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

FEB 16 1955.

Memorandum

To: The Administrator, DMEA

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jonas and Johnson (Mercury)
Contract No. Idm-E544

I do not approve a proposed letter for your signature to Mr. Vic Blomberg, President, Mt. Diablo Quicksilver Co., Ltd., which was received here on February 15 on a routing slip dated February 14. In this connection, reference is made to my memorandum to you of February 8, in which I indicate that in my opinion the proper course to pursue is to issue a certification of discovery or development, unless you think that as a matter of policy no such certification should be made in the absence of a discovery.

We do not really know that Jonas and Johnson have abandoned this project, and certification should not be rejected merely because the royalty claim may be defeated by the abandonment of the project by the Operator. Possible defenses to the Government's claim for royalty are not in themselves necessarily determinative over the question of whether certification should be made. As previously indicated, any agreement that could be made with the landowner or a new operator respecting the Government's claim for royalty could be made with better grace after than before certification.

If you feel that certification should be avoided and that in lieu thereof an attempt should be made to procure an agreement for royalty from Mt. Diablo, I think that any such agreement should be made subject to the approval of the GAO. The situation is not quite the same in this respect as the agreement previously proposed with Cordero Mining Co., because that agreement would have transferred the royalty obligation to an entirely new party of undoubted financial responsibility. Should the project be taken over by some new operator it may be that the Government at any time could enter into some such settlement agreement as has been suggested to firm-up its royalty rights.

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 2/16/55

REFERRED TO:

1. ~~Solicitor's Docket Rm.~~
2. ~~DMEA Docket Rm.~~
3. ~~F. E. Johnson~~
4. Mr. Chief

FOR:

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

Hold

REMARKS: We better have a conference on this with Hofflund, Chambers & Chief before Millis goes to Comm. in.

Check (X) before the items needing attention.

JLHofflund/emd

Initials of sender.

GPO 16—63815-1

In view of the failure of GAO auditors to understand our program, as indicated by their recent draft-report and our reply thereto, it seems preferable to me not to present unnecessarily to GAO at this time a question involving the complex considerations arising out of certification, abandonment of the project by the operator, and the Government's royalty rights incident thereto.

J. L. Hoffland
Acting Assistant Solicitor
Defense Minerals

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

FEB 16 1955

Memorandum

To: The Administrator, DMEA

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jonas and Johnson (Mercury) Contract No. Idm-2544

I do not approve a proposed letter for your signature to Mr. Vic Blomberg, President, Mt. Diablo Quicksilver Co., Ltd., which was received here on February 15 on a routing slip dated February 14. In this connection, reference is made to my memorandum to you of February 8, in which I indicate that in my opinion the proper course to pursue is to issue a certification of discovery or development, unless you think that as a matter of policy no such certification should be made in the absence of a discovery.

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J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

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

FEB 18 1955

Memorandum

To: The Administrator, DMEA

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jonas and Johnson (Mercury) Contract No. Idm-2544

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DMEA Docket

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[J. L. Hofflund]

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

JLHofflund/emd

Copy to: DMEA Docket
Solicitor's Docket
E. W. Ellis (2)
J. L. Hofflund
chron.

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

FEB 16 1955.

Memorandum

To: The Administrator, DMEA

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jones and Johnson (Mercury)
Contract No. Idm-2544

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E. N. Ellis (2)

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J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

JLHofflund/emd

Copy to: DMRA Docket
Solicitor's Docket
R. W. Ellis (2)
J. L. Hofflund
chron.

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

FEB 16 1955

Memorandum

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From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jonas and Johnson (Mercury)
Contract No. Idm-2544

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J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

JLHofflund/emd

Copy to: DMEA Docket
Solicitor's Docket
E. W. Ellis (2)
J. L. Hofflund
chron.

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

RECEIVED
MAY 28 1956

AUDIT CERTIFICATE

I have examined the records and transactions of:

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

pertaining to Exploration Project Contract No. Idm-5544, Docket No. DMEA-2448, dated June 5, 1953, including Amendments Nos. 1 and 2, covering a project for the exploration of mercury, on property known as the Mt. Diablo Quicksilver Mine, located in Contra Costa County, California, for the period August 13, 1953 to March 31, 1954, inclusive, and subsequent agreed salvage value covering disposition and settlement of project property.

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

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

Total cost as billed by contractor		$53,330.59
Exceptions (see Audit Report for details):		
During this audit	$6,009.79	
Less: Additional costs allowed by this audit	19.24	5,990.55
Total Accepted Cost		$47,340.04
Less: Salvage value of project property		3,000.00
Net Total Accepted Cost		$44,340.04

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Thirty Three Thousand Two Hundred Fifty Five and 3/100 Dollars:

$33,255.03

is valid and proper.

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

May 18, 1956

George Mayer
George Mayer, Auditor

AUDIT REPORT

I. INTRODUCTION

On March 26, 27 and 28, 1956, a final audit (covering operations for the period of August 15, 1953 to March 31, 1954) was made of the records and transactions pertaining to Exploration Project Contract No. I&m-M544, Docket No. DMEA-2448, dated June 5, 1953, including Amendments Nos. 1 and 2, with:

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

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

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

	R. B. Smith 8-15-53 to 10-31-53	Jonas & Johnson 11-1-53 to 1-31-54	Total 8-15-53 to 1-31-54
Sinking	$14,180.40	$25,815.60	$39,996.00
Crosscutting	--0--	1,720.00	1,720.00
Supervision	1,250.00	1,500.00	2,750.00
Equipment Purchased	2,250.00	--0--	2,250.00
New Bldgs., Improvements, etc.	2,000.00	--0--	2,000.00
Total Costs Claimed	$19,680.40	$29,035.60	$48,716.00
75% Paid by Government	$14,760.30	$21,776.70	$36,537.00

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

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

For period August 15 to October 31, 1953

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

For period November 1, 1953 to March 31, 1954

Jones and Johnson, assignees
Burlingame, California

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

II GENERAL INFORMATION ON RECORDS

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

III SCOPE OF AUDIT

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

Ronnie B. Smith 8-15-53 to 10-31-53		
Costs determined by 1st Interim Audit Report		$17,164.32
Jones and Johnson - Revised Claim		
as set forth in the following Schedules		
Schedules 1 to 6 Inclu. 11-1-53 to 2-28-54	$34,414.30	
Schedules 1 & 2 - Month of March 1954	1,751.27	
Total Revised Claim	$36,165.57	
Less: Audit Disallowances	5,990.55	30,175.72
Total Accepted Costs		$47,340.04
Less: Salvage value of Project Property		3,000.00
Net Total Accepted Cost		$44,340.04

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

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

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

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

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

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

(1) Independent Contracts $18,800.00

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

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

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

(2) Labor and Supervision $8,718.19

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

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

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

March 1954 Schedule No. 1	Net	Gross	Add'l Amt. Allowed
Line 6 Howard Castle	$40.72	$46.00	$ 5.28
Line 7 Melvin Brunner	40.36	48.00	7.64
Line 8 George Bartene	43.02	46.00	2.98
Line 9 Hunter Barkley	21.38	24.00	2.62
Line 10 Guy Castle	23.28	24.00	.72
Totals	$168.76	$188.00	$19.24

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

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

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

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

(3) Operating Materials and Supplies $11,429.22

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

	L. B. Smith	Jonas & Johnson	Jonas & Johnson Disallowances	Net Total
Timber	$1,781.13	$3,254.44		$5,035.57
Pipe	453.95	1,343.22		1,797.17
Track	208.67	276.38		485.05
Sub-Total	$2,443.75	$4,874.04	- 0 -	$7,317.79
Miscellaneous				
Power - Electricity	121.27	769.48	295.50	595.25
Ventube	105.75	320.85		426.60
Gas, Diesel & Lub. Oils	133.87	252.28		386.15
1 Die Set	90.75			90.75
Bar Steel	303.56	50.64		354.20
Concrete Mix	174.89			174.89
Drill Steel	53.10			53.10
Electric Switches	37.50			37.50

Oxygene & acetylene	22.78	33.51	15.54	40.75
1000' Rubber Hose		67.30		67.30
Hanging Rods		153.08		153.08
350' Electric Cable		216.30		216.30
2 Stainless Steel Valves		214.50		214.50
Shovels, Picks, Nails, etc.	322.66	801.56	42.59	1,121.63
Freight	89.60			89.60
Sealing Material	738.80	1,680.60	849.59	1,569.81
Material Inventory				
Purchased from R.B. Smith		1,250.00	1,250.00	
Total Misc. Material	$2,154.33	$5,810.15	$2,657.22	$5,811.43
Total Material & Supplies	4,658.28	10,685.16	2,453.22	12,989.22
Less: Salvage Value		1,500.00		1,500.00
Net Cost Mat'l & Supplies	$4,658.28	$ 9,185.16	$2,453.22	$11,489.22

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

The above disallowances in amount of $2,453.22 are detailed below, together with reason for disallowance and reference to Jones and Johnson schedule number of their final claim.

Power - Electricity

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

Schedules - Period Ending February 28, 1954

Page 2, Line 29, Ck. No. 109	Pac. Gas & Elec. Co.	$ 52.08	
Page 3, Line 1, Ck. No. 112	Pac. Gas & Elec. Co.	59.52	
Page 3, Line 2, Ck. No. 113	Pac. Gas & Elec. Co.	20.00	
		$131.60	
Add: Elec. Power refunds by employees for 4 mos. ending Feb. 28, 1954 not included by operator		133.90	$265.50

Oxygene & Acetylene

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

Schedules - Period Ending February 28, 1954

Page 2, Line 30, Ck. No. 111	Balmen Bros.	$3.66	
Page 3, Line 3, Ck. No. 114	Balmen Bros.	3.60	
Page 3, Line 5, Ck. No. 116	Balmen Bros.	8.28	$15.54

Shovels, Picks, Nails & Misc.

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

	Listed As	Should Be	Difference
Page 1, Line 25, Ck. No. 24 Castle & Brunner	$1,743.50	$1,742.50	$1.00
Page 1, Total of Lumber & Timber	513.30	510.30	3.00
Page 1, Total of Equip. & Supplies incorrectly carried forward to summary page 6	1,982.74	1,982.54	(.20)
Page 1-A, Total Labor	563.85	563.85	2.00
Page 1-A, Total Equipment & Supplies	2,764.47	2,746.47	18.00
Page 2, Line 1, Ck. No. 62 Johns Manville	46.86	46.68	.18
Page 3, Total of Fuel Oils	9.30	9.80	(.50)
Page 4, Total Equipment & Supplies	1,327.92	1,329.92	(2.00)
Page 5, Line 3, Cash to Basket Shop	7.40	7.04	.36
Page 5, Line 10, Cash to Ancel Service (Invoice Missing - Disallowed)	1.73		1.73
Page 5, Line 13, Cash to Pueblo Service Co. (Invoice Missing - Disallowed)	1.00		1.00
Add: Cash purchase not listed by operator Petroleum Products Co. 2/9/54 Inv. A033775 7 Gal. Gas		1.68	(1.68)
Net Errors & Adjustments - Disallowed			$[illegible]
Page 1, Line 16, Printing name on check books			4.25

Schedules - March 1954

Page 1, Line 18, Burgess Florist Co. - Flowers	15.45
Total Miscellaneous - Shovels, Picks, Nails & Misc.	$48.59

Hauling Material

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

Schedules Period Ending February 28, 1954

Page 5, Line 17, Automobile Mileage at $.12	$312.24
Page 5, Line 18, Station Wagon Hauling at $.12	539.04
Page 5, Line 19, Auto Toll Bridge	9.15
Page 5, Line 20, Station Wagon Tolls	14.10
Page 5, Line 21, Total Phone Bills	45.87
	$[illegible]

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

Jonas personal car 4,492 mi. at $.05	$224.60		
Johnson personal car 2,602 mi. at $.05	130.10		
Bay Bridge toll charges	21.00		
Telephone - re material	45.17	420.87	498.93
Page 5, Line 25, Big Truck Mileage at $.15		273.60	
Less: Allowed 1,824 miles at $.07		127.68	145.92

Schedules - March 1954

Page 2, Line 5, Bridge Tolls		6.05	
Page 2, Line 4, Mileage Expense $.12		232.80	
		238.85	
Less: Amount agreed to by J. L. Jonas, as per March 1954 - MF-104 Voucher			
Automobile Tolls	1.25		
Station Wagon Tolls	4.30		
Jonas personal car 1,197 mi. at $.05	59.85		
Johnson personal car 411 mi. at $.05	20.55	85.95	152.90
Page 2, Line 6 Big Truck Mileage at $.15		97.20	
Less: Allowed 648 miles at $.07		45.36	51.84
Total Disallowances - Hauling Material			$849.55

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

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

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

The power charge of $595.25 covered the cost of power used in operating hoist, power saws and lights. The gross charge for power amounted to $865.28 of which a credit of $270.03 was applied covering refund of electricity used in cottages situated in mine area. The average rate of electricity consumed was $.029 per KWH. The gasoline, diesel and lubricating oil charge of $386.15 represented gasoline used in tractor and starting compressor. The allowable hauling material charges of $1,569.81 are comprised of the following items:

Paid by Ronnie B. Smith		
To Vic Blomberg, Aug, Sept, & Oct. 1953		
Rent of truck 68 da. at $6.00	$ 408.00	
Operating truck 2,040 mi. at $.07	142.80	
Personal car 2,000 mi. at $.05	100.00	
Other expenses obtaining material	88.00	$ 738.80
Charges by Jonas & Johnson Nov 1953 to Mar 1954		
Jonas personal car 5,609 mi. at $.05	$ 284.45	
Johnson personal car 3,013 mi. at $.05	150.65	
1939 International Truck 2,472 mi. at $.07	173.04	
Bay Bridge Tolls	26.55	
Telephone - re material	52.93	
Johnson - hotel and meals, on road purchasing material	143.39	831.01
Total Hauling Cost		$1,569.81

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

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

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

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

	R. B. Smith	Jonas & Johnson	Jonas & Johnson Disallowances	Net Total
Equipment Rentals	-0-	$ 750.00	$ 750.00	-0-
Equipment Purchased	$2,229.18	2,893.75	2,787.85	$2,335.68
Total Operating Equipment	$2,229.18	$3,643.75	$3,537.85	$2,335.68
Less: Salvage Value	-0-	1,200.00	-0-	1,200.00
Net Cost Operating Equip.	$2,229.18	$2,443.75	$3,537.85	$1,135.68

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

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

Equipment Rentals

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

Schedules - Period Ending Feb. 28, 1954

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

Schedules March 1954

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

Equipment Purchased

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

Schedules - Period Ending Feb. 28, 1954

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

Page 1, Line 27, Ck. No. 26 ($813.47) H. T. Neil "Skilsaw"		$ 231.97
Page 1-A, Line 20, Ck. No. 49, B. F. McDonald "Testing Gas Equipment"	$ 164.00	
Page 2, Line 9, Ck. No. 70, B. F. McDonald "Testing Gas Equipment"	237.70	401.70
Page 4, Line 4, Ck. No. 4, Kaplan Army Store "Army Stretcher"		10.87
Page 1, Line 17, Ck. No. 16, Sattlees Co. "Used Water Heater"		10.30
Page 4, Line 11, Cash Paid ($306.00) The Hot Mill "1 Hoist Cage"		206.00
Page 4, Line 29, Cash Paid ($740.54) New Penn Mines Inc. "3 Used Mine Cars"		225.00
Page 5, Line 27, "Macking Machine" purchased from The Hot Mill Operator paid $800.00 on a/c and 1 old truck valued at $850.00. Macking Machine is under water in mine		1,200.00
Page 1-A, Line 9, Ck. No. 38 Northen Bradley "1 Used Water Pump"		400.00
Total Equipment Purchased - Disallowed		$2,787.85
Total Operating Equipment - Disallowed		$1,537.85

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

	R. B. Smith	Jones & Johnson	Total
1-50 HP Hoist, Motor & Starter	$2,008.50	$ 106.50	$2,115.00
1-60" Sheave	60.00	---	60.00
750' - 5/8" Hoisting Cable	160.68	---	160.68
Total	$2,229.18	$ 106.50	$2,335.68
Less: Salvage Value	-0-	1,200.00	1,200.00
Net Cost Operating Equip.	$2,229.18	($1,093.50)	$1,135.68

In the above summary it will be noted that the salvage value of $1,200.00 has been applied against Jones and Johnson with a resultant credit of $1,093.50. This is due to the necessity of maintaining the correct distribution of costs between R. B. Smith and Jones and Johnson, also the fact that Jones and Johnson are at present responsible for the disposal of the equipment.

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

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

The equipment purchased did not exceed the allowable "maximum" of $2,575.00 as set forth in Exhibit "A" of the contract.

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

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

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

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

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

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

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

(7) Miscellaneous $2,536.95

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

	R. B. Smith	Jonas & Johnson	Jonas & Johnson Disallowance	Net Total
Repairs to Equipment	$ 556.69	$1,507.05		$2,063.74
Payroll Taxes	27.12	28.16	$ 19.32	35.96
Liability Insurance	47.14	250.00		297.14
Accounting Services	160.11	-0-		160.11
Total Miscellaneous	$ 790.06	$1,785.21	$ 19.32	$2,556.95

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

Payroll Taxes

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

Schedule - March 1954

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

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

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

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

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

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

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

The verification of payroll taxes disclosed an overcharge of $19.32, which has been disallowed in accordance with details heretofore described. The charge of $297.14 for liability insurance, included a deposit of $250.00 with the Zenith National Insurance Company under date of March 3, 1954. Attached to Policy No. N57797 is a rider which states that if the policy is cancelled, the Insurance Company shall retain the entire minimum premium of $250.00 In this connection the liability insurance was effective March 3, 1954 and on March 4, 1954, Howard Castle, a miner was killed. This unfortunate accident held the Insurance Company liable for death benefits under the terms of the policy, therefore under the circumstances the deposit of $250.00 has been accepted as a cost of the contract.

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

IV. CONCLUSIONS AND RECOMMENDATIONS

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

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

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

	Allowable Maximum	Total Costs	Balance
Independent Contracts, including work performed by Operator	$64,996.00	$38,004.36	$26,991.64
Labor, Supervision, Consultants	3,500.00	3,500.00	-0-
Purchased Equipment	2,575.00	1,135.68	1,439.32
New Bldgs., Improvements, etc	2,000.00	1,700.00	300.00

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

STATEMENT OF ACCOUNT
IDM-R544, EMRA, MT. DIABLO QUICKSILVER MINE

Ronnie B. Smith, Trustee	
Accepted Costs as determined by Final Audit for period Aug. 15, 1953 to Oct. 31, 1953	$17,164.32
Proper Government Participation (75%)	12,873.24
Paid by Government	14,760.30
Overpaid by Government	$ 1,887.06
Jones and Johnson	
Revised Claim filed for period Nov. 1, 1953 to Mar. 31, 1954	$36,166.27
Disallowed by Final Audit	5,990.55
Accepted Costs as determined by Final Audit	30,175.72
Less: Salvage Value of Project Property	3,000.00
Net Total Accepted Costs per Final Audit	27,175.72
Proper Government Participation (75%)	20,381.79
Paid by Government	21,776.70
Overpaid by Government	$ 1,394.91

Summary for Contract
Based on Accepted Costs

Accepted Costs - Bonnie B. Smith	$17,164.32
Jonas and Johnson	30,175.72
Total	$47,340.04
Less: Salvage Value of Project Property - Jonas and Johnson	3,000.00
Net Total Accepted Cost	44,340.04
Proper Government Participation (75%)	33,255.03
Paid by Government	36,537.00
Overpayment	$ 3,281.97

The final determination of the accepted costs of this contract were discussed in detail with Mr. Vic Blomberg, representing Mr. Bonnie B. Smith and Mr. John L. Jonas, representing the partnership of Jonas and Johnson, also discussions were held with Mr. S. Richar, Executive Officer, [redacted] Field Team, Region II.

George Mavor
George Mavor
Auditor

May 18, 1956

DEC - 3 1956

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

Re: Docket No. DMEA 5148 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. 14s-5944

Dear Mr. Richer:

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

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

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

Sincerely yours,

George C. Selfridge
Chairman, Operating Committee

APPROVED:

Frank D. Lamb
Director, Bureau of Mines

Thor H. Hillsgaard
Director, Geological Survey

Enclosures

ADM:SANEM/fec 11/27/56
cc w/d Docket
Code 400
Admr. Read. File
Oper. Comm.
FT. REG. II
J. W. Pennington, USBM
T. H. Hillsgaard, USGS

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

EXHIBIT "A"

AUDIT SUMMARY - (Cont'd)

Idm-E544

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

* Additional cost allowed for labor

DECLASSIFIED

EXHIBIT "A"

AUDIT SUMMARY

Idm-B544

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

6/17/54

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

INTERIM AUDIT CERTIFICATE

I have examined the records and transactions of:

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

pertaining to Exploration Project Contract No. Idm-E54h, Docket No. DMEA-2448, including Amendment No. 1, for the period of August 15, 1953 to February 28, 1954, covering a project of exploration for mercury, located in Contra Costa County, California, and commonly known as the Mt. Diablo Quicksilver Mine.

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

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

Total cost as billed by contractor		$52,296.00
Exceptions (see Audit Report for details)		
Prior to this audit	$ -0-	
During this audit	6,629.02	6,629.02
Total accepted cost		$45,666.98

The contract calls for a 75 percent participation of exploration expenses by the United States Government. Therefore, payment to the contractor by the Government in the amount of Thirty Four Thousand Two Hundred Fifty and 24/100 Dollars

$34,250.24

is valid and proper.

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

George Mavor
George Mavor
Auditor

June 7, 1954

I INTRODUCTION

During the period April 26 to 30, 1954, an interim audit (covering operations for the period August 15, 1953 to February 28,1954) was made of the records and accounts pertaining to Exploration Project Contract No. Idm-E544, Docket No. DMEA-2448, including Amendment No. 1, with:

John L. Jonas and John E. Johnson, Co-Partners
Assignees
for Ronnie B. Smith
166 Los Robles Drive
Burlingame, California

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

This contract was prepared on a long form contract and was reimbursable on a cost basis, however, due to a misinterpretation of the contract, the sinking and crosscutting were claimed and paid on a unit rate basis from August 15, 1953 to January 31, 1954. The MF-104 for the month of February 1954 in amount of $3,580.00 remains unpaid pending the completion of this audit on a cost basis. The total accumulated costs reported on Form MF-104 to February 28, 1954, were as follows:

Sinking 330 ft. at $121.20 per ft.	$ 39,996.00
Crosscutting 120 ft. at $40.00 per ft.	4,800.00
Supervision	3,250.00
Equipment Purchased	2,250.00
New Bldgs., Improvements, etc.	2,000.00
Total costs to Feb. 28, 1954 per MF-104	$ 52,296.00

Due to the misunderstanding of claims being presented and paid on a unit rate basis, the Forms MF-104 did not have any cost documents attached, other than the documents required for purchased equipment, therefore, in order to compute the operating costs of this exploration project for the period August 15, 1953 to February 28, 1954, it was necessary to obtain the supporting documents from the following sources:

For period August 15 to October 31, 1953
Ronnie B. Smith, Assignor
Dallas, Texas
Harold Blomberg, Accountant
San Francisco, California
Vic Blomberg, representing R. B. Smith
Concord, California

For period November 1, 1953 to February 28, 1954
Jonas and Johnson, Assignees
Burlingame, California

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

II GENERAL INFORMATION ON RECORDS

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

III SCOPE OF AUDIT

The audit consisted of a complete analysis of all expenditures in order to ascertain the accuracy, propriety and validity of the costs, properly chargeable and reimbursable under the terms of the contract. The extent of the audit and findings under each of the "Items of Cost" follows:

(1) Independent Contracts $18,800.00

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

Sinking of shaft 324 ft. at $50.00	$16,200.00	
Extra Cubic Yards from shaft	500.00	$16,700.00
Crosscutting 120 ft. at $17.50		2,100.00
Total Independent Contracts		$18,800.00

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

(2) Labor and Supervision $7,808.19

The payroll records for the period August 15, 1953 to February 28, 1954 were examined, together with cancelled payroll checks. The charges under this category are summarized as follows:

Labor, hourly rates	$4,558.19
Technical services	3,250.00
Total Labor and Supervision	$7,808.19

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

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

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

The technical service charge of $3,250.00 was paid to C. N. Schuette for consultation services at the rate of $500.00 per month from August 15, 1953 to February 28, 1954, or a period of six and one-half months. The payment was in accordance with the terms of the contract and did not exceed the "allowable maximum" of $3,500.00.

(3) Operating Materials and Supplies $12,425.00

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

Timber		$5,035.57
Pipe		1,793.49
Track		485.05
Miscellaneous		
Power-Electricity	$ 512.89	
Ventube	426.60	
Gaso. Diesel & Lub. Oil	386.15	
1 Die Set	90.75	
Bar Steel	354.20	
Concrete Mix	174.89	
Drill Steel	53.10	
Electric Switches	37.50	
Oxygen and Accetylene	40.75	
1000' Romex Wire	67.30	
Hanging Rods	153.08	
350' Electric Cable	216.30	
2-Stainless Steel Valves	214.50	
Shovels, Picks, Nails, etc.	990.22	
Freight	89.60	
Hauling & Material charges	1,303.06	5,110.89
Total Materials and Supplies		$12,425.00

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

The power charge of $512.89 covered the cost of power used in operating hoist, power saws and lights. The gross charge for power amounted to $753.68 of which a credit of $240.79 was applied covering refund of electricity used in cottages situated in mine area. The average rate of electricity consumed was .029 cents (two and nineteenth cents) per KWH. The gasoline, diesel and lubricating oil charge of $386.15 represented gasoline used in tractor and starting compressor, and the diesel oil was used in operating compressor. The hauling and material charges of $1,546.14 are comprised of the following items:

Paid by Ronnie B. Smith		
To Vic Blomberg, August, September, October 1953		
Rent of truck 68 da. at $6.00	$408.00	
Operating truck 2,040 mi. at .07	142.80	
Personal car 2,000 mi. at .05	100.00	
Other expenses obtaining material	88.00	$738.80
Charges by Jonas & Johnson November 1953 to February 1954		
Jonas personal car 4,492 mi. at .05	224.60	
Johnson personal car 2,602 mi. at .05	130.10	
Bay Bridge toll charges	21.00	
Telephone - re material	45.17	
Johnson - hotel and meals, on road purchasing material	143.39	564.26
Total hauling cost		$1,303.06

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

Due to the lack of equipment to obtain and haul material it was necessary for the operator to use the pickup truck and automobiles listed in the above summary and a rate of .07¢ a mile for pickup truck and .05¢ a mile for private automobiles was allowed, excluding the cost of depreciation which was estimated at .03¢ per mile on pickup truck and .02¢ per mile on automobiles. All of the above hauling cost amounting to $1,303.06 represented the cost of hauling material and traveling to other mine sites and locations to obtain materials at a lower cost. In discussing this haulage cost with H. C. Miller, Executive Officer, he was of the opinion that the costs were reasonable and necessary and should be an acceptable cost of the project.

(4) Operating Equipment $2,335.68

All charges for operating equipment were verified to purchase invoices, cancelled bank checks, and items specified in contract. The equipment purchased in amount of $2,335.68 is made up of the following items:

	"Allowable Maximum" Per Contract	Actual Cost
1-50 HP Hoistmand Motor with Starter	$2,250.00	$2,115.00
1-36' Sheave	125.00	60.00
750' - 5/8" Hoisting Cable	200.00	160.68
Totals	$2,575.00	$2,335.68

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

The contract called for the purchase of 1-36" sheave, whereas the operator purchased a 60" sheave which could be used for better operations. The equipment purchased did not exceed the "allowable maximums" as set forth in the contract.

(5) New Bldgs., Improvements, etc. $2,000.00

A review of the charges under this classification showed the costs were comprised of the following items:

Labor	$1,213.33
Material	1,063.16
P/R Taxes	50.96
Comp. Insurance	88.57
Total	$2,416.02
Less: Excess Costs	416.02
Allowable Maximum	$2,000.00

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

(7) Miscellaneous $2,298.11

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

Repairs to Equipment	$2,063.74
Payroll taxes	27.12
Liability Insurance	47.14
Accounting Services	160.11
Total	$2,298.11

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

Repairs to:	
Compressor	$ 54.03
Hoist	85.55
Rock Drill	63.62
Truck	27.09
Service and replacement of hoist motor	350.00
Moving power line changing size of wire and install switch boxes for hoist	734.75
Replacement costs of hoist motor burned out	748.70
Total	$2,063.74

During operations the 50 HP hoist motor burned out and in order to avoid a shut down a new hoist motor was loaned pending survey of repair costs to original motor. The service charge for this transaction was $350.00 as listed above. After survey of burned out motor, it was estimated the rewinding job would run about $1,200.00 and as the operator was able to obtain a 60HP motor for an additional amount of $748.70, which was considerably less than repairing the original motor, the additional cost of $748.70 listed above was considered a repair item. The moving of power lines and installing switch boxes for hoist at a cost of $734.75, as listed above, was performed by the same jobber simultaneously. The power lines had to be moved as a safety precaution, at the request of the State Safety Engineer. All of the above repairs were discussed with H. C. Miller, Executive Officer and it was concluded they were a necessary cost for the operation of the project.

The payroll taxes $27.12 and compensation insurance $47.14 were verified at the rates used by the company as follows:

Social Security Tax	1.5%	
Unemployment - California	2.7%	4.2%
Compensation Insurance		7.3%

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

IV CONCLUSIONS AND RECOMMENDATIONS

As referred to in "Section 1 Introduction" of this report, the operator did not maintain costs in accordance with contract terms, therefore, no comparison of costs can be made, however, based upon the audit and findings under each of the "Items of Cost" as heretofore described in the narrative of this report, the costs of the project can be summarized as follows:

(1)	Independent Contracts	$18,800.00
(2)	Labor and Supervision	
	Labor	4,558.19
	Technical Services	3,250.00
(3)	Operating Materials and Supplies	
	Timber	5,035.57
	Pipe	1,793.49
	Track	485.05
	Miscellaneous	5,110.89

(4)	Operating Equipment Purchase	$ 2,335.68
(6)	New Bldgs., Improvements, etc.	2,000.00
(7)	Miscellaneous	
	Repairs to Equipment	2,063.74
	Payroll Taxes	27.12
	Liability Insurance	47.14
	Accounting Services	160.11
	Total	$45,666.98

The audit also disclosed that the status as of February 28, 1954, of "allowable maximums" under this contract was as follows:

Item	Allowable Maximum	Total Costs	Balance
Independent Contracts, including work performed by Operator	$64,996.00	$38,081.30	$26,914.70
Labor, Supervision, Consultants	3,500.00	3,250.00	250.00
Purchased Equipment	2,575.00	2,335.68	239.32
New Buildings, Improvements, Installations	2,000.00	2,000.00	-0-

Upon completion of the audit, it was determined that the total costs were obtained from the following records:

R. B. Smith Assignor	Jonas and Johnson Assignees	
8/15/53 to 10/31/53	11/1/53 to 2/28/54	Total Costs
$17,164.32	$28,502.66	$45,666.98

The status of the amounts claimed and paid on a unit rate basis, as compared to allowable costs on a cost basis as of February 28, 1954, is as follows:

	Costs Claimed	75% Government Participation
Claimed and Paid Contractor MF-104's 8/15/53 to 1/31/54	$48,716.00	$36,537.00
Add: MF-104 Feb. 1954 Unpaid	3,580.00	2,685.00
Total claimed by operator	$52,296.00	$39,222.00
Less: Actual Costs per Audit for Period 8/15/53 to 2/28/54	$45,666.98	$34,250.24
Claims in excess of allowable costs	$ 6,629.02	$ 4,971.76

From the above summary it can be seen that the operator has been overpaid as of February 28, 1954 by the sum of $2,286.76 which can be accounted for as follows:

	Costs Claimed	75% Government Participation
Claimed and paid to 1/31/54	$48,716.00	$36,537.00
Less: Actual Costs to 2/28/54	45,666.98	34,250.24
Overpaid to 2/28/54	$ 3,049.02	$ 2,286.76

Mining operations were recessed March 5, 1954, and the contract expired April 6, 1954, however the operator has filed a request for an amendment to the contract for an extension of time, as he expects to resume operations along about July 1, 1954, and at that time an adjustment can be made for the overpayment, or a claim for refund made if the operator does not continue operations.

At the conclusion of the audit, the findings were discussed with John L. Jonas and John E. Johnson, Co-Partners in the project.

George Mayor

George Mayor
Auditor

June 7, 1954

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

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of January, 1954 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name John L. Jonas & John E. Johnson Minerals Mercury
Address 166 Los Robles Drive, Burlingame, California
Contract Amount, $ 73,571.00 Government Participation: 75% Amount, $ 55,178.25

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting 43'	1,720.00	0	1,720.00			
Sinking 41'	4,969.20	35,026.80	39,996.00			
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services	500.00	2,250.00	2,750.00			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation		2,250.00	2,250.00			
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:		2,000.00	2,000.00			
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	7,189.20	41,526.80	48,716.00			

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

Date Feb. 4, 1954 *Payee John L. Jonas & John E. Johnson

Per C. M. Johnsitt Title Consultant

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

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

(Instructions on reverse)

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

$ 5391.90

Signature Lloyd H. Slocander
Authorized Certifying Officer
(Authorized Certifying Officer)

Date FEB 15 1954 Vou. No. SF-DMEA-30

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Reg. III Date Feb. 5, 1954

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature H. C. Miller Title Executive Officer DMEA Field Team Region III Date February 8, 1954

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-194A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of January 1954 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name John L. Jonas & John E. Johnson Minerals Mercury
Address 166 Los Robles Drive, Burlingame, California

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting	Foot	1,720.00	43	1,720.00	43	40.00	625	40.00
Raising								
Shafts	Foot	4,969.20	41	39,996.00	330	121.20	330	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Sup. & Tech Service		500.00		2,750.00				
TOTAL DISTRIBUTED COSTS		7,189.20		44,466.00				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased				2,250.00				2,250.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Headframe				2,000.00				2,000.00
TOTAL COSTS		7,189.20		48,716.00				4,250.00

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

Date Feb. 4, 1954 Operator John L. Jonas & John E. Johnson

Per C. N. Schmelle Title Consultant

REMARKS:

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

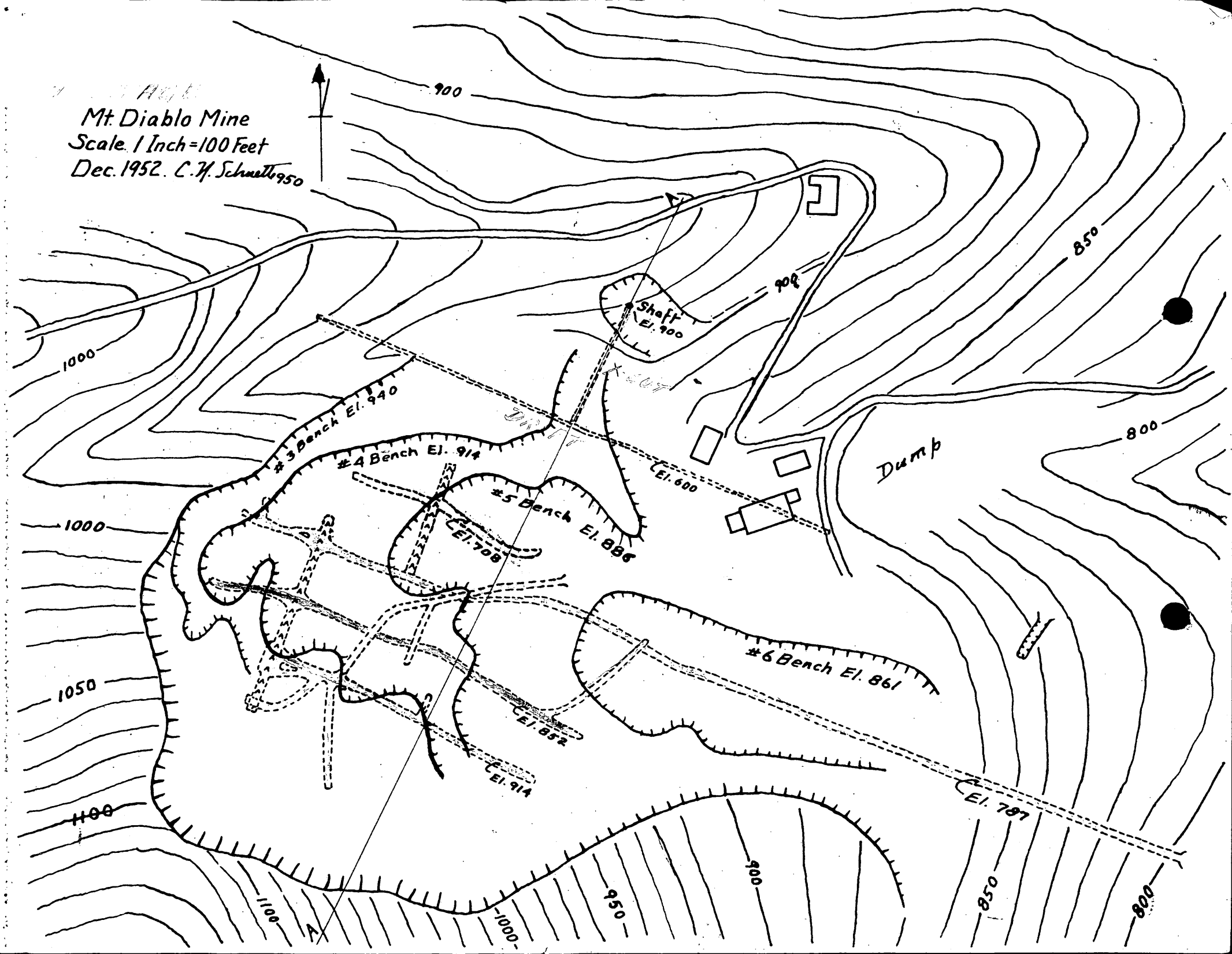
Preparation of Form MF–104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better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

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

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

GPO 83-38475

[redacted]


Mt. Diablo Mine
Scale 1 Inch = 100 Feet
Dec. 1952. C.H. Schnetz 950
900
850
800
1000
1050
1100
Shaft
El. 900
#3 Bench El. 940
#4 Bench El. 914
#5 Bench El. 886
#6 Bench El. 861
El. 600
El. 708
El. 852
El. 914
El. 787
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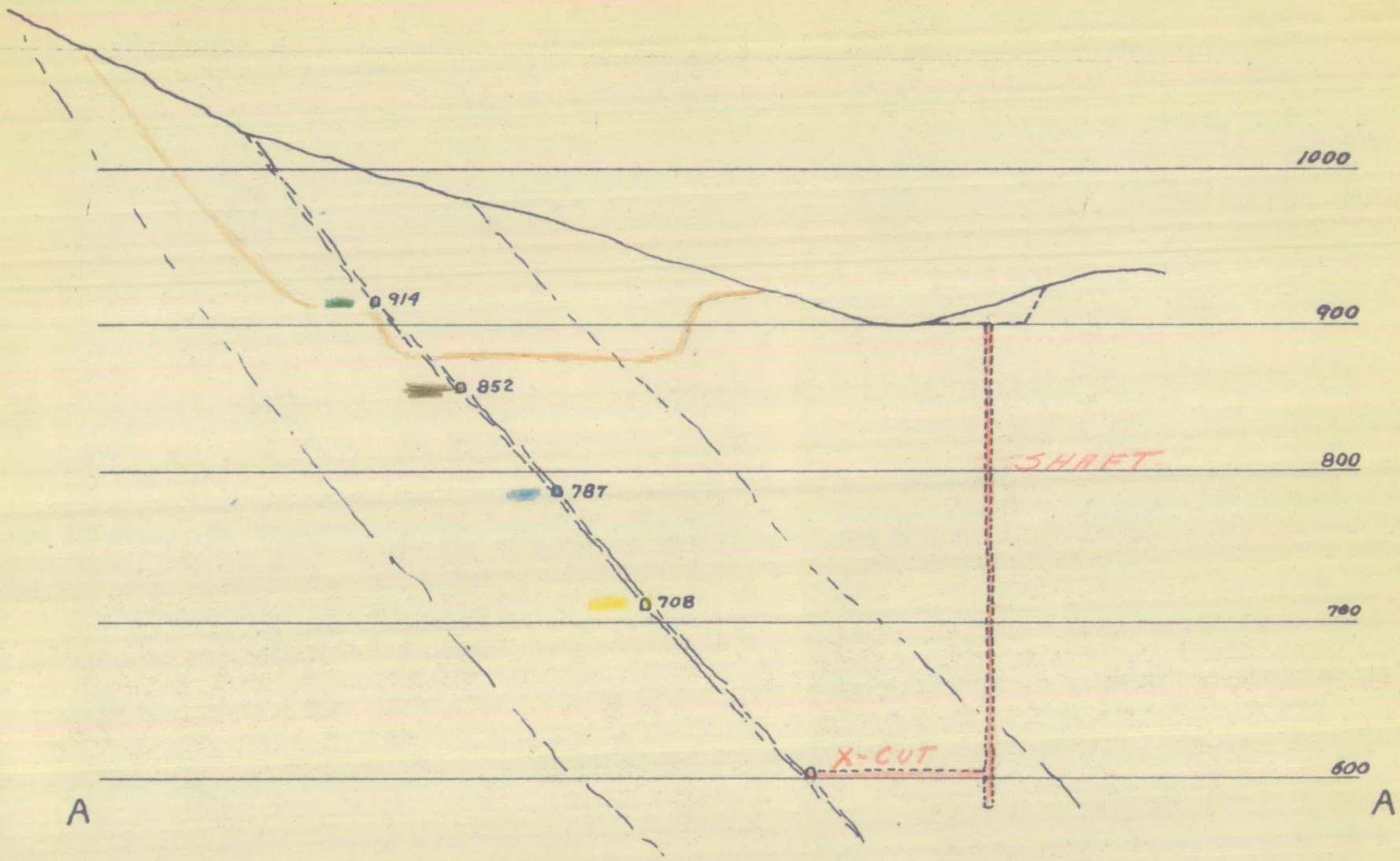

I-STAGE

Mt. Diablo Mine
Scale 1 Inch = 100 Feet
Dec. 1952. C. Y. Schmutte.

