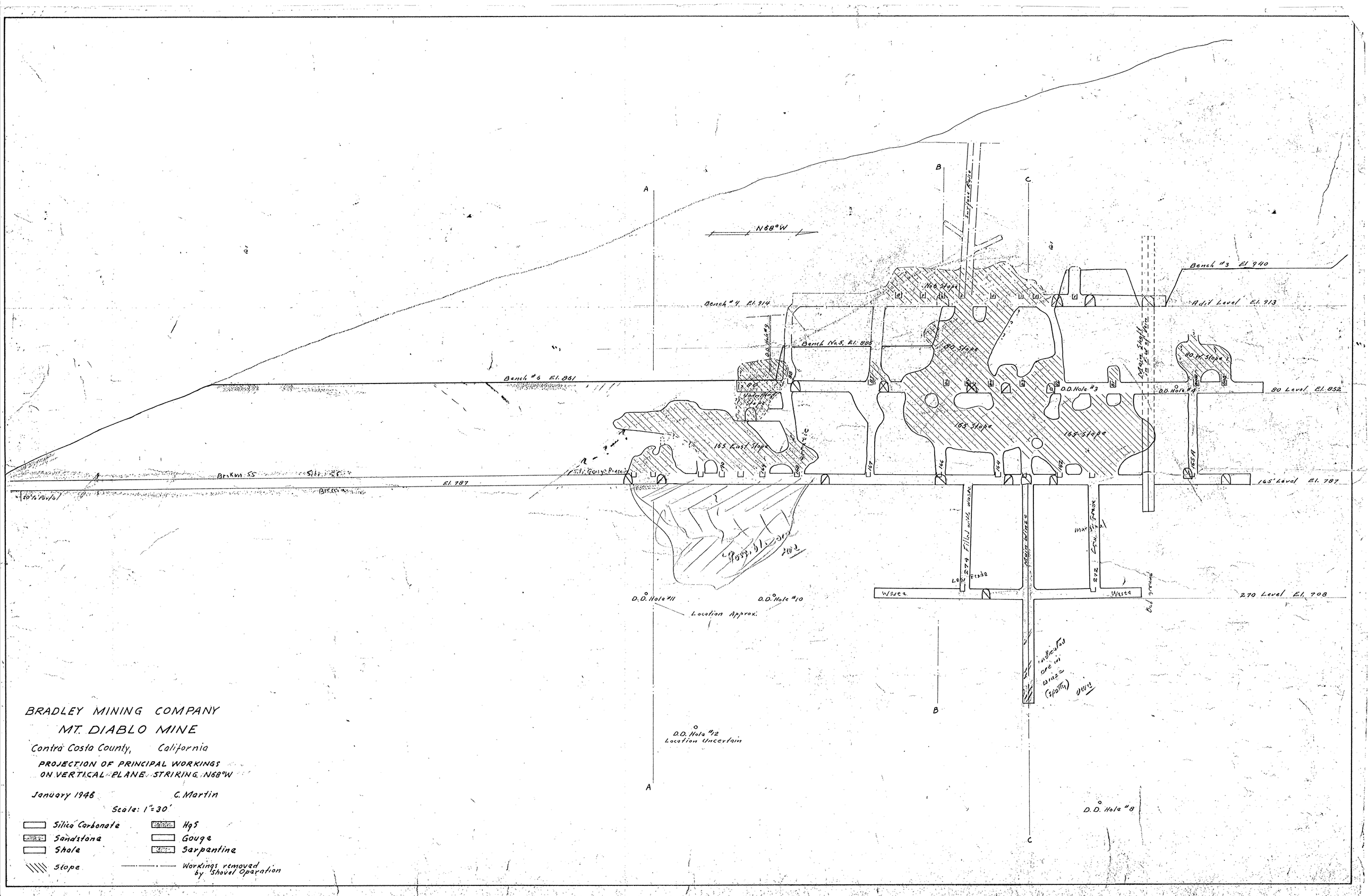
Geology and topography by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, January 1953

