DMEA Form 9

UNITED STATES
DEPARTMENT OF THE INTERIOR
Defense Minerals Exploration Administration

OFFICIAL DOCKET FILE **1117** DMEA NO. 4703

31 JUL 1957

Application (Denied
(Withdrawn
(After disposition, delete items not applicable)

Contract ✓(Terminated - not Certified
(Cancelled
(Terminated - Certified
(Royalty Agreement

This is the official contract file containing all official records of the project. The records contained in the files are checked and are arranged in this order:

Left Side

Interim Royalty Audits
Reports of Royalty Review
Certification of Discovery
Certificate of Audit (Final)
Interim Audit(s)
✓Report of Review
✓Termination Notice or Agreement
Recision Notice
Assignment of Contract
✓Contract Amendments (latest on top)
Contract with all exhibits and annexes
Owner's Consent to Lien
Subordination Agreement
✓Leases and assignments of leases
✓Application and attachments
(3) ✓Envelope for maps

Right Side

✓Project summary
✓Work completed analysis
All other material is filed in chronological order with correspondence including the following reports as checked:

✓Final Field Team Report (Tab)
✓Operator's Final Report
(2R) ✓Interim Reports
(2R) ✓Operator's monthly reports and all attachments (latest on top)
✓On-site Exam Report(s) (Tab)
(4) Settlement Sheets

When the volume of records is expected to warrant additional folders, or when convenience of reference warrants separate folders for certain records, they should be set up in this order:

Left Side

Folder No. 2: (In chron. order) Interim Summary Reports by W. O. Engineers

Right Side

Operator's Semi-Annual Report for Certified Project, Field Team Interim Reports, Operator's Monthly Report with transmittal, narrative, maps, and Field Team review.

Folder No. 3: Maps (Use pocket folder or envelope. Fold maps with title block out and show reference to related document or correspondence.)

Folder No. 4: Settlement Sheets

Folder No. 5: Drill Logs

9779

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

REPORT OF REVIEW

I have reviewed the Monthly Reports of: WSM

Palo Alto Mining Corporation,
a California Corporation
14900 Coleman Road
San Jose 24, California

pertaining to Exploration Project Contract No. Idm-E1117, Docket No. DMEA-4703, for the months of September and November 1957, covering a project for the exploration of mercury, on property known as the Guadalupe Mine, located in Santa Clara County, California.

My review included an examination of the Monthly Reports (Forms MF-104) and supporting documents attached thereto, comparison of the costs claimed with the contract and pertinent schedules, verification of work performed by reference to Field Team reports and correspondence, and a determination of the reasonableness and propriety of the costs.

This review was made in lieu of a final audit of the Operator's accounts and records for the following reason:

> All of the costs incurred were under a contract provision for payment by the Government on the basis of agreed unit costs of work actually performed.

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

Total cost as billed by Contractor		$5,710.30
Exceptions:		
Prior to this review	$ 17.50	
Herewith	-0-	$ 17.50
Total Accepted Cost		5,692.80

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 Four Thousand Two Hundred Sixty Nine and 60/100 Dollars is valid and proper, provided 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.

Amount payable to Operator	$4,269.60
Amount reimbursed	4,069.60
Balance due Operator	$ 200.00

George Mavor
George Mavor
Auditor

May 12, 1958

Government's C[illegible]

FILE COPY
DMEA
JUL 9 1958

Long
App'd. Sol. Off.
Chapman
Martin
Chambers
Selfridge
Johnson

TERMINATION AGREEMENT

It is agreed this 19th day of May, 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Palo Alto Mining Corporation, hereinafter called the "Operator," parties to that certain Exploration Project Contract No. Idm-E1117 (Docket No. DMEA-4703), dated July 31, 1957, hereinafter called the "Contract," that:

1. Effective December 1, 1957, the Contract and all obligations of the parties thereunder, except as otherwise herein expressly provided, shall be and are hereby terminated.

