Government's 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 2.924 chains; thence leaving said line and running in a northerly direction a distance of 20.23 chains; thence westerly to the point of beginning.

all as referred to and which is the subject of an Exploration Project Contract dated June 5, 1953, No. Idm-E544, 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. Jonas 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 Jonas 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 10 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 ($1\frac{1}{2}$) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half ($\frac{1}{2}$) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.
>
> (For instance: the royalty on an amount of five dollars ($5.00) per ton would be one and one-half ($1\frac{1}{2}$) percent; on an amount of ten dollars ($10.00) per ton, three and one-half ($3\frac{1}{2}$) percent.)

(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 Jonas 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]

Operator's 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:
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> 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.

all as referred to and which is the subject of an Exploration Project Contract dated June 5, 1953, No. Idm-E544, 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. Jonas and JohmeE. 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 Jonas 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 10 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.

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> (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 Jonas 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]

Division 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:
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> 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-2544, Docket No. DMEA-2448, between Rennie B. Smith et al., and the Government, assigned by said Smith et al. under date of January 20, 1954, to John L. Jonas 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 Jonas 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 10 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.
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> (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

CORRERO 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/

S. H. Williston's 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:
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all as referred to and which is the subject of an Exploration Project Contract dated June 5, 1953, No. Idm-E544, 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. Jonas 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 Jonas 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 1$ 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.

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> (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 Jonas 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

CORNERO 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]

Finance Office 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 2.924 chains; thence leaving said line and running in a northerly direction a distance of 20.23 chains; thence westerly to the point of beginning.

all as referred to and which is the subject of an Exploration Project Contract dated June 5, 1953, No. Idm-2544, Docket No. DMEA-2448, between Rennie B. Smith et al., and the Government, assigned by said Smith et al. under date of January 20, 1954, to John L. Jonas 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 Jonas 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 10 years from the date of this Contract, or until the sum of $85,000 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 Jonas 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]

Docket 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-5544, Docket No. DMEA-9448, between Ronnie B. Smith et al., and the Government, assigned by said Smith et al. under date of January 20, 1954, to John L. Jonas 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 Jonas 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 10 years from the date of this Contract, or until the sum of $85,000 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 therefore 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]

Omea 2448 Adm-E544

Contract 6/5/53
Assignment 1/20/54

Amend #1 7-14-53
" #2 4-22-54
" #3 11-19-54

Termination Agreement
1/30/56 Rec. 2/4/57

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.

EXTRA COPY DMEA RECEIVED FEB 4 1957		
DATE	INITIALS	CODE
2/5	C	220
2/5	WSM	400

Termination agreement

Division copy

EXTRA COPY DMEA RECEIVED FEB 4 1957		
DATE	INITIALS	CODE

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. Jones and John E. Johnson, a partnership (Assignees of Bennie B. Smith, June Harper, and James F. Bennigan), hereinafter called the "Operator," parties to that certain Exploration Project Contract Idm-8344 (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

Indritz 11/26/56
Dlewyn
McMahon
Talbut
Selfridge

By C. Mattison
Administrator, Defense Minerals Exploration Administration

John L. Jones
John L. Jones

John E. Johnson
John E. Johnson

12/21/54 gla

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

420 Custom House
555 Battery Street
San Francisco 11, 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. 1dm-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

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, WSL
George Mayor

#3

Division 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 Selfridge Ellis

AMENDMENT NO. 3

Docket No. [illegible] Mineral [illegible]

Exploration Project Contract [illegible]

Date of Contract [illegible]

Date of Amendment [illegible]

Operator [illegible]

JUSTIFICATION

Adjustment was necessary so that payment could be made according to the terms [illegible] 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 [illegible] approval of the Government.