MOUNT DIABLO MINE, CONTRA COSTA COUNTY, CALIFORNIA

100 0 100 200 300 Feet

Contour interval 10 feet
Datum is mean sea level

BRADLEY MINING COMPANY
MT DIABLO MINE
Contra Costa County, California
GEOLOGY of 165' LEVEL
January 1946
C. Martin
Scale: 1" = 30'
Silica Carbonate
Sandstone
Shale
HgS
Gouge
HgS
165 LEVEL EL. 787
165 Level El. 187
4600 N
4400 N
4200 N
3500 E
3700 E
3900 E
4100 E
Main Shaft
Main Winze
Raise
Caved
Square set Stope
Fracture Zone
Heavy Ground
Fracture
In Stope 45° up



BRADLEY MINING COMPANY

MT. DIABLO MINE

Contra Costa County, California

PROJECTION OF PRINCIPAL WORKINGS ON VERTICAL PLANE STRIKING N68°W

January 1946 C. Martin

Scale: 1" = 30'

- Silica Carbonate
- Sandstone
- Shale
- Slope
- HgS
- Gouge
- Serpentine
- Workings removed by Shovel Operation

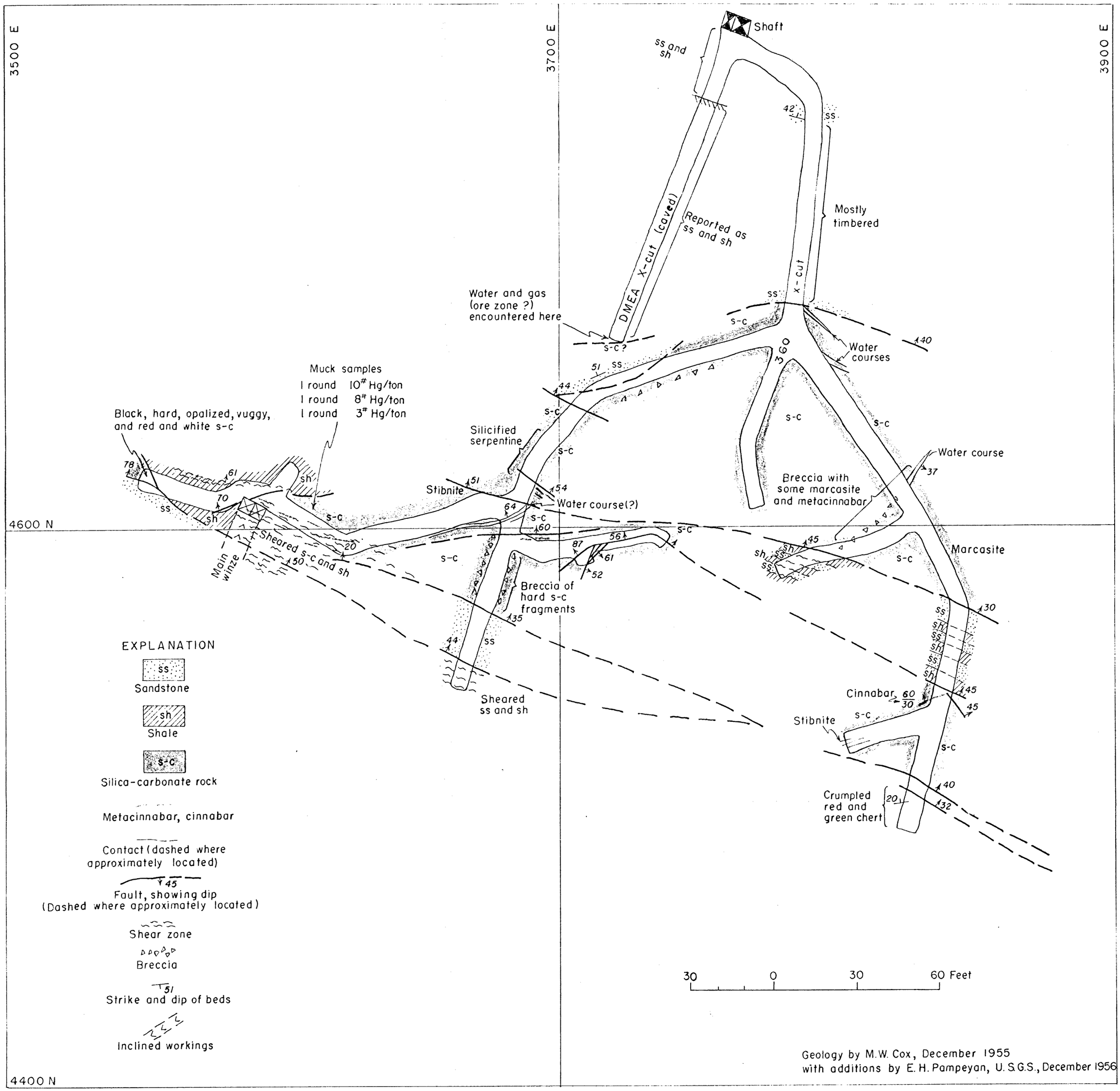
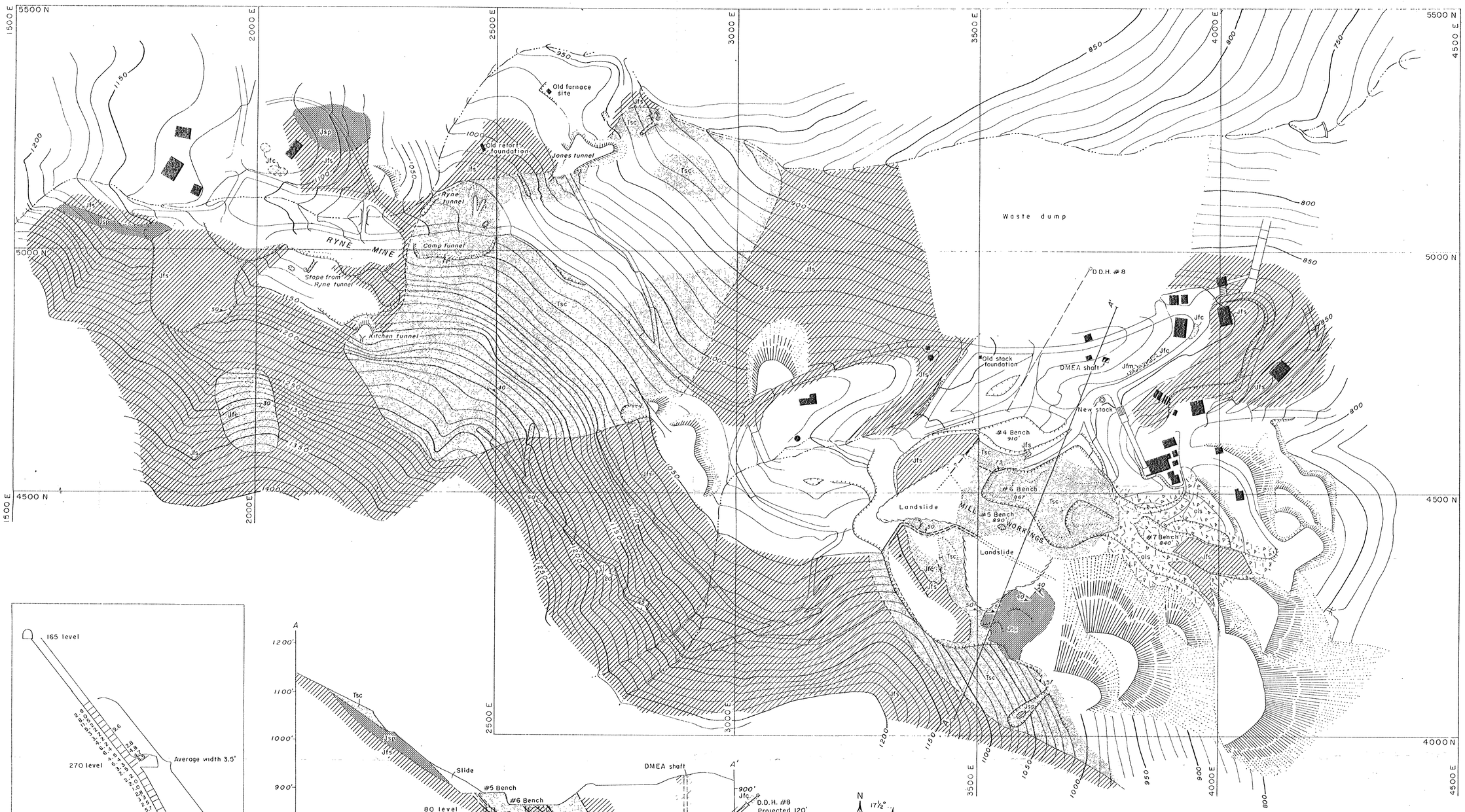