2. The Government shall contribute only to the agreed unit cost of work performed prior to said effective date.

3. The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including the rendering of final report and final account.

4. All rights of the Government respecting certification of discovery or development, percentage royalty and liens to secure payment thereof, reports (including preservation of Operator's records), accounts, audits, and the right to recover any overpayment, are hereby preserved.

5. The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of said Contract, except as otherwise provided for in this Termination Agreement.

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

THE UNITED STATES OF AMERICA

By C. Mittenberg
Administrator, Defense Minerals Exploration Administration

PALO ALTO MINING CORPORATION

By [illegible]

Title President

Government's Copy

MF-200A
(Rev. April 1956)

RECEIVED
AUG 22 1957
D.M.E.A.

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
EXPLORATION PROJECT CONTRACT
(Short Form)

DMEA No.	*Commodity*	*Contract No. Idm–E*	*County*	*State*
4703	Mercury	**1117**	Santa Clara	California

It is agreed 31 JUL 1957, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government," and Palo Alto Mining Corporation, a California corporation

whose mailing address is 14900 Coleman Road
San Jose 24, California
hereinafter called the "Operator," as follows:

ARTICLE 1. *Authority and project.*—(a) This contract is entered into under the authority of the Defense Production Act of 1950, as amended. It consists of this form (MF–200A), the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed therein. The project work is a search for indicated or undeveloped deposits of the commodity designated above. The Operator shall begin the work on or before Sept 1-1957, and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within six months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the project work is $20,020.00. The Government will contribute 75 percent of the fixed unit cost of the work performed, not exceeding $15,015.00, in accordance with the provisions of Articles 4 and 5.

(c) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. *Operator's property rights.*—(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's rights of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances: Royalty on all mercury mined payable to owners.

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Consent to Lien of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached, as follows: Performance Bond in lieu of Consent to Lien and Subordination Agreement.

(c) The Operator shall preserve and maintain his right, title, and interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing

in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a percentage royalty on production and lien for the payment thereof. Two copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. *Performance of the work.*—(a) Operator's responsibility.—The work shall be performed diligently, efficiently, expertly, in a workmanlike manner, and in accordance with good mining standards and State regulations governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work, as specified in Article 1 (a).

(b) *Government may inspect.*—The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract, and also after certification of discovery or development, to inspect production operations and underground workings. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. *Contribution by the Government.*—The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5 (b); but all payments by the Government are provisional only, subject to audit, and until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been rendered, the Government may withhold such sums as it sees fit but not in excess of 10 percent of the estimated total cost of the work. To the extent that excesses over fixed unit costs or any excess over the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such excesses for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. *Reports, accounts, audits.*—(a) Operator's records.—The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) *Progress reports and vouchers.*—The Operator shall provide the Government with five copies of monthly progress reports in three sections as follows: (1) Operator's Monthly Report and Voucher showing a detailed statement of units of work performed during the reporting period; (2) Operator's Unit Cost and Progress Report showing the various types of work performed during the reporting period and the fixed unit costs incurred for each type of work; and (3) a Narrative Report of the work performed during the reporting period including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground. (Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) *Final report.*—Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with five copies of a final report (in addition to the final progress report and voucher). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) *Report of sales.*—The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's percentage royalty relates, such as copies of smelter or concentrator settlement sheets, and certified accounts of production and sale or other disposition of production.

(e) *Compliance with requirements.*—If in the opinion of the Government any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the making or completion of such with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. *Repayment by Operator.*—(a) *Certification.*—If the Government considers that a discovery or development from which production may be made has resulted from the work, the Government, at any time not later than six months after the Operator has rendered a sufficient final report (see Article 5), may so certify in writing to the Operator. Such certification shall describe broadly or indicate the nature of the discovery or development.

(b) *Royalty on production.*—The Operator, as principal if the Operator is the producer or as surety if the Operator is not the producer (for example, if the Operator either transfers or fails to retain his interest in the land), shall pay to the Government a royalty on all minerals mined or produced from the land, as follows: (1) regardless of any certification of discovery or development, from the date of the contract until the lapse of the time within which the Government may make such certification or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first; or (2) if the Government makes a certification of discovery or development, for a period of ten years from the date of the contract or until the total net amount contributed by the Government without interest is fully repaid, whichever occurs first.