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

Budget Bureau No. 42-R1236.3.
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S MONTHLY REPORT AND VOUCHER

ACCOUNTS JAN 13 54

Defense Minerals Administration RECEIVED JAN 29 1954

Month of December, 1953 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals mercury
Address 2106 Tower Petroleum Bldg., Dallas 1 Texas
Contract Amount, $73,571.00 Government Participation: 75 % Amount, $55,178.25

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Sinking to'	10,302.00	24,724.00	35,026.00			
(2) Labor and Supervision:						
Labor						
Supervision	500.00	1,750.00	2,250.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase		2,250.00	2,250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		2,000.00	2,000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	10,802.00	30,724.00	41,526.00			

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

Date Jan. 8 1954 *Payee Ronnie Smith, Trustee

Per C. N. Schmelle Title Consultant.

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

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

(Instructions on reverse)

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

$8101.50

Lloyd H. Schender
Authorized Certifying Officer

Signature (Authorized Certifying Officer)

Date JAN 21 1954 Vou. No. SF-DMEA-28

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Date Jan. 8, 1954

A. C. Johnson

Region III

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature H. C. Miller Title Executive Officer DMEA Field Team Region III Date January 12, 1954

H. C. Miller

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

ACCOUNTS JAN 13 54

DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 20 1954

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Dec. 1953 Docket No. DMEA 2446 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas 1, Texas.

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Foot	10,302.00	86	35,026.80	289	121.20	330	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Sup. & Tech. Service		500.00		2,250.00				
Total Distributed Costs		10,802.00		37,276.80				Total Costs Authorized by Contract
Operating Equipment Purchased				2,250.00				2,250.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Headframe				2,000.00				2,000.00
Total Costs		10,802.00		41,526.80				4,250.00

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

Date Jan. 6 1954 Operator Ronnie Smith, Trustee

Per C. W. Schmitt Title Consultant

Remarks:

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

MT. DIABLO QUICKSILVER MINE.

NARRATIVE REPORT FOR DECEMBER 1943.

Shaft sinking continued during December.

Two days were lost on the 7th and 8th due to necessary repairs to the hoist controller. Another day was lost on the 28th due to pulley changes on a new ventilation blower. The Holidays at the end of the month also took time out.

Despite these delays and the fact that the shaft is getting deeper, progress for the month was 86 feet and at the end of the month the shaft was 269 feet deep, only 41 feet short of its goal.

The shaft is still going down thru the shales of the Shasta Formation. So far the shaft is "dry as a bone". The shales however, no longer lie flat but are steeply tilted, dipping NE which is to be expected as we are nearing the contact.

The Franciscan Formation to the SW, was thrust up along the fault contact, hence the shales near the contact should be bent upwards, i.e. they should dip NE.

An additional compressor has been set up that can add to the supply of compressed air when needed. A larger ventilation fan has been installed and is operating.

C. H. Schmitt

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

Budget Bureau No. 42-R1936.3.
Approval expires 6-30-53.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

ACCOUNTS DEC 10 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of November, 1953 Docket No. DMEA 2448 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas 1, Texas.
Contract Amount, $ 73,571.00 Government Participation: 75 % Amount, $ 55,178.25

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Sinking 67'	10,544.40	14,180.40	24,724.80			
(2) Labor and Supervision:						
Labor						
Supervision	500.00	1,250.00	1,750.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase		2,250.00	2,250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		2,000.00	2,000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	11,044.40	19,680.40	30,724.80			

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

Date Dec. 3, 1953 *Payee Ronnie Smith, Trustee

Per C. N. Schmitt Title Consultant

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

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

(Instructions on reverse)

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

$ 8283 30

Signature
(Authorized Certifying Officer)

Date DEC 23 1953 Vou. No. SF-DMEA-26

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Reg. III Date Dec. 6, 1953

A. C. Johnson

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature [illegible] Title Executive Officer Field Team Region III Date December 10, 1953

S. Miller for E. C. Miller

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

ACCOUNTS DEC 10 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of November 195 3 Docket No. DMEA 2445 Contract No. IDM-R 544

Operator's Name Ronnie Smith, Trustee Minerals Mercury

Address 2106 Tower Petroleum Bldg. Dallas 1 Texas.

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Feet	10,844.40	87	24,724.00	204	121.20	530	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Cug & Tool Service		500.00		1,750.00				
Total Distributed Costs		11,044.40		30,474.00				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs				2,250.00				2,250.00
New Buildings, Improvements, etc.								
Rentrace				2,000.00				2,000.00
Total Costs		11,044.40		30,724.00				4,250.00

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

Remarks:

Date Dec. 3 1953 Operator Ronnie Smith, Trustee

Per C. M. Schmette Title Consultant

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

ST. DIA-DO COLONEL'S LIFE.

NARRATIVE REPORT FOR NOVEMBER 1953.

During November 1953, the shaft sinking continued unabated during the Thanksgiving weekend.

The shaft is still going down into the shales of the Bangia (Lower Ordovician) formation. This Bangia series is in fault contact with the Tonkolean (Lower Cambrian) metamorphic rocks in which the mine lies. If the dip of the fault contact continues as measured near the surface, we should cut this fault contact near the bottom of the shaft.

At the end of November 1953, the shaft was 294 feet deep.

During the month, the repair stations of the State Safety Engineer were carried out. About three more installations of a ladder to the top of the scaffolding and a platform and railing around the bucket winch. The ladders in the shaft and the platforms were changed to conform to new regulations. A blasting circuit was installed for the shaft blasting. Small outbuildings near the main lane were moved away and a shed was erected over the timber for timber framing during rainy weather.

During the month it was decided to buy the Ballat motor installed as a temporary replacement for the one that burned out in October. This is a larger motor and its cost is $ [illegible] against $ [illegible] for the original one. I mention this now as the overmounts equity in this new motor will be only the original part of the cost of the original motor. The entire cost of the new motor has been paid by the operator alone.

C.M. Clement

MT. DIABLO QUICKSILVER MINE.

NARRATIVE REPORT FOR NOVEMBER 1953.

During November 1953, the shaft sinking continued except during the Thanksgiving weekend.

The shaft is still going down thru the shales of the Shasta (Lower Cretaceous) formation. This Shasta Series is in fault contact with the Franciscan (Jurassic) metamorphic rocks in which the mine lies. If the dip of the fault contact continues as measured near the surface, we should ~~we should~~ cut this fault contact near the bottom of the shaft.

At the end of November 1953, the shaft was 204 feet deep.

During the month, the recommendations of the State Safety Engineer were carried out. Among these were the installation of a ladder to the top of the headframe and a platform and railing around the sheave wheel. The ladders in the shaft and the platforms were changed to conform to his regulations. A blasting circuit was installed for the shaft blasting. Small buildings near the headframe were moved away and a shed was equipped with lights for timber framing during rainy weather.

During the month it was decided to buy the hoist motor installed as a temporary replacement for the one that burned out in October. This is a larger motor and its cost is $1440.00 against $450.00 for the original one. I mention this now as the governments equity in this new motor will be only the proportional part of the cost of the original motor. The extra cost of the new motor has been paid by the operator alone.

C. H. Schuette

11/25/53 - dlb.

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

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 23 1953

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

November 17, 1953

Memorandum

DMEA-2448

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

From: Executive Officer, DMEA Field Team, Region III

Subject: Operators' Monthly Progress Reports - Forms MF-104 & MF-104A

Enclosed herewith are two copies of each of the subject reports received from the following operators as listed below. These reports have been audited and passed to the Treasury for payment.

Contract No.	Operator	Report dated	Period covered
Code 500 Idm-2295 DMEA-2309	Comet Mines, Inc.	Oct. 29, 1953	September 1953
Idm-1544 DMEA-2448	Ronnie Smith	Nov. 3, 1953	October 1953

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

Attachments

Copy to: D. H. Bailey, DMEA

MF-104 Oct

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

Budget Bureau No.
Approval expires

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR ACCOUNTS
Defense Minerals Administration
RECEIVED
NOV 9 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of October, 1953 Docket No. DMEA 2448 NOV 28 1953 Contract No. IDM-E 544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas Texas.
Contract Amount, $ 73,571.00 Government Participation: 75 % Amount, $ 55,178.25

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Sinking 40 ft.	10,786.80	3393.60	14,180.40			
(2) Labor and Supervision:						
Labor						
Supervision	500.00	750.00	1,250.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase		2250.00	2,250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.		2000.00	2,000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	11,286.80	8,393.60	19,680.40			

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

Date Nov. 3 1953 *Payee Ronnie Smith, Trustee

Per C. H. Schnelle Title Consultant

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

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

(Instructions on reverse)

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

$ 8465.10

Lloyd T. Sigmeier
Authorized Certifying Officer

Signature (Authorized Certifying Officer)

Date NOV 12 1953 Vou. No. 5F7[illegible]

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E544 in accordance with the terms of the contract.

Signature R. C. Johnson Title Chief, Mining Div. Region III Date Nov. 5, 1953.

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature H. C. Miller Title Executive Officer DMEA Field Team Region III Date November 9, 1953

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

ACCOUNTS DIVISION
Defense Minerals Administration
RECEIVED
NOV 23 1953

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of October 1953 Docket No. DMEA [illegible] Contract No. [illegible]
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas Texas

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Feet	10,766.60	69	14,180.40	117	121.20	330	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Supervision & Tool Service		500.00		1,250.00				
Total Distributed Costs		11,266.60		15,430.40				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs				2,250.00				2,250.00
New Buildings, Improvements, etc.								
Hoist Rope				2,000.00				2,000.00
Total Costs		11,266.60		19,680.40				4,250.00

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

Date Nov. 3, 1953 Operator Ronnie Smith, Trustee

Per C. H. Schnetta Title Consultant

Remarks:

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

[illegible]

Form [illegible]104 (Rev.)
(April 1952)

Budget Bureau No.
Approval expires

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

ACCOUNTS OCT 1 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of September, 1953 Docket No. DMEA 2448 Contract No. IDM-3-544
Operator's Name Ronnie Smith, Trustee Minerals Mercury
Address 2106 Tower Petroleum Bldg., Dallas, Texas.
Contract Amount, $ 73,571.00 Government Participation: 75% Amount, $ 55,178.25

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Sinking 89'	2424.00	969.60	3393.60			
(2) Labor and Supervision:						
Labor						
Supervision						
Technical Services	500.00	250.00	750.00			
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase	60.82	2169.18	2250.00			
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.	1290.77	709.23	2000.00			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	4275.59	4098.01	8373.60			

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

Date Oct. 2 1953 *Payee Ronnie Smith, Trustee

Per C. M. Schmitt Title Consultant

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

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

(Instructions on reverse)

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

$ 3221 69

Lloyd L. Silander
Chief and Certifying Officer

Signature
(Authorized Certifying Officer)

Date OCT 2 2 1953 Vou. No. SF-DMEA-22

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

I certify that to the best of my knowledge and belief the contractor submitting this voucher is operating a Defense Minerals Exploration Administration project under Contract No. Idm-E544 in accordance with the terms of the contract.

Signature A. C. Johnson Title Chief, Mining Div. Region III Date Oct. 7, 1953.

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature H. C. Miller Title Executive Officer ~~DMEA Field Team~~ Region III Date October 13, 1953

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

ACCOUNTS OCT 14 1953
DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 30 1953

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Sept. 195 3 Docket No. DMEA 2448 Contract No. IDM-E 544

Operator's Name Ronnie Smith, Trustee Minerals Mercury

Address 2106 Tower Petroleum Bldg., Dallas, Texas

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Feet	2484.00	20	3593.60	26	121.20	330	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Supervision & Tech Serv		500.00		750.00				
TOTAL DISTRIBUTED COSTS		2984.00		4143.60				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased		00.00		2350.00				2350.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Headframe		1000.77		3000.00				3000.00
TOTAL COSTS		4000.59		6393.60				

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

REMARKS:

Date Oct. 8 1953 Operator Ronnie Smith, Trustee.

Per C. H. Schmette Title Consultant.

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

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

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

ACCOUNTS SEP 8 1953

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of AUGUST 1953 Docket No. DMEA 2440 Contract No. IDE-5 940
Operator's Name RONNIE SMITH, TRUSTEE Minerals MERCURY
Address 2100 TOWER PETROLEUM BLDG., DALLAS, TEXAS
Contract Amount, $ 73,571.00 Government Participation: 75 % Amount, $ 55,178.25

ITEMS OF COSTS	FOR OPERATOR'S USE			FOR GOVERNMENT USE ONLY		
	Monthly Total	Totals Previously Reported	Totals To Date	Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing						
Crosscutting						
Drifting						
Sinking 8 feet	$969.60		$969.60			
(2) Labor and Supervision:						
Labor ~~Site & Headframe~~	~~220.20~~ C.N.S.		~~220.20~~			
Supervision	250.00		250.00			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber	~~106.97~~ C.N.S.		~~106.97~~			
Explosives	~~30.18~~ C.N.S.		~~30.18~~			
Pipe	~~216.30~~ C.N.S.		~~216.30~~			
Track						
~~Nails~~	~~25.65~~ C.N.S.		~~25.65~~			
~~Track ties~~	~~27.20~~ C.N.S.		~~27.20~~			
(4) Operating Equipment:						
Rental ~~Bulldozer~~	~~68.00~~ C.N.S.		~~68.00~~			
Purchase Hoist-cable	2169.18		2169.18			
Depreciation						
(5) Initial Rehabilitation and Repairs	C.N.S.		C.N.S.			
(6) New Bldgs., Improvements, etc.	709.23		709.23			
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes	~~5.73~~ C.N.S.		~~5.73~~			
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	4098.01		4098.01			

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

Date Sept. 1 1953 *Payee Ronnie Smith, Trustee

Per C.N. Sohuette Title Consultant

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

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

(Instructions on reverse)

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

$ 3073.51

Signature [illegible]
(Authorized Certifying Officer)

Date OCT 5 1953 Vou. No. SF-DMEA-20

(See other side)

(For Government use only)

CERTIFICATION BY GOVERNMENT REPRESENTATIVE:

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

Signature A. C. Johnson Title Chief, Mining Div. Region III Date Sept. 3, 1953

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature [illegible] Title Executive Officer Region III Date September 8, 1953

MONTHLY REPORT OF OPERATOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GPO 83-38476

Form MF-104A
(April 1952)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR

ACCOUNTS SEP 8 1953

DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of AUGUST 1953 Docket No. DMEA 24[illegible] Contract No. 3DM-[illegible]
Operator's Name RONNIE SMITH, TRUSTEE Minerals MERCURY
Address 8[illegible] TOWER PETROLEUM BLDG., DALLAS, TEXAS

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts	Feet	$969.60	8	$969.60	8	$121.20	330	121.20
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping								
Trenching								
Test Pits								
Roads and Trails								
Supervision + Tech Serv		250.00 CNS		250.00 CNS.				
		1219.60 CNS		1219.60 CNS.				
C.N.S. Total Distributed Costs		~~$969.60~~	8	~~$969.60~~				Total Costs Authorized by Contract
~~Supervision & Tech Ser~~		~~250.00~~		~~250.00~~				
Operating Equipment Purchased		2169.18		2169.18				$2250.00
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Headframe & Site Prep.		709.23		709.23				2000.00
Total Costs		$4098.01		$4098.01				

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

Date Sept. 1 1953 Operator Ronnie Smith, Trustee

Per C. N. Schuette Title Consultant.

C. N. Schuette

Remarks:

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

(Instructions on reverse)

(For Government use only)

INSTRUCTIONS

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

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

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

GPO 83-38475

[illegible] SILVER LINE

WEEKLY REPORT FOR AUGUST 1[illegible] - 31 1955.

This report covers the period from August 1[illegible]th thru August 31st 1955. On August 15th the operation got under way when C. W. Schmette established the collar elevation of the shaft, that is the level to which the shaft site was to be leveled by bulldozer, and laid out the shaft axis.

Leveling the shaft site was done by some drilling and blasting (item of [illegible] for explosives [illegible]) to loosen the ground (item of 1[illegible] for 1 hour of [illegible] and item of [illegible]) and by a bulldozer which was rented for one day at a cost of [illegible] (item of [illegible] under rental of operating equipment [illegible]). Some additional leveling will have to be done for the [illegible] of the truck for which [illegible] for nails, bolts and track spikes and [illegible] for track ties have been spent. (These last two items are listed under Track and Track ties on [illegible]).

Timber for the headframe to the amount of [illegible] bd. ft. was on hand, costing [illegible] (under timber on [illegible]). The front bent of the headframe was framed and being bolted together at the end of the month and total labor cost was [illegible] (part of total labor cost of [illegible] on [illegible]). Nails for the headframe construction came to [illegible] and are so listed on [illegible].

Supervision and technical services are [illegible] for the period.

The original intention was to buy a hoist so that we could suitable one shaft [illegible] it was decided to build one and C.W.S. sketched out [illegible] that could be built from [illegible] for that [illegible] at this time. The hoist [illegible] at the end of the month.

The shaft has been sunk [illegible] feet; a temporary collar set has been placed over it and the first set below the collar has been concreted with suitable reinforcement by the end of the month.

The hoist [illegible] on its way to the [illegible] and the cost of it [illegible] of the shaft [illegible] and [illegible] respectively, entered under Hoist [illegible] on [illegible]-1[illegible] at [illegible].

Gross [illegible] to [illegible] is listed on [illegible]-1[illegible].

Progress proceeding satisfactorily, the crew has settled down and the job is off to a good start.

C. W. Schmette

Docket 2448-
Cordero - Jonas & Johnson

Check with Miss Curtis
on docket for
Dwyer letter, recent, releasing
prisoner to Jonas & Johnson
Catherine has nothing on this

S.P.H.
3/26/08

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

Docket 2448

JAN 30 1958

WSM

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

Dear Mr. Attorney General:

On June 5, 1953, Ronnie B. Smith, Joan Harper, and James F. Dunnigan, partners (hereinafter referred to as the Operators), entered into Defense Minerals Exploration Project Contract Idm-2564 (Docket No. DMEA-2448) with the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration.

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

When the contract was executed it was anticipated that the proposed exploration work essentially would be accomplished by an independent contractor, with the Operators performing some preparatory work, supplying technical service, and furnishing some of the equipment used on the project. Exhibit "A" of the contract provided that an independent contractor would sink a two-compartment shaft 330 feet and would drive 625 feet of crosscuts and drifts. Exhibit "A" also provided that the estimates for independent contractor included all costs of the work except as otherwise scheduled in Exhibit "A". Under Article 5(a)(1) of the contract, it was provided that the costs in which the Government would participate in connection with an independent contract were limited to those costs of completed work which the Government deemed reasonable and necessary, not in excess of an aggregate of $121.20 per foot of shaft and $40.00 per foot of crosscut and drifts, as set forth in Exhibit "A."

W. S. Martin
DMEA

The exploration work was started August 15, 1953. On December 7, 1953, the Government consented to the assignment of the contract to John L. Jones and John E. Johnson (hereinafter referred to as the Assignees), without releasing the Operators from any claims, demands, causes of action, or rights whatsoever that the Government had or may have had against them prior to such assignment.

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

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

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

By letter dated April 28, 1955, Spangler Ricker, Executive Officer, DMEA Field Team, Region 11, proposed to Mr. Jones (an Assignee) that the contract be terminated by an agreement which would provide that the Assignees' equity in the equipment and supplies be assigned to the Government, and that if such equity were not sufficient

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

With a letter dated May 30, 1953, to the Administrator, DMEA, Sidney Rudy, 369 Pine Street, San Francisco 4, California, as attorney for the Assignees, enclosed a letter dated May 16, 1953, from them to the Administrator, DMEA, reviewing their experience under the contract, and expressing views with respect to the overpayment and property problem. The attorney's letter contended that payment on an agreed unit cost basis was proper, but even if this basis was improper the Assignees should receive reimbursement for actual costs incurred. (Enclosure No. 3.)

The Acting Assistant Solicitor, Defense Minerals, Department of the Interior, responded to Mr. Rudy in a letter dated June 1, 1953, that the exploration contract provided for contributions by the Government on the basis of actual costs incurred, that the Government's efforts had been directed toward settling the matter on such basis, and that it would be so settled when the Government was presented with proper proofs of costs. (Enclosure No. 4.)

In a letter dated June 24, 1953, the Assignees reiterated the contention that the payments by the Government should have been constituted on an agreed-unit-cost basis, and that, including some actual costs of developing, an additional payment of $3,687.55 was due them for work performed during February and March 1952. They further stated that the sale price of machinery in which the Government had an interest should be about $3,000.00. (Enclosure No. 5.) The Government responded in a letter dated July 14, 1953, that the Government had overpaid the Operators $1,487.04, which sum was reduced to $1,236.94 by the Government withholding $656.12 due Assignees, and that the overpayment could be further adjusted by further proof of actual costs and equipment allowances. (Enclosure No. 6.)

In a letter dated February 13, 1956, to the Assignees, the Government revised its estimate of the overpayment to $1,264.11, and also demanded $2,256.80 for its share of the equipment. (Enclosure No. 7.)

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

not accepted costs to $44,340.04. The Government's share of these costs, on a 75 percent basis, was determined to be $33,255.03. As $34,537.00 previously had been paid to the Operators, the amount of the overpayment, including the offset for value of salvage, was found to be $1,281.97. (Enclosure No. 8.)

In a letter dated April 25, 1954, the Administrator, BMA, demanded payment from the Assignees in the amount of $1,281.97. (Enclosure No. 9.) In a letter of the same date, demand also was made of the Operators for return of the overpayment in the sum of $4,047.06. (Enclosure No. 10.) By telegram dated May 27, 1954, Assignees stated they were ready to settle and asked what type of contract or bill of sale form would be used in connection with transfer of the supplies, materials, and equipment. (Enclosure No. 11.) With a letter dated June 3, 1954, the Administrator sent the Assignees a copy of the form which he proposed to use to release the Government's interest under the contract. (Enclosure No. 12.)

With two letters dated June 4, 1954, to the Administrator, one signed by Mr. Jones and the other signed jointly by Messrs. Jones and Johnson, checks totaling $2,765.79 were transmitted. The letters explained that the checks covered $2,236.46 for the Government's equity in the supplies, materials, and equipment, plus $529.33 representing Mr. Jones' portion of the overpayment. It was stated that Mr. Johnson's portion of the overpayment would be forwarded later. (Enclosures No. 13.)

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

The balance due was received with a letter dated October 20, 1954, from Mr. Rudy to the BMA, stating that the check was delivered "in consideration of execution and delivery by you of a bill of sale transferring to John L. Jones and John E. Johnson all right, title, and interest in materials and equipment acquired under the subject contract and all right, title and interest in and to any claims against any person, firm or corporation for use, depletion, loss or conversion of any such materials or equipment." (Enclosure No. 15.)

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

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

/s/ Elmer F. Bennett

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

400

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

In reply refer to:
DMEA-2448

Airmail

DEC 19 1957

WSG

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

Re: Exploration Project Contract IDm-E544
Docket No. DMEA-2448

Dear Mr. Davis:

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

You have informed us that Jonas and Johnson, assignees of the original contractors, are suing Cordero Mining Company, your client, for the rental value of certain equipment and for the value of other equipment allegedly converted. You refer to paragraph numbered 4 of the Termination Agreement between the Government and Jonas and Johnson, in which the Government assigned all of its interest in all of the property acquired under the subject contract, including any claims that might exist for depletion, rental, and conversion of any such property; and contend that the assignment of "claims" was unauthorized and void.

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

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

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

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

Sincerely yours,

Solicitor

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

WORK COPY
DMEA
RECEIVED FEB 12 1957

DATE	INITIALS	CODE

February 11, 1957

Memorandum

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

From: Commodity Specialist, Branch of Base Metals

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

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

I concur with that recommendation.

Signed

A. D. McMahon

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

EXTRA COPY
DMEA
RECEIVED FEB 1957

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February 11, 1957

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Thor Kiilsgaard, U.S.G.S.
F. D. Lamb
F i l e s

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DMEA
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2/13	WSM	400

February 11, 1957

Memorandum

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

From: Commodity Specialist, Branch of Base Metals

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

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

FEB 11 1957

Mt. Diablo Quicksilver Company, Ltd.
Clayton, California

Attention: Mr. Vic Blomberg, President

Re: Docket No. DMEA 2443 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ich-E544

Gentlemen:

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

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

Sincerely yours,

G. O. M[illegible]

Administrator

TLChapman:foc 2/7/57
cc to: Docket
Code 400
Admr. Read. File
Code 800
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

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

FEB 11 1957

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

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

Mr. James P. Dunigan
c/o Producers Refining, Inc.
310 West Houghton Avenue
West Branch, Michigan

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

Gentlemen:

Reference is made to Mr. Bonnie B. Smith's letter of July 12, 1956, and to our interim reply of August 3, 1956, concerning the account under the captioned contract.

We are pleased to advise that the Government has accepted a final settlement made by Messrs. Jones and Johnson and has issued to that partnership a contract Termination Agreement. The Government's claim under this contract having now been satisfied, there is no longer a claim against you in connection therewith.

Sincerely yours,

[illegible]

Administrator

TLChapman:foc
2/6/57
cc to: Docket
Code 400
Code 800
Admr. Read. File
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

12-4-56
11:25 A.M.

Mr. Martin:

Please call —

Admin. Asst. — Mr. ARTHUR PERRY
(To: Senator Johnson, Texas)

Code 190
Ext. 186

Warren Woodward asking him and he asked us how Ronnie B. Smith stands on this. Explained the draft to him Am.

2/12/57
Phoned Mr Arthur Perry and told him
Ex Mem
Written B.
Ronnie B. Smith
Jul 1957
J Wash

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

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RECEIVED FEB 5 1957

DATE	INITIALS	CODE
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2/11	C	220
2/11	WSM	400

1605 Evans Avenue
Reno, Nevada

February 4, 1957

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

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

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

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

S. Ricker

Encls.

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

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RECEIVED FEB 5 1957

DATE	INITIALS	CODE
		130
		220

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

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION II

Final
FT
Report

FINAL REPORT

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

by

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

F. H. Pampeyan
U. S. Geological Survey

January 30, 1957

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

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Figure 1 . . . . . Index map

2 . . . . . Geologic map of surface

3 . . . . . Geologic plan of 360 level

4 . . . . . Composite map of Mill workings

INTRODUCTION

The Mt. Diablo Quicksilver mine, Contra Costa County, California, was partly explored by Ronnie B. Smith, 2106 Tower Petroleum Building, Dallas 1, Texas, and partners, Jane Harper and James F. Dunnigan, Chicago, Illinois, in cooperation with the Defense Minerals Exploration Administration. The work was done under provisions of contract Idm-F544, docket DMEA-2448 (Mercury), dated June 5, 1953.

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

SUMMARY

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

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

CONCLUSIONS AND RECOMMENDATIONS

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

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

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

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

LOCATION, ACCESSIBILITY, AND LOCAL FACILITIES

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

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

PROPERTY

The property includes the N 1/2 of the SE 1/4 and the S 1/2 of the SW 1/4 of the NE 1/4 of sec. 29, T. 1 N., R. 1 E., M.D.B.&M., recorded February 1, 1934 (file No. 1060), except for the area described as follows: Beginning at the NW corner of the NW 1/4 of the SE 1/4 of sec. 29, T. 1 N., R. 1 E., M.D.B.&M., thence running southerly along the dividing line between the NE 1/4 of the SW 1/4 and the NW 1/4 of the SE 1/4 of said section 29, a distance of 20 chains to the SW corner of the NW 1/4 of the SE 1/4 of section 29; thence running along the southerly line of the NW 1/4 of the SE 1/4 of section 29, a distance of 2.924 chains; thence leaving said line and running in a northerly direction a distance of 20.23 chains; thence westerly to the point of beginning.

THE DMEA PROJECT

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

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

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

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

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

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

The total exploratory footage is summarized as follows:

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

Expenditures

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

Units of work completed

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

Equipment

Equipment purchased under the contract included the following items:

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

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

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

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

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

SAMPLING

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

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

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

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

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

GEOLOGY

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

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

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

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

ORE DEPOSITS

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

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

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

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

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

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

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

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

ORE RESERVES

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

The reserves for the entire mine are summarized as follows:

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

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

or about 37 flasks of quicksilver.

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

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

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

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

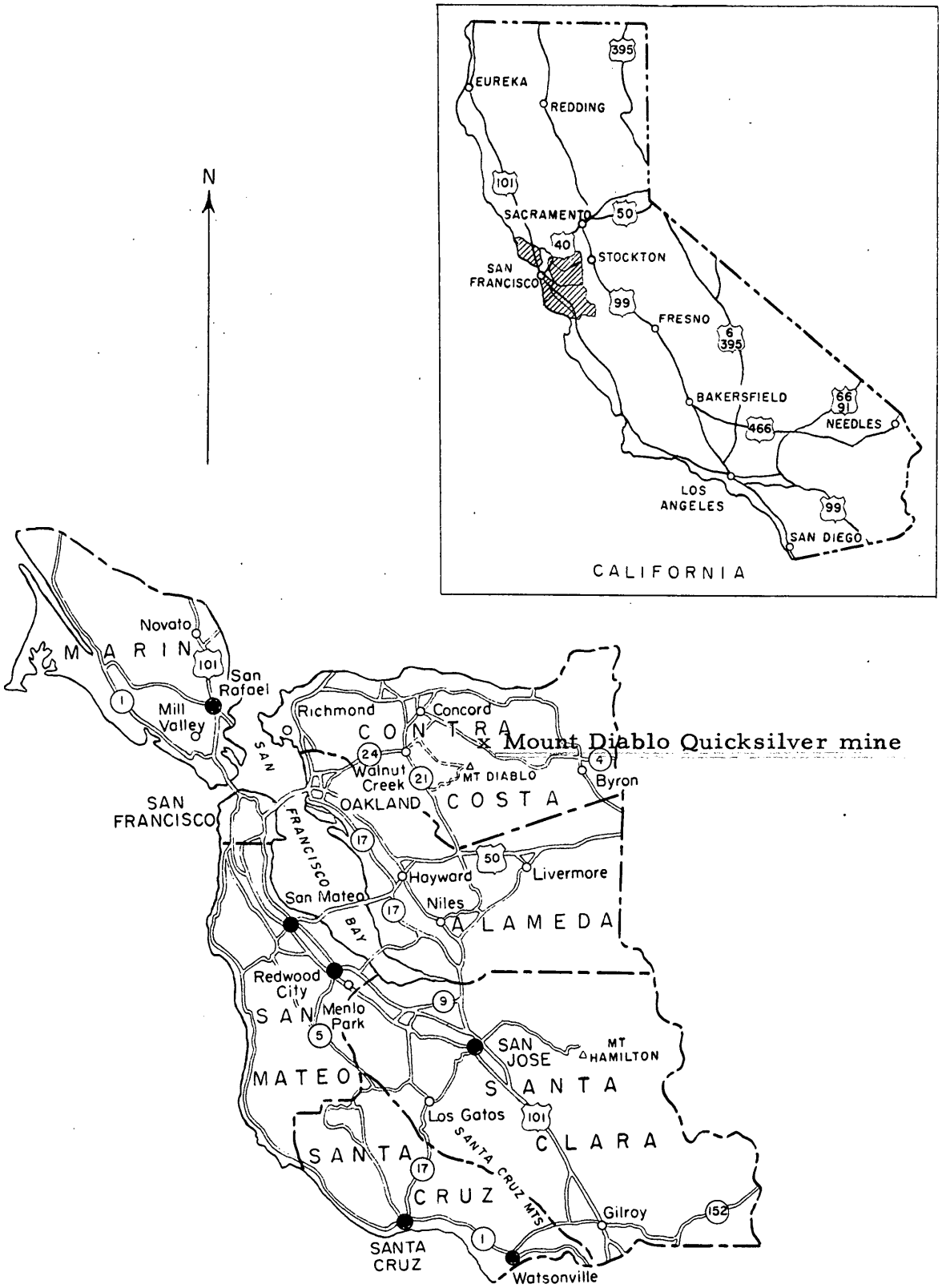

Figure 1. INDEX MAP OF ALAMEDA, CONTRA COSTA, MARIN, SAN FRANCISCO, SAN MATEO, SANTA CLARA, AND SANTA CRUZ COUNTIES, CALIFORNIA

0 20 40 60 Miles

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

400

DEC - 3 1956

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

Re: Docket No. DMEA 2145 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idw-254

Dear Mr. Richer:

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

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

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

Sincerely yours,
George C. Selfridge

APPROVED:

Chairman, Operating Committee

Director, Bureau of Mines

Director, Geological Survey

ADMcMAHON/fmc 11/27/56
cc to: Docket
Code 400
Admr. Read. File
Oper. Comm.
FY. REG. II
J. W. Pennington, USBM
T. H. Killingsaard, USGS

Enclosures

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

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

140

DEC - 3 1956

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

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

Re: Docket No. DMEA-2648 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-8344

Gentlemen:

We have received the letter of October 30, 1956, from your attorney, Mr. Sidney Rudy, transmitting a cashier's check drawn on the Bank of America in the amount of $515.96, as full payment on the balance of the Government's claim under the subject contract.

In order to terminate the contract, we enclose for your signature an original and six copies of a Termination Agreement executed for the Government by the Administrator of the Defense Minerals Exploration Administration. The original and five copies are to be signed and returned to Mr. Spangler Richer, Executive Officer, DMEA Field Team, 1605 Evans Avenue, Reno, Nevada. The sixth copy is for your files.

In accordance with Mr. Rudy's request and our letter to you of June 5, 1956, there is included in the Termination Agreement a provision releasing to you the Government's interest in all property acquired under the subject contract.

We do not intend to issue a certification of discovery or development which would create a lien against the subject property. Upon the receipt of the signed copies of the Termination Agreement, we shall close our books and records with respect to this project. Your attention is called, however, to the provisions of the contract which require the Operator to keep and preserve certain records for the period indicated.

Sincerely yours,

C. O. Mitchell

Administrator

Enclosures 7 -to Mr. John L. Jonas

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

J.L. Chambers
Mr. Pennington, BLM
Mr. Kilgaard, USGS
Field Team, Reg. II (2)

RFDwyer
PIndritz
chron.
pending

WEMartin/PIndritz
11/23/56

November 18, 1956

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Iron and Ferro-Alloys Division, DMEA

Subject: Preparation of Termination Agreement
Docket No. DMEA 2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Califor nia
Contract No. Idm-E544

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

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

Attachments

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

IN[redacted]R

DMEA

14X4401(01) Revolving Fun

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

NOV 14 1956

MR. SHANDLER RICHER, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION II
1605 EVANS AVENUE
RENO, NEVADA

RE INTERIM REPORT BY SHEAHAN MARCH 6, DOCKET NO. DMEA 2448, JONAS AND JOHNSON, MT. DIABLO QUICKSILVER MINE. PLEASE SUBMIT FIELD TEAM'S FINAL REPORT. BY RETURN WIRE ADVISE WHETHER FIELD TEAM RECOMMENDS REQUESTING OPERATOR'S FINAL REPORT.

George C. Selfridge

CHAIRMAN, OPERATING COMMITTEE

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

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

RECEIVED
NOV 14 1956
D.M.E.A.

400

1105 Evans Avenue
Reno, Nevada

November 8, 1956

WSM

Memorandum

To: Floyd Ojelander, Finance Officer, Region II

From: Acting Executive Officer, [illegible] Field Zone, Region II

Subject: Docket No. [illegible]-2144 (Forery)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. [illegible]-544

Attached is a check for $515.[illegible]8 balance on a bject account, and copy of covering letter dated November 5, 1956 from Mr. Jay R. Chambers, Chief, Contract Administration and Audit Division, DMEA.

Roscoe M. Smith

Attach.

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

COPY

TELEGRAM

WT037 PD RENO NEV 14 1157 AMP

GEORGE C SELFRIDGE CHAIRMAN, OPERATING COMMITTEE DMEA

INTERIOR BLDG.

REURTEL NOVEMBER 14 DOCKET DMEA 2448 MOUNT DIABLO

QUICK SILVER MINE FIELD TEAM RECOMMENDS OPERATORS

FINAL REPORT BE WAIVED OUR FINAL REPORT WILL RECOMMEND

NO CERTIFICATION

ROSCOE M SMITH

14 DMEA 2448 DIABLO

WSM

Tel. 11.14.56
It is recommended
Opp. Fund Right is waived.

400

SPECIAL

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

DMEA-2448

REFERENCE SLIP

DATE 11/5/56

REFERRED TO:
1. ~~Mr. Dwyer~~
2. ~~Att. Mr. Indritz~~
Mr. McMahon DMEA

RECEIVED
NOV 6 1956
ASSOC. SOLICITOR
MINERAL RESOURCES
INTERIOR DEPT.
NOV 5 - 1956
SOLICITOR

FOR:

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

REMARKS:

Check (X) before the items needing attention.

J. L. Chambers
Initials of sender.

GPO 16—63815-1

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 11-19-56

REFERRED TO:
1. ~~DMEA DOCKET RM. 4450~~
2. ~~SOLICITOR'S DCKT.RM. 6038~~
3. MR. DWYER - RM. 7343
4.

DMEA-2448
#Idm-E544

FOR: Send to F.T. for their approval and forwarding.

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

INTERIOR DEPT.
NOV 19 1956
SOLICITOR

REMARKS:
DMEA DCKT.RM. Please attach master docket.
How do we handle Rudy's letter of October 30? (see Docket)
USOJ

Check (X) before the items needing attention.

RECEIVED
NOV 19 1956
ASSOC. SOLICITOR
MINERAL RESOURCES

ADMcMahon/am
Initials of sender.

NOTE - Letter should be sent to Ronnie D. Smith that Govt. no longer has a claim against him. Indritz

GPO 16—63815-1

400

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

NOV - 5 1956

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

WSM

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

Dear Mr. Richer:

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

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

The check in the amount of $515.98 was transmitted by a letter from John E. Johnson's attorney, requesting that we transfer all rights, titles, etc., in equipment and materials left on the project. A copy of the reply to this letter will be sent to you later.

Sincerely yours,

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosure

JLChambers/wb
November 5, 1956

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

Mr. McMahon

Re question of waiving final report, certification, etc as well as acknowledging 515.98 as being in full payment of 515.99, and release

P. Andrews

Is it necessary to sign attached letter as an acknowledgment in addition to the acknowledgment made in the letter transmitting the Termination Agreement.

McGee.

No.