S. Ricker, Executive Officer
DMEA Field Team, Region III

6/14/54 gla

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

420 Custom House
555 Battery Street
San Francisco 11, 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
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

Division copy

EXPLORATION PROJECT CONTRACT
JOHN L. JONES 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. Jones and John E. Johnson, that Contract Idm-2544 (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*3/

2. In Item (2) Labor, Supervision, Consultants, delete the item for consultant, and the total "$3,500," and substitute the following:

1 Consultant @ $500.00/mo.*, 7 mos.*2/	$ 3,500.00*	
Labor for unwatering shaft and crosscut and rehabilitating both - 10 men @ $16.00/day each for 27 days	4,320.00*	
		$7,820.00*

3. In Item (3) Operating Materials and Supplies, delete the word "None" and add:

3/ See first page. Footnotes indicated 1/ and 2/ refer to footnotes in Original Contract.

Power for unwatering, 27 days @ $14.00/day	$ 378.00	
Material and supplies for unwatering mine	302.00	$ 680.00*

4. In Item (4) Operating Equipment, under the heading "To be furnished by Operator, when needed, at no cost to the project," add:

   1 pump for unwatering mine Cost?

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

Porter
Hofflund
Chandler

John L. Jonas
JOHN L. JONAS

John E Johnson
JOHN E. JOHNSON

Bureau Mines
RECEIVED
JUN 14 1954

AMENDMENT NO. 2

Docket No. DMEA-2448 Mineral Mercury

Exploration Project Contract Idm-E544

Date of Contract June 5, 1953

Date of Amendment April 22, 1954

Operator Jonas and Johnson

JUSTIFICATION

To amend the contract to permit the operator to unwater the mine workings under the contract this amendment was prepared. Inflow of water on February 18, 1954, flooded the workings and stopped all exploration endeavors. Funds for unwatering the mine were taken from funds originally intended for some of the underground exploratory drifting.

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

August 14, 1953

Memorandum

To: Hazel Berry, Operating Committee

From: Grace L. Ault, Rare & Misc. Metals Division

Subject: Amendment to contract

DMEA-2448, contract Ion-E544, Ronnie B. Smith
Amendment No. 1, dated July 14, 1953

Mr. F. M. Murphy reviewed the amendment shown above, and approves of it.

Grace L. Ault

Date August 6, 1953

Engineer Mr. Murphy

DMA-2448 Ronnie B. Smith
Idn- 544

dated July 14, 1953.

Attached is amendment No. 1 / to the above contract to be reviewed.

Approval F. M. Murphy

Other action

Return to Mr. [illegible] [illegible] Process.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG - 4 1953

Div[redacted] 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. Hiller
H. C. Hiller, Executive Officer
DMEA Field Team, Region III

By Jene Harper
Jene Harper - Partner

By James P. Dunnigan
James P. Dunnigan - Partner

mdd

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
AUG - 4 1953

AMENDMENT NO. 1

Docket No. [illegible]

Mineral Mercury

Exploration Project Contract [illegible]

Date of Contract June 5, 1953

Date of Amendment July 31, 1953

Operator [illegible]

JUSTIFICATION

Land owners below the Mt. Diablo mine have instigated suit against the Bradley Interests to prevent acid water from draining on the Mt. Diablo property draining down ditches crossing their lands. Although a favorable out-of-court settlement is anticipated, Mr. [illegible] prefers not to start sinking his shaft until all legal obstacles have been removed. These, he believes will be cleared up by shortly after August 1, hence date of starting has been extended to August 15, 1953.

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

2/3/54 gla

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

Assignment

Division 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 persons described in and 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 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 20th, 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-E944, 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. Mittendorf
Administrator, Defense
Minerals Exploration
Administration

STATE OF California
City & County of San Francisco } ss
COUNTY OF

On this 4th day of January, 1953, before me, AGNES WESTRA, personally appeared RONNIE B. SMITH, known to me to be one of the co-partners of the co-partnership that executed the within instrument, and acknowledged to me that such co-partnership executed the same.

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

Agnes Westra
Notary Public
In and for said County and State.
My Commission Expires October 25, 1956

STATE OF Illinois
COUNTY OF Cook } ss.