(c) *Basis for computation.*—The Government's royalty shall be a percentage of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrates, metal, or equivalent), at the point of delivery (the f. o. b. point); *except,* that charges of *the buyer* arising in the regular course of business, and shown as deductions on the buyer's settlement sheets, on account of the cost of treatment processes performed by *the buyer,* sampling and assaying to determine the value of the production sold, and freight paid by *the buyer* to a carrier (not the Operator), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. Any costs of treatment processes, sampling, assaying, or transportation performed or paid by the Operator or by anyone other than the buyer are not deductible in arriving at the "gross proceeds" as that term is here used. The term "treatment processes," as here used, means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

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

(e) *Percentages of royalty.*—The percentages of the Government's royalty shall be as follows:

One and one-half (1½) percent of amounts ("gross proceeds" or "value") not in excess of eight dollars ($8.00) per ton of production in the form in which sold, held, or used, plus one-half (½) percent for each additional full fifty cents ($0.50) by which such amounts exceed eight dollars ($8.00) per ton, but not in excess of five (5) percent of such amounts.

(For instance: the royalty on an amount of five dollars ($5.00) per ton would be one and one-half (1½) percent; on an amount of ten dollars ($10.00) per ton, three and one-half (3½) percent.)

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

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

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

(i) *No obligation to produce.*—Nothing in this contract is to be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(j) *Government not obligated to buy.*—Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals mined or produced from the land.

ARTICLE 7. *Termination of the Government's obligations.*—(a) If in the opinion of the Government operations at any time have failed to achieve anticipated results that indicate the probability of making a worthwhile discovery and in the opinion of the Government further operations are not justified, the Government may give the Operator written notice thereof, and thereupon the Government shall be free of all obligation to pay on account of units of work not then performed, and the Operator shall be free of all further obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting.

(b) If in the opinion of the Government the Operator is in any manner in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to winding up, reporting, and accounting. The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to a percentage royalty, and liens to secure the payment thereof, and such rights shall be fully preserved.

ARTICLE 8. *Notices to be given by the Government* may be delivered to the Operator or may be sent by registered mail addressed to the Operator at the mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. *Officials not to benefit.*—No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 10. *Changes and added provisions.*—

.....

.....

.....

.....

.....

.....

Long
Hoffman
"Appd. Sol. Off."
Hoffman
Chambers
Martin
Johnson

Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

PALO ALTO MINING CORPORATION
(Operator)

By Stephen S. Ridgely Jr. Pres.

By Virgil R. Henning

Title Secty

By O. Mitchell
Administrator, Defense Minerals
Exploration Administration

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

Virgil R. Henning
Secty-Treas.

[CORPORATE SEAL]

U. S. GOVERNMENT PRINTING OFFICE: 1956—O-383069

EXPLORATION PROJECT CONTRACT
PALO ALTO MINING CORPORATION
DOCKET NO. DMEA-4703

ANNEX I

The land referred to in Article 2 of the Contract is a portion of a 300 acre tract known as the "Guadalupe Mine," located just south of the city of San Jose, Santa Clara County, California. The Operator is in possession of the entire 300 acre tract by virtue of a lease executed August 27, 1956, by James Rolph III and wife, June I. Rolph. A copy of the lease is contained in Docket No. DMEA-4703. The boundaries of that portion of the tract which is subject to the Contract are shown on the map referred to in Exhibit A and are described as follows:

> "Beginning at the intersection of coordinates 4000 north and 4000 east in the Guadalupe mine area located approximately 500 feet due north and approximately 960 feet due east of the collar of the Guadalupe inclined shaft and running 480 feet due east to a point; thence 370 feet due north to a point; thence 750 feet due east to a point; thence 800 feet due south to a point in the boundary line between the Guadalupe and Senator mine areas; thence 820 feet approximately S 45° W along said boundary line to a point on the 3000 N coordinate; thence 650 feet due west to the intersection of coordinates 4000 E and 3000 N; thence 1000 feet due north to the point of beginning; containing 27.04 acres more or less."