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

TELEPHONE GARFIELD 1-3500

October 30, 1956

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

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

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

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

Yours very truly,

JLJ:mea
Enclosure

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

DEFENSE MINERALS EXPLORATION ADMINISTRATION

By: _____

COPY

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

AUG - 3 1956

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

Re: Docket No. DMEA 2448 - Mercury
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-8544

Dear Mr. Smith:

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

Sincerely yours,

E. O. Mittendorf

Administrator

JLChambers/vb
August 2, 1956

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

COPY

RONNIE SMITH
Tower Petroleum Building
Dallas, Texas

July 12, 1956

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

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

Dear Mr. Mittendorf:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

/s/ Ronnie B. Smith

Ronnie B. Smith

RBS:kf

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

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

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

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

400

JUL 31 1956

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

Mr. John I. Johnson
500 South Van Ness Avenue
San Francisco, California

Re: Docket No. DMEA 2145 - Harvey
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. 16-[illegible]

Gentlemen:

Reference is made to John L. Jones' letter of June 6, 1956, in which he states that "Mr. Johnson is holding his check of $515.99 for the overpayment. He will contact you shortly in regards to this matter"; and to the letter from John L. Jones and John I. Johnson of June 6, 1956, in which they enclose two checks, one for $1150.00, and one for $[illegible] as payment toward their account; and our letter of June 22, 1956, acknowledging the above-mentioned checks toward the payment of the account and informing the partnership that the Government will be glad to issue a release on the equipment when the additional amount of $515.99 is paid.

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

Sincerely yours,

Administrator

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

JIChambers/vb
July 31, 1956

JUL 13 1956

401

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

Re: Docket No. DMEA 2[illegible] - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-[illegible]

Dear Mr. Johnson:

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

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

> "If at any time the Government considers that a discovery or development from which production may be made has resulted from the exploration work, the Government, at any time not later than six months after the Operator has rendered the final report and final account required by the exploration project contract, may so certify in writing to the Operator. - - - -The Operator or his successor in interest, shall pay to the Government a royalty on all minerals mined or produced from the land which is the subject of the exploration, - - - -."

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

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

Sincerely yours,

C. O. Mittendorf

Administrator

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

C O P Y

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

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

Sir:

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

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

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

Sincerely,

/s/ John Johnson

J. E. Johnson
for the Stock Holders

COPY

400

RONNIE SMITH
Tower Petroleum Building
Dallas, Texas

July 12, 1956

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

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

Dear Mr. Mittendorf:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

/s/ Ronnie B. Smith

Ronnie B. Smith

RBS:kf

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

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

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

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

400

RECEIVED
JUL 18 1956

1605 Evans Avenue
Reno, Nevada

July 9, 1956

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

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

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

S. Ricker

Attach.

SRicker:gh
cc: Geo. Mavor
File

Washington Copies

July 5, 1956

RECEIVED
JUL 18 1956

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

Dear Mr. Jones:

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

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

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

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

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

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

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

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

Very truly yours,

S. H. Williston

SHW:L
cc - Mr. Vic Blomberg
Mr. Chandler Bisker
Mr. John Parks Davis

COPY

RECEIVED
JUL 18 1956

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

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

Sir:

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

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

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

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

Sincerely,

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

COPY

May 1, 1956

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

$103.96	Keyston Mine Invoice. 225' of 2" Pipe & 220' of 3/4" Pipe
313.50	New Penn Mine Invoice. 375' of 12" Rubber Fan Bag, Jim Crow, Float Switch, Plywood Cores, etc.
184.05	New Penn Mine Invoice. Plywood Cores, 300' of 2" Pipe & 200' of 1" Pipe, Stainless Steel Nipples & Flanges.
31.93	Two Head Lamps & Batteries Complete.
43.36	Cement Coated Elbows & Sleeves.
271.61	New Penn Mine Invoice. 1750 Wedges, 3 x 12 Mud Sills, 184' 4" Transite Pipe, Stainless Steel Flanges and Unions.
280.13	Hyman Mickles Invoice. 42 Lengths of 16# Rail & 42 Pair of Plates & Bolts.
875.57	Concord Hardware Invoice. 13,206 Board Feet of Lumber.
401.70	B. F. McDonald Invoice. Sulfide Tester, Methane Tester, Miners Testing Lamp, Battery Charger and Charger Rack.
40.97	18 4" Transite Collars
20.60	40 4" Rubber Rings for Collars.
60.55	Bayshore Machinery Invoice. 3" Hose, Flanges, Foot Valve,
15.45	3/4 of Marwedel Invoice. Hand Tighting Material.
20.60	1 Roll of Romex Wire
325.80	1 Stainless Steel Pump. 20 H.P. (Less Rewinding Charges)
58.30	200' of 16# Rail
292.27	Total Cost of New and Used Timber and Lumber Less present inventory. (Separate Sheet Enclosed)
19.57	38 Pair Fish Plates & Bolts
	Electric Blasting Caps
	Parts of Number 12 Macking Machine
	One Box Single Jack Handles (10)
	One Box Pick Heads (6)
	One Sack Rail Spikes (50 lbs)
	Shovels
	Picks
	Axes
	Nails (Assortment totaling Two Kegs)
	Two 8' Drill Steel
	Two 5' Drill Steel
	Many Misc. Pipe Fittings.
	Misc. Tools.

RECEIVED
JUL 18 1956

COPY

May 1, 1956

Timber and Lumber Inventories on January 1, 1955.

Inventory of New Timbers on January 1, 1955.

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

Inventory of Used Timbers on January 1, 1955.

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

Inventory on Hand March 31, 1956. Used.

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

COPY

May 1, 1956

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

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

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

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

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

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

JUN 22 1956

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

Re: Docket No. DMEA 246 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-244

Gentlemen:

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

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

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

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

Sincerely yours,

G. O. Mittendorf

Administrator

JLChambers/wb
June 21, 1956

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

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

JUN 22 1956

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

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

Dear Mr. Jones:

Reference is made to your letter of June 6, 1956, in which you give us instructions concerning the application of checks enclosed in your and Mr. Johnson's letter of the same date.

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

Sincerely yours,

G. O. Mittendorf

Administrator

Enclosure
JLChambers/wb
June 21, 1956

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

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

400

JUN 18 1956

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

AIR MAIL

REGISTERED MAIL
RETURN RECEIPT REQUESTED

WSM

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

Dear Mr. Richer:

We have just received one check in the amount of $1,325.00 drawn as a cashier's check on the Bank of America and one check in the amount of $1,640.99 drawn by the Bay View Federal Savings and Loan Association in favor of John L. Jones, for payments on the above-cited project as follows: $2,290.00 for the Government's share of the salvage price of equipment used on this project, and $515.99 for 50 percent of the Government's claim for overpayment to the Operators.

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

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

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

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

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosures-2

JLChambers/wb
June 18, 1956

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

AIR MAIL

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

JUN - 5 1956

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

Re: Docket No. DMEA 2h48 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-25h

Gentlemen:

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

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

As mentioned in our letter of April 25, 1956, the amount due is $3,281.97 representing $1,031.97 for overpayment by the Government under this contract, and $2,250.00 as the Government's 75 percent equity in the salvage value of supplies, materials and equipment purchased for the project. We note that you do have the amount due ready to remit and shall look forward to an early settlement of your account.

Sincerely yours,

C. O. Mittendorf

Administrator

AMMcMahon:fec
6-5-56
cc to: Docket
Code 400
Admr. Read. File
Audit Div.
FT. REG. II
Sealscope

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

DISPOSAL OF GOVERNMENT'S INTEREST IN PROPERTY

To: _____

_____

_____

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

THE UNITED STATES OF AMERICA

Dated_____1956. By_____

400

COPY

TELEGRAM:

WSM

O SMA101 ND PD TDSM BURLINGAME CALIF 27

C O MITTENDORF DEFENSE MINERALS EXPLORATION
INTERIOR DEPT

ADMINISTRATION WASH DC

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

JONAS & JOHNSON

DMEA2448 $2,250.00 also 25th

Mr. Hite - 5/23

Cir. So. Supp 1
Form A

Talbert appeal

Sen. Johnson's office

186

1887.06
-1,031.97
855.09

Smith
1 & 2 Attorneys will be
here June 5.

Try to set up
a conference
with counsel
& an auditor

3.250.
10.3

400

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

MAY 15 1956

Mr. Albert J. Mitchell, Treasurer
Franklin Supply Company
6th South Michigan Avenue
Chicago 5, Illinois

Re: Docket No. DMEA-6448 - Mercury
Jones and Johnson
Mt. Mable Quicksilver Mine
Ventura Santa County, California
Contract No. 14s-2344

Dear Mr. Mitchell:

This will acknowledge receipt of your letter of May 1, 1956, replying for Mr. Jess Harper to our letter of April 25, 1956, which demanded the return of an overpayment of $1,887.96 made by the Government to Messrs. Ronnie B. Smith, Jess Harper, and James F. Donnigan, partners and operators of the Mt. Mable Quicksilver Mine under the subject contract.

The legal aspects of this matter have been reviewed several times and all expenditures under the terms of the contract have been audited thus confirming the overpayment of $1,887.96 to Ronnie B. Smith, et al. It has been over two years since any work was done under the captioned contract and considerable effort and correspondence have failed to bring about a satisfactory contract settlement.

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

Sincerely yours,

C. O. Mittendorf

Administrator

AJMcMahon/esf
5-14/56
cc to: Docket
Code 400
Admr. R. File
Oper. Committee
FT. REG. II
HMMeyer, USBM
THHelagaard, USGS
Mr. Chambers - Code 300

MAY 1 8 1956

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

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

Dear Mr. Mitchell:

This will acknowledge receipt of your letter of May 1, 1956, applying for Mr. Jess Harper to our letter of April 25, 1956, which demanded the return of an overpayment of $3,807.06 made by the Government to Thomas, Ronald R. Smith, Jess Harper, and James F. Dunigan, partners and operators of the Mt. Diablo Quicksilver Mine under the subject contract.

The legal aspects of this matter have been reviewed several times and all expenditures under the terms of the contract have been audited thus substantiating the overpayment of $3,807.06 to Ronald R. Smith, et al. It has been over two years since any work was done under the subject contract and considerable effort and correspondence have failed to bring about a satisfactory contract settlement.

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

Sincerely yours,

G. W. Mittendorf

Administrator

ATM:Hibbs/ecf
5-14/56
cc to: Docket
Code 420
Adm. R. File
Oper. Committee
FT. REG. II
Manager, USBM
Treasurer, USBM
Mr. Chambers - Code 200

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

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

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

Dear Mr. Mitchell:

This will acknowledge receipt of your letter of May 1, 1956, replying for Mr. Jene Harper to our letter of April 25, 1956, which demanded the return of an overpayment of $1,887.06 made by the Government to Messrs. Ronnie B. Smith, Jene Harper, and James F. Dunnigan, partners and operators of the Mt. Diablo Quicksilver Mine under the subject contract.

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

The legal aspects of this matter have been reviewed several times and all expenditures under the terms of the contract have been audited thus confirming the overpayment of $1,887.06 to Ronnie B. Smith, et al. It has been over two years since any work was done under the captioned contract and considerable effort and correspondence have failed to bring about a satisfactory contract settlement.

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

Sincerely yours,

Administrator

COPY

400

FRANKLIN SUPPLY COMPANY
624 South Michigan Avenue
Chicago 5, Illinois

May 1, 1956

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

Attention: Mr. C. O. Mittendorf
Administrator

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

Dear Sir:

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

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

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

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

Very truly yours,

FRANKLIN SUPPLY COMPANY

By Albert J. Mitchell
Treasurer.

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

APR 25 1956

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

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

Re: Docket No. DMEA 2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-8544

Gentlemen:

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

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

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

Sincerely yours,

C. O. Mittendorf

Administrator

ADMcMahon/JIChambers/wb
April 24, 1956

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

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

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

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

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

Gentlemen:

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

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

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

Sincerely yours,

Administrator

DOCKET
SURNAME
400 McMahon
Martin

Indrt 4/20/56
Sawyer

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

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

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

Re: Docket No. IMEA 2446 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Ida-[illegible]

Gentlemen:

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

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

We now demand that you pay to the Government the sum of $3,281.97, representing $1,031.97 for overpayment and $2,250.00 as the Government's 75 percent equity in the salvage value of supplies, materials and equipment.

Sincerely yours,

Administrator

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

Certified Mail
Return Receipt Requested

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

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

Mr. James F. Dunnigan
% Producers Refining, Inc.
328 W. Houghton Avenue
West Branch, Michigan

Re: Docket No. RCA 2148 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. 14-[illegible]

Gentlemen:

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

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

Sincerely yours,

C. O. Mittendorf,

Administrator

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

MF-500

UNITED STA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

REFERRED TO: DATE 4/9/56

1. ~~400~~
2. ~~800~~
3.
4.

FOR:

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

REMARKS: Who is the "appropriate official"? Has Dennis Smith been in touch with your Division?

Check (X) before the items needing attention.

GPO 16—63815-1

Talbert
Initials of sender.

400

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

RANDOLPH 5520

April 5, 1956

RECEIVED
APR 9 - 1956

WSM

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

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

Dear Mr. Mavor:

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

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

Sincerely yours,

Norman E. Spray

Norman E. Spray

mc

March 19, 1956

DMEA 2448
Idm-E544

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

W. S. Martin

COPY

400

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

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

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

Sir:

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

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

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

Sincerely,

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

400

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

March 30, 1956 WSM

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

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

Dear Mr. Chambers:

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

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

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

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

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

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

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

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

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

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

Sincerely yours,

"(SIGNED) [illegible]"

George Haver
Auditor

Copy to: S. Ricker

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

420 Custom House
555 Battery Street
San Francisco, California

March 30, 1956

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

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

Dear Mr. Jonas:

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

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

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

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

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

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

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

Add:

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

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

Sincerely yours,

"(SIGNED) GEORGE MAYER

George Mayer

Copy to: Jay L. Chambers
S. Ricker

JONAS AND JOHNSON
MT. DIABLO QUICKSILVER MINES
CONTRACT NO. Idm-8544, DOCKET NO. DMEA-2478
RECONCILIATION BETWEEN AMOUNTS CLAIMED BY OPERATOR AS PER
SCHEDULES 1 TO 6, INCLUSIVE AND DMEA AUDIT REPORT FEBRUARY 28, 1954

SCHEDULE NO. 1
PAGE 1 OF 3

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

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

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

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

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

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

SCHEDULE NO. 2

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

JONAS AND JOHNSON

MT. DIABLO QUICKSILVER MINE

CONTRACT NO. Idm-2544, DOCKET NO. DMEA-2478

FINAL COSTS OF CONTRACT, BASED ON REVIEW OF COSTS

AND DISCUSSION BETWEEN GEORGE MAYOR, DMEA AUDITOR AND JOHN L. JONAS, MARCH 26, 1956

SCHEDULE NO. 3

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

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

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

[illegible]

Hotmilling
Steel Conversion

The Hotmill

Authorized Timken
Bit Distributors

Telephone 105
122 Broad Street
NEVADA CITY, CALIFORNIA

RECEIVED
APR 3 - 1956

Jan. 13th 1956.

Mr. J.L.Jonas.
1166 Los Robles Drive.
Burlingame, Calif.

Dear Mr. Jonas:-

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

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

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

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

Sincerely

W. M. Haley

400 COPY

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

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

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

Sir:

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

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

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

Sincerely,

/s/ J. L. Jonas

MAR 22 1956

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

Re: Docket No. DMEA 2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. 14n-2544

Gentlemen:

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

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

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

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

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

Sincerely yours,

C. O. Mittendorf

Administrator

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

As a matter of fact, due the peculiar circumstances in this case, we advised Mr. Williston orally when he called at our office here on Feb. 23, 1955, that DMEA would interpose no objection to his use of the hoist and other equipment for the benefit of the ~~property~~ property, but that such use was a problem to be worked out between him and you.

You also state, "We have heard on the grape vine that your Engineer gave him (referring to Mr. Williston) permission to use the items but to us this is only hear say of coarse." As no DMEA examining engineer or any other official would have the authority to give Mr. Williston permission to use items owned jointly by you and the Government, your "grape vine" rumor is certainly unfounded.

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

Sincerely yours,

Administrator

Mr. Martin

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

MAR 16 1956

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

Re: Docket No. DMEA-[illegible] (Mayer)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. [illegible]

Dear Mr. Mayer:

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

It is appreciated that you have put more than normal effort and time in the audit of this contract due to the Operator's failure to maintain adequate accounts and submit proper claims. However, the fact remains that the Operator has stated in his letter of February 21, 1956, which is now a part of the docket on this case, that he has never been told "which costs are allowed and which ones are not allowed and why not." Furthermore, he has presented his work sheets as purported evidence of additional costs in acquiescence with the Administrator's statement in his letter of February 13, 1956, that the "liabilities would be adjusted if you can reasonably establish that any additional costs are properly allowable."

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

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

(2) the disallowances of $400.00 for rentals (the total for which is shown on the work sheets as $300.00); and (3) items of purchased equipment in the amounts of $131.97, $225.00 and $325.00.

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

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

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

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
March 16, 1956

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

COPY

FRANKLIN SUPPLY COMPANY

PETROLEUM EQUIPMENT

624 South Michigan Avenue Chicago, Illinois

February 24, 1956

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

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

Attention: C. O. Mittendorf
Administrator

Gentlemen:

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

Very truly yours,

FRANKLIN SUPPLY COMPANY

/s/ Albert J. Mitchell

Albert J. Mitchell, Treasurer

AJM:eg

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

400

RECEIVED
MAR 12 1956

1605 Evans Avenue
Reno, Nevada

March 7, 1956

WSM

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

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

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

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

S. Ricker

Attach.

SRicker:gh
cc: R. M. Smith
Finance Off., Reg. II
File

RECEIVED
MAR 12 1956

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

Date 3/7/56

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

Attached are four copies of Interim Report on

Docket No. DMEA-2448

Contract No. Idm-5544

Commodity Mercury

Operator Jonas and Johnson

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

By B. H. Cheahan

Dated 3/7/56

S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments

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

INTERIM REPORT

RECEIVED
MAR 12 1956

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

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

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

Contract No.: Idm-E544

INTRODUCTION

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

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

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

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

STATEMENT OF OPERATIONS

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

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

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

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

CONCLUSIONS

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

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

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

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

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

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

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

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

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

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

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

Benjamin H. Sheahan

Benjamin H. Sheahan
Mining Engineer

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

MAR - 2 1956

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

Re: Docket No. DMEA-8448 (Nevarez)
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Idm-8544

Mr. Jones
Mr. Martin
Mr. Chambers

Dear Mr. Nevar:

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

The work sheets indicate total disbursements from November 1, 1953, to February 28, 1954, of $34,414.30 (exclusive of attorney fees, taxes and insurance), whereas your interim audit allowed only $26,908.66 for that period. These work sheets also show disbursements of $1,751.97 for the month of March, 1954, whereas the amount claimed on the Form DF-104 for that month was $1,336.34. Mr. Jones requests that we give "these figures further consideration."

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

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

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

Sincerely yours,
(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

Enclosures-2

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

EDTalbert/mb
March 2, 1956

COPY

FRANKLIN SUPPLY COMPANY

PETROLEUM EQUIPMENT

624 South Michigan Avenue Chicago, Illinois

February 24, 1956

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

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

Attention: C. O. Mittendorf
Administrator

Gentlemen:

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

Very truly yours,

FRANKLIN SUPPLY COMPANY

/s/ Albert J. Mitchell

Albert J. Mitchell, Treasurer

AJM:eg

COPY

FRANKLIN SUPPLY COMPANY

PETROLEUM EQUIPMENT

624 South Michigan Avenue Chicago, Illinois

February 24, 1956

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

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

Attention: C. O. Mittenderf
Administrator

Gentlemen:

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

Very truly yours,

FRANKLIN SUPPLY COMPANY

/s/ Albert J. Mitchell

Albert J. Mitchell, Treasurer

AJM:eg

COPY

FRANKLIN SUPPLY COMPANY

PETROLEUM EQUIPMENT

624 South Michigan Avenue Chicago, Illinois

February 24, 1956

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

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

Attention: C. O. Mittendorf
Administrator

Gentlemen:

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

Very truly yours,

FRANKLIN SUPPLY COMPANY

/s/ Albert J. Mitchell

Albert J. Mitchell, Treasurer

AJM:eg

C O P Y

DMEA 2448

400

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

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

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

Sir:

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

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

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

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

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

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

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

Sincerely,

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

/s/ John Johnson
Hohn Johnson

Mt Diablo Mercury Co   March 1954   Flood

	Amount	Labor	Supplies	Equipment Maintenance	Fuel & Oils	Mileage	[illegible]	Electric Power	Tax & Insurance
Pacific Mining Co.	130 -								
[illegible] Co.	465		465						
[illegible] Co.	18 -								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
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[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible]	[illegible]								
[illegible] Co.	[illegible]								
[illegible] Co.	145								
[illegible] Bridge	80								
[illegible] Bridge	[illegible]								
[illegible] Co.	[illegible]								
[illegible] & Zimmerman	[illegible]								
[illegible] Co.	347		[illegible]						
[illegible] Hardware	504		[illegible]						
S.F.-Oakland Bridge	80								
The Electric Corp.	534		534						
General Machine Co.	99		99						
Enterprise Electric Co.	311		311						
Concord Farm Implement Co.	580		580						
			157 15			180	150 -		278 [illegible]

Mt Diablo Mercury Co. March-1954 Filed

	Amount	Labor	Equipment Supplies	Lumber + Timbers	Fuel + Oils	Mileage Hire + Toll	Equipment Rentals	Electric Power	Inc. Taxes Attorneys
Totals Page I		9307	15765	—	—	180	150	[illegible]	778
Superior Blacksmith	371		371						
Shore Anchor Co.	292		292						
C. H. Sherwood Co.	[illegible]		[illegible]						
Melinger Engineering	[illegible]								
Griffith Tool	[illegible]								
[illegible]	[illegible]								
[illegible]									
[illegible]									
[illegible]									
[illegible]									

120743 34381

Mt. Di[illegible]o Mercury Co.

November, December, January & February

Date	Check No.	Paid To	Amount	Labor	Contractors	Equipment Supplies	Lumber Timbers	Fuels Oils	Hoisting [illegible]	Equipment Rentals	[illegible]	[illegible]
	1	Castle & Bronner	1855 -		1855 -							
	2	[illegible] Sullivan	1800 -			800 -						
	3	Elmgren Lumber Co.	[illegible] -				[illegible]					
	4	[illegible]	[illegible]									
	[illegible]	[illegible]	[illegible]	318 [illegible]								
	[illegible]	[illegible]	[illegible]	138 59								
	[illegible]	[illegible]	[illegible]	800 -								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	500 -								
	[illegible]	Not Used										
	[illegible]											
[illegible]	34	Castle & Bronner	1793 50		1793 50							
[illegible]	35	Keystone Copper Co.	188 70			188 70						
1/30	36	H. T. Niell	813 47			813 47						
1/26	37	— —										
1/5	38	New Penn Mine	410 20			410 20						
1/21	39	Balsam Brothers.	1 38			1 38						
				1456 39	7523 50		513 30	23 66				

1983 0[illegible]

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplies	Lumber Timbers	Fuels + Oils	Mileage Phone + Tolls	Equipment Rentals	Electric Power	Inc Taxes Attorneys
1/31	30	Smith Lindstrom + Duncan	5775	5775								
1/31	31	Circle Freight Co.	192			192						
1/21	32	Angles Box + Lumber Co.	2575				2575					
1/21	33	Driffill Oil Co.	3635					3635				
1/19	34	Castle + Brunner	1530 -		1530 -							
1/25	35	T. N. Hook	160			160						
1/25	36	May Paint + Glass Co.	439			439						
1/25	37	Superior Blacksmith	11977			11977						
1/25	38	Walter Bradley	400 -			400 -						
1/25	39	El Monte Lumber Co.	1000 -				1000 -					
1/25	40	Frank Sullivan	150 -			150 -						
1/30	41	New Penn Mine	29755			29755						
1/8	42	Castle + Brunner	63963		63963							
1/8	43	Frank Sullivan	210 -			210 -						
1/8	44	Concord Farm Implement Co.	166			166						
1/8	45	Division of Industrial Safety	550	550								
1/8	46	Donnie B. Smith	1250 -			1250 -						
1/8	47	C. N. Schuette	500 -	500 -								
1/8	48	Pearson + Resty	4855									4855
1/8	49	B. F. McDonald Co.	164 -			164 -						
1/8	50	Castle + Brunner	500 -		500 -							
	51	—										
1/14	52	Balander + Sons	2780			2780						
1/20	56	Driffill Oil Co.	3377					3377				
1/16	57	John Manoville	4382			4382						
1/16		Bank Charge	628									628
1/20	58	Balaam Blitter	186			186						
1/20	59	Capro Pacific Co.	693			693						
1/20	60	General Machinery Co.	5186	565.35	3669.63	5186						
1/31	61	Frank C. Bowman	3534			3534	1035.75	76.12				
						276947						

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber + Timbers	Fuels + Oils	Milpage Phone + Tolls	Equipment Rentals	Electric Power	Ins Taxes Attorneys
2/20	62	John Manville	4686			4686						
2/20	63	El Monte Lumber Co.	64130				64130					
2/20	64	Frank Sullivan	16080			16080						
2/21	65	—	—									
2/21	66	N. M Waley	100 -							100 -		
2/21	67	Mt. Diablo Quicksilver Co.	38735									38735
2/21	68	Pacific Gas + Electric Co.	24080								24080	
2/24	69	Castle + Brenner	132750		132750							
[illegible]	70	R. F. McDonald	23770			23770						
2/25	71	Castle + Brenner	78838		78838							
2/27	72	Municipal Court Tax	27 -									27 -
2/1	73	Walter Bunker	375 -									375 -
2/5	81	Castle + Brenner	270 -		270 -							
3/9	82	John Manville	4725			4725						
3/9	83	Balaam Brothers	1473			1473						
3/9	84	Quilfeldt Oil Co.	862					862				
3/9	85	Storage Co of Pacific	2910			2910						
3/9	86	Quilfeldt Oil Co.	12556					12556				
3/9	87	General Machinery Co.	727			727						
3/9	89	Frank J. Sullivan	14420			14420						
3/9	90	Sidney Brady	192 -									192 -
3/9	91	Almond Reid	125 -									125 -
3/9	92	Turner + Robertson	3234									3234
3/10	96	C. N. Labatte	500 -	500 -								
3/10	97	Wyman Miller	25063			25063						
3/10	98	Concord Hardware Co.	87557				87557					
3/22	101	Mt. Diablo Quicksilver Co.	3443									3443
4/4	102	Mt. Diablo Quicksilver Co.	38734									38734
5/17	109	Pacific Gas + Electric Co.	5208								5208	
6/10	111	Balaam Brothers.	366		238588	366	151687	13418			29288	[illegible]
						942 86						

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber & Timbers	Fuels & Oils	Mileage Phone & Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
4/10	112	Delphi Gas & Electric Co.	59.52								59.52	
7/19	113	Delphi Gas & Electric Co.	50 -								50 -	
7/19	114	Balsam Brothers	360			360						
7/22	115	Sam Kitchen	160 -	160 -								
	116	Balsam Brothers	828			828						
		PAID BY CASH										
Nov	7	Frank C Bottman	4386			4386						
	9	Alan Fiellman	2150			2150						
"	9	B. L. Keller	173			173						
"	28	B. L. Keller	95			95						
"	29	The Rix Co.	2703			2703						
"	30	Louis Lukens	58475	58475								
"	29	B. L. Keller	175			175						
"	5	Heating & Sheet Metal Co	312			312						
"	11	Auto Parts Sales Co.	109			109						
Dec	5	Herbs Hardware	373			373						
"	12	Dunlap Hardware	469			469						
"	12	The Bearing Supply Co.	230			230						
"	13	Superior Blacksmith	782			782						
"	19	Concord Farm Implements Co.	475			475						
"	27	Mid City Auto Supply Co.	328			328						
"	22	Concord Lumber Co.	98				98					
"	31	Elmonte Variety Co.	51			51						
Jan	6	Concord Hardware	38			38						
"	9	Orlando Hardware	1523				1523					
"	10	Petroleum Products	220					220				
"	10	Diggs Service Station	157					157				
"	11	Johnson Golden Eagle Co.	340					340				
"	11	Standard Service Co.	263	74475		1053	1631	263			10952	
								980				

Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber Timber	Fuels & Oils	Mileage Phone Toll	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Jan. 11	Penney Store	21			21						
" 11	Rossville Auto Supply	123			123						
" 11	Matson Lumber Co.	3226				3226					
" 11	Balmain Lumber Co.	11408				11408					
" 12	H. R. Ames Co.	10874			10874						
" 12	S. F.-Oakland Bridge	50						50			
" 13	S. F. Oakland Bridge	50						50			
" 13	Concord Hardware	40			40						
" 15	G. L. Keller	72			72						
" 21	Clarks Service Station	327					327				
" 22	The Hot Mill	306 -			306 -						
" 22	Gordey Cook Service	285					285				
" 22	Keystone Copper Co.	7675			7675						
" 23	Cornell Miller Co.	2575			2575						
" 25	Clark Hoy Supply	332					332				
" 25	Mt. Diablo Service	157					157				
" 26	Concord Farm Implement	485			485						
" 27		175			175						
" 28	Kelly Bearing Co.	664			664						
" 27	General Machinery Co.	38			38						
" 28	Superior Blacksmith	590			590						
" 29	Grinnel Co.	4336			4336						
" 28	S. F. Oakland Bridge	50						50			
" 29	S. F. Oakland Bridge	45						45			
" 29	Martinez Banning Ferry	125						125			
" 29	Standard Station	220					220				
" 29	[illegible] Co.	310			310						
" 29	[illegible] Store	150					150				
" 29	[illegible] Mines Inc.	74054			74054						
" 29	[illegible]	330			330	[illegible]	[illegible]	[illegible]			

Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractor	Equipment Supplies	Lumber Timber	Fuel + Oils	Mileage Phone Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Feb 4	Tele Electric Co.	25.95			25.95						
4	Pacific Gas Co.	3.20			3.20						
4	The Gasket Shop	7.40			7.40						
5	Petroleum Products Co.	1.45				1.45					
4	Superior Blacksmith	3.31			3.31						
4	Superior Blacksmith	3.75			3.75						
10	Hofman Mickey Co.	1.81			1.81						
11	Municipal Court Tax	1.00									1.00
15	S.F. Dalfanf Co.	.50						.50			
19	Al Ansel Service	1.73						1.73			
19	Beffer Automotive Co.	27.69			27.69						
4	Superior Blacksmith	1.87			1.87						
20	Dibble Service Co.	1.00			1.00						
17	Bonomi Stores	.77			.77						
17	Automotive Parts Co.	3.08			3.08						
17	Automotive Parts Co.	3.05			3.05						
	Automobile Mileage 18¢ @	312.24						312.24			
	Station Wagon Hauling 12¢ @	539.04						539.04			
	Auto Toll Bridge	9.15						9.15			
	Station Wagon Tolls	14.10						14.10			
	Total Phone Bill	45.27						45.27			
	Compressor Rental	4.00							4.00		
	Total Labor	34.56	34.56								
	Castle + Brunner	671.99		671.99							
	Big Truck Mileage 15¢ @	273.60						273.60			
	Truck Drivers Hotel + Meals	143.39						143.39			
	Mucking Machine	12.00 —			12.00 —						
					1284.28			1339.32			

Mt. Diablo Mercury Co.

November December January & February

Item	Supervision & Labor	Contractors	Equipment & Supplies	Lumber & Timber	Fuel & Oils	Mileage Phone & Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Totals from Page # 1	145639	95235	198274	51330	2366			28472	
" " " # 1-A	56525	266963	276447	102575	7012				5483
" " " 2	500 -	238588	94220	151687	13418		100 -	29298	156036
" " " 3	94475		14037	1621	930			10952	
" " " 4			132762	14634	1471	320			
" " " 5	3456 -	67199	128228		145	133902	400 -		100
Totals	699589	13251 -	843968	321847	25342	134222	500 -	68712	161619

Sum Total less Attorneys, Taxes & Ins. 3172530

Mt. Diablo Mercury Co — March 1954 — Flood

	Amount	Labor	Equipment Supplys	Lumber Timber	Fuel + Oils	Mileage Phone + Tolls	Equipment Rentals	Electric Power	Inc. Tax + Attorneys
Pacific Mining Co.	120 -						120 -		
Bafalone Machinery Co.	60 55		60 55						
C.F. Wallgmuller Co.	15 -						15 -		
C.F. Wallgmuller Co.	15 -						15 -		
Walter Bilder Co.	250 -								250 -
Howard Castle	40 72	40 72							
Melvin Brugner	40 36	40 36							
George Barton	43 02	43 02							
Dexter Bardsley	21 38	21 38							
Guy Castle	23 28	23 28							
C.H. Schutte	250 -	250 -							
B.F. McDonald Co.	33 99		33 99						
Pacific Gas + Electric Co.	82 36							82 36	
Calif. Employment Dept.	6 96								6 96
U.S. Treasury Dept.	21 20								21 20
J.D. Jones	156 -	156 -							
John Johnson	156 -	156 -							
Bergaust Florist Co.	15 45		15 45						
The Electric Corp.	4 05		4 05						
S.F. Oakland Bridge	50					50			
S.F. + Oakland Bridge	50					50			
C.H. Morwedell Co.	20 70		20 70						
Gunterd + Zimmerman	3 06		3 06						
Pacific Pipe Co.	2 07		2 07						
Schaad Hardware	3 04		3 04						
S.F.-Oakland Bridge	80					80			
The Electric Corp.	5 34		5 34						
General Machine Co.	49		49						
Pacific Electric Co.	3 11		3 11						
Central Farm Implement Co.	5 80		5 80			1 80	1 50		3 78

Mt. Diablo Mercury Co. March-1954 Flood 2

	Amount	Labor	Equipment Supplys	Lumber + Timbers	Fuel + Oils	Mileage Phone + Toll	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Totals Page I		73076	15765	—	—	180	150 -	8236	378 16
Superior Blacksmith	371		371						
Shave Roebuck Co.	299		299						
C. H. Maxwell Co.	73		73						
Mileage Expense 12¢	23280					23280			
Bridge Tolls.	605					605			
Phone	776					776			
Big Trucks Mileage 15¢	9720					9720			
Item Totals		73176	16508	—	—	34561	150 -	8236	378 16
Sum Total									[illegible]

130743 243 81

MT. DIABLO MERCURY CO.

NOVEMBER, DECEMBER, JANUARY & FEBRUARY

DATE	CHECK NO	PAID TO	AMOUNT	LABOR	CONTRACTORS	EQUIPMENT & SUPPLIES	LUMBER & TIMBERS	FUELS & OILS	MILEAGE PHONE & TOLLS	EQUIPMENT RENTALS	ELECTRIC POWER	INS. - TAXES ATTORNEYS
11/20/23	1	Castle & Brunner	1955 -		1955 -							
11/30	2	Frank Sullivan	300 -			300 -						
11/30	3	Elmonte Lumber Co.	500 -				500 -					
12/4	4	Kaplan Army Store	1087			1087						
12/4	5	Val Blomberg	318 10	318 10								
12/4	6	Sam Kitchen	138 29	138 29								
12/5	7	C. N. Schutte	500 —	500 -								
12/12	8	Castle & Brunner	1743 50		1743 50							
[illegible]/9	9	Bayshore Machinery Co.	905 6			905 6						
		Home Check Bk.	4 25			4 25						
12/19	10	Castle & Brunner	2 082 50		2082 50							
12/23	11	Keystone Copper Co.	1960			1960						
12/24	12	NOT USED										
12/24	13	Concord Hardware	1736			1736						
12/24	14	Concord Hardware	107 32			107 32						
12/24	15	Angles Box & Lumber Co.	1030				1030					
12/24	16	Battley Co.	1030			1030						
12/24	17	Quitzell Oil Co.	1963					1963				
12/24	18	Standard Oil Co.	903					903				
12/24	19	Pacific Gas & Electric Co.	284 72								284 72	
[illegible]	20	Bearing Engineering Co.	893			893						
12/24	21	C. N. Schutte	500 -	500 -								
	22	NOT USED										
	23	" "										
1/9	24	Castle & Brunner	1743 50		1743 50							
1/10	25	Keystone Copper Co.	188 70			188 70						
1/20	26	N. T. Nielsen	813 47			813 47						
1/26	27	— —										
1/5	28	New Orleans Wire	410 20			410 20						
1/3	29	Bazanne Brothers	138	[illegible]	[illegible]	138	[illegible]	[illegible]				

1A

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplies	Lumber Timbers	Fuels + Oils	Mileage Phone + Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorney
1/31	30	Smith Lindstrom + Duncan	57 75	57 75								
1/31	31	Circle Freight Co.	192			192						
1/21	32	Angles Box + Lumber Co.	25 75				25 75					
1/21	33	Richfield Oil Co.	36 35					36 35				
1/19	34	Castle + Brunner	1530 –		1530 –							
1/25	35	T. N. Hook	160			160						
1/25	36	May Paint + Glass Co.	439			439						
1/25	37	Eleanor Blacksmith	117 74			117 74						
1/25	38	Hilden Bradley	400 –			400 –						
1/25	39	El Monte Lumber Co.	1000 –				1000 –					
1/25	40	Frank Sullivan	150 –			150 –						
1/30	41	New Penn Mine	377 55			377 55						
2/2	42	Castle + Brunner	639 63		639 63							
1/8	43	Frank Sullivan	210 –			210 –						
1/8	44	Concord Farm Implement Co.	166			166						
1/8	45	Division of Industrial Safety	550	550								
1/8	46	Donnie B. Smith	1250 –			1250 –						
1/8	47	C. N. Schutte	500 –	500 –								
1/8	48	Pearson + Reity	48 55									48 55
1/8	49	B. F. McDonald Co.	164 –			164 –						
[illegible]	50	Castle + Brunner	500 –		500 –							
	51	— —										
2/14	52	Balander + Sons	27 80			27 80						
1/30	56	Richfield Oil Co.	33 77					33 77				
2/16	57	John Manville	43 82			43 82						
2/16		Bank Charge	6 28									6 28
1/30	58	Balaam Brothers	1 86			1 86						
1/30	59	Capro Drafting Co.	6 93			6 93						
1/30	60	General Machinery Co.	51 86	565 25	266 93	51 86						
1/31	61	Frank C. Borrelli	35 34			35 34	103 75	74 [illegible]				

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber + Timbers	Fuels + Oils	Mileage Phone + Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
2/20	62	John Manville	46 86			46 86						
2/20	63	El Monte Lumber Co.	641 30				641 30					
2/20	64	Frank Sullivan	160 80			160 80						
2/21	65	— —										
2/21	66	N. M Haley	100 -							100 -		
2/21	67	Mt. Diablo Quicksilver Co.	387 35									387 35
2/21	68	Pacific Gas + Electric Co.	240 80								240 80	
2/[illegible]	[illegible]	Castle + Brunner	1327 50		1327 50							
2/24	70	R. F. McDonald	237 70			237 70						
2/25	71	Castle + Brunner	788 38		788 38							
2/27	72	Municipal Court Tax	27 -									27 -
3/1	73	Walter Bunker	375 -									375 -
3/5	81	Castle + Brunner	270 -		270 -							
3/9	82	John Manville	47 25			47 25						
3/9	83	Balaam Brothers	14 73			14 73						
3/9	84	Quilfield Oil Co.	8 62					8 62				
3/9	85	Grange Co of Pacific	29 10			29 10						
3/9	86	Quilfield Oil Co.	125 56					125 56				
3/9	87	General Machinery Co.	7 27			7 27						
3/[illegible]	[illegible]	Frank J. Sullivan	144 20			144 20						
3/9	90	Sidney Brady	192 -									192 -
3/9	91	Almond Reid	125 -									125 -
3/9	92	Turner + Robertson	32 04									32 04
3/10	96	C. N. Labatte	500 -	500 -								
3/10	97	Hyman Mickles	250 63			250 63						
3/10	98	Concord Hardware Co.	875 57				875 57					
3/22	101	Mt. Diablo Quicksilver Co.	34 43									34 43
4/4	102	Mt. Diablo Quicksilver Co.	387 34									387 34
5/17	109	Pacific Gas + Electric Co.	52 08								52 08	
6/10	111	Balaam Brothers	3 66		2285 88	3 66	1516 87	1341 13			892 88	1563 36
						946 20						

Mt. Diablo Mercury Co.