On this 7th day of January, 1953, before me, Lorene E. Cook, 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.

Evelyn E. Gow
Notary Public
In and for said County and State.

My Comm. Expires 5/27/55

STATE OF Mich.
COUNTY OF Ogemaw } ss.

On this 11th day of January, 1953, 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:

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS 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. Diable 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

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

Contract

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

DOCKET DMEA 2443

COMMODITY Mercury

UNITED STATES OF AMERICA Division Copy
DEPARTMENT OF THE INTERIOR IDM-E 544
DEFENSE MINERALS EXPLORATION ADMINISTRATION

EXPLORATION PROJECT CONTRACT[1]

IT IS AGREED this 5th day of June, 1953, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and[2] Ronnie B. Smith, Tower Petroleum Bldg., Dallas, Texas, Jene Harper, c/o Franklin Supply Co., Chicago, Illinois, and James F. Dunnigan, Chicago, Illinois - Partners

hereinafter called the "Operator," as follows: and as set forth in Annex I and Annex III.

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

ARTICLE 2. *Operator's property rights.*—With respect to that certain land situated in the State of California, County of Contra Costa, described as follows:[3] The N½ of the 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. 1060), except for area described in Annex II and shown on map attached hereto, made a part hereof, and entitled U.S.G.S. Bulletin 922-Plate 6, DMEA-2443,

the Operator represents and undertakes:[4]

(*a*) [redacted]

(*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 1 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 amount to be paid to the independent contractor, and such estimates shall be allowable maximums above which the provisions of the contract [illegible] provisions of any such [illegible] the Government will participate under the independent contract [illegible] respective interests [illegible] and that conforms [illegible] the estimated total cost of the [redacted] contract [illegible] the unit prices for the work pay as provided in the exploration project contract.
shall have the effect of inc[illegible]
which the Governme[illegible] *consultants.*—Labor, supervision and technical services (including engineering and geological [illegible]edule of which is included in the estimate of costs set forth in Exhibit "A." The requirements and related

(2) *Labor,* for supervision and technical services are allowable maximums.
consulta[illegible]
estim(3) *Operating materials and supplies.*—Necessary materials and supplies including items of equipment costing less than $[illegible]00.00 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 [illegible] allowable depreciation, are allowable maximums.

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

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

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

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

[1] If sufficient space is not provided in any blank, use an extra sheet of paper and refer to it in the blank.
[2] State name, address, and nature of organization if any.
[3] Give legal description or enough to identify the property, particularly excluding any land or interest therein to which the Government's lien is not to attach or the production from which is not to be subject to the Government's percentage royalty.
[4] Strike out the provision not applicable.
[5] Name of mineral or minerals.

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

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

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

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

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

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

ARTICLE 8. *Payments by the Government.*—(*a*) The Government will pay [illegible] percent of the allowable costs incurred, as they accrue, in an aggregate total amount not in excess of $[illegible], which is [illegible] percent of $[illegible], the agreed, estimated total cost of the project in which the Government will participate; *Provided,* that until the Operator's final report and final accounting have been rendered to the Government, and any final auditing required by the Government has been made, and a final settlement of the contract has been made, the Government may withhold from the last voucher or vouchers such sums as it sees fit not in excess of ten (10) percent of the maximum total which the Government might have been called upon to pay under the terms of the contract.

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

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

(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 Gov- [illegible] inal accounting of his operations [illegible] share of any money remaining.

[illegible] No such independent contract [illegible] necessary. [illegible]

Executed in sextuplicate the day and year first above written.