The Operator has furnished a Performance Bond in lieu of the Consent to Lien and Subordination Agreement of the owners of the premises.

EXPLORATION PROJECT CONTRACT
PALO ALTO MINING CORPORATION
DOCKET NO. DMEA 4703

EXHIBIT A

Description of the Work

The location of the proposed work is shown on the map entitled, "Geologic Map of the Guadalupe-Senator Mine Area, New Almaden District, California," attached hereto and made a part hereof.

The work is divided into two stages as follows:

Stage I

1. With a D-8 Caterpillar dozer or equivalent unit of any other make excavate 2,500 linear feet of trenches having approximate average depths of 20 feet, and approximate average widths of 21.6 feet for an estimated aggregate volume of 40,000 cubic yards of excavation, at the approximate locations shown on the above-mentioned map.

Stage II

1. At various sites in the trenches drill to approximate average depths of 25 feet not more than a total of 1,000 feet of minimum size 6-inch churn drill holes.

2. If mineralized areas so warrant and the Government approves, work on Stage II may be carried on concurrently with Stage I work.

3. The location, direction, inclination and extent of all work are subject to the approval of the Government.

4. All mineralized sections in the trenches and

and drill holes shall be sampled and assayed for mercury by Government approved methods.

5. Drill holes shall be cased as necessary.

Agreed Unit Costs

Stage I

1. Bulldozing, 40,000 cu. yds @ $0.32/cu.yd.	$12,800.00	
2. Supervisor, 3 months @ $672.00/mo.*	2,016.00	
3. Assaying 60 samples @ $3.00/sample	180.00	
Estimated Total Stage I		$14,996.00

Stage II

1. Churn drilling 1,000 feet @ $4.00/ft.	$4,000.00	
2. Supervisor, 1 month @ $672.00/mo.*	672.00	
3. Casing 101 feet @ $2.00/ft.	202.00	
4. Assaying 50 samples @ $3.00/sample	150.00	
Estimated Total Stage II		$5,024.00

Estimated Total Cost of Project	$20,020.00
Government Participation	$15,015.00

*Cost of supervision includes compensation insurance.

Bond No. 304768

STANDARD FORM 25
REVISED NOVEMBER 1950
PRESCRIBED BY GENERAL SERVICES ADMINISTRATION
GENERAL REGULATION NO. 5

EXECUTED IN FIVE COUNTERPARTS

PERFORMANCE BOND

(See Instructions on Reverse)

DATE BOND EXECUTED: 31 July 1957

PRINCIPAL

PALO ALTO MINING CORPORATION, a California corporation

SURETY

UNITED PACIFIC INSURANCE COMPANY, a Washington corporation, having its head office at Medical Arts Building, Tacoma, Washington.

PENAL SUM OF BOND (*express in words and figures*)	CONTRACT NO.	DATE OF CONTRACT
FIFTEEN THOUSAND FIFTEEN AND NO/100 DOLLARS ($15,015.00)	1117	31 JUL 1957

KNOW ALL MEN BY THESE PRESENTS, That we, the **PRINCIPAL** and **SURETY** above named, are held and firmly bound unto the United States of America, hereinafter called the Government, in the penal sum of the amount stated above, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH, that whereas the principal entered into a certain contract with the Government, numbered and dated as shown above and hereto attached;

NOW THEREFORE, if the principal shall well and truly perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of said contract during the original term of said contract and any extensions thereof that may be granted by the Government, with or without notice to the surety, and during the life of any guaranty required under the contract, and shall also well and truly perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of any and all duly authorized modifications of said contract that may hereafter be made, notice of which modifications to the surety being hereby waived, then, this obligation to be void; otherwise to remain in full force and virtue.

IN WITNESS WHEREOF, the above-bounden parties have executed this instrument under their several seals on the date indicated above, the name and corporate seal of each corporate party being hereto affixed and these presents duly signed by its undersigned representative, pursuant to authority of its governing body.