Date	Check No	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber & Timbers	Fuels & Oils	Mileage Phone & Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
6/10	112	Pacific Gas & Electric Co.	59.52								59.52	
7/19	113	Pacific Gas & Electric Co.	50 -								50 -	
7/19	114	Balsam Brothers	360			360						
7/22	115	Sam Kutcher	160 -	160 -								
	116	Balsam Brothers	828			828						
		PAID BY CASH										
Nov	7	Frank C Bottman	4386			4386						
"	9	Helen Fiellman	2150			2150						
"	9	B. L. Keller	173			173						
"	28	B. L. Keller	95			95						
"	29	The Rix Co.	2703			2703						
"	30	Louis Lukens	584.75	584.75								
"	29	B. L. Keller	175			175						
"	5	Heating & Sheet Metal Co	312			312						
"	11	Auto Parts Sales Co.	109			109						
Dec	5	Herbe Hardware	373			373						
"	12	Dunlap Hardware	469			469						
"	12	The Bearing Supply Co.	230			230						
"	13	Superior Blacksmith	782			782						
"	19	Concord Farm Implements Co.	475			475						
"	27	Mid City Auto Supply Co.	328			328						
"	22	Concord Lumber Co.	98				98					
"	31	Elmonte Variety Co.	51			51						
Jan	6	Concord Hardware	38			38						
"	9	Polar Hardware	15.23				15.23					
"	10	Petroleum Products	220					220				
"	10	Digby Service Station	157					157				
"	11	Johnson Golden Gate Co.	340					340				
	11	[illegible]	263	[illegible]		[illegible]	16.21	263			109.52	
								920				

Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractors	Equipment Supplys	Lumber Timber	Fuels & Oils	Mileage Phone Toll	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Jan. 11	Penney Store	21			21						
" 11	Rossville Auto Supply	123			123						
" 11	Matson Lumber Co.	3226				3226					
" 11	Belmain Lumber Co.	11408				11408					
" 12	H. R. Ames Co.	10874			10874						
" 12	S.F.-Oakland Bridge	50						50			
" 13	S.F. Oakland Bridge	50						50			
" 13	Concord Hardware	40			40						
" 15	C. L. Keller	72			72						
" 21	Clarke Service Station	327					327				
" 22	Ik Hot Mill	306 -			306 -						
" 22	Gordey Rock Service	285					285				
" 22	Keystone Copper Co.	7675			7675						
" 23	Cornell Motor Co.	2595			2595						
" 25	Chase Hay Supply	332					332				
" 25	Mt. Diablo Service	157					157				
" 26	Concord Farm Implement	485			485						
" 27		175			175						
" 28	Kelly Bearing Co.	664			664						
" 27	General Machinery Co.	38			38						
" 28	Superior Blacksmith	590			590						
" 29	Grinnel Co.	4386			4386						
" 28	S.F. Oakland Bridge	50						50			
" 29	S.F. Oakland Bridge	45						45			
" 29	Martinez Benecia Ferry	125						125			
" 29	Standard Stations	220					220				
" 29	Truck Trucking Co.	310			310						
" 29	Standard Stations	150					150				
" 25	New Penn Mines Inc.	74054			74054						
" 30	Cornell Motor Co.	330			330	1463	1471	330			
					1327						

Mt. Diablo Mercury Co.

Date	Paid To	Amount	Labor	Contractor	Equipment Supplies	Lumber Timber	Fuel + Oils	Mileage Phone Tolls	Equipment Rentals	Electric Power	Ins. Taxes Attorneys
Feb 4	The Electric Co.	2595			2595						
4	Pacific Gas Co.	320			320						
4	The Gasket Shop	740			740						
5	Petroleum Products Co.	145					145				
4	Superior Blacksmith	331			331						
4	Superior Blacksmith	375			375						
10	Norman Mickle Co.	181			181						
11	Municipal Court Tag.	100									1 00
15	S. F. Oilfield Co.	50						50			
19	Al Auto Service	173						173			
19	Beeler Automotive Co.	2769			2769						
4	Superior Blacksmith	187			187						
20	Dibble Service Co.	100			100						
17	Bonomi Store	77			77						
17	Automotive Parts Co.	308			308						
17	Automotive Parts Co.	305			305						
	Automobile Mileage 12¢ @	31234						31234			
	Station Wagon Mileage 12¢ @	53904						53904			
	Auto Toll Bridge	915						915			
	Station Wagon Tolls	1410						1410			
	Total Office Bills	4527						4527			
	Compressor Rental	400 -							400 -		
	Total Labor	3456 -	3456								
	Castle + Brenner	67199		67199							
	Big Truck Mileage 15¢ @	27360						27360			
	Truck Drivers Hotel + Meals	14339						14339			
	Mucking Machine	1200 -			1200 -						
					12924			12924			

Mt [illegible] Co.

November Decem[illegible] [illegible] Fe[illegible]

Item	Supervision Labor	Contractors	Equipment & Supplies	Lum[illegible] Timber	Fuel & Oils	Mileage [illegible] & Tolls	Equipment Rentals
Totals from Page # 1	145639	752350	198274	51330	3366		
" " " # 1-A	56525	266963	276447	103575	7[illegible]		
" " " 2	500 -	236588	94220	15[illegible]	134[illegible]		100 -
" " " 3	74475		14037	[illegible]	936		
" " " 4			132762	14634	1471	320	
" " " 5	3456 -	67199	128228		145	133902	400 -
Totals	679239	132351 —	843968	321847	25342	134222	500 -

Sum Total less Attorneys, Taxes & Ins.

FEB 13 1956

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

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

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

Dear Sirs:

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

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

I.

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

II.

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

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

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

III.

With respect to the supplies, materials, and equipment in which the Government has a 75% interest under the contract, we had advised you in our letters of February 18, June 1, and July 14, 1955, that you are obliged to liquidate and account to the Government for the Government's interest therein, and that you should protect the Government's interest therein until they are satisfactorily liquidated. It appears that you have done neither, although your letter of June 24, 1955, stated that, "The sale price should be about $3,000." On the basis of available information, we concur in your estimate that $3,000.00 is the reasonable salvage value of the supplies, materials, and equipment for purposes of disposal under this contract.

IV.

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

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

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

Sincerely yours,

G. D. Mittendorf

Administrator

Enclosure

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

PIndritz/ls
2/8/56

REVISED STATEMENT OF ACCOUNT

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

Ronnie B. Smith, Trustee

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

Jonas & Johnson

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

Summary for Contract

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

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

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

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

FEB 13 1956

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

Re: Docket No. DMEA 2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. I4n-854

Dear Mr. Richer:

Enclosed are copies of the following letters:

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

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

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

The information Mr. Jonas offers from his observations at the Mt. Diablo Quicksilver Mine as to the ore on surface and mill preparation indicates that the Cordero Mining Company (the present lessee of the mine) has discovered some milling material since Mr. Gilbert's letter to you dated October 4, 1955. It would now appear advisable for the Field Team to determine by an examination of the property whether or not the work on the shaft sunk under this contract No. I4n-854 has resulted in a discovery or development of minerals in the target area on the basis of which a certification may be made, and to advise us accordingly.

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

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

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures

APPROVED:

P. F. Yopes

Member, Bureau of Mines

ADMcMAHON/FINDRITZ/fcc
2-8-56 Thor H. Kiilsgaard

Member, Geological Survey

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

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

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

Your further comments on the subject would be appreciated.

C O P Y

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

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

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

Sir:

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

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

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

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

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

Sincerely

Mt. Diablo Mercury Co.

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

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

400

FEB 13 1956

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

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

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

Re: Docket No. DMEA 248 - Mercury
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Gentlemen:

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

Audit of payments made by the Government, with respect to costs under that contract claimed for the period from August 15, 1953 to October 31, 1953, indicates that the Government made an overpayment to you of $1,887.06. Attached is a Statement of Account showing the basis for that amount.

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

Sincerely yours,

Administrator

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

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

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

Contract No. [illegible], DMEA Docket No. [illegible], Mt. Diablo Quicksilver Mine

Costs claimed August 15, 1953 to October 31, 1953	$17,680.40
Disallowed by audit	2,516.08
Accepted costs per audit	17,164.32
Proper Government participation (75%)	12,873.24
Paid by Government	14,760.30
Overpayment by Government	1,887.06

File in Jones v. Johnson 2/7/56 11:18

Mr. Martin:

Denea 2448

Mr. Indritz called and gave me the following address for Mr. Dunnigan

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

Mr. Indritz said he would be in his office if you wanted to talk with him.

Frances

400

January 3, 1956

MEMORANDUM

To: Associate Solicitor, Div. of Mineral Resources

From: Iron and Ferro-Alloys Division, DMEA

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

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

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

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

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

Attachments

cc: Docket
Code 400

ADMcMahon/ls
1/3/56

C O P Y

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

Recd Dec 1, 1955 in Omea

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

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

Sir:

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

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

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

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

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

Sincerely,
Mt. Diablo Mercury Co.

Signed: J. L. Jonas
J. L. Jonas

Call Letter RCT

Charge to: DMEA (14X4401 (02)
Revolving Fund
November 3, 1955

Spangler Richer, Executive Officer, DMEA Field Team, Region II
2605 Evans Avenue, Reno, Nevada

REURTEL NOVEMBER 2 DOCKET DMEA 2445 Mount Diablo Quicksilver

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

ROBERT B. SMITH WITH COPY CONTRACT WITH ATTACHMENTS DMS-2544.

George C. Selfridge
CHAIRMAN, OPERATING COMMITTEE

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

SENT
NOV 8 1955
Clerical Section

400

NOV - 3 1955

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

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

Dear Mr. Jones:

Reference is made to your letter of September 20, 1955, notifying us that some three weeks previously you had written Mr. Reuben B. Smith regarding the overpayment of $1,230.94 made by the Government on the subject contract. Your letter also stated you would inform this office upon hearing from Mr. Smith.

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

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

Sincerely yours,

Frank E. Johnson

Acting Administrator

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

400

TELEGRAM

O REA389 NL PD AR RENO NEV 2

THE OPERATING COMMITTEE

DEFENSE MINERALS EXPLORATION ADMN INTERIOR BLDG.
WASH D.C.

WSM

DOCKET NUMBER DMEA 2448 CONTRACT NUMBER IDM-E544 MOUNT DIABLO QUICK SILVER HC MILLER REGIONAL DIRECTOR REQUEST PHOTOSTAT COPY CONTRACT INCLUDING ANNEXES NUMBER 1 2 AND 3 EXHIBIT A OWNERS CONSENT TO LEAN AND AMENDMENT NUMBER 1 TO GIVE TO ROVERT ZANG ATTORNEY REPRESENTING RONNY B SMITH IN AN ENDEAVOR TO SETTLE RONNY SMITH AND JOHNAS AND JOHNSON ACCOUNT PLEASE WIRE IF THIS IS IN ORDER

S RICKER

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

RECEIVED
OCT 10 1955

1605 Evans Avenue
Reno, Nevada

October 5, 1955

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

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

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

Apparently no commercial ore has yet been discovered.

S. Ricker

Attach.

SRicker:gh
cc: R. M. Smith
File

J. N. PEW, JR.
PRESIDENT

S. H. WILLISTON
VICE-PRESIDENT

JOHN C. AGNEW
SECRETARY-TREASURER

CORDERO MINING COMPANY

131 UNIVERSITY AVENUE
PALO ALTO, CALIFORNIA

RECEIVED
OCT 10 1955

October 4, 1955

REFER TO	NOTED	DATE
S. Ricker		
UNANSWERED		

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

Dear Mr. Ricker:

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

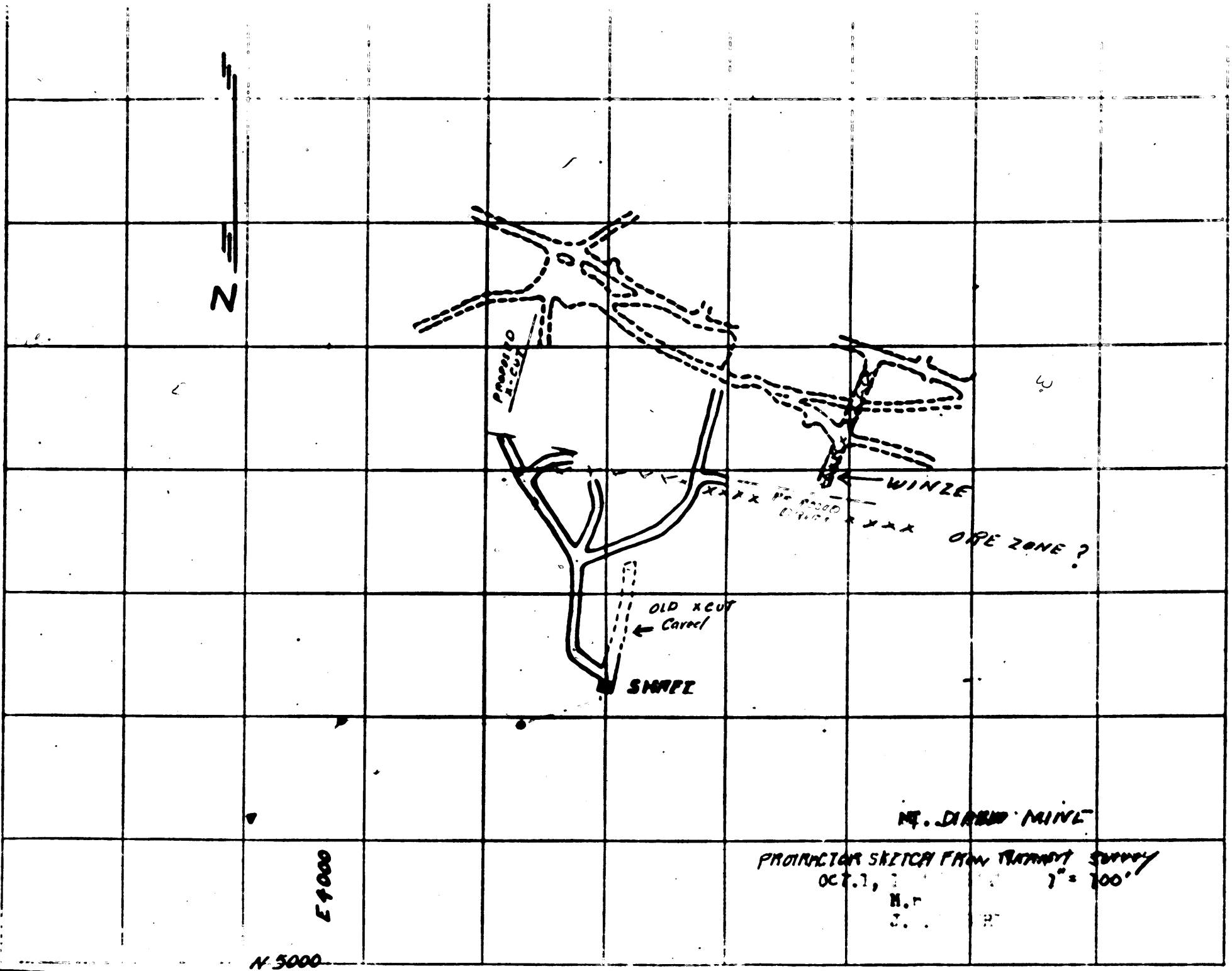
We expect to drift along the "ore zone" to the West and also to cross-cut on the East to get under some of the old work.

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

Very truly yours,

J. Eldon Gilbert

JEG:L
Enc.



MT. DIABLO MINE

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

RECEIVED
OCT 10 1955

C O P Y

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

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

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

Sir:

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

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

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

Sincerely,

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

Copy to

Ronnie B. Smith
Tower Petrolium Bldg.
Dallas, Texas

Legal says no reply necessary
WSM/9/28/55

C O P Y

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

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

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

Sir:

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

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

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

Sincerely,

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

Copy to

Ronnie B. Smith
Tower Petrolium Bldg.
Dallas, Texas

Legal says no reply necessary
WSM/9/28/55

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

JUL 1 4 1955

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

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

Gentlemen:

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

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

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

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

Your prompt reply is requested.

Sincerely yours,

C. O. Mittendorf

Administrator

Attachment

JLHambers/JLHofflund/emd
July 13, 1955

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

STATEMENT OF ACCOUNT

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

Ronnie B. Smith, Trustee

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

Jonas & Johnson

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

Summary for Contract

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

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

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

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

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

140

JUN - 1 1955

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

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

My dear Mr. Engle:

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

Attached hereto is a copy of a letter of this date from the Acting Assistant Solicitor, Defense Minerals, replying to attorney Sidney Rudy. This will serve to bring you up to date on the affairs of Mr. Jones, and will indicate the effort we are making to arrive at an equitable settlement of the contract in question.

Sincerely yours,

D. D. Mitendorf

Administrator

JLHofflund:gjb 5/27/55

Copy to: DMEA Docket
Sol. Docket
Adm. R. File
Operating Committee

T. H. Killsgaard, OS
H. M. Meyer, Mines
W. S. Martin
J. L. Hofflund
Field Team, Region II (2)
Chron. File
Pending file

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

140

JUN - 1 1955

Mr. Sidney Rudy
Attorney at Law
369 Pine Street
San Francisco 4
California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-8544
Mt. Diablo Quicksilver Mine
Contra Costa County, California

My dear Mr. Rudy:

Your letter of May 20 to DMEA, attention of Mr. Mittendorf, has been referred to me for reply. I will be glad to collaborate with you in arriving at some equitable settlement of the affairs of your client, Messrs. Jonas and Johnson. Let us first understand the facts.

The contract is on a form which provides for contribution by the Government to the costs of exploration work on a basis of actual costs, payments to independent contractors for certain work specified for performance in that manner being one of the items to be allowed as actual cost. The operators, however, (first Bennie B. Smith and later Jonas and Johnson, his assignee) did not let the work to independent contractors, as specified by the contract, but performed it themselves and made their claim against the Government on a basis of agreed unit costs instead of actual costs. The Government at first accepted these vouchers, and paid for a large part of the work on the basis of agreed unit costs. The mistake arose no doubt from the fact that the contract sets forth the maximum unit prices allowable for the work to be contracted, and the parties inadvertently took these to be agreed unit costs which is often made the basis for the Government's contribution under a different contract form.

Unforeseen difficulties arose in the performance of the work (an inrush of water and the death of a man), and the Operator abandoned its leasehold, failed to complete the work, and failed to dispose of equipment and to account for the proceeds to the Government.

Under these circumstances I agree that the Government should not refuse to contribute to the cost of work performed merely because it was not performed by independent contractors, as provided in the contract. The Government in fact has not so refused. On the contrary, it has leaned over backward and has contributed to some costs not specifically provided for in the contract. Of course, if the work had been performed by independent contractors, as contemplated by the contract, the Government would have contributed its share of the payments made by the Operator to the independent contractors. Although the work was not so performed, the Government, nevertheless, is willing to contribute its share of the actual costs of performance, that may be allowable under the contract.

As a condition to contributing to additional costs incurred in a different manner than as provided in the contract, the Government makes two requirements:

1. The Operator must, as required by the contract, immediately liquidate and account to the Government for its interest in materials and equipment purchased under the provisions of the contract; and

2. The Operator must make a plausible showing of what the additional costs are, supported by documentary evidence of the expenditures claimed.

The fact is, contrary to the statement in your letter, that the Government already has endeavored to settle the matter on the basis above mentioned, and remains willing to do so. The difficulty seems to be to get an acceptable statement of what the additional costs are, supported by evidence of payments; or if no payment is involved (depreciation on equipment used), a clear statement of the facts supporting a claim for costs. In this regard, the Operator's letter to this Administration of May 10 makes nebulous statements concerning the alleged disallowance of such items as 'mine cars, air hammers, miners lights, battery charger, hoisting cage, . . . gas testing equipment, etc.' The Operators have a copy of the audit report issued by the Contract Administration and Audit Division under date of June 7, 1954. If they wish to claim further items they should, as indicated above, prepare a proper, detailed statement supported by appropriate documentation. Upon receipt of such claim, this Administration will be glad to give the matter further consideration, in the light of the conditions stated above.

The Operators state that the Government did not allow any costs for haulage of equipment and materials. The audit report of June 7, 1954, shows that the Government allowed a total of $1,303.06 for the rental of truck, for operating a truck, and for the operation of personal cars. Notwithstanding the fact that item (4) of Exhibit "A" of the contract specified that the operators were to furnish, without cost to the project, 3 Sterling trucks, and 1 Dodge pickup truck, among other pieces of equipment, the Government allowed a rental at $6.00 per day for 68 days for a truck. The Government further allowed mileage at 7 cents per mile for over 2,000 miles for Operation of a truck and mileage at 5 cents a mile, for a total of over 9,000 miles for operation of personal automobiles.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor,
Defense Minerals

c.c. Hon. Clair Engle

JLHofflund:gjb 5/26/55
Copy to: DMEA Docket
Sol. Docket
Adm. R. File
Field Team, Reg. II (2)
H. M. Meyer, Mines
E. W. Ellis
T. H. Kiilsgaard, GS
Operating Committee
J. L. Hofflund
Chron. File

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

400

MAY - 4 1955

Hon. Clair Engle
House of Representatives
Washington 25, D. C.

Re: Docket No. DMEA 2448 - Mercury
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-2544

My dear Mr. Engle:

Reference is made to your letter of April 27, 1955, transmitting a letter dated April 10, 1955, from J. L. James, requesting advice or information concerning his rights and privileges on the above referenced project.

Because of the unusual number of misunderstandings, conflicts and unfortunate events experienced with this contract, it will be necessary for us to make a new review and study of the project from the start to the present time. We will reply at greater length as soon as the final conclusions are available.

Sincerely yours,

C. O. Mittendorf

Administrator

TLChapman:foc
5-3-55
cc to: Docket
Code 400
Adm. Reading File
FT. REG.II
H. M. Meyers, USBM
T. H. Kiilsgaard, USGS

C O P Y

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

April 27, 1955

Mr. C. O. Mittendorf
Administrator
Defense Minerals Exploration
Administration
Department of the Interior
Washington 25, D. C.

Dear Mr. Mittendorf:

Enclosed is a letter I received from Mr. J. L. Jones of Burlingame, California, which is self-explanatory.

I would appreciate very much having a report on this case at your earliest convenience. In replying, please return the letter for my files.

Sincerely yours,

/s/ Clair Engle

CLAIR ENGLE, M.C.

COPY

April 10, 1955
166 Los Robles Dr.
Burlingame, Calif.

Honorable Clair Engle
House of Representatives
Washington, D. C.

Sir:

I have been referred to you in the hope that you may be able to give me some advise on the following mining problem.

We have a DMEA contract number 2448, on the Mt. Diablo quicksilver mine.

In the San Francisco office they throughly explained to us that the contract was on a footage basis and it was paid on same for the first five months. In this time we sank a two compartment shaft 330 feet and drove a crosscut 120 feet. Then the DMEA changed the payment of the contract from a footage basis to a cost basis. This would not have caused trouble as our cost was more than the allowable maximum, but they are refusing to accept as a mining expense such articles as mine cars, hoisting cage, water pump, air blower for ventilation, all gas testing equipment ordered by the Mine Safety Division, battery charger, etc.

After months of discussion and no progress being made we gave up the lease and wanted to transfer the loan to a reliable mining company who will continue with the DMEA contract.

During this time an outsider obtained a lease on the mine. He has broken all the locks and started mining, using all our machinery, supplies and materials without anyone's permission.

The Reno office of the DMEA now insists we sell our machinery, supplies and materials for salvage, which is being used by the new operator to continue this DMEA contract.

What rights or privilege do we have and who can we contact in regards to them. I will greatly appreciate any advise or information you can offer.

Thanking you very much in advance.

Sincerely yours,

J. L. Jonas
J. L. Jonas

MAY 2

1605 Evans Avenue
Reno, Nevada

April 28, 1955

Mr. J. L. Jonas
166 Los Robles Dr.,
Burlingame, California

Re:
Docket No. DMEA-2448 - Mercury
Contract No. Idm-E944
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Jonas:

Since my letter of April 21, 1955 to you regarding the above referenced docket, it has been suggested by our Washington office that they prepare an agreement with you formally terminating the contract. If agreeable to you, the termination agreement will be drawn up whereby your equity in the equipment and supplies will be assigned to the Government and we will credit your partnership with your 25 percent equity of the selling price. If your 25 percent equity is insufficient to cover the $1,284.51 overpayment to you by the Government, you will agree to refund the balance by check.

We would appreciate an immediate reply and a definite statement as to your reaction as to the Government's proposal.

Very truly yours,

S. Ricker

SRicker:gh

cc: Operating Committee, DMEA: Washington, D.C.
H. C. Miller
R. M. Smith
File

Finance Officer, Region II

BUREAU OF MINES
WASHINGTON, D. C.

MAY 2 8 24 AM '55

4/21/55 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

1605 Evans Avenue
Reno, Nevada

April 21, 1955

Mr. J. L. Jonas
166 Los Robles Dr.,
Burlingame, Calif.

Re: Docket No. DMEA-2448
Contract No. Idm-E344

Dear Mr. Jonas:

Reference is made to your letter of April 8, 1955 regarding the above referenced docket.

Any work Mr. Williston has done on the Mt. Diablo property was done solely on his own initiative. I would assume, however, that he was granted permission to start operations by the Mt. Diable Quicksilver Company to whom the property evidently reverted when your lease expired.

Since your lease expired you have not taken any steps whatsoever to remove any of your personal equipment from the property or to dispose of any of the salvageable equipment in which both you and the Government have equity. We would, therefore, appreciate an immediate reply to our letter of March 23, 1955 in which we requested that you advise us what action you are taking towards disposal of said property as well as your intention towards refunding the overpayment to you of $1,284.51 by the Government.

The H. T. Neal Machinery Co., 57 Post Street, San Francisco, California and the Cordero Mining Co., 131 University Avenue, Palo Alto, California have both shown an interest in bidding on the equipment at Mt. Diable. Would suggest, therefore, that you request bids from these as well as any other companies you may have in mind so that the problem of the equipment can be concluded.

Our books show that the Government participated in the cost of the following equipment and supplies that were used on the project. Most of the material was consumed in the operation, and, of course, would have little or no salvage value.

Operating materials and supplies

Type of item	Cost
Timber	$5,035.57
Pipe	1,793.49
Truck	485.05
Miscellaneous	
Power - electricity	512.89
Ventube	426.60
Gasoline, fuel & lube oil	386.15
1 Die set	90.75
Bar steel	354.20
Concrete mix	174.89
Drill steel	53.10
Electric switches	37.50
Oxygen & acetylene	40.75
1,000 feet Ramen wire	67.50
Hanging rods	153.00
Electric cable, 350 feet	216.30
2 Stainless steel valves	214.50
Shovels, picks, nails	990.22
Freight	89.60
Hauling and material charges	1,303.06
	$12,425.00

Operating equipment

1 Electric hoist w/60-horsepower motor	2,115.00
1 Sheave wheel, 60-inch diameter	60.00
750 feet hoist cable, 5/8 inch	160.68
	$ 2,335.68

New buildings and improvements

Hoist room and headframe $2,000.00

We estimate that there may be a salvage value of from $2,000 to $3,000 on the foregoing totals.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:gh
cc: DMEA, Operating Committee, Wash., D.C. (2)
Geo. Maver, Auditor, S.F., Calif.
Finance Officer, Region II
R. M. Smith, USGS
File

Mr. Spangler Richer
Executive Officer
USAA Field Team, Region II
430 Custom House
555 Battery Street
San Francisco 11, California

APR 2 0 1955

Re: Docket No. DMA-[illegible] (Mercury)
Contract No. [illegible]
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Richer:

This is in response to your memorandum of March 23 and April 6, with attachments, in connection with the subject project.

We had hoped that the work being done by Cordero Mining Company would bring out the value of the work previously done under the subject exploration project and enable us to justify a certification of development. In view of the situation described in J. Alden Gilbert's letter to you of April 4, such procedure does not appear to be justified now.

We believe that our next move should be to terminate the contract with Jones and Johnson by agreement if possible, by unilateral action if not. Such action will enable us to dispose of the equipment, materials, and supplies to Cordero before it is too late, in the event Jones and Johnson continue to procrastinate in making such disposal.

If agreeable to Jones and Johnson, we will draw up a termination agreement whereby their equity in the equipment and supplies will be assigned to us and we will credit the partnership with whatever amount the 25% equity is sold for. If such amount is insufficient to cover the $1,[illegible].51 overpayment made by the Government, Jones and Johnson will agree to refund the balance by check.

If Jones and Johnson are unwilling to sign such an agreement, we propose to terminate under the terms of the contract, give written notice to the Operators of their obligation to dispose of the equipment and supplies, and, if after 90 days such disposal has not been made, make the disposal ourselves. Therefore, any sums due the Government would be left to the General Accounting Office to collect.

It is suggested that you contact Jones and Johnson immediately and present the foregoing proposition to them.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

J. H. Hedges

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

MChing:am
4-13-55
cc to: Admr. Reading File
Operating Committee
Messrs. M.M.Meyer,Rm.2623
T.H.Kiilsgaard,Rm.5224
Code 700
Mr. Ching
Docket

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
APR 12 1955

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

April 8, 1955

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

Attached are the original and three copies of an Interim Report on:

Docket No. DMEA- ~~2448~~

Contract No. Idm-E ~~544~~

Commodity ~~Mercury~~

Operator ~~S. H. Williston~~

Property ~~Mt. Diablo Quicksilver Mine, Contra~~ Costa Co., Calif.

By ~~B. H. Sheahan~~

Dated ~~April 8, 1955~~

S. Ricker
S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments 4

Copy to: Finance Officer, Region II (w/copy of report)
R. M. Smith-USGS (w/copy of report)

Bureau of Mines
Minerals Administration
RECEIVED
APR 12 1955

INTERIM REPORT

Docket No.: DMEA-2448 - Mercury April 8, 1955

Name and address of operator: John L. Jonas and John E. Johnson, co-partners
Assignees for: Ronnie B. Smith
166 Los Robles Drive
Burlingame, Calif.

Lessee: S. H. Williston, Vice Pres.,
Cordero Mining Co.,
131 University Ave.,
Palo Alto, Calif.

Name and location of property: Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Contract No.: Idm-E544

SUMMARY

The property was inspected on April 4, 1955. Operations being conducted at the property were discussed with Mr. H. A. Peterson, foreman for Cordero Mining Co. Mr. J. Eldon Gilbert, manager, well described the pumping and rehabilitating operations by a letter dated April 4, 1955 to the Executive Officer, DMEA Field Team, Region II.

The shaft was reconditioned to a depth of 320 feet. The crosscut on the 300 level was completely caved and the lessee intends to drive a new crosscut to the left and approximately parallel with the old one. About 90 gallons of water per minute was flowing into the

sump.

The crew at the property included Mr. H. A. Peterson, foreman; Vic Blomberg; and three other workmen.

B. H. Sheahan
Mining Engineer

4/8/55 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

1605 Evans Avenue
Reno, Nevada

April 6, 1955

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Relative to above subject docket, I am attaching two copies of a letter dated April 4, 1955 from Mr. J. Eldon Gilbert, manager of the Cordero Mining Co.

The letter will inform you as to the present status of the Cordero operation at the Mt. Diablo property.

S. Ricker

Attach.

SRicker:gh
cc: File

CORDERO MINING COMPANY
991 UNIVERSITY AVENUE
PALO ALTO CALIFORNIA

April 4, 1955

Bureau of the Interior
Federal Minerals Administration
RECEIVED
APR 8 1955

Mr. Spangler Ficker, Executive Officer
DMMA Field Team, Region 11
United States Department of the Interior
1605 Evans Avenue
Reno, Nevada

Dear Mr. Ficker:

To keep you posted on the Mt. Diablo Quicksilver exploration job, I am summarizing our operations there up to the present time.

We signed a contract with Mt. Diablo Corporation last fall but did no work for several months because we did not understand exactly how DMMA still fitted into the picture.

After considerable delay we started work about Christmas. We sent a good underground man from Cordero Mine in Nevada to take charge of the shaft and future underground work. From about the first of January to the last week in March we spent rehabilitating the old shaft, pumping out the accumulated water, and mucking and hoisting some 50 or 60 feet of muck in the bottom of the shaft.

In spite of the short time since the shaft was used last, we found it in relatively poor shape. Many of the shaft timbers, perhaps half of them, had kicked out or were broken and had to be replaced or recut. A great deal of the lagging was out and over half had to be replaced. The lack of lagging, of course, had allowed the muck to fall into the shaft and accumulate in the bottom. The water was removed by using a deep well, 13 stage, 25 HP pump which brought it to the collar of the shaft and from there we boosted it with a centrifugal through a 3" pipe line we had laid to the top of the hill. To date we have no water purification plant except this. We installed a 16" positive displacement blower to insure fresh air.

On about March 24th we had cleaned up the shaft and started to open the crosscut. There were no station sets and, we understand, no drift sets. The crosscuts had completely caved. After working on it for a week we are unable to make any progress. While the junction of the crosscut with the shaft is in fairly competent ground, the rest of the crosscut must be in shale and softer material. This soft material continues to slough down, mix with the water and ooze out into the shaft. We are unable to stop it with breastboarding because this would plug off the mouth of the crosscut and water, which is flowing at about 90 gallons per minute, would accumulate behind the dam and eventually force a large slug of rock and mud out into the shaft.

Mr. Rickor

We are now starting a new crosscut which will be to the left and approximately parallel to the old one.

As you can see, the benefit we have derived from having the shaft and crosscut there is highly questionable.

Very truly yours,

J. Eldon Gilbert
Manager

JEG:L

(Original and 1 copy)

3/29/55 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

Defense Minerals Administration
RECEIVED
MAR 28 1955

1605 Evans Avenue
Reno, Nevada

March 24, 1955

Mr. H. T. Neal
H. T. Neal Machinery Co.,
57 Post Street
San Francisco, California

Dear Mr. Neal:

Reference is made to your letter of March 21, 1955 regarding the equipment in which the Government has an equity at the Mt. Diablo Quicksilver property near Clayton, California.

You should communicate with Mr. John L. Jonas, 166 Los Robles Drive, Burlingame, California. Mr. Jonas has a minor equity in the equipment and in accordance with our contract with him, it is his responsibility to dispose of it for our joint account.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:gh
cc: DMEA, Operating Committee, Wash., D.C.
John L. Jonas
George Mavor
File

3/25/55 gla

Air Mail

1605 Evans Avenue
Reno, Nevada

March 23, 1955

Memorandum

To: Operating Committee, DMEA, Interior Building, Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Relative to above contract, we are attaching four copies of Interim Report by B. H. Sheahan. We have been holding up the report until we received a sample from the last material that came out of the crosscut.

A sample had been taken of the mine water in March 1954 shortly after the water burst at the face of the crosscut. Metallurgical Division of March 12, 1954 reports as follows:

> "Sample of water from shaft of Mt. Diablo Quicksilver Mine"
> DMEA-2448 - Idm E-544
> Water contains H_2S
> Black precipitate is H_gS"

That result prompted me to have a sample taken of the dump material of the last muck taken from the face. The mercury content was disappointing; the mercury content being only 0.1 lbs. per ton. At the time the sample was taken, March 11, 1955, the Cordero Mining Company had not yet reached the crosscut in the shaft.

Attached is a copy of my letter of March 23 to John L. Jonas concerning his debt to the Government and the disposal of the equipment in which the Government has a 75 percent equity.

Please let me have your suggestion as to any additional action you wish me to take regarding this docket. Perhaps certifying a development would be the proper course in lieu of some arrangement with the Cordero Mining Co.

S. Ricker

Attachments

SRicker:gh
cc: H. C. Miller
R. M. Smith
George Mavor
File

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

Date: March 23, 1955

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -
Docket DMEA 2448

Contract Idm-E 544

Commodity Mercury

Operator - Cordero Mining Co., Palo Alto, Calif.

Property - Mt. Diablo Quicksilver Mine, Contra Costa Co., Calif.

By B. H. Sheahan

Dated March 23, 1955

S. Ricker
Executive Officer,
DMEA Field Team, Region II

Attachments

Copy to: R. M. Smith--USGS (w/copy of report)
Finance Officer, Region II (w/copy of report)
File

INTERIM REPORT
(Sixth)

Docket No.: DMEA-2448 (Mercury) March 23, 1955

Name and address of operator: John L. Jonas and John E. Johnson, Co-partners
Assignees for: Rennie B. Smith,
166 Los Robles Drive,
Burlingame, Calif.

Lessee: S. H. Williston, Vice President
Cordero Mining Co.,
131 University Avenue,
Palo Alto, Calif.

Name and location of property: Mt. Diablo Quicksilver Mine
Contra Costa, County, California

Contract No.: Idm-E544

SUMMARY

This property was inspected on March 1, 1955 for the purpose of making an inventory of equipment and supplies in which Mr. Jonas and Mr. Johnson own an interest.

Exploration operations were suspended by the previous operators, John L. Jonas and John E. Johnson, early in March 1954 after the exploratory crosscut on the 300-foot level encountered acid water and gas. A previous interim report of March 19, 1954 described the work. No work was conducted at the property until the Cordero Mining Company resumed operations by lease in November 1954.

The records and transactions of Mr. John L. Jonas and John E. Johnson, co-partners and assignees for Mr. Rennie B. Smith,

were examined by Mr. George Mavor, DMEA auditor. An interim audit, pertaining to the contract, was prepared on June 7, 1954.

The present operations, being conducted at the property, were discussed with Mr. H. A. Peterson, foreman for the Cordero Mining Co.

The Cordero Mining Co. has started to pump out the workings. A deep well pump was installed at the shaft with approximately 2,000 feet of waste water disposal pipelines. Improvements have been made to the ventilation equipment. Pumping operations lowered the mine water from a depth of 124 feet in the shaft to 280 feet. The water disposal and pumping problems have not been completely solved. Sandy filled material was being encountered in the shaft, and it is probable that the crosscut is partially caved and filled with muck from the fissure. The total depth of shaft including the sump is 330 feet.

The crew at the property included the foreman and three workmen. The company plans to dewater and recondition the shaft and crosscut, and drive toward the original objective.

Mr. Jonas, Mr. Johnson, and Mr. Ronnie B. Smith apparently owe $1,432.00 to the independent contractors on the previous work completed. A total of $1,284.51 is due the Government from Mr. Jonas and Mr. Johnson as described by Mr. George Mavor's audit of their transactions.

Amendment No. 2, dated April 22, 1954, provided for substituting a portion of the funds from drifting to be used for dewatering the flooded workings and for preliminary water treatment.

Amendment No. 3, dated November 1954, was prepared for the purpose of correcting the effective date of Amendment No. 2.

CONCLUSIONS

The total estimated salvage value of supplies and equipment at the property in which the Government and Mr. John L. Jonas and John E. Johnson have participating interest amounts to $2,600.00.

Inventory

An inventory of operating material and supplies in which Mr. John L. Jonas and John E. Johnson, assignees for Mr. Ronnie B. Smith, hold some interest, was obtained. The inspecting engineer referred to the interim audit of June 7, 1954 prepared by Mr. George Mayor, Auditor.

Operating Material and Supplies (Item 3)

Type of Item	Cost	Estimated Salvage Value
Timber	$ 5,035.57	$ 500.00
Pipe	1,793.49	400.00
Track	485.05	200.00
Miscellaneous		
Power - electricity	512.89	-
Ventube	426.60	100.00
Gasoline, fuel & lube oil	386.15	-
1 Die set	90.75	40.00
Bar steel	354.20	-
Concrete mix	174.89	-

Type of Item	Cost	Estimated Salvage Value
Drill Steel	$ 53.10	$ -
Electric Switches	37.50	20.00
Oxygen & acetylene	40.75	-
1,000 feet Romex wire	67.50	-
Hanging rods	153.08	-
Electric cable, 350 feet	216.30	20.00
2 Stainless steel valves	214.50	20.00
Shovels, picks, nails	990.22	100.00
Freight	89.60	-
Hauling and material charges	1,303.06	-
Total (Item 3)	$12,425.00	$1,400.00
Operating equipment (Item 4)		
1 Electric hoist w/60-horse-power motor	2,115.00	$1,000.00
1 Sheave wheel, 60-inch dia.	60.00	-
750 feet Hoist cable, 5/8 inch	160.68	-
Total (Item 4)	$ 2,335.68	$1,000.00
New Buildings and improvements (Item 5)		
Hoist room and headframe	$ 2,000.00	200.00
Total (Item 5)	$ 2,000.00	$ 200.00
TOTAL salvage value Items 3, 4, and 5		$2,600.00

Other operating equipment and supplies, furnished by Mt. Diablo Mining Co., or items recently furnished by the Cordero Mining Co., are not included with the above list.

The Cordero Mining Company was using the headframe, electric hoist, cable, ventube, electrical equipment, shaft, hoistroom, and miscellaneous supplies, all of which the Government has a 75 percent equity.

B. H. Sheahan

B. H. Sheahan
Mining Engineer

COPY

1605 Evans Avenue
Reno, Nevada

March 23, 1955

John L. Jonas
166 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA-2448 - Mercury
Contract No. Idm-E544
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Jonas:

A short time ago you were in my office in San Francisco, discussing a settlement of above subject contract, and at that time, you stated that you were going to make a complete inventory of all equipment, materials, and supplies in which the Government had a 75 percent equity.

To date, we have not been favored with a copy of this inventory, and I would appreciate you forwarding the inventory to me at your earliest convenience. You should also request bids for this equipment based on salvage values as suggested by Mr. Frank E. Johnson, Acting Administrator, in his letter to you of February 18, 1955.