Figure 3. GEOLOGIC PLAN OF 360 LEVEL, MT DIABLO QUICKSILVER MINE
CONTRA COSTA COUNTY, CALIFORNIA

UNITED STATES DEPARTMEN OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA 2448
Idm E-544
(MERCURY)

Figure 4. COMPOSITE MAP OF MILL WORKINGS, MT DIABLO MINE
CONTRA COSTA COUNTY, CALIFORNIA



Geology and topography by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, January 1953
with revisions by E.H Pampeyan, December, 1956

EXPLANATION

QUATERNARY

- Soil cover, waste and/or overburden (geology unknown)
- ols — Old landslide material: blocky, poorly cemented, and slightly silicified

TERTIARY

- Tsc — Silica-carbonate rock (altered serpentine) locally massive and also laminated

JURASSIC

- Jsp — 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

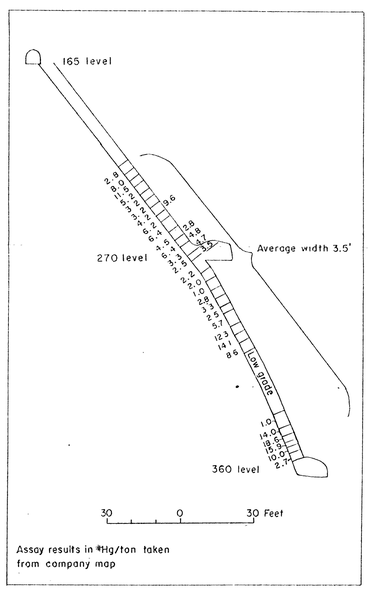
Portal of adit

Portal of caved adit

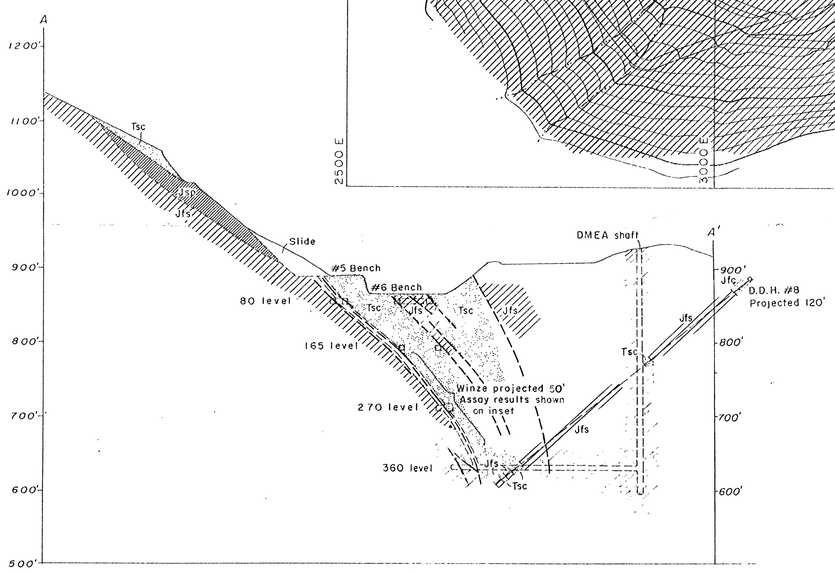
Top of cut

Bottom of cut

Dump



ENLARGED SECTION OF WINZE BELOW 165 LEVEL



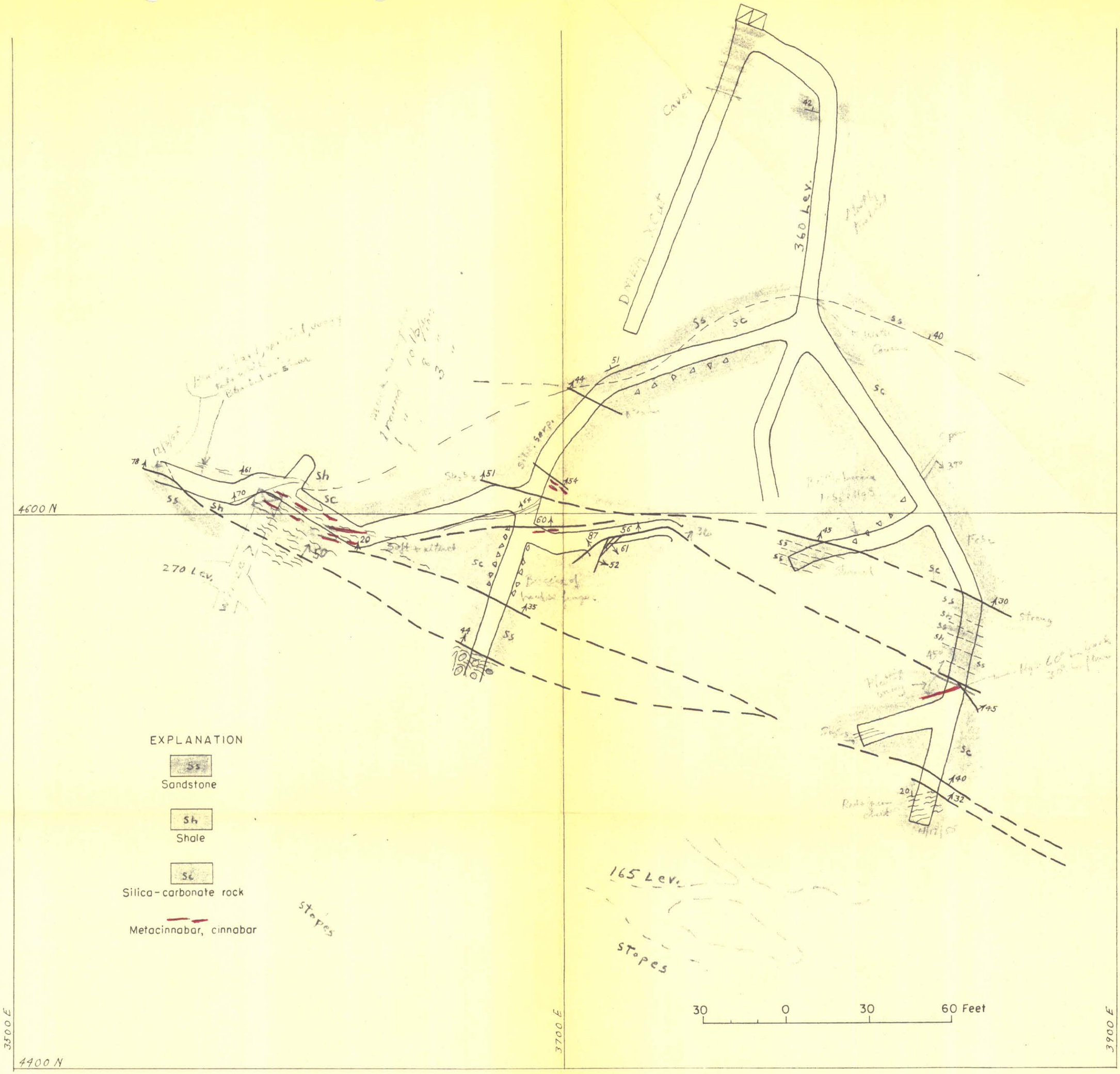
SECTION A–A'

N
17½°

MOUNT DIABLO MINE, CONTRA COSTA COUNTY, CALIFORNIA

100 0 100 200 300 Feet
Contour interval 10 feet
Datum is mean sea level

Figure 2



MT DIABLO QUICKSILVER MINE

GEOLOGIC PLAN OF 360 LEVEL (620' ELEV.)

Geology by H. Wilson.
Compiled by E. Dwight Wheeler. Dec 5, 1955