In Presence of:

WITNESS		INDIVIDUAL PRINCIPAL	
1.	as to		[SEAL]
2.	as to		[SEAL]
3.	as to		[SEAL]
4.	as to		[SEAL]

WITNESS		INDIVIDUAL SURETY	
1.	as to		[SEAL]
2.	as to		[SEAL]

Attest: [signature]
President.

CORPORATE PRINCIPAL: PALO ALTO MINING CORPORATION
BUSINESS ADDRESS: 14900 Coleman Road, San Jose, Calif.
BY: Virgil R. Henning
TITLE: Secty-Treas.
AFFIX CORPORATE SEAL

Attest: [signature]
DONNA ELLIS

CORPORATE SURETY: UNITED PACIFIC INSURANCE COMPANY
BUSINESS ADDRESS: 206 Sansome Street, San Francisco, Calif.
BY: Paul R. Downs
TITLE: PAUL R. DOWNS
Attorney-in-Fact
AFFIX CORPORATE SEAL

STANDARD FORM 25
NOVEMBER 1950 EDITION

16—30441-2

The rate of premium on this bond is $10.00 per thousand.

Total amount of premium charged, $ 150.15

(The above must be filled in by corporate surety)

CERTIFICATE AS TO CORPORATE PRINCIPAL

I, Virgil R. Henning certify that I am the secretary of the corporation named as principal in the within bond; that Steve Ridgeley Sr., who signed the said bond on behalf of the principal, was then President of said corporation; that I know his signature, and his signature thereto is genuine; and that said bond was duly signed, sealed, and attested for and in behalf of said corporation by authority of its governing body.

Virgil R. Henning [CORPORATE SEAL]
Secty-Treasurer

INSTRUCTIONS

1. This form shall be used for construction work or the furnishing of supplies or services, whenever a performance bond is required. There shall be no deviation from this form except as authorized by the General Services Administration.

2. The surety on the bond may be any corporation authorized by the Secretary of the Treasury to act as surety, or two responsible individual sureties. Where individual sureties are used, this bond must be accompanied by a completed Affidavit of Individual Surety for each individual surety (Standard Form 28).

3. The name, including full Christian name, and business or residence address of each individual party to the bond shall be inserted in the space provided therefor, and each such party shall sign the bond with his usual signature on the line opposite the scroll seal, and if signed in Maine or New Hampshire, an adhesive seal shall be affixed opposite the signature.

4. If the principals are partners, their individual names shall appear in the space provided therefor, with the recital that they are partners composing a firm, naming it, and all the members of the firm shall execute the bond as individuals.

5. If the principal or surety is a corporation, the name of the State in which incorporated shall be inserted in the space provided therefor, and said instrument shall be executed and attested under the corporate seal as indicated in the form. If the corporation has no corporate seal the fact shall be stated, in which case a scroll or adhesive seal shall appear following the corporate name.

6. The official character and authority of the person or persons executing the bond for the principal, if a corporation, shall be certified by the secretary or assistant secretary, according to the form herein provided. In lieu of such certificate there may be attached to the bond copies of so much of the records of the corporation as will show the official character and authority of the officer signing, duly certified by the secretary or assistant secretary, under the corporate seal, to be true copies.

7. The date of this bond must not be prior to the date of the instrument in connection with which it is given.

U. S. GOVERNMENT PRINTING OFFICE 16—30441-2

MF-103
(Revised April 1952)

UNITED STATES DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Form Approved.
Budget Bureau No. 42-R1035.2.

APPLICATION FOR AID IN AN EXPLORATION PROJECT, PURSUANT TO DMEA ORDER 1, UNDER THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

RECEIVED MAR 28 1957 D.M.E.A.