Your prompt attention as to what steps you are taking toward the disposal of this property, as well as to what steps you are taking to refund the $1,284.51 overpayment to you by the Government on this contract, will be appreciated.

Very truly yours,

/s/ S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:gh
cc: DMEA Operating Committee, Wash., D. C.
George Mavor
H. C. Miller
File

MAR 1 - 1955

Mr. J. L. Jones
156 Los Robles Drive
Burlingame, California

Re: Project No. DMA-[illegible] (Mercury)
Contract No. [illegible]
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Jones:

Receipt is acknowledged of your letter of February 19, 1955 regarding the subject project.

In answer to your question, we did not give Mr. Williston permission to use the project equipment.

By this time you have, no doubt, received our letter of February 18, in which you were reminded that it is your responsibility under the contract to dispose of the jointly held equipment. Perhaps you would be interested in approaching Mr. Williston concerning the taking over of this equipment. In any event, it is suggested that you contact our Executive Officer, Mr. Ricker, regarding any questions that may arise in connection with it.

Sincerely yours,

C. O. Mittendorf

Administrator

MChington
2-28-55
cc to: Admr. Reading File
Operating Committee
Docket
Messrs. T. H. Killeguard, Rm. 5224
H. M. Mayer, Rm. 2623
Code 700
Mr. Ching
DMEA Field Team, Region IX(2)

FEB 18 1955

Mr. J. L. Jones
166 Los Robles Drive
Burlingame, California

Re: Docket No. [illegible] (Mercury)
Contract No. [illegible]
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Jones:

Reference is made to your letter of January 23, concerning the subject project.

A careful reading of the contract will bring out the fact that it was drawn on an actual cost basis. Provisions were made for independent contracts because Kennie Smith originally planned to sub-contract the sinking and drifting at prices per foot which would include all costs except those for consulting, a few items of equipment to be purchased or furnished by him, surface plant, head-frame, and assaying. The contract provided that only the actual costs of such independent contracts were chargeable to the project up to the allowable maximum. Moreover, Kennie Smith failed to contract out the work so as to include all major costs, as originally planned. Instead, his independent contracts provided only for labor, explosives, small tools and other minor costs. As a result, the various item of actual cost turned out quite differently from the estimated costs shown in the contract. Nevertheless, only the actual costs could be allowed since no provisions were made in the contract for fixed unit costs other than the unit prices specified in the independent contracts between the Operator and his sub-contractor. The terms of the contract have remained the same at all times except where formally amended, and any mistakes or misinterpretations of such terms cannot affect proper settlements under the contract. Provisions were made in the contract for auditing the accounts for that very reason.

It is our understanding that the mine was shut down on March 5, 1954 by order of the Industrial Accident Commission of California and not by order of Mr. Shanahan. We further understand that you consulted the Commission about resuming the work prior to giving up the lease.

As far as any future operations are concerned, by surrendering your lease on the property without prior advice to the Government you not only deprived yourself of all property rights, but you have made negotiations by the Government for completion of the project very difficult. We understand that the Cordero Mining Company now holds a lease on the property, and Cordero has stated that it is not interested in accepting an assignment of your contract with the Government. Under these circumstances it would be futile for the Government to request you to complete the contract since you no longer hold any property rights.

As I stated in my letter to you of November 16, 1954, the Government is willing to transfer the exploration contract and equipment to a qualified operator, but such an operator would have to hold a lease on the property.

With respect to the project equipment held jointly by you and the Government, you realize, of course, that it is your responsibility, under the contract, to dispose of it for the joint account. In the event an arrangement can be made for some operator to complete the exploration project, the equipment may command a greater salvage value than it would otherwise. However, you should be prepared to dispose of the equipment whether or not such an arrangement is made.

Your attention is again called to the fact that you have been overpaid $1,234.11 by the Government and that this sum is now overdue.

Sincerely yours,

Frank E. Johnson

ACTING Administrator

MChing/mn/gla
2-16-55
cc to: Admr. Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Killgaard, Rm. 5224
Code 700
Mr. Ching
DMSA Field Team, Region IX (2)

Standard Form 63
Jan. 1952

U. S. GOVERNMENT
MEMORANDUM OF CALL

Date 10/18 Time 10:40

TO—

☑ YOU WERE CALLED BY— ☐ YOU WERE VISITED BY—

MRS RUBIN

Telephone: Number or code Extension

☑ PLEASE CALL
☐ WILL CALL AGAIN
☐ RETURNING YOUR CALL
☐ WAITING TO SEE YOU
☐ WISHES AN APPOINTMENT

Left This Message:

Received by— D. Ile

☆ U. S. GOVERNMENT PRINTING OFFICE: 1955 O-367995 16—65931-1

2/9/55 gh

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

FEB 8 1955

Memorandum

To: The Administrator, DMEA
Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448 (Mercury), Jones and Johnson

Reference is made to a letter dated January 19 to the Executive Officer, Region II (formerly Region III), from Cordero Mining Company by Mr. S. H. Williston, rejecting our proposed agreement regarding the Government's royalty interest under the subject contract with Jones and Johnson. The facts concerning this matter, as I understand them, were set forth in my memorandum to you of December 8, 1954, transmitting the proposed agreement with Cordero.

Since Cordero refuses to agree with us, I think that the only course left is to issue a certification (for whatever it may be worth). Any agreement that Mt. Diablo might make with us to pay royalty would be on the theory that we would have a valid claim for royalty upon certification. Once the certification is made, I think that we would be in a better position to deal with Cordero or any other operator who may take over the project.

I realize that in my memorandum to you of December 8, 1954, I indicated my opinion that any claim for royalty may be defeated by the abandonment provision in the Jones and Johnson contract. Nevertheless, unless you deem it undesirable as a matter of policy to certify where no discovery has been made, I think that the certification presents the best chance of any benefit accruing to the Government.

I am not at all sure that any benefit should accrue to the Government under the circumstances of this case. The abandonment provision was placed in our earlier contract forms on the theory that if the operator was

willing to forego all chances of benefit the Government would generally be willing to follow suit, and that the Government would not feel injured if some subsequent operator took over the project and had some benefit from the previous exploration work.

In the foregoing view of the case, I do not approve a draft of a letter for your signature to Mt. Diablo which was submitted here on February 3 by Mr. Ching. This proposed letter would seem to offer to Mt. Diablo an agreement on the same basis as was offered to Cordero but with the threat that if it should not be accepted the Government would certify. This seems like something of an impropriety to me, and to throw further doubt on the already shaky rights of the Government based on any certification in this case.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

JLHofflund/emd

Copyto: DMEA Docket
Solicitor's Docket
E. W. Ellis (2)
J. L. Hofflund
chron.

1/26/55 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

RECEIVED
JAN 25 1955

420 Custom House
555 Battery Street
San Francisco 11, Calif.

January 21, 1955

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-2448 - Mercury
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Reference is made to your letter of December 17, 1954, relating to the above-subject docket.

I am returning six copies of the proposed agreement which I recently discussed with officials of the Cordero Mining Company. I am retaining the Field Team copy temporarily in case it is necessary to make reference to it.

Attached also are two copies of a letter dated January 19, 1955, which I received today from the Cordero Mining Company regarding our conference on the proposed agreement and their counter-proposal.

It would appear that we are far from reaching an agreement that might be satisfactory to the Government. On the other hand, perhaps Mr. Williston's letter keeps the door open so that some common ground may be found on which a satisfactory agreement could be resolved.

Mr. Williston expects to be in the East sometime around the middle of February and it occurred to me that a discussion between you and Mr. Williston may possibly be fruitful. I am sure Mr. Williston would be pleased to discuss the matter with you but I do not wish to suggest it to him unless it is agreeable to you. Will you please advise me what course of action I should take.

S. RICKER

S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments

J. A. PEW, JR.
PRESIDENT

S. H. WILLISTON
VICE-PRESIDENT

JOHN C. AGNEW
SECRETARY-TREASURER

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 25 1955

CORDERO MINING COMPANY

131 UNIVERSITY AVENUE
PALO ALTO, CALIFORNIA

January 19, 1955

Mr. Spangler Ricker, Executive Officer
Defense Minerals Exploration Administration
Field Team, Region III
Bureau of Mines
Department of the Interior
San Francisco 11, California

Dear Mr. Ricker:

Apologies are in order on my part for not writing you sooner after our conference in your office. I am sorry I have not been able to follow it up as I promised.

I am returning herewith the two copies of the proposed Agreement drawn up by Washington. On these conditions we could not honestly recommend to Mt. Diablo Quicksilver Company that they substitute a fixed lien on the property in place of what is now no obligation at all and could only be considered as a potential contingent liability.

There is one other point which apparently is not quite clear in their minds and that is the fact that the present dispute, if it could be called a dispute, is between the DMEA and the Mt. Diablo Quicksilver Company, and Cordero Mining Company is merely an innocent bystander. Any contract or agreement, if drawn up, should be between the Government and Mt. Diablo and we will merely use our good offices to endeavor to get something settled so we can go ahead and do some exploration work. I am perfectly willing to do anything I can to hurry this up but all I can really do is try and help a settlement along by trying to prevail on Mt. Diablo Quicksilver Company to accept some reasonable, even if not equitable, settlement.

At the present time the shaft and cross cut of the DMEA exploration did not result in discovery of ore and, with the shaft full of water and the cross cut presumably caved, both are inaccessible and of no immediate use.

We will do our best to persuade Mt. Diablo Quicksilver Company to agree to one of the following proposals:

(1) "If commercial ore is found within 300 feet either way from the point the cross cut hits the extension of the mineralized zone then Mt. Diablo will accept as a fixed obligation a 5% royalty on any ore produced between that level and the overlying workings until one-half of the Government's net investment in the DMEA project is repaid". This substitutes a fixed obligation for what is otherwise only a potential contingent liability.

(2) "The Mt. Diablo Quicksilver Company will agree to payments out of

Mr. Spangler Ricker

royalty from ore which may be discovered as in (1) above in an amount equal to the Government's net investment in the DMEA loan less the cost of de-watering the shaft and reopening the cross cut, these costs to include accelerated depreciation on equipment used and all necessary water treatment costs and other costs applicable to the rehabilitation operation".

(3) In the event that neither of these are acceptable to the Government then we would suggest that the Government either remove or sell the equipment on the property in which it holds an interest and Cordero will go ahead and do the exploration it deems advisable. If nothing results there is no basis for argument between the Government and Mt. Diablo, and if ore should be discovered then the ultimate solution can be left to a decision by the courts.

There is a fourth solution, although Cordero Mining Company is not particularly interested in it, and the Mt. Diablo Quicksilver Company might be strongly adverse to it. This would be to grant a new DMEA loan to cover the costs of de-watering and the recovery of the cross cut to complete the drifting on the vein and it would have to include full cost of a water treatment plant and the necessary equipment. If this were successful then the Government would recover all of their net investment but would have to put up three-fourths of the money and since the last program carries so many unknown factors, difficult if not impossible to estimate, the provisions of the loan would have to be flexible and the amount, to cover contingencies, rather large.

If your office, or the Washington office, has any interest in any of these suggestions we will be glad to do what we can to bring them to an early conclusion. It has already been over ten months since work at Mt. Diablo was shut down.

Very truly yours,

S. H. Williston

SHW:L
Encs 2 copies AGREEMENT
Additional copy this letter
cc - Mt. Diablo Quicksilver Company

12/21/54 gla

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 21 1954

SAN FRANCISCO CALIF 12-20-54 315P

DEFENSE MINERALS EXPLORATION ADMINISTRATION,

INTERIOR BUILDING WA

CORDERO MINING COMPANY REQUESTING REACTION TO THEIR LETTER OF NOVEMBER 18 REGARDING DOCKET NO. DMEA-2448, MT. DIABLO QUICKSILVER. IF PUMPING SHOULD BE RESUMED, IT IS HIGHLY DESIRABLE IT START DURING RAINY SEASON.

S RICKER EXECUTIVE OFFICER, DMEA FIELD TEAM REGION III

18 2448

LM 325PM

Proposed agreement with Cordero mailed to Ricker 12-17-54. No reply to above necessary.

MEC.

12/20/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

240

DEC 17 1954

Mr. Spangler Richer
Executive Officer
DMEA Field Team, Region III
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Contract No. [illegible] (Mercury)
Contract No. Ida-[illegible]
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County
California

Dear Mr. Richer:

Attached hereto is a draft of a proposed agreement for the execution of Cordero Mining Company (or whatever corporation or entity Mr. Williston expects to use) to carry out his suggestions, as we understand them, as set forth in your memorandum of November 22 to the Administrator.

The effect of this agreement is to give the Government an immediate lien in the sum of $25,000 in lieu of the inchoate or contingent lien provided for in the exploration contract in the sum of $36,537. Obviously, in the absence of production, the Government cannot recover any royalty, and the proposed contract with Mr. Williston seems to offer the most likely way of getting the property into production. In the light of all of the circumstances, I think the contract would be beneficial to the Government and justified both from a legal and practical basis.

You will note that we have suggested the sum of $25,000 instead of $20,000 as suggested in your memorandum. This increase was made because we felt it would be difficult to justify your lower figure by an analysis of the facts in the case. The facts will justify the $25,000 figure.

If the proposed agreement seems satisfactory to you, it is suggested that you arrange for a meeting with Mr. Williston for a full discussion of the matter. If he accepts the proposition he should sign all copies prior to execution by the Administrator for the Government.

Your attention is called to the necessity of securing from Mr. Mobile Quicksilver Co., Ltd., an Owner's Consent to Lien to cover the proposed contract (see Article 3 of the contract). When the proposed contract with Mr. Williams is executed by both parties, with this Owner's Consent to Lien attached, the previous Owner's Consent to Lien attached to the contract with Jones and Johnson will become obsolete and ineffectual and a copy of this agreement will be furnished to Mr. Mobile Quicksilver Co., Ltd., to provide it with evidence of the fact.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Approved:

/s/ Robert W. Geehan

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

Enclosure

JHoffland/mml/mmf 12/8/54
Revised 12/17/54
Copy to: DGA Docket
Solicitor's Docket
Admr. R. File
Operating Committee
K. M. Mayer, USGS
T. Kiilsgaard, BOM
E. W. Kiile
J. L. Hoffland
Owner.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

Mr. Spangler Ricker
Executive Officer
DMEA Field Team, Region III
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-E544
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County
California

Dear Mr. Ricker:

Attached hereto is a draft of a proposed agreement for the execution of Cordero Mining Company (or whatever corporation or entity Mr. Williston expects to use) to carry out his suggestions, as we understand them, as set forth in your memorandum of November 22 to the Administrator.

The effect of this agreement is to give the Government an immediate lien in the sum of $25,000 in lieu of the inchoate or contingent lien provided for in the exploration contract in the sum of $36,537. Obviously, in the absence of production, the Government cannot recover any royalty, and the proposed contract with Mr. Williston seems to offer the most likely way of getting the property into production. In the light of all of the circumstances, I think the contract would be beneficial to the Government and justified both from a legal and practical basis.

If the proposed agreement seems satisfactory to you, please forward it to Mr. Williston with a copy of this letter for execution by him prior to execution by the Administrator for the Government.

Your attention is called to the necessity of procuring from Mt. Diablo Quicksilver Co., Ltd., an Owner's Consent to Lien to cover the proposed contract (see Article

3 of the contract). When the proposed contract with Mr. Williston is executed by both parties, with this Owner's Consent to Lien attached, the previous Owner's Consent to Lien attached to the contract with Jonas and Johnson will become absolved and released; and a copy of this agreement will be furnished to Mt. Diablo Quicksilver Co., Ltd., to provide it with evidence of the fact.

Chairman, Operating Committee

Approved:

Member, Bureau of Mines

Member, Geological Survey

Jill Stafford -

We have discussed this & feel we should try for 25000 in the first go around. That figure can be well justified -

Will you have your secy make the following minor changes

1) #2 - Ricker letter -
Chg 20000 to 25000 ✓

2) #5 - pg 2 Agmt - Chg 20000 to 25000

3) #5 - pg 4 - Agmt this page rewritten
Chg 16537 to 21537
Chg 20000 to 25000

We are trying to mail tomorrow

You will note that we have suggested the sum of $25000 instead of $20,000 as suggested in your memorandum. This increase was made because we felt it would be difficult to justify your lower figure by an analysis of the facts in the case. The facts will justify the $25000 figure.

If the proposed agreement seems satisfactory to you, it is suggested that you arrange for a meeting with Mr Williston for a full discussion of the matter. If he accepts the proposition he should sign all copies prior to execution by the Administrator for the Government.

NOV 22 1954

Mr. Spangler Hicks
Executive Officer
DMA Field Team, Region III
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Docket No. DMA-[illegible] (Mercury)
Contract No. [illegible]
James and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Hicks:

In accordance with Mr. R. C. Miller's memorandum of October 29, 1954, concerning the subject docket, we are enclosing the original and five copies of a proposed Amendment No. 3 to the captioned contract, executed by the Administrator.

If you and the Operator find the proposed amendment in order, please have the latter sign all six copies and make the usual distribution thereafter.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures 6

APPROVED:

T. W. Hedges

Member, Bureau of Mines

E. L. Newcomb

Member, Geological Survey

MChing/gla
11-17-54
cc to: Admr. Pending File
Operating Committee
Docket
Messrs. H. M. Meyer, Rm. 2623
T. Ø. Kiilsgaard, Rm. 5224
Code 700
Mr. Ching

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

December 8, 1954

Memorandum

To: The Administrator, DMEA
Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-2448, Jones and Johnson
Contract No. Idm-2544 (Mercury)

Attached hereto is a letter for the signature of the Chairman of the Operating Committee, transmitting to the Field Team Executive Officer, Region III, a proposed agreement with Mr. Sam Williston (Cordero Mining Company) to enable him to take over the Mt. Diablo Quicksilver Mine involved in Contract Idm-2544, Docket No. DMEA-2448 with Jones and Johnson. It is suggested that if you approve of the agreement, a copy of the letter to the Executive Officer be sent to Mr. Williston; but I am setting forth herewith some legal considerations which are not suitable for transmittal to Mr. Williston but a copy of which you may wish to give to the Executive Officer.

I understand the facts of this matter to be as follows: The Operator (an assignee) carried on operations under the contract, and completed a 300-foot shaft and a drift to the very margins of the target. At this point water broke in and disrupted further operations. Amendment No. 2 to the contract was entered into to authorize dewatering operations, the cost of which would be met by cutting down on certain drifting to the extent necessary so as not to increase the original estimated total cost. The Operator did perform some dewatering, and there is some dispute as to costs incurred for this purpose before the date of Amendment No. 2. The dewatering was never completed, and the Operator abandoned the project and surrendered its leasehold after the sum of $36,557 had been contributed by the Government ($1,284.51 of which is an overpayment).

The contract is on the 1952 form which permits abandonment by the operator. Abandonment under this provision probably clears the land and the operator from any

E.W. Ellis

obligation to pay royalty. The abandonment provision was not intended to enable an operator to avoid the obligation to complete the work, but the default of the operator in this respect may be excusable in view of the nature of the contingency ("act of God") which caused the stoppage. Even if the Government could rescind the contract and demand repayment of its contribution for the default of the Operator, it is my understanding that this would be a useless gesture because the Operator is insolvent and could not repay; and of course any such claim for repayment would not be covered by the royalty provisions, because they depend upon the contract.

It is my understanding that the exploration workings have not actually gone through any mineralized ground, but did reach a point which confirms certain geological suppositions with respect to the target. It is possible that this project could be certified under the broad provisions of the contract form in spite of the fact that apparently no actual discovery has been made. However, the policy of certifying under these circumstances (which is an administrative rather than a legal problem) is doubtful. Certainly discovery is the essential purpose of the exploration program, and only unusual circumstances seem to justify certification upon any work short of discovery. Mr. Williston, of course, contends that the contract would not support a certification under these circumstances.

Should we certify the project, and thus attempt to put a lien upon any production therefrom before any discovery has been made, it may be that neither Mr. Williston nor any other operator would be interested in prosecuting the project any further. On the other hand, Mr. Williston himself has suggested the agreement referred to as a possible means of procuring the further prosecution of the work. Moreover, Mr. Williston represents that at this point at least he is not interested in any agreement with the Government for financial aid, and expects to finance the work himself.

It thus appears that in the absence of an agreement with Mr. Williston (Cordero) the Government has two doubtful and uncertain rights: (1) to stand on the contract,

certify, and look to the royalty; (2) to rescind the contract for the default of the Operator and demand repayment. Until the Government takes one course or the other it has no liquidated claim against the Operator or the land, and the beneficial results of either for the Government are doubtful. Mr. Williston offers at least a certain benefit in a fixed sum, dependent to be sure upon the contingency of production from the land, but this contingency is inherent in any case in the nature of a royalty. In my opinion the proposed transaction with Mr. Williston is not in the nature of a settlement of a claim (the Government does not now have any claim) but rather in the nature of a novation of parties, Mr. Williston assuming the contingent, unliquidated obligation of the former operator to the extent of a fixed sum ($20,000), secured by an unrecorded lien on the land and production in lieu of the Government's doubtful rights referred to above. I believe that this is a beneficial transaction for the Government, subject to no objection, legal or otherwise.

Once the proposed agreement with Mr. Williston is executed and in effect, we can clear the record of the contract with Jonas and Johnson either by giving them notice of termination or by a termination agreement. I doubt if we would want to attempt a rescission and recovery of money contributed, under all of the circumstances of the case.

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

Attachment

JLHofflund/emd
Copy to: DMEA Docket
Solicitor's Docket
E. W. Ellis
J. D. Parriott
J. L. Hofflund
chron.

12/6/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

December 3, 1954

To Mr. Ching & Ellis to surname

Memorandum

To: The Administrator, DMEA
Attention: Mr. E. W. Ellis

From: Acting Assistant Solicitor, Defense Minerals

Subject: Docket No. DMEA-[illegible], Jones and Johnson
Contract No. Idm-[illegible] (Mercury)

Attached hereto is a letter for the signature of the Chairman of the Operating Committee, transmitting to the Field Team Executive Officer, Region III, a proposed agreement with Mr. Sam Williston (Cordero Mining Company) to enable him to take over the Mt. Diablo Quicksilver Mine involved in Contract Idm-[illegible], Docket No. DMEA-[illegible] with Jones and Johnson. It is suggested that if you approve of the agreement, a copy of the letter to the Executive Officer be sent to Mr. Williston; but I am setting forth herewith some legal considerations which are not suitable for transmittal to Mr. Williston but a copy of which you may wish to give to the Executive Officer.

I understand the facts of this matter to be as follows: The Operator (an assignee) carried on operations under the contract, and completed a 300-foot shaft and a drift to the very margins of the target. At this point water broke in and disrupted further operations. Amendment No. 2 to the contract was entered into to authorize dewatering operations, the cost of which would be met by cutting down on certain drifting to the extent necessary so as not to increase the original estimated total cost. The Operator did perform some dewatering, but there is some dispute as to costs incurred for this purpose before the date of Amendment No. 2. The dewatering was never completed, and the Operator abandoned the project and surrendered its leasehold after the sum of $36,537 had been contributed by the Government ($1,284.51 of which is an overpayment).

It is my understanding that the exploration workings have not actually gone through any mineralized

E. W. Ellis

ground, but did reach a point which confirms certain geological suppositions with respect to the target. It is my opinion that this project could be certified under the broad provisions of the contract form in spite of the fact that apparently no actual discovery has been made. However, the policy of certifying under these circumstances (which is an administrative rather than a legal problem) is doubtful. Certainly discovery is the essential purpose of the exploration program, and only unusual circumstances seem to justify certification upon any work short of discovery. Mr. Williston, of course, contends that the contract would not support a certification under these circumstances.

Should we certify the project, and thus put a lien upon any production therefrom even before any discovery has been made, it may be that neither Mr. Williston nor any other operator would be interested in prosecuting the project any further. On the other hand, Mr. Williston himself has suggested the settlement agreement referred to in the letter to the Executive Officer as a possible means of procuring the further prosecution of the work. Moreover, Mr. Williston represents that at this point at least he is not interested in any agreement with the Government for financial aid, and expects to finance the work himself.

Under all of these circumstances, it seems to me that the proposed contract with Cordero Mining Company (Mr. Williston) is amply justified and would be approved by the GAO. Nevertheless, I think we should not make the contract effective until such approval has been secured. It may be that the prospect of delay contingent upon such approval will be too discouraging to Mr. Williston, but if he so indicates we can consider the matter further at that point.

I suggest that a copy of this letter be sent to the Executive Officer along with the letter from the Chairman of the Operating Committee.

JLHofflund/emd
Copy to: DMEA Docket
Solicitor's Docket
J. D. Parriott
E. W. Ellis
J. L. Hofflund
Attachments

J. L. Hofflund

J. L. Hofflund
Acting Assistant Solicitor
Defense Minerals

11/26/54 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.

Air Mail

November 22, 1954

Memorandum

To: S. O. Mittendorf, Administrator, DMEA, Interior Building
Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Jonas and Johnson, Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Mr. Sam Williston, of the Cordero Mining Company, and his Chief Mining Engineer, Elton Gilbert, discussed the above subject contract with me on November 17, 1954. They are considering the possibility of continuing the work as outlined in the contract but wish to do the work with their own funds. On the other hand, they appear willing to make some sort of an ethical settlement with the Government in order to avoid legal entanglements with the Government on its claim of having an equity in future production value from the property.

I requested a letter from Mr. Williston in which he would state his proposition. A copy of his letter dated November 18, 1954, is enclosed and I believe it expresses the views he seemed to have during the discussion with me. However, he mentioned in our discussion the sum of $20,000 to be paid the Government in royalties from any future production. The last paragraph of his letter does not specify any amount but he mentions the $25 decline in mercury prices. In plain words, he was willing on November 17 to buy the Government's equity of $36,537.00 for $20,000.00. The account at present stands as follows:

Contract	$73,571.00
Costs	47,003.32
Balance on Contract	$26,567.68
Paid to date by Govt.	$35,252.49
Overpayment by Govt. to Jonas & Johnson	1,284.51
Total	$36,537.00

Mr. Wiliston claims that inasmuch as the shaft is full of water and the crosscut is possibly caved, the discount is reasonable. He also mentions in his letter other complications which I believe are true.

Whether or not the Government has an equity in the property from now on is purely a legal question on which I am unable to pass an opinion. I doubt, however, if further expense by the Government is warranted in view of the following problems:

1. Cost of unwatering shaft and recovering crosscut.

2. Possible dangerous gassy conditions.

3. Assurance of finding commercial ore bodies not yet known.

4. Would any operator agree to assume assignment of present contract with problems 1, 2, and 3 unsolved?

5. In case of issuance of Certificate of Discovery or Development by the DMEA, would not the property be destined to remain idle without any chance of Government recovery of royalty and investment? Would such a Certificate be legal?

A bargaining method such as outlined above may not be according to Government policy and may not be legal but I am giving you this as a possible method of closing out this contract. It is the best I have to offer at the moment.

S. RICKER

S. Ricker
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Roscoe Smith, USGS

CORDERO MINING COMPANY
131 University Avenue
Palo Alto, California

November 18, 1954

Mr. Spangler Ricker, Executive Officer
Defense Minerals Exploration Administration
Field Team, Region III
Bureau of Mines
Department of the Interior
San Francisco 11, California

Dear Mr. Ricker:

Last week we took, somewhat hesitantly, a lease and option on the Mt. Diablo quicksilver property. This is for ten years and may at our election be extended another ten years. On the other hand, we have the option to cancel at any time on a notice of 60 days.

We find the legal situation, quite candidly, to be in a mess.

The State Water Pollution Agency has issued an order prohibiting the de-watering of the mine or the dumping of water into the surface drainage without a water treatment plant suitable and acceptable to them.

The State Mine Inspector has issued an order prohibiting anyone from entering the shaft for any purpose until it has been completely de-watered and he has personally examined it.

There is also a Quiet Title proceedings on a part of the property now under active litigation, probable outcome unknown.

In addition to this there is a DMEA project on the property which, we are told, was ordered shut down by DMEA Field personnel in March of 1954, almost nine months ago. At the present time, work under this project consists of a shaft and a cross cut. The shaft is filled with water and its condition is unknown. The cross cut, which was largely untimbered, is also in a completely unknown condition.

Mr. Vic Blomberg, who has been on the property more or less continuously for many years, is of the opinion that this drift is down since gas, which comes with the water and normally continues to come with the water at this property, ceased entirely some time ago.

The original participant in the DMEA contract, Mr. Smith of Dallas, Texas, assigned his interests approximately a year ago but left behind some broken-down machinery and $2500 worth of debts. The assignees of that contract, Jonas and Johnson, lost all of their title from Diablo under a lease and option some three months or more ago although they also have equipment on the property and potential litigation with DMEA., The DMEA project was not completed and no ore discovery was made.

c o p y

COURTNEY STEVENS TELEGRAM
121 Broadway Avenue
Palo Alto, California

November 10, 1958

Mr. Spencer Holden, Executive Officer
Southern Minerals Exploration Joint Venture
Third Floor, Bldg. 211
Bureau of Mines
Department of the Interior
San Francisco 11, California

Dear Mr. Holden:

Last week we took, somewhat hesitatingly, a leave sampling on the 11A. Diablo cobalt-silver property. This is for ten years and may at our election be extended another ten years. In the other hand, we have the option to cancel at any time on a notice of 60 days.

In the the legal situation, quite candidly, to be in a mess.

The State Water Pollution Agency has issued an order prohibiting the discharging of the mine or the dumping of water into the surface drainage without a water treatment plant suitable and acceptable to them.

The State Mine Inspector has issued an order prohibiting anyone from entering the shaft for any purpose until it has been completely dewatered and he has personally examined it.

There is also a Quiet Title proceeding on a part of the property for water rights litigation, probably endless litigation.

In addition to this there is a NRC project in the vicinity which, we note, was ordered shut down by 11A Field Personnel in March of last, almost nine months ago. At the present time, most under this project consists of a shaft and a cross cut. The shaft is filled with water and the condition is unknown. The cross cut, which was largely unsubstantial, is also in a completely unknown condition.

Mr. Vic Blackburn, who has been on the property more or less continuously for many years, is of the opinion that this drift is down above gas, which none with the water and normally continues to come with the water in this property, caused entirely some time ago.

The original participants in the 11A, namely Mr. Smith or Milner, Stone, and that Minerals approximately a year ago had left behind some broken-down machinery and $500 worth of cable. The equipment of Stone consisted, Jones and Johnson, lost all of their title from Diablo under a lease and option some three months or more ago although they also have equipment on the property and potential litigation with 11A. The 11A project was not completed and no ore discovery was made.

Mr. Spangler Ricker

Our interpretation of the DMEA contract would indicate that since no discovery was made and since we are informed that the work was shut down by a Field representative of DMEA more than six months ago, the contract is concluded and that the Government has no title nor lien of whatsoever kind on the property. We understand from our conversation with you yesterday that the DMEA does not feel this to be the case and that the DMEA would hold that if any exploration work done by the DMEA should ever be used in the future, either for the discovery or removal of ore subsequently found, that the DMEA would hold that they were entitled to recovery of all amounts expended by the Government on the project. I believe that if alittle study is given to this attitude on the part of the Government its effect on the probable application for future DMEA loans would be readily discernable. There would be a perpetual cloud upon the title of all properties on which a DMEA load had ever been granted and no land owner would care to permit such a cloud.

We do not at the present time, have any contracts with the DMEA; neither are we seeking any contract on this property, nor would we accept an assignment for a continuation of the now expired contract. We would appreciate, from you or from Washington, a statement as to what the Government feels is its position in regard to this property.

The Mt. Diablo Mine has prospects for future additional production. If it did not we wouldn't bother with it under any conditions. On the other hand, the profits from it in the past have not been great and there is no reason to believe that future profits might be anything phenomenal. The present market price of mercury while good is, in relation to present costs, not nearly so good as it was during the early years of World War II. The present floor price of mercury granted by the Government is exactly the same in relationship to costs as $75 mercury was in 1939, or as 15¢ lead is today.

I think you can see from the problems involved that this property can be operated successfully only if it is not loaded down with unnecessary expenses or unnecessary litigation.

In the light of your present reorganization we would, if possible, like to cooperate in any way we can in spite of our previous experiences and we would be willing to do our best to arrange a compromise agreement with the Government and the Mt. Diablo Company under which it would be possible for us to operate the property. I hesitate to suggest any figure in the light of the $25 decline in mercury prices quoted today in the E&MJ Metal Markets where mercury is being offered for relatively early delivery at a price in the neighborhood of $305. This is a decline of almost 10% in two weeks.

Very truly yours,

/s/ S.H. Williston

SHW:L

S. H. Williston

Enc. - Additional copy

Mr. Spencer Pickor

Our interpretation of the DMA contract would indicate it is time to discovery was made and since we are informed that the work was shut down by a field representative of DMA more than six months ago, the contract is concluded and that the Government has no title nor lien of whatever kind on the property. In undertaking from our conversation with you yesterday that the DMA does not feel this is to be case and that the DMA would hold that if any exploration work done by the DMA should ever be seen in the future, either for the discovery or removal of ore subsequently found, that the DMA would hold that they were entitled to recovery of all amounts expended by the Government on the project. I believe that if a little study is given to this subject on the part of the Government the only or the probable application for future DMA loans would be readily discernable. There would be a perpetual cloud upon the title of all properties on which a DMA loan had ever been granted and no bank would care to permit such a cloud.

We do not at the present time, have any contracts with the DMA; neither are we seeking any contract on this property, nor would we accept an assignment for a continuation of the new original contract. We would appreciate, from you or from Washington, a statement as to what the Government feels is the position in regard to this property.

The Mt. Diablo Mine has prospects for future additional production. If it did not we wouldn't bother with it under any condition. On the other hand, the profits from it in the past have not been great and there is no reason to believe that future profits might be anything phenomenal. The reason we set price of mercury well good is, in relation to present costs, not nearly so good as it was during the early years of World War II. The present floor price of mercury granted by the Government is actually the same in relationship to costs as the mercury was in 1939, prior to the war load is today.

I think you can see from the problems involved that this property can be operated successfully only if it is not loaded down with unnecessary expenses or unnecessary litigation.

In the light of your present reorganization, we wish, if possible, also to cooperate in any way we can in spite of our varied experiences and we really be willing to do our best to arrange a cooperative agreement with the Government and the Mt. Diablo Company under which it would be worthwhile for us to operate the property. I hesitate to suggest any figures in the light of the $35 decline in mercury prices quoted today in the NYT. Until further where mercury is being offered for relatively early delivery at a price in the neighborhood of $35. This is a decline of almost 50% in two weeks.

Very truly yours,

/s/ C.H. Williamson

C.H. Williamson

E. R. Williamson

CHW:E

Yes. - additional copy

NOV 1 6 1954

Messrs. John F. Jones and
John A. Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA-2446 (Mercury)
Contract No. Idm-454
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Gentlemen:

Thank you for your letter of October 29, 1954 concerning the subject project.

We have referred your letter to Mr. Spangler Micker, our new Executive Officer, DMEA Field Team, Region III, for his consideration.

We agree with you that a transfer of the contract and equipment to a qualified operator would be desirable, but this procedure is possible only after the prospective operator has acquired a lease on the property.

Mr. Micker will, no doubt, explore every possibility in connection with this problem and contact you in the event any action is required of you.

Sincerely yours,

T. O. Mittendorf

Administrator

MChing:am
11-15-54
cc to: Admr. Reading File
Docket
Messrs. H. M. Meyer, Rm. 2623
T. H. Killsgaard, Rm. 5224
Code 700
Mr. Ching
Reg III (2)

Talked with Spencer Ricker today.
He suggests we might wish to advise J & J that we have referred their letter 10/29 to him.

He will then see Blumberg & Bert Austin to explore the possibility of the latter acquiring a lease.

Can see where J & J have any bargaining position whatsoever unless they got a new lease & therefore can't imagine how they could possibly contribute to the reactivation of this project

c
o
p
y

October 29, 1954
166 Los Robles Dr.
Burlingame, California

United States Department of the Interior
Defense Minerals Exploration Administration
Washington 25, D. C.

Sir:

As you know we could not proceed further with the Mt. Diablo Quicksilver Mine and the DMEA Contract Number 2448, due to mishaps and misunderstandings. I am very sorry for this condition because I feel the mine merits all the development work which has been planned for it.

There are two reliable and competent mining groups who are very desirous of completing this DMEA Contract. We have agreed to transfer the contract and equipment to them so as to further this undertaking by the DMEA.

The Mt. Diablo Company, for some reason unknown to me, wish to cancel this DMEA work and turn the mine over to the Sun OilCompany, under their Cordera Mining Company subsidiary, presumabley for their future needs.

We are interested, both from the stand point of tax payer and miner, in seeing this mine produce for the good of our government, who has contributed the greater part of the expense to explore the property.

Will you please advise if there is anything further we can do to help in the completion of this DMEA Contract.

Sincerely,

/s/ John L. Jonas
John L. Jonas

/s/ John E. Johnson
John E. Johnson

Copy to
H. C. Miller
Executive Officer, DMEA Field Team
555 Battery St.
San Francisco, California

November 2, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Michael Ching, Mining Engineer
Rare and Miscellaneous Metals Division

Subject: Proposed Amendment No. 3
Docket No. DMEA-2448 (Mercury)
Contract No. Ida-E544
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Will you kindly prepare an Amendment No. 3 to the subject contract, making Amendment No. 2 effective as of February 18, 1954, instead of April 22, 1954.

/s/ Michael Ching

Michael Ching

MChing/gla
cc to: Docket file
Code 700 contract file
Mr. Ching

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 1 - 1954

420 Custom House
555 Battery Street
San Francisco 11, Calif.

October 29, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Jonas and Johnson, Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

As you know, water broke into the subject mine and flooded the DMEA workings on February 18, 1954. On February 24, I wired Mr. C. O. Mittendorf asking if the contract could be amended to allow $10,000.00 to unwater the mine. On March 11, I wrote Mr. Mittendorf a memorandum, the fourth paragraph of which reads in part "Since sending you my wire of February 24 and receiving verbal permission from Mr. Ellis to go ahead and pump down the water . . . ." The above history is cited so that you may better understand the following.

When Amendment No. 2, dated April 22, 1954, was sent to us by your office, I wrote a justification in which I stated that an "Inflow of water on February 18, 1954, flooded the workings and stopped all exploration endeavors." That was true, but what was not noticed at the time was that Amendment No. 2 did not become effective until April 22, 1954 - the date of the amendment.

On the strength of the approval given over the phone, the Operators - Jonas and Johnson - started dewatering operations on February 22, and this and other work in connection with unwatering the mine continued to March 4 when one miner was killed, and for three days following the accident. On March 11 all operations at the property stopped.

The Operator has submitted a voucher for March covering expenses incurred during that month. His February voucher covers expenses during the month of February to the time of flooding and on to the end of the month.

As prepared, Amendment No. 2 authorizing the dewatering and other work was not effective until April 22. That is a mistake as it should have been made effective as of February 18, 1954, the date of the flooding. Only in this way can the Operator be reimbursed for his expenses during the month of March.

Will you kindly prepare an amendment making the effective date of Amendment No. 2 February 18, 1954.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno
George Mavor

11/1/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
NOV 1 - 1954

420 Custom House
555 Battery Street
San Francisco 11, California

October 28, 1954

Mr. John L. Jonas
166 Los Robles Drive
Burlingame, California

RE: Docket No. DMEA-2448 (Mercury)
Jonas and Johnson, Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-1544

Dear Mr. Jonas:

Attached hereto are one original and five copies each of Forms DF-104 and DF-104A covering Operator's Monthly Report and Voucher for the month of March 1954, which have been prepared by this office for your signature. The figures shown in these vouchers are in accordance with audited figures compiled by Mr. George Mavor, DMEA Auditor.

It has been determined that the contract has been overpaid and the amount to be refunded to the Government amounts to $1,284.51, based on the March 1954 voucher and accounted for as follows:

Total costs to March 1954	$47,003.32
75% Government participation	$35,252.49
Paid by Government to January 31, 1954	$36,537.00
Overpayment due from Jonas and Johnson	$ 1,284.51

This overpayment of $1,284.51 has been outstanding on the Government records since February 15, 1954, or more than eight months. It is therefore imperative for you to refund this money and we would appreciate receiving your check in order to remove our claim against the partnership from our records.

Consideration should also be given to disposal of property in which the Government has a 75% equity. The property to be sold includes a hoist, lumber, and possibly other miscellaneous material. You would have to pay the Government 75% of the proceeds from the sale of this property; however, the sale of this property can be held in abeyance pending the final disposition of your contract.

After you have signed the enclosed vouchers you can retain one copy each of Forms MF-104 and MF-104A for your files and forward the original and four copies of each set to Mr. A. C. Johnson, Chief, Mining Division, Region III, Bureau of Mines, Reno, Nevada, for further processing.