Partner

Partner

(Operator)

By Partner

THE UNITED STATES OF AMERICA

By

Administrator, Defense Minerals Exploration Administration

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

[CORPORATE SEAL]

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
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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 ___

The following provisions are in lieu of all of paragraph (a) of Article ___ 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

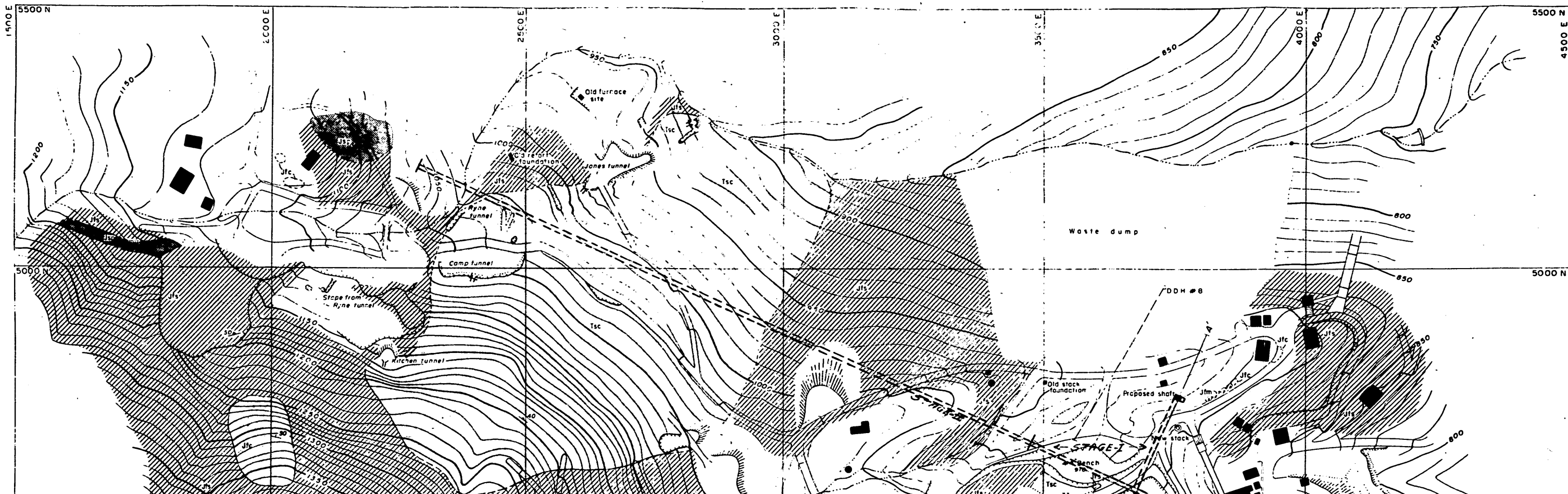
None

* * * * * *

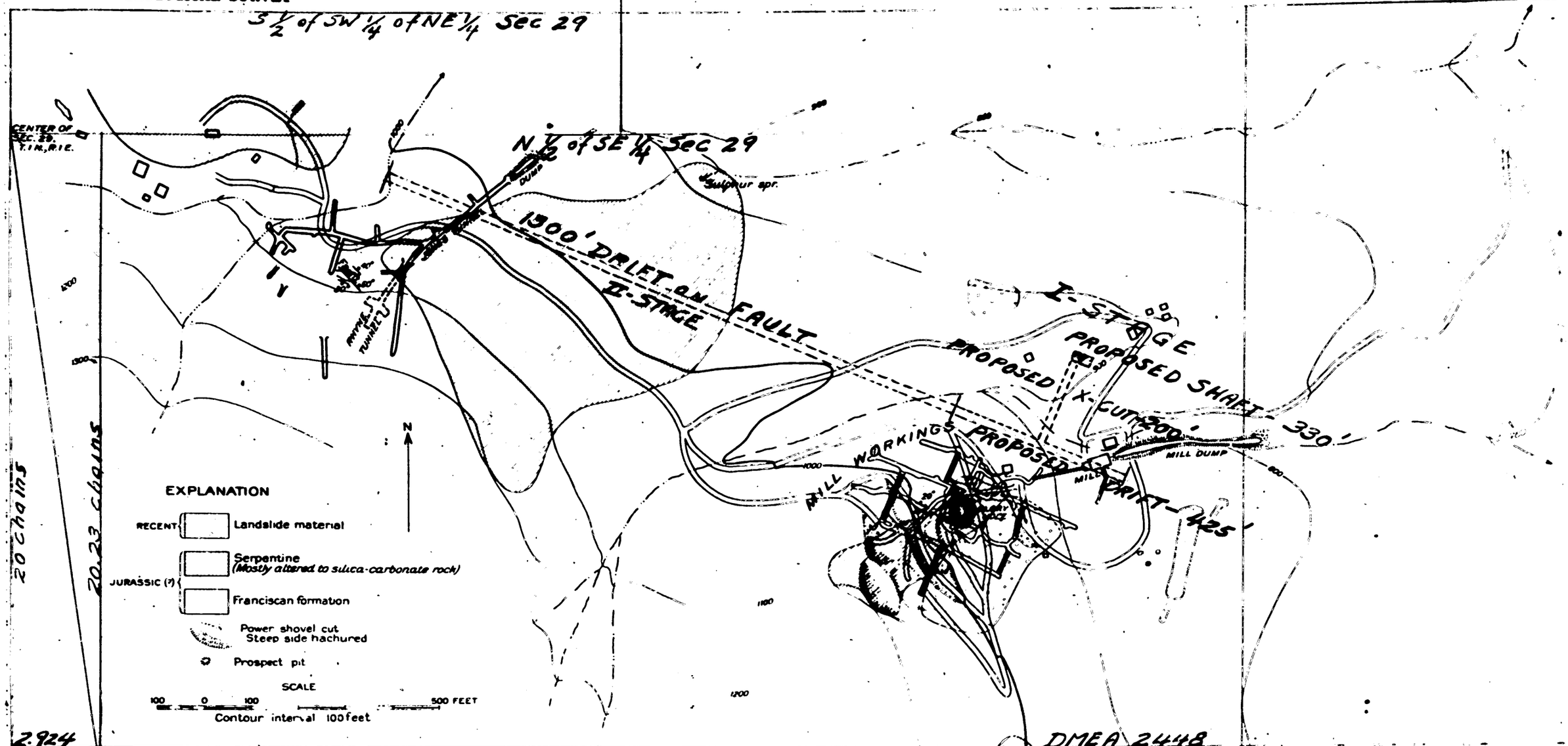
Total Estimated Cost of Project	$73,571.00*
Government Participation @ 75%	$55,178.25*

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA-2446
(MERCURY)



Science & Industry Library



Base adapted from company's maps, with additions Quarry cuts southwest of mill from plane-table survey by C P Ross and James Pollock

Geology by C P Ross

GEOLOGIC MAP OF MOUNT DIABLO MINE

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.

MF-203

OWNER'S CONSENT TO LIEN

WHEREAS, the undersigned, as owner, co-owner, lessor, or seller has an interest in certain property in the State of CALIFORNIA, County of CONTRA COSTA, described ~~xx~~ ~~xfollows~~ 1/

in a lease dated September 12, 1951, and recorded in book 1848, page 355 official records of said county

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

2/ Ronnie Smith, Trustee

hereinafter called the "Operator"; and

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

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

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

2. To secure the payment to the Government of the percentage royalty on production 3/ provided for under the terms of said exploration project contract, or any amendment thereof which does not increase the maximum amount of the Government's claim here stated or alter the provisions for repayment, there is hereby granted to the Government a lien upon the land herein described and upon any production of minerals therefrom, until the royalty claim is fully paid in the amount of the Government's contribution, not in excess of 4/$ 135,000.00, or ten years have elapsed from the date of the contract.

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

Dated this 22nd day of April, 1953.

MT. DIABLO QUICKSILVER CO., LTD [Seal]

Vic Blomberg [Seal] President

Thos W [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.