Sincerely yours,

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Enclosures

Copy to: A. C. Johnson-Reno
B. Mavor
Finance Officer, Region III
Operating Committee-DMEA, Washington

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

OCT 22 1954

Mr. George Mayer
DMEA Auditor
420 Custom House
555 Battery Street
San Francisco 11, California

Re: Idm-E544, DMEA-2448
Jones and Johnson
Mt. Diablo Quicksilver Mine

Dear Mr. Mayer:

Receipt is acknowledged of your letter of October 19, 1954 with reference to several problems involved in the audit of the subject Exploration Project Contract.

I concur with your determination that the rental charge of $150.00 for the pump should be disallowed. Likewise, I concur that the minimum premium of $250.00 on the employer's liability insurance policy is an allowable cost. Both of these concurrences, however, are premised on the March, 1954, costs being for work performed under the basic contract, including Amendment No. 1, and not for the dewatering and other work authorized by Amendment No. 2.

The justification to Amendment No. 2 indicates that an "Inflow of water on February 18, 1954, flooded the workings and stopped all exploration endeavors." Amendment No. 2, authorizing the dewatering and other work, was not effective until April 22, 1954. Therefore, if the March MF-104 covers costs authorized by this Amendment, it appears that such costs should be disallowed in their entirety. However, it is possible that the effective date of April 22, 1954 is in error and should properly be February 18, 1954, the date of the flooding. It is suggested that you discuss this matter with the Executive Officer. If he determines this to be the case, he should write the Operating Committee giving his recommendations for change in the effective date and justifications therefore. Please investigate this matter and advise me of your findings.

In the event that the project is terminated, and after the disposition of the project property has been effected, the issuance of a Report of Review in lieu of final audit would be in order. The Report of Review should cite, as reasons for the review in lieu of audit, the following:

"(a) the administrative cost to the Government of an audit would be excessive in relation to the estimated amount of possible further disallowances thereunder;
(b) the accepted costs ($45,666.98) of all work performed

through February 28, 1954 were covered by an Interim Audit Report and Certificate, dated June 7, 1954, issued by this auditor; and

(c) the Monthly Report covering subsequent costs was supported by documentary proof of the costs incurred under the contract."

In the event, however, that the contract is assigned and work is continued a Report of Review should not be issued at this time, since such reports are issued only in lieu of final audit.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

EDTalbert/wb
October 22, 1954

Copy to: Docket
Admr. Reading File
Mr. Ellis
Mr. Chambers

October 21, 1954

Memorandum

To: The File

From: Michael Ching, Mining Engineer
Rare and Miscellaneous Metals Division

Subject: Docket No. DMEA-2448 (Mercury)
Contract No. Ida-E544
John L. Jonas and John E. Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

In a conference between Mr. Ellis, Mr. Ching, and Mr. H. C. Miller, Executive Officer, Region III, on October 8, 1954, the question of a final settlement and termination agreement between the Government and the subject Operator was discussed. The possibility of some other operator taking over the project, and the procedures to be followed were also discussed.

It was agreed that the first requirement was to secure a refund of $2,286.76 in overpayments to Jonas and Johnson, in accordance with our letter of September 16 to Mr. Miller. The latter was rather optimistic on this point.

Mr. Miller stated that several operators were interested in taking over the subject property but were delaying action pending some form of settlement between the Government and Jonas and Johnson.

Mr. Miller was advised that the best interests of the Government would be served if a reliable operator were assigned the subject contract by Jonas and Johnson, thus assuming all the obligations of the contract. Jonas and Johnson were in default, but were still parties to the contract since no formal termination had taken place. It was agreed that Mr. Miller would advise any prospective operator of this fact so the latter could negotiate with Jonas and Johnson for an assignment of the contract. The form of assignment and the Government's consent would be drawn up in Washington if such negotiations were successful.

For background on this project, see my Memorandum to the Administrator, dated August 25, 1954.

/s/ Michael Ching

MChing/gla
cc to: Admr. Reading file (2)
Code 700 contract file
Mr. Ching

Michael Ching

10/19/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT 18 1954

420 Custom House
555 Battery Street
San Francisco 11, California

October 13, 1954

Messrs. Jonas and Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Co., Ltd.
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. I4n-2544

Gentlemen:

As you know, your March 1, 1954 voucher covering costs for four days' operation under the above-cited contract is being held up subject to audit.

Apparently there are questions applicable to these costs which will require your presence in this office in order to complete all transactions up to March 4, 1954 when work under the contract was suspended.

Will you, therefore, kindly call at the office at your earliest convenience so that Mr. Maver can discuss the matter with you and complete his audit of your account.

Sincerely yours,

[illegible]

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA-Washington
R. M. Smith-USGS
A. C. Johnson, Reno

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 9-21

REFERRED TO:

1. 700
2. Mr. Chem
3. Lab. contract file
4.

FOR:

..... Action	..... Recommendation
..... Approval	..... Record of .....
..... Comment	..... Referring to .....
..... Conference	..... Reply for signature of .....
..... Consideration	..... Rewriting
..... Filing	..... Signature
..... Instructions	..... Suggestions
..... Investigation	..... Your information
..... Initials	
..... Mailing	
..... Previous correspondence	

REMARKS: The memo Chemical bucks in the mail, which went out Sept. 16.

glm

Check (X) before the items needing attention.

ROBERT E. A[illegible]

Initials of sender.

GPO 16—63815-1

No action until we receive answer to our Sept. 16 letter. MC.

9/22/54 rvgl

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

SEP 20 1954

420 Custom House
555 Battery Street
San Francisco 11, Calif.

September 17, 1954

Air Mail

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

In regard to the subject contract, Mt. Diablo Quicksilver Company, Ltd., is very desirous to know the final decision on the termination of the Jonas and Johnson contract.

The company is making efforts to interest reliable operators in leasing the property and a number of parties are interested.

Negotiations, however, are stymied when the interested parties learn that the Government may have a lien on production as a result of the money spent by the Government in assisting in the sinking of the shaft and crosscutting.

As it seems to me, there are two ways the matter may be handled. The first and least preferable way would be to terminate the Jonas and Johnson contract and consider the matter washed up. The new operator would then start from scratch and if Government assistance is desired, he would have to make a new application for a loan. By that method the Government would have no chance to get back any of the money it spent in exploration to date.

The second method would be for the Government to assign the present contract to the new lessor. He would then be compelled to pay back the money the Government spent to date and is to spend, if a discovery is made and ore is mined, treated, and mercury sold.

Until it is definitely decided by your office which method is to be followed, there is little chance for the Mt. Diablo Company to make a binding deal.

Can you give us the desired information?

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

Mr. M. C. Miller
Executive Officer
DMEA Field Team, Region III
4th Custom House
555 Battery Street
San Francisco 11, California

SEP 16 1954

Re: Docket No. DMEA-2448 (Mercury)
Contract No. 1dm-454
Jonas and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County
California

Dear Mr. Miller:

Reference is made to your letters of August 6 and 26, 1954, regarding termination of the subject contract.

We have explored various procedures for terminating this project and, at the same time, protect the interests of the Government. A review of the Interim Audit Certificate, dated June 7, 1954, shows that the Operator was overpaid $2,286.76 to February 28, 1954, despite the fact that the voucher for February calling for Government participation in the amount of $2,665.00 remains unpaid. In other words, the Operator owes the Government $2,286.76, and no termination agreement is in order until this amount is refunded.

Will you kindly contact the Operator and make every possible effort to secure a refund. If the refund is made, please advise us immediately so the termination agreement can be forwarded to you. If the Operator refuses to refund the money, also advise us, so we can take appropriate action.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

J. H. Hedges

Member, Bureau of Mines

Thor H. Kiilsgaard

Member, Geological Survey

MChing:am
9-14-54
cc to: Admin. Reading File
Operating Committee
Docket
Messrs. H. M. Meyer, Rm. 2623
T. Kiilgaard, Rm. 5227
Mr. Ching
Code 700

August 25, 1954

Memorandum

To: Acting Assistant Solicitor, DMEA

From: Michael Ching, Mining Engineer
Rare & Miscellaneous Metals Division

Subject: Termination Agreement
Docket No. DMEA-2448
Contract No. Idm-6544
John L. Jonas and John E. Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Will you kindly have prepared a termination agreement covering the subject contract in accordance with the attached memorandum to the Administrator.

/s/ Michael Ching
Michael Ching

Attachment

MChing/am
cc to: Docket
Code 700 contract file
Mr. Ching

August 25, 1954

Memorandum

To: The Administrator

From: Michael Ching, Mining Engineer
Rare & Miscellaneous Metals Division

Subject: Termination Agreement
Docket No. DMEA-248
Contract No. Idm-1544
John L. Jonas and John E. Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

The subject contract, dated June 5, 1953, was originally negotiated with the partnership of Ronnie B. Smith, Jesse Harper and James F. Dunnigan. It was assigned to John L. Jonas and John E. Johnson on January 20, 1954.

The contract provides for sinking a vertical shaft 330 feet, crosscutting therefrom to a known vein structure, and drifting along the vein structure below the old mine workings. Total crosscutting and drifting was not to exceed 625 feet. Total estimated cost of the project was $73,571.00.

On February 18, 1954, the shaft had been completed and the crosscut driven 120 feet. A sudden rush of water at this point flooded the crosscut and shaft to a depth of 187 feet. The crosscut apparently had reached the vicinity of the fault and vein structure which extended upward to the flooded workings of the old mine.

The total accepted cost of the project to February 28, 1954, was $45,666.98. The work had been prosecuted rather efficiently up to the time of the flooding.

The work done to date has not encountered any mineralization. The main objective is within the vein structure which was not reached, but which, apparently, was not far distant from the face. Amendment No. 2, dated April 22, 1954, was executed to enable the Operator to unwater the mine, complete the crosscut, and do a sufficient amount of drifting along the vein to give a good indication of the possibilities of finding significant deposits of mercury ore.

The Operator failed to resume work after the influx of water and has consequently defaulted under the terms of the contract. In a letter dated August 5, 1954, the Mt. Diablo Quicksilver Co., Ltd., owners of the property, terminated the Operator's lease.

In view of Operator's apparent inability to carry on the work, and the fact that his lease has been terminated, it is recommended that the subject contract be terminated by mutual consent, with the termination agreement containing a "pseudo-certification" provision preserving the Government's royalty rights. Possible alternatives would be to demand performance of the original operator and the assignee or demand repayment of the Government's contribution. Neither of these alternatives appear appropriate at this time.

/s/ Michael Ching
Michael Ching

MChing/am

cc to: Docket File
Actg. Asst. Solicitor, DMEA
Code 700
Mr. Ching

9/13/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

September 13, 1954

Memorandum

To: Mr. Frank E. Johnson
Acting Administrator

From: Jay L. Chambers, Chief (Signed) J. L. Chambers
Contract Administration and Audit Division

Subject: Docket No. DMEA-2448 (Mercury), Contract Idm-E544
Jonas and Johnson, Mt. Diable Quicksilver Mine,
Contra Costa County, California

I am forwarding the attached proposed Termination Agreement between the Government and Jonas and Johnson without surnaming, because I wanted to call your attention to the fact that these boys walked off of the project after being overpaid $2,286.76.

It appears to me that every possibility of recovering this overpayment should be investigated prior to entering into a termination agreement.

Attachment

8-30-54
G.C.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

420 Custom House
555 Battery Street
San Francisco 11, Calif.

August 26, 1954

Air Mail

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Concerning the subject contract, Mr. Vic Blomberg, President, Mt. Diablo Quicksilver Company, Ltd., called at the office on August 24 to find out what next step the company should take to "clear the decks."

At the request of Jonas and Johnson, their lease on the property was canceled. Jonas and Johnson, therefore, are out on a limb insofar as carrying out their DMEA contract is concerned.

The equipment in which the Government has an equity is still on the property. The hoist and sheave wheel remain in place. Mr. Blomberg has been having difficulty interesting other parties in taking over the exploration of the mine as those interested are afraid the Government has some kind of hold on the property.

It would seem to me that, under the circumstances, Jonas and Johnson should receive some kind of a notification to the effect that the Government is canceling its contract with them effective as of a certain date. A copy of the notice should be sent to Mt. Diablo Quicksilver Company so they would know where the matter stands. At the same time, Jonas and Johnson should be informed of their responsibility to dispose of the equipment in which the Government has an equity.

My memorandum to you dated August 6 relates to the above problem of what to do next. A re-reading of that memorandum makes me wonder if you might have interpreted the third paragraph as indicating that I would issue a termination notice. It is not my intent to do so as I understand your office takes care of termination notices. I am, therefore, awaiting termination of the contract by your office.

H. C. MILLER

H. C. Miller
Executive Officer
DMRA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

8/11/54 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.

August 6, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

There is attached a copy of a letter from Mt. Diablo Quicksilver Company, Ltd., Vic Blomberg, President, to Mr. John L. Jonas and Mr. John B. Johnson, dated August 5, 1954.

This letter informs Jonas and Johnson that the lease and all other rights of Jonas and Johnson and Mr. Ronnie B. Smith under the lease are terminated.

It would seem under the circumstances that a termination notice should now be sent to Jonas and Johnson and that they be required to dispose of the property in which the Government has an equity.

Kindly let me know if there is anything further that I should do at this time.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

MT. DIABLO QUICKSILVER CO., LTD

CLAYTON, CLAIFORNIA

August 5, 1954

Mr. John L. Jonas
Mr. John E. Johnson
133 Los Robles Drive
Burlingame, California

Gentlemen:

On May 23, 1954, you notified us that you proposed to surrender your mining lease with us, dated November 1, 1953, covering our property in Contra Costa County, and that you would abandon the premises covered by said lease at the expiration of thirty (30) days. This notice was accepted by our directors at their meeting of June 20, 1954. There have been no activities on our property by you since March, 1954.

On receipt of the notice from you, and on May 24, 1954, we notified Ronnie B. Smith thereof, and the option open to him under the lease. On June 9, 1954, we were advised by Mr. Smith's attorneys that he elected not to exercise his option. In view of the above, the lease, and all of the rights of you and Mr. Smith under the lease, are terminated.

We are presently negotiating a lease agreement with a new operator. In order to avoid further delay, we want you to clear up your affairs with your creditors, the government and any other parties that may involve our corporation.

Since we are in the process of negotiating a lease with this new operator, we think that you should be definitely informed that we are not in a position to consider any lease negotiations with you.

Very truly yours,

MT. DIABLO QUICKSILVER CO., LTD.

/S/ Vic Bloomberg

Vic Bloomberg - President

cc: Ronnie B. Smith, Trustee
Tower Petroleum Building
Dallas, Texas

COPY

7/27/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

420 Custom House
555 Battery Street
San Francisco 11, California

July 21, 1954

Mr. John L. Jonas
Jonas and Johnson
166 Los Robles Drive
Burlingam, California

Re: Docket No. DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-E544

Dear Mr. Jonas:

In reply to certain of the matters we discussed in this office early last week, the Washington office advises that since no formal termination has been made of your contract, the contract is still operative.

That means that many of the matters discussed can be taken care of by an amendment to the contract.

If it is desired to have the contract amended so that you can proceed under a new lease arrangement, you should submit to this office a copy of the new lease and six copies of Owner's Consent to Lien. The Owner's Consent to Lien forms can be supplied by this office.

Sincerely yours,

(Stamped) H. C.Miller

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA-Washington, D.C.
A. C. Johnson, Reno
R. M. Smith-USGS

c
o
p
y for Division contract file

T E L E T Y P E

[redacted]

MChing
DMEA- Department of the Interior

Mk14D1(01) Revolving Fund,
Defense Production Act (Interior)
(Allocated Working Fund to the
Office of the Sec.)

M. C. MILLER, EXECUTIVE OFFICER
DMEA FIELD TEAM, REGION III
420 CUSTOM HOUSE
555 SATTAR STREET
SAN FRANCISCO 11, CALIFORNIA

REFERRED JULY 15, 1954, JONES AND JOHNSON DOCKET THIS CONTRACT STILL OPERATIVE BASED ON FORMAL TERMINATION. PLEASE SUBMIT COPY NOW MADE AND SIX COPIES ONLY REVISED OWNER'S CONSENT TO LIEN AFTER WHICH THIS OFFICE WILL PREPARE THE PROPOSED AMENDMENT.

George C. Selfridge

George C. Selfridge, Chairman
Operating Committee

MChing/am
7-20-54
cc to: Admr. Reading File
Operating Committee
Docket
Messrs. H. M. Meyer, Rm. 2623
Benj. Gildersleeve, Rm. 5221
Code 700
Mr. Ching
Confirmation to Region III

7/19/54 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.

July 15, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-D544

Messrs. Jonas and Johnson, operators under the subject contract, finally came to the office early this week to discuss re-activation of work at the still flooded Mt. Diablo Quicksilver Mine.

Plans are under way, according to Jonas and Johnson, to get a lease on the property directly from the owners of the mine. Mr. Ronnie Smith's lease has expired or will expire in a week or so, and from all reports, he plans not to renew it. He is supposed to be in San Francisco some time next week at which time the matter undoubtedly will be settled.

If Jonas and Johnson can get a direct lease, they are planning (with Government help) to pump out the water and continue the workings as stipulated in the contract. They indicated to me that by the time the preliminary matters are settled they will be prepared financially to carry out the work.

They have been touch with the California Accident Commission and the State Water Pollution Board and both agencies have promised to work closely with them.

I told Jonas and Johnson that the contract had expired on April 5, 1954, and that I would have to take the matter up with Washington as I could not promise them that the contract would be re-activated after they had failed for several months to prosecute operations pursuant to the terms of the contract.

What they would like to know is if there is a chance that DMEA will allow them to continue under the contract. If so, they will then make every effort to get a direct lease from the owners. I gained from my discussion with them that if there is no chance to "renew" the contract, they will make no effort to get the new lease. They also will need a six months extension to complete the work if allowed.

Kindly let me have your thoughts at an early date. I believe that if Jonas and Johnson can clear up all legal entanglements, they will make a sincere effort to complete the contract. To date I have heard of no one else who might be interested in completing the work. It seems, therefore, that they should be given a chance.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

420 Custom House
555 Battery Street
San Francisco 11, Calif.

July 1, 1954

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA
Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-8544

You may have wondered what has happened under the subject project and I wish I could give you some concrete information. The latest information is that during my absence last week, Mr. Vic Blomberg, President, Mt. Diablo Quicksilver Co., Ltd., left a sheaf of papers for me to review. Copies of these letters have been made and a set is attached. to docket file (6 letters)

We are doing all we can to get this "mess" straightened out.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachments

Copy to: Roscoe Smith, USGS (with attachments)

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

Mr. John L. Jonas
Jonas and Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. DCm-E544

Dear Mr. Jonas:

We acknowledge your letter dated May 23, 1954, with which you returned the original and four copies of Amendment No. 2 to the subject contract, signed by you and Mr. Johnson. Prior acknowledgment of that letter was not made as it was my understanding that you were coming to the office to discuss with me the matter of extending the completion date of the contract. Inasmuch as you failed to contact me I am writing this letter to point out to you certain matters of vital importance in connection with the contract.

The date of completion of the contract expired April 5, 1954, and though you requested in your May 23 letter an extension of the completion date to October 6, 1954, nothing has been done toward formulating an approval of that request, mainly for the following reasons:

1. We have no evidence in this office that you intend to carry out the provisions of the contract even if the extension of time is granted.

2. Since arrangements were made to allow you to dewater the mine under the exploration contract, to the best of our knowledge nothing has been done at the mine in the way of a dewatering program.

3. Rumors have come to our attention that you are planning to cancel your lease with Mr. Donnie L. Smith with the expectation that he then in turn will relinquish his lease with the Mount Diablo Quicksilver Mining Company and that you will then negotiate a lease directly with that company.

The way matters stand at the present time, the entire issue is in a very confused state, and until I have a true picture of your intentions and the date on which operations definitely will be resumed, I can do nothing toward extending the completion date of the contract.

Sincerely yours,

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno
George Mavor

5/24/54gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

May 20, 1954

Mr. John E. Jonas
Jonas and Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract No. Idm-1544

Dear Mr. Jonas:

On April 27, 1954, we sent you six copies of Amendment No. 2 to Contract Idm-1544 for execution by you and Mr. Johnson.

On April 30, 1954, in a letter addressed to you, we requested that you furnish us with written approval by the State Water Pollution Board and the California Industrial Accident Commission to proceed with the unwatering of the Mt. Diablo Quicksilver Mine.

To date neither the signed copies of the amendment nor the requested letters of approval have been received by this office.

Your attention is called to the fact that the original contract is dated June 5, 1953, and that the work was to be completed in ten months from that date.

Sincerely yours,

N. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno

5/4/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

Mineral Administration
RECEIVED
MAY 4 - 1954

1012 Flood Bldg.
870 Market Street
San Francisco 2, California

April 30, 1954

Mr. John L. Jonas
Jonas and Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.
Contract Idm-E544

Dear Mr. Jonas:

In connection with Amendment No. 2 to the subject contract, the Washington Office of the Defense Minerals Exploration Administration suggests before approving payment of any bills for the treating of your mine waters that we make certain an adequate plant is erected and that, whatever method of treatment is adopted, it has the approval of the State Water Pollution Board. In that connection, a written approval is desired.

It is suggested also that we be furnished by you with the written approval of the California Industrial Accident Commission that the Commission has no objections to unwatering the workings and continuation of exploration work.

Sincerely yours,

H. C. Miller

H. C. Miller
Executive Officer, DMEA Field Team
Region III

Copy to: DMEA, Washington, D.C. (2)
R. M. Smith, USGS
A. C. Johnson, Reno
Finance Office, Region III

5/4/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAY 3 - 1954

1012 Blood Building
870 Market Street
San Francisco 2, Calif.

April 27, 1954

Mr. John L. Jonas
Jonas and Johnson
166 Los Robles Drive
Burlingame, California

Re: Docket No. DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. Idm-7544
Amendment No. 2

Dear Mr. Jonas:

We are enclosing the original and five copies of proposed Amendment No. 2 to your contract, signed by the Administrator. You will note that the proposed amendment diverts $10,000 from drifting and crosscutting funds for unwatering the workings and installing treatment facilities for the acid mine water. This means 250 feet less of drifting along the vein if the cost reaches the allowable maximum of $40 per foot.

If you approve of the amendment as drawn, kindly sign, and have Mr. Johnson sign also, all six copies. When executed, please return the original and four copies to this office. The copy marked "Operator's Copy" is to be retained by you for your files.

Sincerely yours,

H. C. Miller

H. C. Miller
Executive Officer
DMEA Field Sea., Region III

Enclosure

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno

Mr. George Meyer
DMEA Auditor
1012 Flood Building
870 Market Street
San Francisco 2, California

Re: Idm-E544, DMEA-244E
Jones and Johnson (formerly
Reynolds B. Smith)

Dear Mr. Meyer:

Information at hand indicates that the above-cited project has been reported and reimbursed on the basis of an agreed unit cost contract.

Mr. Talbert informs me that you and he discussed this matter during his visit to the San Francisco office in March. At the time Mr. Miller decided to request an amendment to the contract to change it from an actual cost to an agreed unit cost basis. It appears, however, that there is not sufficient justification for such an amendment. The Washington office is giving consideration to an amendment to the contract but this amendment will not affect the basis for payment for prior work.

The Operating Committee desires further information on the actual cost of this project. Therefore, I am requesting you to make an audit of same immediately and write your report as soon as possible. Please give this request priority.

You know that it will be necessary to locate the detail records and if such records are divided between the Dallas office of the Assignor and the Burlingame office of the Assignee, the Operator should be requested to get them together so that you will need to go to only one place for the audit. If this cannot be done, and it becomes necessary for you to go to Dallas, I suggest you plan to make the Dallas part of the audit en route to the auditors conference in Washington.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Chief
Contract Administration
and Audit Division

JLChambers/wb
April 20, 1954

Copy to: Docket
Admr. Reading File
Mr. Selfridge
Mr. Ellis
Mr. Chambers

APR 26 1954

Mr. R. G. Miller
Reclamation Officer
PHS Field Team, Region XII
[illegible] Flood Building
870 Market Street
San Francisco 2, California

Re: Contract No. [illegible] (Forney)
Contract No. [illegible]
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller

Further to our letter of April 12, 1954, with enclosed copies of proposed Amendment No. 2, we wish to call your attention to the fact that the Operator has presented no specific design for the acid water treatment plant and we have no assurance that the plant contemplated will be satisfactory to the California Water Pollution Board.

It is suggested, therefore, that the Field Team make certain that an adequate plant is created and approved (in writing if possible) by the Water Pollution Board before any bills for the work are approved for payment.

We have noted that the California Industrial Accident Commission has apparently raised an objection to monitoring the workings and continuation of the exploration work. It is suggested that the operator secure the written approval of the Commission, if possible, for recognition of the work.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

J. H. Hedges

Director, Bureau of Mines

D. M. Larrabee

Director, Cleveland Survey

MChing/gla
4-26-54

cc to: Adm. Reading File
Operating Committee
Docket
Messrs. McMayer, Fay, Nye
Attorneys, Br. Rm. B-[illegible] A, GSA
Code 720
MChing

APRIL 1954

Mr. R.C. Miller
Executive Officer
DMEA Field Team, Region III
1012 Flood Building
870 Market Street
San Francisco, California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-254
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller:

Your memorandum of April 14, 1954, regarding the subject contract is hereby acknowledged. We note your criticism of the manner in which the subject contract was drawn and suggest that you review the history of the application and subsequent correspondence for the explanation. You will find that Ronnie Smith's proposed alternate program of December 31, 1952 provided for an independent contractor to furnish all machinery and supplies and do all the work at $135 per foot for sinking and $40 per foot for drifts and crosscuts. Your memorandum of March 9, 1953 justified these costs on the basis of Mr. Smith's assurance that they were the lowest prices he could contract the work for. No other costs were to be involved except $3,500 for supervision and consultants.

In commenting on the Field Team report on April 1, 1953, Malcom M. Meyers stated: "I am not content, however, that the reasonableness of cost estimates has been ascertained, and feel that this question should be resolved before a contract is signed."

In a memorandum dated April 1, 1953, to F. L. Kanaga you recommended that an additional allowance of $500 be made for assaying and saw no objection to constructing the headframe and hoisting facilities independent of the sinking contract. The cost of these facilities, $4,575, deducted from the proposed independent contract price of $135 per foot of sinking, accounts for the allowable maximum independent contract price of $131.20 per foot.

Thus all the available data pointed to the fact that all costs except a few items were to be covered under independent contracts. While these costs were not completely justified nor fixed at the time, the fact that they were allowable maximums protected the interests of the Government in the event lower contract prices were arranged by the

Operator. At no time were agreed unit costs suggested by you or the Operator, nor was the necessary breakdown of proposed costs submitted by you to justify agreed unit costs.

You realize, of course, that the added cost of auditing which you mention would not have been necessary if this actual cost contract had been interpreted and administered correctly from the beginning.

We were pleased to learn that the California Industrial Accident Commission has raised no objection to unwatering the workings and proceeding with the project, and that the Operator has had no difficulty in getting liability insurance coverage.

In view of your recommendation that the mine be unwatered and the project continued, we are enclosing original and five copies of Proposed Amendment No. 2, signed by the Administrator. Please have all six copies signed by the Operator, retain three copies for the usual field distribution and return the original and two copies to this office.

You will note that the proposed amendment diverts $10,000 from drifting and crosscutting funds for unwatering the workings and installing treatment facilities for the said mine water. This means 250 feet loss of drifting along the vein if the cost reaches the allowable maximum of $40 per foot.

We have not attempted to amend the contract to a unit cost basis since the required substantiation and justification for the suggested unit cost was not furnished in your letter. We understand that the Operator is anxious to start unwatering the workings and further delay would not be justified.

Please note that any future amendment to a unit price basis would only be applicable to such advances that may be made after the unwatering operations and would not include any work prior to the flooding. You appear to have a misunderstanding on this point in the next to last paragraph of your letter. You also state that during March the crosscut was advanced an additional 39 feet, which is also confusing since we understand no advance has been possible since the flooding on February 18.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures

APPROVED:

J. H. Hedges

Member, Bureau of Mines

D. M. Larrabee

Member, Geological Survey

cc to: Ft. Reg. 3 Code 700

cc to: H. H. Kayser, USBM
A. E. Kimball, Jr. USGS
Mr. Ching

cc to: Adm. Reading File
Oper. Comm.
Docket

MCHillsfos 4-21-54

Folder 760

1954

Mr. H. C. Miller
Executive Officer
DMEA Field Team, Region III
1012 Flood Building
870 Market Street
San Francisco 2, California

Re: Docket No. DMEA-2448 (Mercury)
Contract No. Idm-2544
Jones and Johnston
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller:

Reference is made to your memoranda of March 11 and 19 to Mr. Rittenhouse and to Mr. Sheehan's interim report of March 19, 1954, that relate to the various problems arising from a misinterpretation of the type of contract involved and from the flooding of the exploration workings by gaseous, acid water.

It is difficult for us to understand how everyone concerned misinterpreted the contract. It is drawn on the long form in the same fashion as all actual cost contracts. Allowable maximums are indicated, and the text of the contract under Article 6(1) Independent contracts states that the figures are estimates.

Furthermore, the contract, which is dated June 5, 1953, does not remotely resemble any of the long form contracts that provide for both unit costs and actual costs on the same project. This combination type of long form contract always sets forth items of agreed unit costs separately from items of actual costs, and it always contains a clause stating that the Government will contribute to the costs on the basis of these agreed unit costs per foot as they accrue for units of work actually performed in lieu of actual costs. The following contracts administered by your office are illustrative of the combination unit cost-actual cost contract:

Mine	Docket No.	Date of Contract
New Idria Mining & Chemical Co.	DMEA-2478	July 18, 1952
Aubrey Mining	DMEA-2455	July 31, 1952
Walker Corporation	DMEA-2257	Nov. 12, 1952
Glidden Company	DMEA-1219	April 31, 1953
Mt. Wheeler Mines, Inc.	DMEA-2062	May 11, 1953
California Quicksilver Mines, Inc.	DMEA- 292	July 14, 1953

Review of the Docket shows that work under the subject contract did not start until August 15, 1953, and Mr. Sheahan's interim report of September 25, 1953, states "The monthly report and voucher for the month of August 1953 lacked copies of the payroll, original invoices or certified copies of equipment and supply purchases." After giving careful consideration to your request that the contract be retroactively amended for a unit cost for footage advance in order to eliminate the audit difficulties you mention, we regret to inform you that we are not disposed to do so as it would be very difficult to justify such an action to GAO in view of the above-mentioned information. However, we would give consideration to an amended contract on a unit cost basis for future work if properly substantiated and justified. This can probably be best done after completion of the audit.

Other problems in connection with this project which have left it in a state of suspension and uncertainty are:

1. The project workings have been flooded, and an estimated $10,000 must be diverted from the drifting funds for unwatering the shaft and installing treatment facilities for the acid mine water.

2. Resumption of operations is presently awaiting approval of the California Industrial Accident Commission after occurrence of a fatal accident that may have been caused by the presence of methane. The operators may also have difficulty in getting liability insurance.

3. The California Water Pollution Board requires neutralization of the mine waters before discharge into the creek.

4. Benjamin H. Sheahan, Bureau of Mines Engineer, recommends termination of the contract because of the serious and complicated nature of the gas and water problems. Previously, before the project work was started, he recommended that the contract be terminated or held in abeyance until definite answers to the water problems were available (see report of July 20, 1953).

We will draw up a proposed amendment making available $10,000 of the contract funds for unwatering the mine and installing treatment facilities for the acid mine water on an actual cost basis if you so recommend. Careful consideration should be given to the Operators' ability as you express some doubt thereto in your memorandum of March 11. Their financial position should allow them to energy their share of the expense for completion of the work, whether the contract is written on an actual cost basis or on a unit cost basis. Consideration should also be given to the rehabilitation of the drift, which was not timbered, and to the possibility of not being able to pass beyond the structure that carries the water. A finely-broken shale saturated with water can be mean even when employing breast boards. Unless the ground is closely held, the water will mill a hole in the back in short order.

We wish to call your attention to the contract assignment which provided that the Assignor "does hereby assign, transfer and convey to the Assignee, all of its right, title and interest in and to the aforesaid Exploration Project contract, including any and all property purchased for, and the right to use any and all property devoted to the exploration work under this Exploration Project Contract ...." Property devoted to the exploration work would include the list under (4) Operating Equipment of Exhibit A.

We shall submit your advice and recommendations in respect to problems 2 and 4, and further justification for placing the remaining work on a unit cost basis. As soon as we receive the information, we shall act in accordance with what is deemed to be in the best interests of the Government.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

APPROVED:

J. H. Hedges

Member, Bureau of Mines

T. P. Thayer

Member, Geological Survey

MChing/gla/GCSelfridge/hb 4/6/54

Copy to: Docket
Adm. R. File
Operating Committee
Miss H. M. Meyer, Rm. 3623
A. R. Kinkel, Jr., Rm. B-242-A, GSA
Code 700
Mr. Ching

Mr. H. C. Miller
Executive Officer
DMEA Field Team, Region III
1822 Flood Building
870 Market Street
San Francisco 2, California

Re: Docket No. DMEA-8413 (Mercury)
Contract No. 14s-8414
Jones and Johnson
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller:

Reference is made to your memorandum to the Administrator dated March 11 and 19, and Benjamin H. Sheahan's interim report dated March 19, 1954, on the captioned project.

A number of problems have arisen in connection with this project which have left it in a state of suspension and uncertainty. The purpose of this letter is to outline the action that is possible in this office and to determine the effect of such proposed action upon the position of the Field Team and of the Operator.

The problems are summarized as follows:

1. The project workings have been flooded and $10,000 must be diverted from contract funds for unwatering the mine and installing treatment facilities for the acid mine water.

2. Resumption of operations temporarily awaiting approval of the California Industrial Accident Commission after occurrence of a fatal accident that may have been caused by the presence of methane gas. The Operators may also have difficulty in getting liability insurance.

3. The California Water Pollution Board requires neutralization of the mine waters before discharge into the creek.

4. Benjamin H. Sheahan, Bureau of Mines Engineer, recommends termination of the contract because of the serious and complicated nature of the gas and water problems.

5. A misunderstanding by the former Operator, Ransie B. Smith, by the present Operators, Jones and Johnson, and by the Field Team, that the contract was based on unit costs as well as actual costs. The fact that the contract is on an actual cost

basis with a provision that certain operating equipment was to be furnished by the Operator at no cost to the project, has resulted in considerable accounting confusion and has greatly discouraged the present Operators. However, it should be borne in mind that the contract assignment provided that the Assignor "does hereby assign, transfer and convey to the Assignee, all of its right, title and interest in and to the aforesaid Exploration Project Contract, including any and all property purchased for, and the right to use any and all property devoted to the exploration work under this Exploration Project Contract ...". Property devoted to the exploration work would include the list under (4) Operating Equipment of Exhibit A.

This office is prepared to draw up a proposed amendment providing for diverting $20,000 from the original contract funds for unwatering the mine and installing treatment facilities for the acid mine water on an actual cost basis. We would also consider placing the shaft sinking at $111.50 per foot and the crosscutting and drifting at $40.00 per foot on a unit cost basis, effective as of the date of the assignment of the exploration contract to Jones and Johnson, provided the proper justification is presented. For instance, if estimated costs, other than for the purchase or rental of equipment listed under (4) Operating Equipment of Exhibit A, equaled or exceeded $111.50 per foot for sinking and $40.00 per foot for drifting and crosscutting, the proper justification would be present.

The foregoing action proposed by this office would, in a large measure, solve problems numbered 1, 3 and 5. There would remain problem 2, securing approval by the Industrial Accident Commission of the resumption of operations, and problem 4, the question as to the desirability of carrying on with the project. These two questions must be resolved in the field. Problem 4, in particular, can only be resolved through consultations between the Operator and the Fieldforce and a careful study of the engineering problems involved.

We shall await your advice and recommendation in respect to problems 2 and 4, and further justification for placing the sinking, drifting and crosscutting on a unit cost basis, before proceeding further to amend the contract as suggested above.

Sincerely yours,

APPROVED:

Director, Bureau of Mines — Chairman, Operating Committee

Director, Geological Survey

HChing/gln 3-30-51
cc to Admin Reading File
Operating Committee
Mine Inf.Bureau, 3622

Code 700
Mr. Ching
Mr.A.R.Kinkel

DEPARTMENT
Defense Minerals
RECEIVED
MAR 26 1954

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: March 22, 1954

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA -2448

Contract Idm-E 544

Commodity Mercury

Operator - John L. Jonas and John E. Johnson

Property - Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.

By D. H. Cheehan, Mining Engineer

Dated March 19, 1954

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)
~~XXXXXXXXXXXX~~
~~Roscoe Bailey~~, USGS (With one copy of report)

INTERIM REPORT
(Fifth)

Docket No.: DMEA-2448 (Mercury) March 19, 1954

Name and address of operator: John L. Jonas
164 Los Robles Drive
Burlingame, Calif.

John E. Johnson
520 South Van Ness Ave.,
San Francisco, Calif.

Name and location of property: Mt. Diablo Quicksilver Mine,
S. E. 1/4 sec. 29, T. 1 N., R. 1 E.,
M. D. B. &M., Contra Costa County,
Calif.

Contract No.: Idm-E544

SUMMARY

The property was visited by an engineer of the Bureau of Mines on March 1 and 2, 1954 and again on March 5, 1954. On March 2, the property was idle. Water and some gas had been encountered at the property. The possibilities of encountering water and gas was predicted by the engineer's first interim report dated July 20, 1953. C. N. Schuette, consultant; John L. Jonas, John E. Johnson, operators; Melvin Brunor, Guy Castle, Howard Castle, independent contractors; and Vic Blomberg, a resident were at the property when the inspecting engineer visted the project. He warned the group present that gas might be present and every precaution should be taken before entering the shaft.

According to measurements, the water was within 130 feet of the collar.

The property was visited by engineers of the California Division of Mines and by an engineer from the U. S. Bureau of Mines, Accident Prevention and Health Division, Region III, a few days previous to March 2.

Work completed since the previous interim inspection included the advance of the two-compartment timbered shaft 37 feet and about 116 feet of crosscut. Water was encountered by blasting the most round.

Howard Castle, a miner, was killed on March 4, 1954 and the body was taken to Angels Camp.

On March 5, 1954, the property was again visited. An engineer from the Accident Prevention and Health Division of the Bureau of Mines provided five oxygen breathing apparatus for the purpose of removing a sinking pump from about the 160-foot depth. An engineer from the California State Division of Mines, Industrial Safety directed removal of the pump.

The operator was advised by the inspecting engineer to post a danger sign at the shaft and prevent any unfamiliar person from entering it on March 2 and on March 5, 1954.

CONCLUSIONS

The contract should be terminated. Sulphide zones opened by previous exploration and mining operations have been partially oxidized and are now open to percolating surface waters. Warm spring water near the mine and gases percolating through the ground, further add to

the mineral content of the water. Hazardous working conditions including gas and water problems of a serious and complicated nature exist.

RECOMMENDATIONS

The contract should be terminated.

STATEMENT OF WORK COMPLETED

Shaft sinking completed amounted to 330 feet. Crosscutting completed amounted to 116 feet, according to the last measurement by C. N. Schuette, consulting engineer. One more round encountered water on or about February 18, 1954. The crosscut was not timbered.

PROGRESS

The independent contract crew were skilled in their occupation and made excellent progress.

UNUSUAL CIRCUMSTANCES

The operator failed to have necessary pumping equipment on hand to handle water after it was encountered.

OPERATING CONDITIONS

Operating conditions were good up to the time water was encountered in the crosscut. After this time, conditions were extremely serious.

EFFICIENCY OF OPERATIONS

Work by the independent contractors was done efficiently. The engineer was of the same opinion as C. N. Schuette that the operators were not completely competent.

OPERATOR'S MONTHLY REPORTS

The reports are good.

GEOLOGY AND MINERALIZATION

No mercury mineralization was reported by C. N. Schuette.

OTHER INFORMATION

The original operator, Ronnie B. Smith and Associates, assigned the contract Idm-E544 to Mr. John L. Jonas and John E. Johnson on January 19, 1954.

The independent contractors have not been paid in full for the work that was completed.

EQUIPMENT

Inventory of equipment purchased:

Item	Cost	Salvage Value
*1 Hoist with 50 horsepower motor with 750-feet, 5/8-inch cable	$2,250	$2,000
1 Headframe and hoisthouse	2,000	None
Total	$4,250	$2,000

*The original motor for the hoist cost $450.00 and a replacement cost was $1,440, according to the operator's November 1953 report. The extra cost was paid by the operator according to C. N. Schuette.

Other equipment and supplies are not listed under the contract since the work was done under an agreed unit cost basis.

Expected disposition is unknown. Recommended disposition would include sale of the item.

Benjamin H. Sheahan

Benjamin H. Sheahan
Mining Engineer

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

March 11, 1954

Air Mail

Memorandum

To: C. C. Mittendorf, Administrator, DMEA, Interior Building
Washington, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 - Mercury
Contract No. Idm-E544
Mt. Diablo Quicksilver Mine
Contra Costa County, California

In order to give you a break-down of estimated costs of dewatering the Mt. Diablo Quicksilver Mine, as requested in your teletype dated March 1, 1954, I asked Mr. C. N. Schuette, Consulting Engineer for the Project, to prepare the estimate.

Mr. Schuette, by letter dated March 5, sent me his estimate. A copy of his letter is attached.

At a conference in this office with Schuette and the operators, Jonas and Johnson, on March 8, Mr. Schuette mentioned the difficulty of estimating the possible costs, but believes what he sent me is about as near to actual as anyone can make at this time. In preparing his estimate, he was assisted by Mr. Benjamin Sheahan, of the Bureau of Mines, who was with him at the mine last week.

Since sending you my wire on February 24 and receiving verbal permission from Mr. Ellis to go ahead and pump down the water, an unfortunate incident occurred and one of the miners lost his life during pumping operations. See attached newspaper clipping.

It is not definite at this time what caused this man and Mr. Johnson - one of the operators who was down the shaft with Mr. Castle - to pass out. Tests showed some methane gas, and that may have been the cause.

3-16-54

At the present time the mine is shut down, awaiting approval of the resumption of operations by the Industrial Accident Commission of California. Until approval is given, no further pumping can be done.

When the operators unwater the mine and later keep it dry, they will have to watch their step, as the farmers in the area and the State Pollution Board won't let any salt or acid water run down the creek. Any acid water will have to be neutralized.

The operators were informed that their contract was not on a unit basis as they believed it was, and that did not set too well with them. The assignment to them of the contract from Ronnie B. Smith was made with that thought in mind, and to learn at this time that they would be paid only on an actual cost basis up to the maximum shown in the contract, virtually took the wind out of their sails. They have, for example, moved in some of their own equipment, but under the terms of the contract they will receive nothing for the use of it.

I am not too optimistic about the operators' ability to cope with the water, gas, and pollution problem, but they are determined to go ahead. They will have to wait, however, for the green light from the State Industrial Accident Commission. There may be a possibility also, according to grape-vine information, that the present operators will not be able to get liability insurance, without which they cannot operate. I may hear more about this shortly.

Regardless of the above, I believe it advisable that the Washington office prepare the requested amendment to permit unwatering the mine and repairing any damage incurred as a result of the water. I will then hold the amendment here until all matters have been settled before asking the operators to sign it.

Schuette no longer has anything to do with the project, as the money allotted for consulting services has run out. I have not yet learned whether the new operators will employ Mr. Schuette on their own account.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Enclosures

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno

3/25/54 gh

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Air Mail

March 19, 1954

Memorandum

To: G. O. Mittendorf, Administrator, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2446 - Mercury
Contract No. Idm-2544
Mt. Diablo Quicksilver Mine
Contra Costa County, California

To date we have not heard if operators Jonas and Johnson are going to go ahead with the unwatering of the Mt. Diablo Quicksilver Mine, but the presumption is that they will if approval to do so is granted by the State Industrial Accident Commission and satisfactory arrangements can be made with insurance companies to provide compensation insurance.

In the meantime, Mr. Mavor is working on his audit of the operations of Ronnie B. Smith to the time of the assignment of the contract to Jonas and Johnson, and subsequent operations by the assignees. This is going to be a tremendous task because of the misunderstanding by every one involved of the terms of the contract. Until Mr. Talbert visited us a couple of weeks ago, it was generally understood that the contract was on the footage basis allowing the operator $121.00 per foot for sinking and $50.00 per foot for drifting. Mr. Smith and C. N. Schuette operated under that premise, and Jonas and Johnson took over the contract with that thought in mind.

Mr. Talbert informed us that the contract is not on a unit basis and that Mr. Mavor, therefore, will have to get copies of all invoices and determine the actual costs and that only if those costs equal or exceed $121.00 per foot for sinking and $50.00 per foot for drifting can the operators claim those rates.

If Mr. Smith has retained his vouchers and checks, they will have to be obtained from Dallas, Texas. It can perhaps be done, but after we get them the big problem will be to determine which vouchers

to pass and what expenditures to suspend. We, of course, are not sure at this time but we believe eventually we will show that Mr. Smith spent more than $121.00 a foot for sinking and $50.00/foot for drifting.

As for Jonas and Johnson, the contract as interpreted by Mr. Talbert is unworkable. The contract allows nothing for rental of equipment, purchase of equipment, and many other items that they must provide and purchase to carry out the designated work. Up to the time water broke into the mine, Jonas and Johnson spent some $4000.00 for just such items. Also, Jonas and Johnson purchased a truck to transport supplies, etc., to the mine, yet according to the contract they cannot charge the cost of the truck or rental of the truck to the project.

Both Mr. Smith and later the assignees contracted the labor for sinking the shaft at $50.00 a foot and for drifting at $17.50 a foot. This is for labor ~~only~~ drills, steel, powder, caps, fuse, lamps & wiring, necessary equipment and small tools, & the bonus at completion of shaft.

The fact that everyone involved misunderstood the contract leads me to believe that it was not well drawn up. Since the total costs per foot for sinking and drifting most likely will exceed the maximum allowable costs when every item that goes into such costs is considered, it would simplify our work, the work of the auditor, and the work of the operators if the contract could be amended.

Wouldn't it be possible, therefore, to amend the contract as of the date of issuance, clarifying the items involving cost of sinking and drifting so that those costs will be on an agreed unit basis as everyone out here assumed they were when the contract was received?

If this cannot be done, then consideration should be given to allow the operator depreciation on all equipment furnished by him together with an allowance for the purchase of other needed equipment including rentals.

Your studied consideration and favorable action on our request will be appreciated.

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Copy to: Roscoe Smith, USGS
A. C. Johnson, Reno
George Mavor
Finance Officer, Region III

P. S. Today Mr. Jonas brought in one copy of Agreement between Ronnie B. Smith and Guy A. Castle and Melvin Brunner, dated September 30, 1953, and one copy of Mining Lease, dated November 1, 1953, between Mt. Diablo Quicksilver Company, Ltd., and John L. Jonas and John E. Johnson.

You may need these copies. If our files should have a copy, will you please furnish us with a photostat of each.

H. C. M.

Attachments

DMEA-2448

C
O
P
Y

C. N. SCHUETTE
Consulting Mining Engineer
6390 Barnett Valley Road W.
Sebastopol, California

March 5, 1954

Mr. H. C. Miller, Executive Officer,
DMEA Field Team, Region III, U.S.B.M.
1012 Flood Building, 870 Market St.,
San Francisco 2, California.

Dear Mr. Miller:

In response to Mr. Mittendorf's wire of 3-1-54 I submit the following data on the estimated cost of dewatering the Mt. Diablo mine.

At Mt. Diablo mine the 300 level crosscut from the shaft was getting near the point where we expected to get water from the shattered rock of the ore zone. Preliminary estimates had placed thispoint at 125 feet or possibly somewhat further from the shaft as the dip of the vein wasknown to become steeper in depth and this would extend the distance. At this point where water from the vein or ore zone could be expected in the crosscut, the face of this crosscut was still over 100 feet (horizontal measurement) and possibly 20 to 30 feet lower, from the bottom of an old winze, the hearest of water filled workings of the old mine.

No one saw the face of the crosscut after the last round which advanced the face to 120 feet. The previous round to 116 feet was in sandstone and the face was bone dry tho there was a small seepage accompanied by a smelly gason the left side of the crosscut at about 112 feet in from the shaft. The last round was fired at 4 P.M. on February 17th. That night at 8 P.M. the cage was run up and down the shaft for purposes of testing a new brake lining and everything appeared normal.

On the morning of the 18th at 8 A.M. the water had risen in the shaft to 30 feet above the station and rose 70 feet more in another hour. Figuring back, the time required to drown the sump, crosscut and 30 feet of shaft above the level, it seems probable that water had burst into the workings with a rush starting about 5 A.M. on the morning of February 18th. The water continued to rise in the shaft until it reached the level of the old drain tunnel of the mine.

A pump was obtained and pumping was started at the rate of about 400 g.p.m. on Monday February 22nd. Pumping stopped on Feb. 25th. In this period the water had been lowered 38 feet.

(Newspaper article attached to this report, dated March 5, forwarded with original letter by Schuette to Mails & Files for docket.)

It had been expected that some water might be encountered during the last 60 feet of shaft sinking and in the crosscutting. Surprisingly enough, practically no water was encountered in the shaft sinking aside from a few minor seepages and a small seepage in the bottom of the shaft. The crosscut also was dry and a sump pump available for such work, was never used.

As the water was pumped down in the shaft, the flow of water from the drain tunnel diminished and practically stopped, showing that any pumping from the shaft will drain the old mine of water.

The question is: how long will it take and what will it cost? Aside from the volume of water to be pumped out, there are certain other considerations which are:

1. While the water pumped at first was not acid, the water flowing from the drain tunnel is acid in character and the water pumped from the shaft will be acid water as pumping proceeds.

2. The Water Pollution Board of the State of California requires that this water be neutralized and clear before being released into the creek.

3. General Considerations: Rainfall. On the day before the water break-out, i.e. on February 17th it was storming and raining hard all day. This may have had something to do with the break-out as heavy rains always affected the amount of water pumped during previous operations. In the dry season the water pumped from the old mine was roughly 100 g.p.m. as against 200 g.p.m. in the rainy season. The rains for this season are practically over, so that chances for sudden increases of water in the mine are slight from now on into the summer.

The mine water in the old workings stands a little above elevation 790, the portal elevation of the 165 or drainage level. Below the 165 level there is the 270 level at elevation 708. This level is some 190 feet long. Two inclined raises connect the 165 and the 270 level and for some 70 to 90 feet slope measurement below the 270 level to an elevation of 655 or possibly 637 feet. Available maps do not agree on elevations and the original survey note books have not thus far been located. The amount of stoping between the 165 and 270 levels is not shown on any available map.

During previous operations, or rather intervals between operations, the lower workings have filled with water. On one occasion the water was pumped down (250 g.p.m. pump) from 15 feet above the 165 level to clear the 270 level in about one weeks time. In the summer the winze only, could be pumped down from the 165 to the 270 level in one day with the sampe pump.

Our present corsscut is a short distance below the bottom of the old winze, so that we have a greater depth of rock to drain and after pumping down, a somewhat greater flow of water can be expected than in previous operations, which as mentioned above varied from 100 to 200 g.p.m.

As the present unwatering operation proceeds, the shaft timbering will have to be caught up as the water is lowered. I would extimate that the crosscut level can be recovered in not more than 30 days of pumping with the pump now operating; with luck, it might be done in two weeks.

Pumping down must be done on a 24 hour per day basis. Three men are needed per shift with one extra man per day to run errands and be a general service man. Thus 10 men per 24 hours at $2.00 per hour would entail a labor cost of $160 per day. Power would take 40 HP x 24 = 960 HP hours per day. At prevailing power rates for a 15 day period this would cost $13.58 per day while for a 30 day period it would be $11.01 per day.

A rough estimate of the cost of unwatering would be:

$160	labor
14	power
16	lumber and misc. supplies

Total $190 per day

Thus the direxct cost would probably be not less than $2850 and not more than $5700.

To this cost must be added the cost of facilities to treat the water. This additional cost is not due to the flooding but is made necessary by the orders of the Water Pollution Board.

In former operations, lime was fed to the intake of the pump to neutralize the acidity and the water was then pumped up the hill to aerating tanks and then dispersed over the hillside. This system, the apparatus for which is no longer in existence, gave satisfaction for a 3 year period. It may or may not serve now as farmers and resort operators below the mine have been bringing suits and complaints against the mine for water pollution in late years and the subject has become acute with the Water Pollution Board insisting on compliance with their rather strict regulations.

Thus the treatment of acid water pumped from the mine becomes imperative and since such a treatment plant involves pumps, pipes, baffle troughs and similar equipment, an expenditure of another $5000 or so will probably be needed.

Even then there is the constant threat that an order of the Pollution Board might enforce a stoppage of pumping, and this of course would result in flooding the mine again.

Summing it all up, I would estimate that the unwatering and recoveryof the 300 level would take some 30 days and would cost some $10,000.

In feet of drifting, $10,000 represents 250 feet of drifting at $40 per foot. Thus if the operators could trade this expenditure for unwatering for 250 feet or one half of the proposed drifting, that would help them over their present difficulties.

Later, if the drifting showed encourageing results, perhaps the contract could be amended to add 250 feet of drifting and so enable the operators to complete the project as originally set up.

Very sincerely yours,

/s/ C. N. Schuette

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 12 1954

1012 Flood Bldg.
870 Market St.
San Francisco 2, Calif.

February 8, 1954

Mr. C. W. Schuette
6390 Barnett Valley Road W.
Sebastopol, California

Subject: Docket DMEA-2448 (Mercury)
Contract Idm-8544
Mt. Diable Quicksilver Mine
Contra Costa County, Calif.

Dear Mr. Schuette:

Reference is to your letter dated February 4, 1954, concerning the size of the timber sets to be installed in the crosscut now being driven under the subject contract at the Mt. Diable mine.

Although the subject contract states that the cross-section of the crosscut should be 6 feet by 7.5 feet in the clear of timber, we do not interpret this to mean that the set should have vertical posts and be 6 feet in the clear at the top. To have a 6-foot clearance at the top would call for an excessively large cap, the expense of which does not seem warranted.

As is general practice in timbering drifts and crosscuts, we will consider as satisfying the contract if the sets are 6 feet in the clear of the timber at the bottom, 7-1/2 feet high, and 4 feet in the clear of the timber at the top. That size set agrees with that suggested in your original estimates based upon your timber allowance.

I am sending a copy of this letter to Messrs. Jonas and Johnson, at 166 Los Robles Drive, Burlingame, California.

Mighty glad to hear that the work is progressing so satisfactorily - that on February 3 the shaft was complete and 43 feet of crosscutting had been accomplished.

Sincerely yours,

H. C. Miller
Executive Officer, DMEA Field Team
Region III

Copy to: Messrs. John L. Jonas &
John E. Johnson, Burlingame, Calif.
Operating Committee, DMEA, Washington (2)
Roscoe M. Smith, USGS
A. C. Johnson, Reno

MAR 1 1954

T E L E T Y P E

MWhing/gla 3-1-54

DPSA - Department of the Interior

[redacted]

3L03923.970 Working Fund, DPSA

H. C. MILLER, EXECUTIVE OFFICER
DPSA FIELD TEAM, REGION III
1082 FLOOD BUILDING
870 MARKET STREET
SAN FRANCISCO 2, CALIFORNIA

REGRET FEBRUARY 26 DPSA-9148 JONES AND JOHNSON AIR TRANSPORT CORPORATION WITH ALLEN PLANE GIVE BREAKDOWN OF ESTIMATED COST INCLUDING THE SUFFICIENT DETAIL TO ALLOW ASSESSMENT EXHIBIT A, ESTIMATED COSTS OF PROJECT ON ACTUAL COST BASIS.

C. O. Mitendorf

C. O. MITENDORF, ADMINISTRATOR

cc to: Adm. Reading File
Docket
Messrs. HWMayer, Rm. 3623
ANKinkel, Jr. Rm. B-242A, OSA
MWhing
Code 700 ✓
Confirmation to Region III, DPSA

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SAN FRANCISCO CALIF 2-24-54 109P

C O MITTENDORF, ADMINISTRATOR

DEFENSE MINERALS EXPLORATION DMXXX ADM., INTERIOR BUILDING WA

DOCKET DMEA-2448 /MERCURY/ MT. DIABLO QUICKSILVER MINE, CONTRACT IDM E544. ON FEBRUARY 18 WHEN CROSSCUT FROM SHAFT AT DEPTH OF 300 FEET REACHED MINERALIZED GROUND 120 FEET FROM SHAFT, WATER BROKE IN FLOODING WORKINGS AND SHAFT TO 155 FEET BELOW COLLAR. ESTIMATED INFLOW OF WATER ABOUT 200 GALLONS PER MINUTE. ESTIMATED COST OF DEWATERING MINE ABOUT $ $10,000 FOR LABOR, EQUIPMENT, ACID-RESISTANT PUMPS, AND SUPPLIES. CAN CONTRACT BE AMENDED TO ALLOW FOR THIS ADDITIONAL COST. PLEASE WIRE IMMEDIATE ANSWER SO OPERATOR MAY PLAN WHETHER OR NOT TO ABANDON PROJECT.

H. C MILLER EXECUTIVE OFFICER, DMEA FIELD TEAM, REG. III

DMEA-2448 IDM E544 18 300 120 155 200 $10,000

RB 127P

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
FEB 8 1954

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: February 2, 1954

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA - 2448

Contract Idm-E 544

Commodity Mercury

Operator - Ronald D. Smith and partners

Property - Mt. Diablo Quicksilver Mine, Contra Costa County, Calif.

By R. C. Sheehan, Mining Engineer

Dated January 22, 1954

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

E. H. Bailey, USGS (With one copy of report)
Roscoe Smith

INTERIM REPORT
(Fourth)

Docket No.: DMEA-2448 (Mercury) January 28, 1954

Name and address of operator: Ronnie B. Smith and partners
2106 Tower Petroleum Bldg.
Dallas 1, Texas

Name and location of property: Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

Contract No.: Mm-E544

SUMMARY AND CONCLUSIONS

The property was inspected by an engineer of the Bureau of Mines accompanied by Mr. Vic Blomberg and independent contractors, Mr. Guy Castle and Melvin Bruner on Jan. 5, 1954.

The two compartment exploratory shaft was sunk and timbered to a depth of 293 feet (see fig. 1). Advance was made in shale and progressed at a satisfactory rate.

No water has yet been encountered by this work. Exploration work on the 300 level will develop water and both pumping and water disposal will be difficult problems as mentioned in previous interim reports.

An order dated Dec. 14, 1953 from the California State Water Pollution Control Board to the operator, Vic Blomberg and Mt. Diablo Quicksilver Mine, states that they shall comply with Resolution No. 135.

RECOMMENDATIONS

For improvement of operations:

1. The operator should spend more time at the property. He should provide his superintendent with financial aid to handle water when it is encountered.

2. The operator should obtain the services of an authority on the disposal of industrial waste, and he should comply with the State Water Pollution Control Board's order.

WORK COMPLETED

The two compartment shaft was sunk and timbered to a depth of 293 feet. Surface facilities completed include the installation of a hoist, ventilation blower, headframe, and hoist house. Improvements recommended by the State Safety Engineer were practically completed.

COMMENTS ON PROGRESS

Excellent progress was made on the shaft sinking operation by the independent contractor. Work remaining uncompleted includes 37 feet of shaft and 625 feet of crosscutting or drifting. A station should be provided on the 300 level of the shaft.

OPERATING CONDITIONS

Operating conditions were good. Although no water was found in the shaft, crosscutting on the 300 level is certain to encounter water. The operator will have both pumping and water disposal problems as mentioned in previous interim reports.

EFFICIENCY OF OPERATIONS

The exploration work was efficiently supervised by Mr. C. N. Schmette, Consulting Engineer. Work conducted by the independent contractor was done efficiently.

The operator has spent very little time at the property and plans for successfully handling of water have apparently been neglected.

OPERATOR'S MONTHLY REPORTS

The operator's monthly reports, signed by the consulting engineer, are well prepared. Total expenditures amounted to $41,526.80 as shown by the December 1953 monthly report. Shaft sinking completed at that time amounted to 289 feet.

UNUSUAL CIRCUMSTANCES

A letter received from Mr. John L. Jones, dated Dec. 21, 1953, indicated that he and Mr. John E. Johnson had taken over the contract Idm-E344.

This conveyance of the lease was not confirmed by Mr. Vic Blomberg of the Mt. Diablo Quicksilver Mine. Likewise, official notification has not been received from the Executive Officer, DMEA Field Team, Region III, showing that a transfer had been made.

GEOLOGY

Advance of the shaft was made in blocky dark gray shale containing an occasional trace of mercury mineralization.

OTHER INFORMATION

The State of California, Regional Water Pollution Control Board, 608 13th Street, Sacramento 14, California, held a public hearing on June 12, 1953 regarding water disposal at the Mt. Diablo Quicksilver Mine.

An order was made to Mr. Ronnie Smith, Vic Blomberg, Mt. Diablo Quicksilver Mine, and their counsel to comply with Resolution No. 135, on December 14, 1953.

Some requirements of Resolution No. 135 are stated:

"Resolved that the following requirements govern the nature of the discharge from the Mt. Diablo Mine to Marsh Creek by way of Dunn Creek:

1. "The maximum quantity of settleable solids in the pond effluent shall not exceed 0.5 ml per liter after one hour of quiescent settling in a standard Imhoff cone.

2. "The pond effluent shall not produce noticeable color or precipitates after 15 minutes aeration.

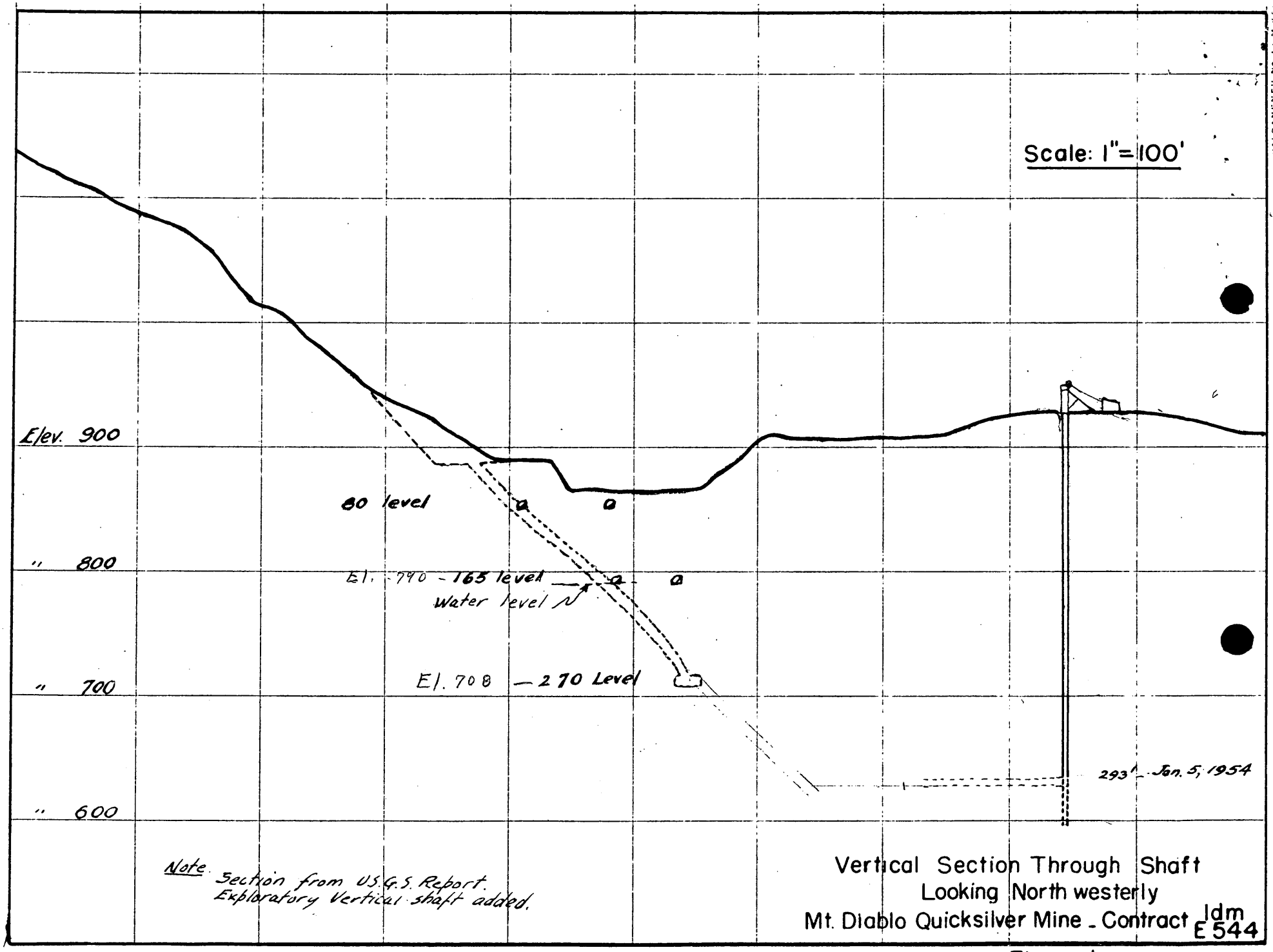
3. "The pond effluent shall not produce noticeable color or precipitation when pH is adjusted to neutrality 7.

4. "The pond effluent shall not produce excessive color in Marsh Creek.

5. "The pond effluent leaving the mine property shall have a pH between 6.5 and 8.5.

6. "The pond effluent shall not contain any toxic materials in such quantity or of such character as to be hazardous to public health or to plant or animal life.

R. H. Sheahan
R. H. Sheahan
Mining Engineer



Vertical Section Through Shaft
Looking North westerly
Mt. Diablo Quicksilver Mine - Contract Idm
E 544

Figure 1

1/29/54 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JAN 29 1954

1012 Flood Bldg.
870 Market Street
San Francisco 2, Calif.

January 25, 1954

Memorandum

To: A. C. Johnson, Bureau of Mines, Reno, Nevada

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2448 - Mercury
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract Idm-2544

Reference is to my letter dated January 20, 1954, to C. N. Schuette and to your reply, dated January 22, to your copy of that letter.

We now have a reply from Schuette that seems to point out that the drift is being driven according to specifications. As Schuette brings out, the drift will be 7-1/2 feet high in the clear, 4 feet wide at the top, and 6 feet wide at the bottom. That height will allow for the vent tube.

Schuette's letter with sketches is enclosed for your review. Please return it for our files when you have finished with it.

H. C. Miller

H. C. Miller
Executive Officer, DMEA Field Team
Region III

Attachment

Copy to: Operating Committee, DMEA, Washington, D.C.
Roscoe M. Smith, USGS

1/26/53 gla

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

January 20, 1953

Mr. C. W. Schuette
Consulting Mining Engineer
5590 Barnett Valley Road
Sebastopol, California

Re: Docket No. DMEA-2448 (Mercury)
Mt. Diablo Quicksilver Mine
Contra Costa County, California
Contract No. DGM-544

Dear Mr. Schuette:

Reference is made to the work being done at the subject property.

Mr. John W. Johnson called this morning, and during our conversation the matter of drifting and crosscutting was discussed. Mr. Johnson is desirous of buying timber for timbering the crosscuts and drifts, and called to find out what size crosscuts and drifts were required under the contract.

When told that the contract calls for crosscuts and drifts to be 6 feet by 7-1/2 feet in the clear of the timber, Mr. Johnson informed me that the work in progress at the present time will not result in openings of that size. In fact, he informed me that the crosscut is being driven of a size that will allow only a 4-foot clearance inside the timber at the top, 6 feet at the bottom, and 7 feet of head room.

The amount allowed for the crosscuts and drifts ([illegible] a foot) was based on the openings specified in the contract. It will not be allowed for any smaller size opening. Therefore, if it is decided to run smaller size openings, an attempt will have to be made to have the contract amended. The matter will have to be taken up with the Washington office as I have no authority to amend a contract to that extent.

In asking for approval to change the contract, I will first have to have a request from you. In that request you should give me the dimensions that the amended openings should have, a justification for now wanting to run a smaller opening, and an estimate of the cost of running the smaller opening. The cost, of course, will be less than $40 a foot.

It should be remembered that work not done in accordance with the contract may be disallowed and so may an amendment asking for a change of specifications, so you are taking a chance if drifting is not being done as specified.

Your prompt consideration of the foregoing is requested.

Sincerely yours,

H. C. MILLER

H. C. Miller
Executive Officer
DMEA Field Team
Region III

Copy to: DMEA, Washington, D. C.
Roscoe Smith, USGS
A. C. Johnson, Reno

DEC 7 - 1953

Mr. F. [illegible] Miller
Executive Officer
[illegible] Field Team, Region III
1017 Flood Building
870 Market Street
San Francisco 2, California

Mas Docket No. [illegible] (Series)
Contract No. [illegible]
Mt. Diablo Quicksilver Mine [illegible] Quick and partners
[illegible] Contra Costa County, California

Dear Mr. Miller:

Reference is made to your letter of November 24, 1953, with attached copy of a proposed assignment document prepared by the assistant Operator's attorney.

Enclosed please find original and five copies of the proposed assignment, returned in accordance with our requirements and signed by the Administrator. Also enclosed is a copy of a recordation [illegible] from the Mineral Control, which is self-explanatory.

Very truly yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures (

[illegible]

J. H. Hedges
Director, Bureau of Mines

D. M. Larrabee
Director, Geological Survey

:Ching/db
12-4-53
cc to: Adm. Reading File
Operating Committee
Docket
Messrs: H. M. Meyer, Rm. 3093
A. R. Kimball, Rm. [illegible], GSA
Ellis
Ching
A. Kane, Rm. 1628

12/4/53 gla

140

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

December 3, 1953

Memorandum

To: The Administrator

Through: E. W. Ellis

From: Chief Counsel

Subject: Ronnie B. Smith - Docket No. DMEA-2448 (Mercury)

There is attached for your signature, a proposed Assignment of a contract from the Operator to John L. Jonas and John E. Johnson.

In accordance with the expressed desire of the Operator's attorney, the Government is releasing the Operator from any further liability under the contract. I do not usually do this, but there is no objection to this procedure if the Government is satisfied with the financial responsibility of the Assignee who is to be the new Operator.

I have not approved of the Assignment form as drawn by the Operator's attorney, because two of the provisions seem to be conflicting as written. The Assignment provides that the Government shall pay the Operator the monies due before the first day of the second month following the month in which the Assignment is accepted. In this case, this would mean that payments would be made to the Operator until February 1. The Assignment then provides for the substitution of the Assignee in place of the Operator, as if the Assignee were the original party to the contract. This would seem to mean immediate payment to the Assignee of all monies due the Operator and of any money to become due thereafter. Consequently, I have redrawn the Assignment to provide for immediate payment to the Assignee of all monies due, releasing the original operator from his obligations under the contract, but protecting any claim of the Government arising against the original operator before the date of the execution of the Assignment.

AEKane/ema
Copy to: Docket
E. W. Ellis (2)
A. E. Kane
J. L. Hofflund
Chron.

J. L. Hofflund
Chief Counsel

Attachments

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
DEC 1 - 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: November 27, 1953

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA -2449

Contract Idm-E 541

Commodity Mercury

Operator - Bernie B. Smith and partners

Property - Mt. Diablo Quicksilver Mine, Contra Costa Co., Calif.

By Benjamin H. Sheehan

Dated November 18, 1953

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

E. H. Bailey, USGS (With one copy of report)

Department of the Interior
Defense Minerals Administration
RECEIVED
DEC 1 - 1953

INTERIM REPORT
(third)

Docket No.: DMEA-2448 (Mercury) November 18, 1953

Name and address of operator: Ronnie B. Smith and partners,
Tower Petroleum Building,
Dallas, Texas.

Name and location of property: Mt. Diablo Quicksilver Mine
SE 1/4 sec. 29, T. 1 N., R. 1 E.,
M.D.B.&M., Contra Costa County,
Calif.

Contract No.: Idm-E544

SUMMARY AND CONCLUSIONS

The property was inspected on Nov. 12, 1953 by an engineer of the Bureau of Mines accompanied by Mr. Vic Blemberg.

The exploratory shaft was sunk and timbered to a depth of 155 feet. No mercury mineralization was found. The rock consisted of sheared black shale and graywacke.

Work progressed at a satisfactory rate. Water problems are expected to be encountered by the work. The shaft was practically dry at its present depth.

The operation was conducted efficiently under the general supervision of Mr. C. M. Schnette, Consulting Engineer. Labor was performed by an independent contract crew of five men, led by Mr. Guy Castle and Melvin Brunner. Mr. Ronnie B. Smith, trustee, has retained financial control of the operation.

RECOMMENDATIONS

a. For improvement of operations:

The operator should spend more time at the property. He should provide his superintendent with financial aid to handle water problems that may be encountered, and other factors involved with the work.

WORK COMPLETED

The two compartment exploratory shaft was sunk to a depth of 155 feet, and timbered with standard shaft sets of 8- by 8-inch timber and 2-inch lagging.

Surface facilities completed included the construction of a headframe, hoist installation, hoist house, and dump track.

COMMENTS ON PROGRESS

Excellent progress was made on the work. Operations were temporarily stopped from Oct. 20 to Oct. 23 because of a failure of the hoist motor which had to be replaced.

The actual shaft sinking operation was done by independent contract at a price of $50.00 per foot for labor, who furnished explosives. Other material and supplies were purchased by the operator.

OPERATING CONDITIONS

Operating conditions were fair. Water has not yet been encountered in the shaft.

The operation was inspected by Mr. John C. Frann, California

State Safety engineer on October 28, 1953. His recommendations for improvements will be carried out as soon as possible according to the operator.

EFFICIENCY OF OPERATIONS

Mr. C. N. Schuette, consulting engineer, has efficiently supervised the work with some assistance from Vic Blomberg, resident and former operator.

The labor employed under the independent contract were skilled in their occupation and included five workmen. The work was conducted on a one shift per day basis. The men worked from 8 to 12 hours per day and six days per week.

OPERATOR'S MONTHLY REPORTS

Expenditures listed by the operator for the month of October showed a total expenditure to date of $19,680.40 when the shaft was 117 feet in depth.

The operator's narrative report prepared by his consulting engineer was good.

UNUSUAL CIRCUMSTANCES

The independent contractors hope to complete the shaft sinking portion of the operation to a depth of 330 feet by January 1954.

Future progress will depend to a large extent upon water problems that will be encountered.

GEOLOGY

Advance was made in sheared black shale and graywacke. No mercury mineralization was observed in the shaft.

SAMPLING

Samples of water taken from the portal of the 165-foot level and from an evaporation pond at the property were analysed by the Bureau of Mines, Hydrometallurgical and Ore Dressing Branch, Region III.

Sample No.	%, Solids	Remarks
S-240	2.30	Water from 165 level adit.
S-241	4.80	Water from large evaporation pond.

Spectrographic examination of residues from evaporation of water samples S-240 and S-241 detected the presence of Al, Fe, Ca, Mg, Na, and K. Si was not detected in either sample.

Examination with ultra-violet light and fluorescent screen detected Hg in residue S-240 only.

OTHER INFORMATION

According to Mr. Vic Blemberg, the operator may convey his lease on the property to Mr. John Jonas and associates.

B. H. Sheahan
Mining Engineer

11/30/53 gla

Defense Minerals Administration
RECEIVED
NOV 27 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

RECEIVED
DEC - 1 1953
GENERAL COUNSEL
DEFENSE MINERALS
ADMINISTRATION

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

November 24, 1953

Air Mail

Memorandum

To: George G. Selfridge, Chairman, Operating Committee, DMEA, Interior Building, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket No. DMEA-2448 (Mercury)
Ronnie E. Smith and Partners
Mt. Diablo Quicksilver Mine, Contra Costa County, California
Contract No. Idm-3544

Mr. Ronnie Smith is planning to assign the subject contract to John L. Jonas and John E. Johnson, two mine operators of considerable experience.

Mr. Smith's attorney - Mr. Robert B. Zang, of San Francisco - called on November 24 to discuss the nature of the assignment and the papers necessary to effect an assignment.

On the basis of information previously given to Mr. Smith, the attorney prepared a document headed:

Assignment of Contract
Substitution of Parties
Assignee's Acceptance
Government's Consent

As Mr. Smith is in Texas and there is need for getting the papers signed promptly, Mr. Zang asked if I would send you a copy of the papers he drew up to get an opinion from our Chief Counsel as to their correctness.

The copy of the lawyer's document is enclosed. Will you kindly let me know if it meets the Administration's requirements, and if not, where it should be changed.

N. C. MILLER
N. C. Miller, Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: E. H. Bailey, USCS

ASSIGNMENT OF CONTRACT
[illegible]

WHEREAS, RONNIE B. SMITH, Texas Petroleum Bldg., Dallas, Texas, JOHN HARPER, c/o Franklin Supply Co., Chicago, Illinois, and JAMES F. DONNIGAN, Chicago, Illinois, as co-partners (hereafter called the "Operator"), entered into an Exploration Project Contract dated June 5, 1951, Contract Number IDM-2 544, Docket Number DMLA 0444, with the United States of America, acting through the Department of 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 H. JONSON, 989 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 Number IDM-2 544, 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 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; provided, however, that the Government shall pay to the Operator all monies which may be or become due and payable to the Operator before the first day of the second month following the month in

which this assignment is accepted in writing by the Assignee; and upon payment thereof, 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; and (4) at the election of the Operator, the substitution of the Assignee as a party to the aforesaid Exploration Project Contract in the place and stead of the hereinbefore named Operator as if an original party thereto, and the execution of appropriate agreements of novation pursuant thereto.

Dated: _____, 1953.

_____
Ronnie B. Smith

_____
Jone Harper

_____
James F. Donnigan

The Assignee this _____ day of _____ 1953, 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 E. Johnson

The Government this_____day of_____,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-Z 544, Docket No. DMEA 2448, in the place and stead of the Operator named therein, (as if an original party thereto,) 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.

UNITED STATES OF AMERICA

By_____
Administrator, Defense Minerals
Exploration Administration

STATE OF
COUNTY OF } ss.

On this_____day of_____,1953, before me, _____, personally appeared ROBERT 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.

_____
Notary Public
In and for said County and State.

STATE OF
COUNTY OF } ss.

On this_____day of_____,1953, before me, _____, personally appeared JOHN HAYES, known to me to be one of the co-partners of the copartnership 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.

_____
Notary Public
In and for said County and State.

STATE OF
COUNTY OF } ss.

On this_____day of_____,1953, before me,

_____, personally appeared JAMES F. _____, 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.

_____
Notary Public
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:

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
OCT - 2 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: [illegible]

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA [illegible]

Contract Idm-E [illegible]

Commodity [illegible]

Operator - [illegible]

Property - [illegible]

By [illegible]

Dated [illegible]

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

E. H. Bailey, USGS (With one copy of report)

RECEIVED

INTERIM REPORT
Second

Docket No.: DMEA-2448 (Mercury) Sept. 25, 1953

Name and address of operator: Reanie B. Smith and partners
Tower Petroleum Building
Dallas, Texas

Name and location of property: Mt. Diablo Quicksilver Mine,
SE 1/4 sec. 29, T. 1 N., R. 1 E.,
M.D.B.&M., Contra Costa County, Calif.

Contract No.: DmE544

SUMMARY AND CONCLUSIONS

The property was inspected on September 15 and 16, 1953 by an engineer of the U. S. Bureau of Mines accompanied by Mr. C. N. Schuette, consulting engineer, and by Mr. Vic Blemberg, assistant superintendent.

Work was started at the property on August 15, 1953. Work completed included shaft site leveling; and a portion of headframe construction and hoist installation. The shaft was sunk to a depth of 8 feet and concrete was poured for the collar set, hoist foundation, and hoist room floor.

Preliminary work was done efficiently and operating conditions were fair. The operator has not found a solution to water problems at the property described by the previous interim report of July 20, 1953. An independent contract for the shaft sinking operation has not been obtained by the operator.

RECOMMENDATIONS

(a) For improvement of operations: The operator should spend

more time on the property and should delegate either his consultant or superintendent with the authority to pay bills.

(b) Changes in project or target: None.

(c) Amendments to contract: None.

STATEMENT OF WORK COMPLETED

The shaft site was excavated and a 2-compartment shaft, measuring 4'-6" by 8'-6" was sunk to a depth of 8 feet.

A concrete collar set was poured at the shaft, and the construction of a headframe was nearly completed. The collar of the shaft was established at elevation 916 and near the location indicated by the contract.

A hoist with a 50-horsepower induction motor was being installed. A cross head, 750 feet of new 5/8" - 6x19 hoist cable, timber for headframe, 300 feet of 12-pound mine rail and other supplies needed for starting exploration operations were located at the property.

Supplies and equipment not on hand included a sinking bucket, air and water pipe, ventilation equipment and sinking pumps.

COMMENTS ON PROGRESS

Preliminary work was done efficiently by a skilled crew. The operator obtained the services of C. N. Schmette, consulting engineer, and Vic Blemberg, assistant superintendent who was a former operator of the property. The present crew consists of four workmen and includes Mr. Guy Castle, Melvin Bruner and two other shaft men. An independent contract has not been signed.

Excavation work for the shaft site required drilling and blasting to a depth of 3 feet. Equipment used by the operator included one TD-9 International bulldozer with scoop loader, one pickup truck, one portable air compressor with hoses, rock drills and hand tools. A bulldozer with an angle blade was hired for use in leveling the shaft site.

The Mt. Diablo Mining Co. has supplied welding and cutting equipment, hand tools and several small items.

Additional bracing of the headframe was needed. The assistant superintendent installed a 54-inch sheave and the shaft was widened to 4'-6" in clear of timber.

OPERATING CONDITIONS

Present operating conditions are fair. The operator, Ronnie B. Smith, is not in close touch with the exploration operation. The crew were living at Angels Camp, Calif. Mr. C. N. Schuette expressed the opinion that the operator should spend more time at the property and delegate someone to pay bills.

Difficult water problems will be encountered at the property after the shaft reaches the water table.

OPERATOR'S MONTHLY REPORTS

The operator's monthly narrative report was good. The monthly report and voucher for the month of August 1953 lacked copies of the payroll, original invoices or certified copies of equipment and supply purchases.

GEOLOGY

The shaft was collared in altered sheared serpentine. No mercury mineralization was encountered.

SAMPLING

Samples of water were taken from the portal of the 165-foot level and from an evaporation pond at the property. The analyses will be included with the next interim report.

B. H. Sheahan
Mining Engineer

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
JUL 27 1953

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Office of
Executive Officer
DMEA Field Team
Region III

1012 Flood Building
870 Market Street
San Francisco 2, Calif.

Date: July 22, 1953

Memorandum

To: Operating Committee, DMEA, Interior Bldg., Washington 25, D.C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Interim Inspection Report

Attached are four copies of Interim Report on -

Docket DMEA 2448

Contract Idm-E 544

Commodity Mercury

Operator - Ronnie B. Smith & Partners

Property - Mt. Diablo Quicksilver Mine
Contra Costa County, Calif.

By Benj. H. Sheahan, Mng. Engr.

Dated July 20, 1953

H C Miller

H. C. Miller
Executive Officer
DMEA Field Team, Region III

Attachment

Copy to: Finance Officer, Region III (With one copy of report)

E. H. Bailey, USGS (With one copy of report)

INTERIM REPORT

Docket No.: DMEA-2448 (Mercury) July 20, 1953

Name and address of operator: Ronnie B. Smith & Partners
Tower Petroleum Bldg.,
Dallas, Texas

Name and location of property: Mt. Diable Quicksilver Mine
S.E. 1/4 Sec. 29, T. 1 N., R. 1 E.,
M.D.B.&M., Contra Costa County, Calif.

Contract No.: Idm-E544

SUMMARY

The property was inspected on July 16, 1953 by an engineer of the U. S. Bureau of Mines accompanied by Mr. Vic Blomberg.

The operator has not started work under the exploration contract. Due to a legal difficulty involving the disposal of contaminated spring water from the property, no work on the exploration contract has been done.

A serious, difficult, and complicated water problem will be encountered at this property if shaft sinking outlined by the contract is attempted. The water contains considerable dissolved sulphates and acid, and is corrosive to metal iron pipes, rails and equipment. The water is injurious to plant and animal life, making the disposal of water that will be encountered by the proposed exploration work both expensive and difficult.

The water table at the property varies with the topography and season of the year. Sulphide zones opened by previous exploration and mining operations have been partially oxidized and are now open to

percolating surface waters. Warm spring water near the mine and gases percolating through the ground, further add to the mineral content of the water.

The disposal of this contaminated water solution will be both complicated and costly. Other factors related to pumping, corrosion, and volume of water also will require special attention. The proposed 330-foot shaft with crosscut and drift would drain the water table for many acres around the property.

CONCLUSIONS

There is no simple method to solve the complicated water problems that will be encountered at the Mt. Diablo mine by the proposed exploration work outlined by the contract.

RECOMMENDATIONS

The engineer recommends that the exploration contract be terminated or held in abeyance until definite answers to the water problems are completed by the operator, his consultant, and a consultant designated by the U. S. Bureau of Mines.

STATEMENT OF WORK COMPLETED

None.

UNUSUAL CIRCUMSTANCES

The exploration work outlined by the contract, consisting of 330 feet of shaft sinking and 625 feet of crosscutting and drifting, would be difficult because of the water problems.

Most of the exploratory core drilling that was done at the property in previous years was EX size. Some additional core drilling using

larger size holes, NX or BX, might be advisable for exploration work at the property. However, even a core drilling program would require careful examination and planning.

Mr. Bromberg thought that the present water table would now be at an elevation of 12 feet above the old 165 level of the mine. He claimed that he had pumped as much as 250 gallons per minute from the workings several years ago. The bottom of the proposed shaft would be at an elevation of 570 feet and would drain many acres of ground along the Northeast slope of Mt. Diablo. The exact quantity of water and its composition is unknown, however, complete factual data should be obtained.

Benjamin H. Sheahan

Benjamin H. Sheahan
Mining Engineer

JUN 5 1953

Mr. [illegible] Miller
Executive Officer
[illegible] Field Team, Region III
1012 Flood Building
[illegible] Market Street
San Francisco 7, California

Re: Contract No. [illegible]-2111 (Formerly [illegible])
[illegible] with Partners
Mt. Diablo Quicksilver Mine
Contra Costa County, California

Dear Mr. Miller:

Enclosed are the original and five copies of the captioned contract signed by the Commission, with attachments.

If the terms and conditions of this contract meet with the approval of your office and the operator, insert in Article 3 of each copy of the contract the period of time within which the operator will be required to begin the work; then the original and all copies are to be signed by the three partners. Upon obtaining their signatures, kindly make the usual distribution of the copies.

If any part of this contract does not meet with the approval of the operator, the original and all copies are to be returned to this office with the proposed changes for consideration.

The original application for exploration assistance in a contract totalling [illegible],000. The Field Team suggested a more extensive program herein, the cost of the project to [illegible]. This was agreeable to the operator. The proposed exploration was to be done in two stages, Stage II to be dependent on the results of Stage I. Exploration work as outlined for Stage I, with expenditure of [illegible], has been approved in this contract. Exploration aid for the work proposed in Stage II has been denied upon the recommendation of the Commodity Purchasing Authority.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee

Enclosures

Copies to:

J. H. Hedges

Director, Production Division

A. R. Kinkel, Jr.

Director, Domestic Survey

Murphy/eef 5/13/53

cc to: Adm. Reading File
Operating Committee
Docket
Honors. Al Kinkel, Room [illegible] GSA
Hitzer, Room 2623
Ellis — Murphy
Field Team, Region III (2)

EWEllis/db

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
WASHINGTON 25, D. C.

11X3923.970 Working
Fund, DMEA, Interior.

MARVIN SMITH, TRUSTEE
POWER PETROLEUM BUILDING
DALLAS, TEXAS

JUN 2 1953

REFERENCE MAY 15 DENYING YOUR EXPLORATION APPLICATION, DOCKET NUMBER DMEA-2146. THIS IS TO ADVISE YOU THAT RESTRICTED EXPLORATION DIRECTIVE DATED APRIL 15 MODIFIED IN JUNE 1 GIVES DMEA AUTHORITY TO EXECUTE A FOR CONTRACT WHICH WAS PENDING PRIOR TO MAY 15. ACCORDINGLY CONTRACT WILL BE SIGNED BY ME AND MAILED TO REGIONAL OFFICE AT SAN FRANCISCO, CALIFORNIA, FOR ACTION SENT TO YOU.

C. O. Mittendorf

C. O. MITTENDORF, ADMINISTRATOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

EWEllis/db
6-2-53
cc to: Adm. Reading File
Docket
Messrs: H.M.Myer, Rm. 3625
A.R.Kinkel, Jr., Rm.B-2424, GSA
Ellis
Murphy
Confirmation to Applicant
DMEA FIELD Team, Region III (2)

FMMurphy/gla 5-15-53

DMA

11X3925.970 Working Fund,

Interior, DMA

MAY 15 1953

Night Letter

remai

[illegible]
[illegible]
DALLAS, TEXAS

[illegible] TION DEFENSE [illegible] DMEA-2418

[illegible]. THIS IS TO ADVISE YOU THAT EFFECTIVE APRIL 15,

1953 AVAILABLE FUNDS RESTRICTED TO ASSISTANCE ONLY FOR

[illegible] IN SHORT SUPPLY. MERCURY NO LONGER

INCLUDED. CONSEQUENTLY WE DO NOT HAVE AUTHORITY OR FUNDS TO

EXECUTE CONTRACT FOR [illegible] PURPOSE [illegible] PROPERTY

AND YOUR APPLICATION THEREFORE IS DENIED. THIS IS WITHOUT

PREJUDICE TO THE MERITS OF YOUR PROPOSED PROJECT. [illegible]

[illegible] AVAILABLE FOR

[illegible]

[illegible] CONSIDERATION.

[illegible]

[illegible], ADMINISTRATOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

FMMurphy/gla 5-15-53
cc to: Administrator Reading File
Docket
Messrs. H. Meyer, Rm. 3623
A. R. Kinkel, Jr. Rm. B-242A GSA
Ellis
Murphy
Confirmation to Applicant
DMEA Field Team, Region III (2)

3/24/53 gla

Office of
Executive Officer
DMEA Field Team
Region III

Reviewed by
DMEA OPERATING COMMITTEE
3-20-53
(date)

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 13 1953

1012 Flood Building
870 Market Street
San Francisco 3, Calif.

March 9, 1953

Memorandum

To: George C. Selfridge, Chairman, Operating Committee, DMEA, Washington 25, D. C.

From: Executive Officer, DMEA Field Team, Region III

Subject: Docket DMEA-2440 (Mercury), Mt. Diablo Quicksilver Mine, Contra Costa County, California

Reference is made to your subject letter dated January 21, 1953.

The geologist has now completed his examination of the subject property and four copies of a report entitled DMEA-2440, Mt. Diablo Quicksilver Mine, Contra Costa County, California, dated February 27, 1953, by R. E. Ferguson, Geologist, U. S. Geological Survey, are attached herewith.

The Operator's application proposes two stages of exploration. Stage I consists of 350 feet of shaft sinking and 625 feet of crosscutting and drifting at a cost of $73,050. Stage II proposes an additional 1500 feet of drifting which would cost $52,000. At the present market price of mercury, Stage I could conceivably pay its way while Stage II offers less promise of being able to repay the loan. The application under Stage I is recommended. Exploration under Stage II should be dependent upon the success of Stage I, as the added exploration would only be worth the high risk involved if the mine were producing good ore found as a result of Stage I exploration.

Miss Helen M. Meyer in her memorandum of January 19, 1953, which was attached to your letter, inferred that estimated costs per foot of shaft sinking and drifting will be given close scrutiny during the field team investigation. These costs were discussed with Mr. Ronald Smith and Mr. G. A. Schutte at a conference in this office on December 4 at which time Mr. Smith assured us that the cost of shaft sinking ($133.00 per foot) and crosscutting or drifting ($40.00 per foot) were the lowest prices he could contract the work for.

We have no Form MF-203, Owner's Consent to Lien to send at this time. Mr. Smith was informed as to the need for such forms

and it is very likely that he has furnished them to you directly or will obtain them for you just as soon as he learns that his application is receiving favorable consideration. Mr. Smith's address is Tower Petroleum Building, Dallas 1, Texas.

H. C. MILLER

H. C. Miller
Executive Officer
WMA Field Team, Region III

Attachments

Copy to: R. M. Bailey, WMA
A. G. Johnson, Bono

UNITED STATES
DEPARTMENT OF THE INTERIOR
SECRETARY OF THE INTERIOR, D. McKAY

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION III

DEPARTMENT OF THE INTERIOR
Defense Minerals Administration
RECEIVED
MAR 13 1953

DMEA 2448, Mt. Diablo Quicksilver Mine

Contra Costa County, California

E. M. Pampeyan, Geologist
U. S. Geological Survey

February 27, 1953

Reviewed by
DMEA OPERATING COMMITTEE
3-20-53
(date)

Summary

A DMEA application was filed in December, 1952 by Mr. Ronnie Smith requesting Government aid to explore the Mt. Diablo mercury mine in Contra Costa County, California. The field examination was made by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, of the U. S. Geological Survey.

The original application proposed two phases of underground exploration with a total project cost of $75,000. On the advice of the Geological Survey, Mr. Smith filed an alternate proposal that changes the first phase to 330 feet of shaft sinking and 625 feet of drifting and crosscutting at a cost of $73,000. Phase two, which would depend on the results of phase one, consists of an additional 1300 feet of drifting at a cost of $52,000, bringing the total cost to $125,000.

At the present market price of mercury, the first phase of exploration might develop enough ore to permit the applicant to repay the Government's share of the exploration costs. Phase two, however, appears to offer much less hope for potential production. The application for exploration for phase one is recommended if the current need for mercury justifies Government participation.

Introduction

The Mt. Diablo Quicksilver mine is located in the SW¼ of sec. 29, T. 1 N., R. 1 W., MDBM, on the northeast side of Mt. Diablo Contra Costa County, California. The property is owned by the Mt. Diablo Quicksilver Company, Ltd., of Clayton, California, and has been leased to Ronnie Smith. The mine is 46 miles by paved road from San Francisco and is easily accessible by automobile. It is reached by travelling 4½ miles southeast from Clayton on the Marsh Creek road, then turning right on the Livermore road for ½ mile to Pine Way, which is the entrance to the property.

The Mt. Diablo mine area was visited by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, of the U. S. Geological Survey, for several days between December 1952 and February 1953. During this time, a topographic and geologic plane table map of the area under consideration was made.

The property was discovered between 1867 and 1875 and has been operated sporadically since that time. According to Mr. Vic Blanberg president of the Mt. Diablo Quicksilver Company, principal mercury production from the western end of the property was from 1875 to 1877. As much as 3,000 flasks of mercury is said to have been produced, but the amount probably was closer to 300 flasks judging by the extent of the underground workings. The greatest recorded production was between 1937 and 1947 when 10,454 flasks of mercury were produced from the Hill workings at the eastern end of the property. The most recent production was from November 1951 to January 1952 when 123 flasks were produced from the open

pit operations in the Mill area. This operation was halted by landslides into the pit that rendered surface work no longer feasible.

Workings

The workings in the Mill area amounted to some 3,400 feet of drifting and crosscutting on four levels with a vertical range of 210 feet. The proposed exploration would be at an elevation of 600 feet, or about 100 feet below the lowest level, on the down-dip extension of the ore zone. The adit level, as well as lower levels of the Mill Workings was caved at the beginning of 1952. Most of the workings above the 50 level were uncovered by open pit operations.

Underground work at the western end of the property consisted of 2,100 feet, more or less, of drifting and crosscutting with a vertical range of 230 feet. The Camp, Jones, and Rync tunnels have been caved for almost 15 years. The Kitchen tunnel is open but does not expose any ore.

The surface workings consist of a pit 500 feet long, in an east-west direction, by 200 feet wide and 150 to 200 feet deep, with three main benches. The highest bench, No. 5 on the map, was being mined for ore when slides from the steep south face terminated the operation.

The property has furnacing, retorting, and housing facilities, all of which are in good condition and could be put into use on short notice.

Geology

The mines are located on the northeast side of the "plug" of Franciscan rocks and serpentine which has intruded Jurassic and younger sediments in a way comparable to the intrusion of a salt dome. The Franciscan formation in the mine area is made up of massive, poorly bedded silicified sandstone, in part graywacke, with lesser amounts of sheared shale and thin-bedded chert. Serpentine intrudes the Franciscan rocks as irregular lenticular masses, the contacts of which strike from N. 50° W. to west and dip about 50° northeast. This trend is pronounced in the regional strucutre. To the north and east, just beyond the limits of the mapped area, lower Cretaceous shales are exposed and form low rolling slopes. About one mile to the east, some Tertiary biotite andesite intrudes the Cretaceous sediments.

Silica carbonate rock, or hydrothermally altered serpentine, appears throughout most of the mapped area. It is similar to the silica-carbonate rock of other Coast Range quicksilver deposits and consists largely of chalcedony and quartz, with some dolomite and other carbonates with small amounts of pyrite, marcasite, and opal. Usually massive, it is locally banded or laminated in white and black. The bands are, in some places, parallel to the foliation of the serpentine and probably represent relic textures.

Ore Deposits

The ore minerals are metacinnabar and cinnabar that occur filling fractures and shear zones in the silica-carbonate rock and, to a lesser degree, as disseminations throughout the serpentine and silica-carbonate rock. Apparently the shales immediately above and below the silica-carbonate rock formed an impermeable barrier to the ore-bearing solutions for the enclosing sediments are barren. The main ore shoot was on the fault along the south side of the open pit which forms the contact between silica-carbonate rock and underlying sediments. However, mineralization was not limited to this lower contact and ore bodies were present along other shears in silica-carbonate rock. Ore mined during the 1936-1947 period from the Mill workings averaged 10 pounds of mercury to the ton.

Metacinnabar is the predominant ore mineral in the Mill workings whereas cinnabar forms the ore in the old mines at the western end of the property. Marcasite and pyrite occur in the silica-carbonate rock and some stibnite is also present. The rich ore-bodies encountered in the past are said to have been closely associated with massive iron sulphides. Mineralization is believed to have taken place in Tertiary time for some cinnabar was reported 1/ to have been found along the contact of Tertiary andesite and Cretaceous shales about one mile to the east of the mines.

Exploration

In his original DMA application, Mr. Smith proposed to drive a 700-foot drift under the Mill workings from the east to connect with the 270 level. He also proposed a second phase of work to explore the old mines at depth by drifting an additional 1300 feet westerly.

The U. S. Geological Survey conferred with the operator and suggested that a more efficient program could be carried out by sinking a shaft, then driving exploratory drifts and crosscuts from the bottom.

C. N. Shuette, consulting engineer for Mr. Smith, submitted a new application requesting 75 percent Government participation in a $125,000 program. The new proposal, in two parts, is as follows:

Phase 1. Sink a 330 foot shaft from a point 50 feet north of the new stack and then explore by 725 feet of drifting and crosscutting the ground 100 feet below the lowest mine level.

Phase 2. (To follow upon successful completion, and review by the Government and operator, of phase 1.) Drift northwesterly 1300 feet to explore the old Jones tunnel area at depth.

1/ Turner, H. W., Geology of Mt. Diablo, Bull. GSA 2:391-2, 1890

(Breakdown of cost figures are to be found in the application with Form MF-103). The applicant states that the work will be contracted out at $135.00 per foot for sinking and $35.00 per foot for drifting and crosscutting. With the added cost of engineering, geology, assays, etc., the first phase would cost $73,050 and be completed in seven months, while the second phase, taking nine months, would cost an additional $52,000. Total cost of the project would be $125,000.

The first part of the revised application appears to offer the best means of exploring the ore deposit. The advantages of sinking a shaft at the proposed site rather than drifting in from the west are numerous, some of which are: 1 - it would be sunk in ground underlain by sediments, mainly sandstone, that have greater strength than the fractured and altered rocks over the ore body; 2 - it would explore new ground 100 feet below any existing workings; 3, waste would be dumped at no greater distance than 300 feet from the shaft, either into the open pit or just north of the ridge; 4, it would have the advantage of elevation as the collar would be higher than the mill; 5 - it would be only 60 feet from the existing grizzly, ore bin, and conveyer belt to the mill.

On the basis of cross section A-A', about 200 feet of crosscutting S. 24° W. from the bottom of the shaft, will be necessary to reach the main ore zone leaving some 425 feet of tunneling to be used in drifting on the mineralized fault zone. The log of drill hole no. 8, projected 120 feet to plane of section A-A', reports only 12 feet of silica-carbonate rock at the 447 foot mark. However, a cursory examination of the core proved that almost 40 feet of silica-carbonate rock is present below the 300-foot marker. The core is not complete; therefore, more silica-carbonate rock might be encountered than has been proved. Some cinnabar was observed in the core and it was reported that some eight-pound ore was cut -- probably in the missing section of core -- in this hole. Also, assays made from the mineralized zone in the winze below the 1'5 level (see enlarged portion of section A-A') show that good ore does occur below the lowest level of caved workings.

The second phase of the project would appear to offer less hope for discovering ore. Surface mapping and the logs of two old diamond drill cores indicate that there are about 600 feet of barren Franciscan sediments between the northwest end of the drift proposed in phase one and the first possible ore-bearing rocks to the west.

The Government's share of $73,050 for phase one will be $54,787. Under the 5 percent repayment schedule, and providing that the price of mercury does not drop, production of 4,000 flasks with a gross value of $1,095,740 would be necessary for the Government to recover it's share of the cost. It seems possible that at least half of the necessary ore might be found above the proposed level, but the additional ore would have to be found below the proposed level. Phase two, with a total cost of $52,000 would cost the Government $39,000 and require the production of 3,545 flasks with a gross value of about $780,000 for repayment of the loan.

Recommendations and Conclusions

At the present market price of mercury, phase one could conceivably pay it's way while phase two offers less promise of being able to repay the loan. The application for exploration under phase one is recommended. Exploration under phase two should be dependent upon the success of phase one, as the added exploration would only be worth the high risk involved if the mine were producing from good ore found as a result of the phase one exploration.

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA 2448
(MERCURY)
Idm E-544

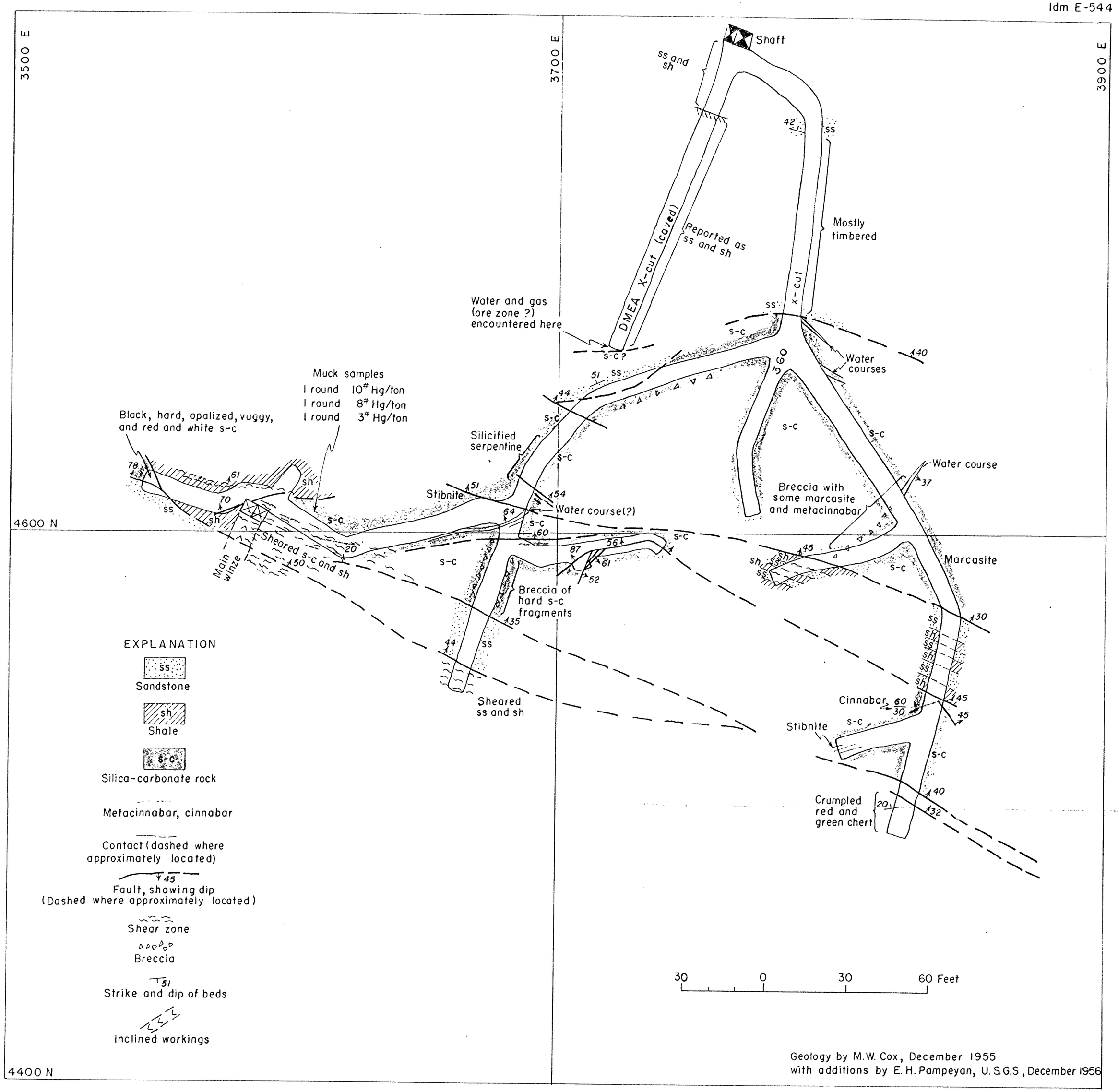
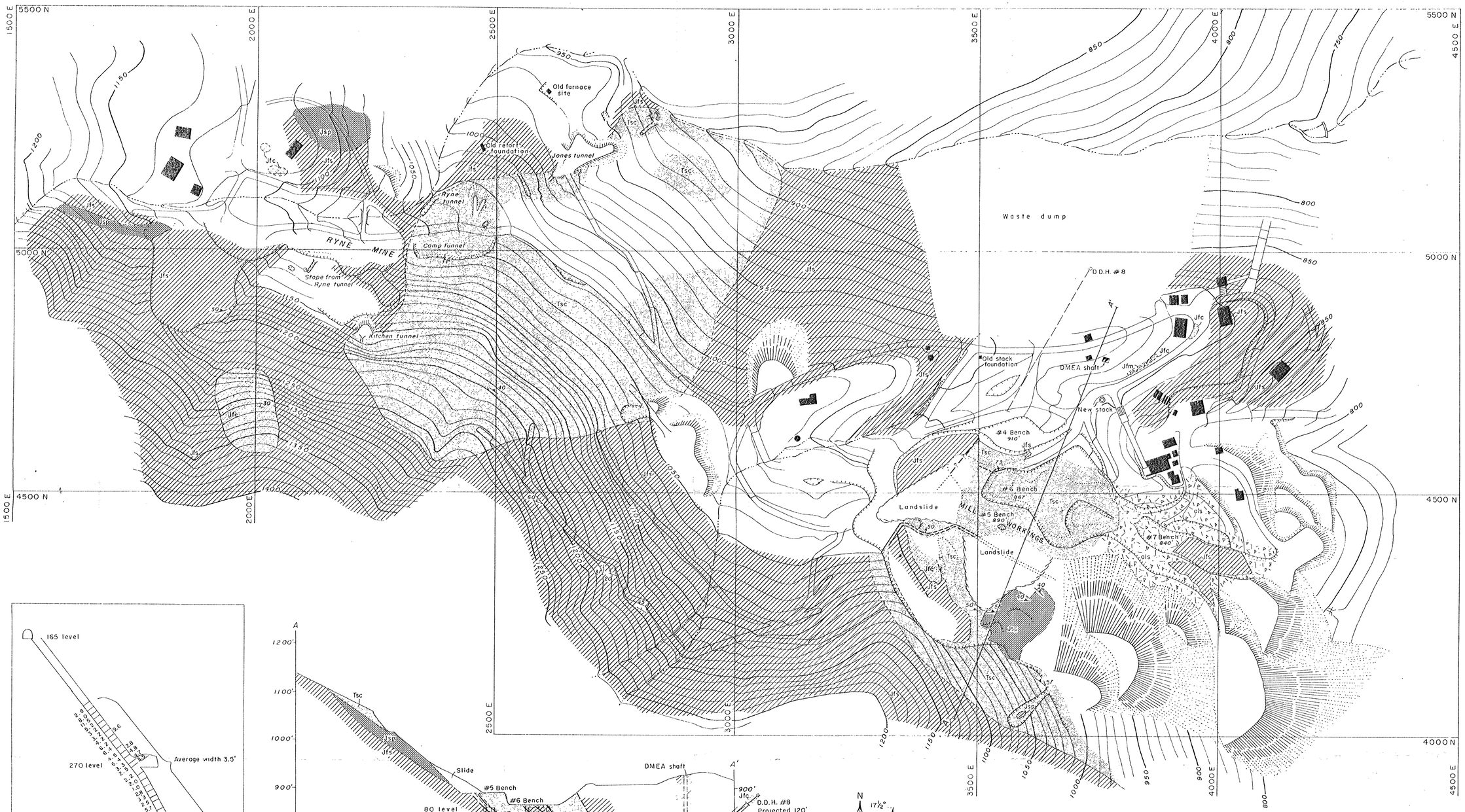


Figure 3. GEOLOGIC PLAN OF 360 LEVEL, MT DIABLO QUICKSILVER MINE
CONTRA COSTA COUNTY, CALIFORNIA



Geology and topography by E. H. Pampeyan, J. F. Robertson, and D. B. Tatlock, January 1953
with revisions by E.H Pampeyan, December, 1956

EXPLANATION

QUATERNARY

- Soil cover, waste and/or overburden (geology unknown)
- ols — Old landslide material: blocky, poorly cemented, and slightly silicified

TERTIARY

- Tsc — Silica-carbonate rock (altered serpentine) locally massive and also laminated

JURASSIC

- Jsp — Sheared serpentine

Franciscan group

- Jfm — Metamorphic rocks, including actinolite schist, amphibolite, and quartz-mica schist
- Jfc — Thin-bedded reddish chert
- Jfs — Silicified graywacke, with some calcite veinlets, and sheared black shales with inclusions of graywacke, serpentine, and chert (locally pyritized)

Contact, dashed where approximately located

Gradational contact

Fault, showing dip (Dashed where approximately located)

Strike and dip of beds

Strike and dip of foliation

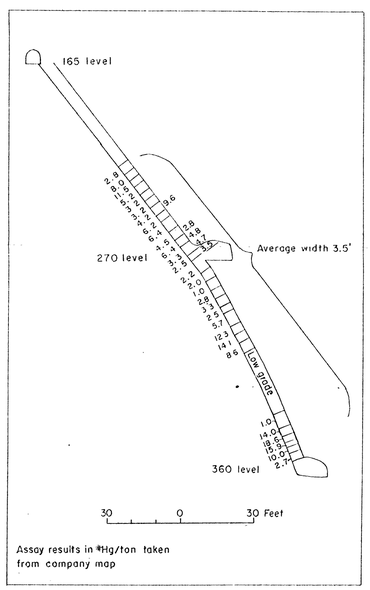
Portal of adit

Portal of caved adit

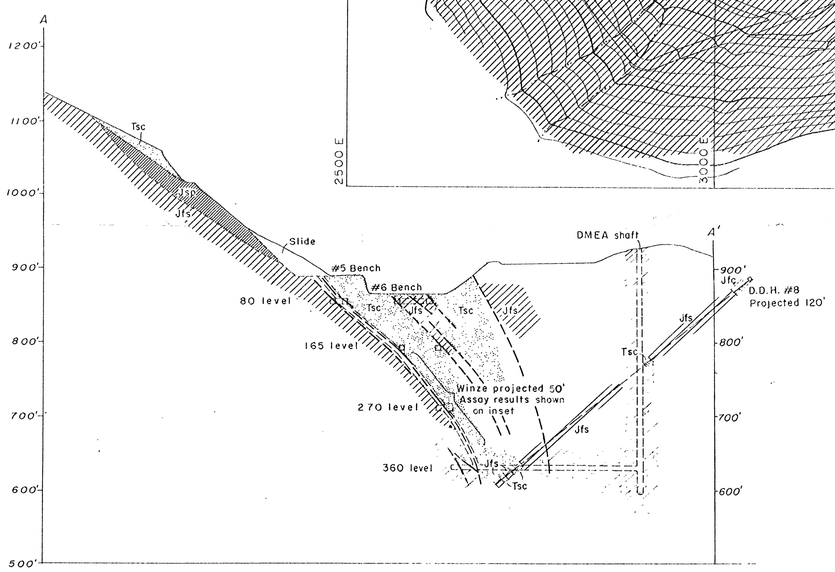
Top of cut

Bottom of cut

Dump



ENLARGED SECTION OF WINZE BELOW 165 LEVEL



SECTION A–A'

N
17½°

MOUNT DIABLO MINE, CONTRA COSTA COUNTY, CALIFORNIA

100 0 100 200 300 Feet
Contour interval 10 feet
Datum is mean sea level

Figure 2

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA 2448
Idm E-544
(MERCURY)

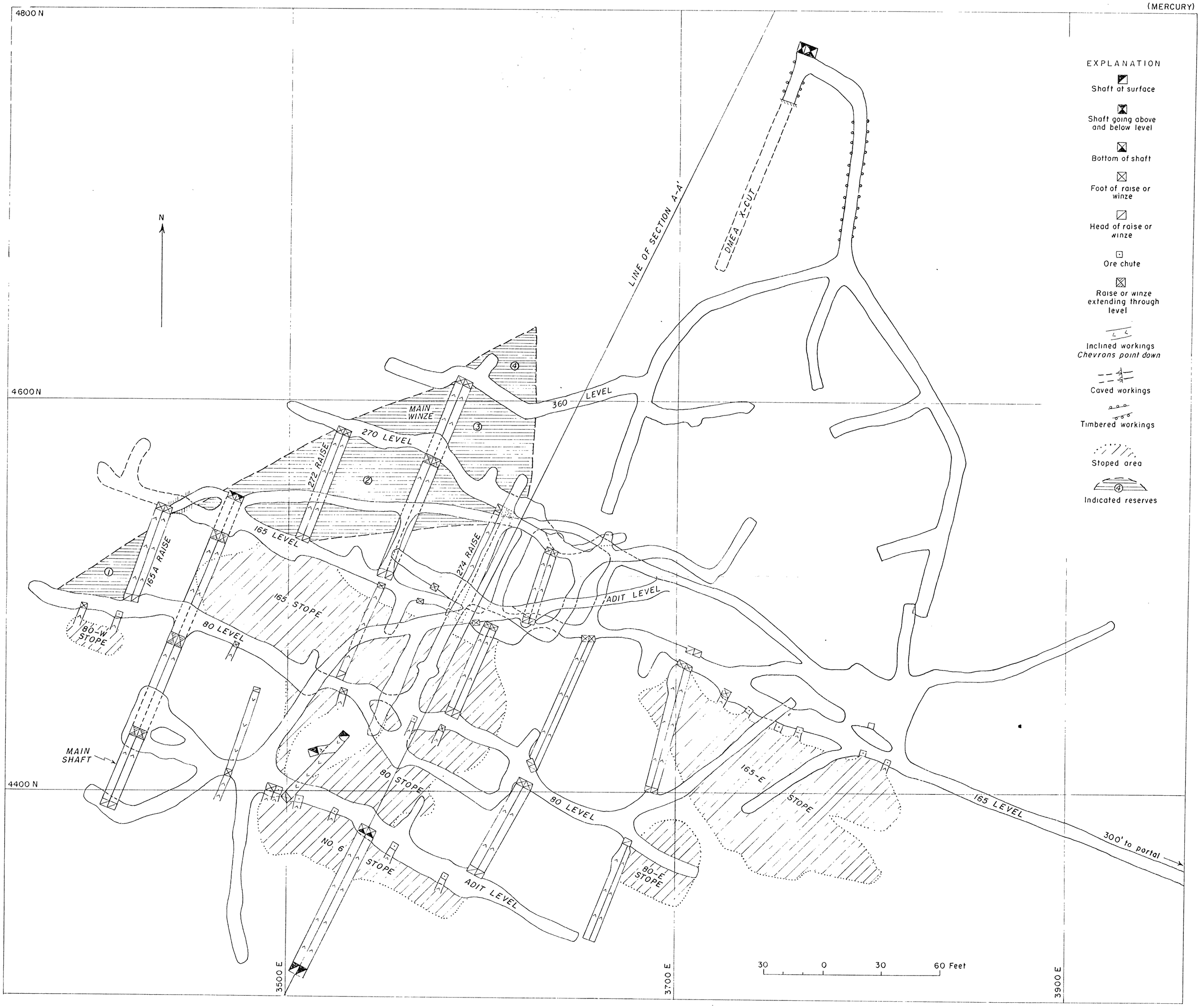
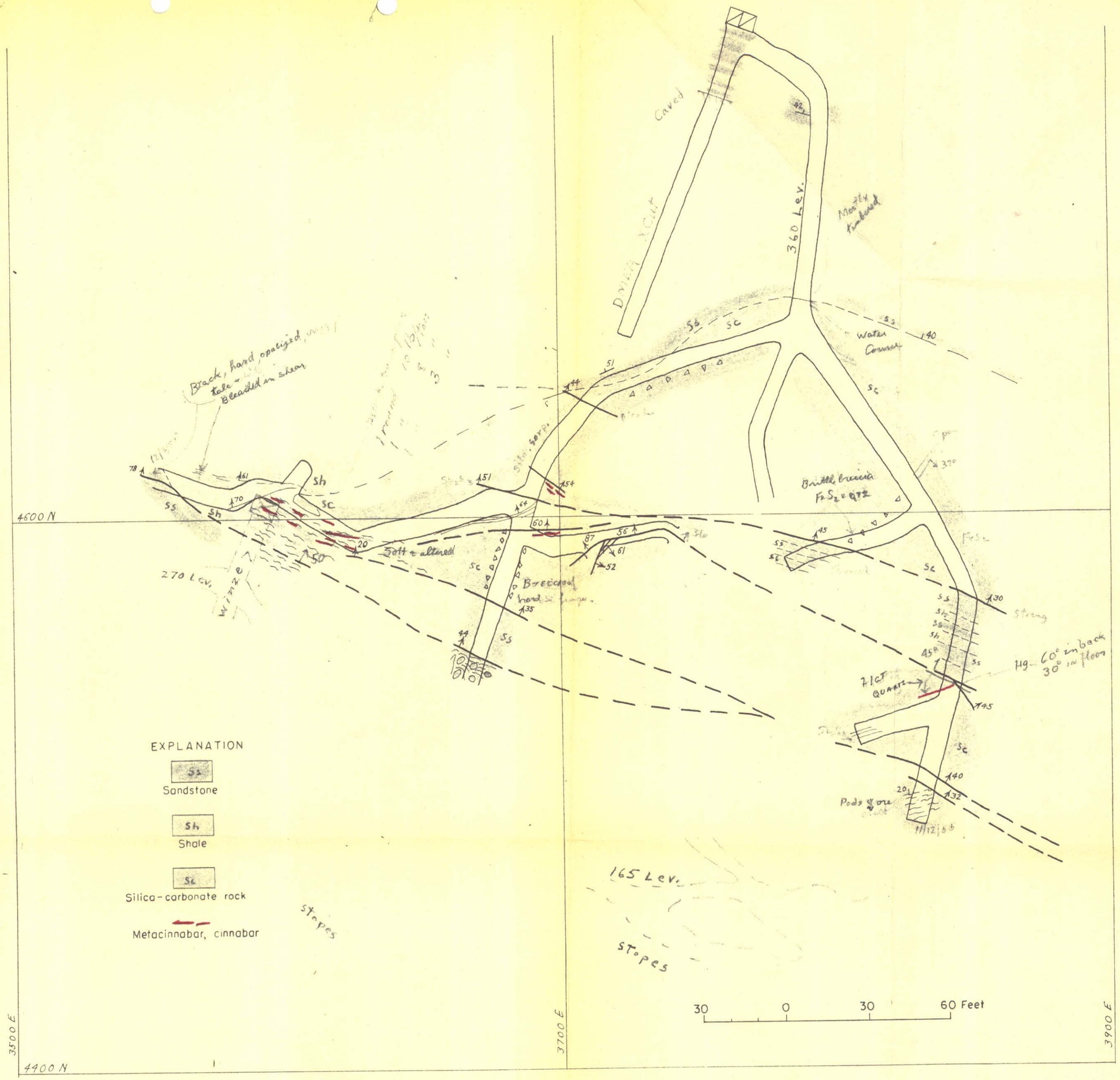


Figure 4. COMPOSITE MAP OF MILL WORKINGS, MT DIABLO MINE
CONTRA COSTA COUNTY, CALIFORNIA



MT DIABLO QUICKSILVER MINE

GEOLOGIC PLAN OF 360 LEVEL (620' ELEV.)

Geology by H. Wilson.
Map prepared by E. Stewart Wilson. Dec 8, 1955