Not to be filled in by applicant

Docket No. 4703
Metal or Mineral Mercury
Date Received 3-28-57
Estimated Cost $50,000
Participation (Government %)

INSTRUCTIONS

1. *Name of applicant.*—(*a*) State here your full legal name, in the form in which you will wish to contract, and your mailing address:

Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

Pres. S S Ridgely, Sr. 1094 Harriet, Campbe
V. P. Fred H. Smith 521 S.SanTomas, Campbel
V. P. Geo. E.Carlson POBox 755, Saratoga
Sec,Treas. V.R.Herring 18125 Bancroft,
Asst.Sec. V. H.Latham 14900 Coleman Rd.
San Jose 24, Calif.

(*b*) If other than an individual, add to your name above whether a corporation, partnership, etc., and the name of the State in which incorporated or otherwise organized.

(*c*) If a corporation, add to above statement, titles, names and addresses of officers.

(*d*) If a partnership, add to the above statement the names and addresses of all partners.

2. *General.*—Read DMEA Order 1, "Government Aid in Defense Exploration Projects," before completing this application. Submit this application and all accompanying papers in quadruplicate (four copies), with your name and address on each sheet of the application and on all accompanying papers. Where sufficient space is not provided on the form for all required information, state it on an accompanying paper, with a reference in each case to the instruction to which it refers by number. Comply with all applicable instructions; or, if not applicable, so state. File the application with Defense Minerals Exploration Administration, Department of the Interior, Washington 25, D. C., or with the nearest field executive officer thereof.

3. *Applicant's property rights.*—(*a*) State the legal description of the land upon which you wish to explore, including all land which you possess or control that may be benefited by the exploration, and excluding any land or interest in land which is not to be included in the exploration project contract that portion of the Guadalupe Mine property as indicated on map- a copy of which is attached.

(*b*) State any mine name by which the property is known. East Ridge Workings

(*c*) State your interest in the land, whether owner, lessee, purchaser under contract, or otherwise Lessee

(*d*) If you are not the owner, submit with this application a copy of the lease, contract, or other document under which you control the property. Copy of lease attached

(*e*) If you own the land, describe any liens or encumbrances on it

(*f*) If the land consists of unpatented claims, add to the description above, the book and page numbers for each recorded location notice.

Following information attached;

4. *Physical description.*—(*a*) Describe in detail any mining or exploration operations which have been or now are being conducted upon the land, including existing mine workings and production facilities. State your interest, if any, in such operations. Also describe accessibility of mine workings for examination purposes.

(*b*) State past and current production, and ore reserves, if any, giving quantities and grades.

(*c*) Describe the geologic features of the property, including mineralization, type of deposit (vein, bedded, etc.), and your reasons for wishing to explore. Illustrate with maps or sketches. Send with your application (but not necessarily as a part of it) any geologic or engineering report, assay maps, or other technologic information you may have, indicating on each whether you require its return to you.

(*d*) State the facts with respect to the accessibility of the project: Access roads, distances to shipping, supply and residence points.

(*e*) State the availability of manpower, materials, supplies, equipment, water, and power.

5. *The exploration project.*—(*a*) State the mineral or minerals for which you wish to explore .....

(*b*) Describe fully the proposed work, including a map or sketch of the property showing a plan (and cross sections if needed) of any present mine workings, and the location of the proposed exploration work as related to such features as contacts, veins, ore-bearing beds, etc.

(*c*) The work will start within ....7..... days and be completed within 60-90 days from the date of an exploration project contract.

(*d*) State the operating experience and background of the applicant with relation to the ability to carry out such exploration project, and also that of the person or persons who will supervise the operations.

6. *Estimate of costs.*—Furnish a detailed estimate of the costs of the proposed work (you will have to use a separate sheet), under the following headings. Add the totals under all headings to give the estimated total cost of the project:

(*a*) *Independent contracts.*—(Note.—If the applicant does not intend to let any of the work to contractors, write "none" after this item. To the extent that the work is to be contracted, do not repeat the cost of the contract-work in subsequent items.) State the cost of any proposed independent contracts for the performance of all or any part of the work, expressed in terms of units of work (such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, per cubic yard of material moved, etc.).

(*b*) *Labor, supervision, consultants.*—Include an itemized schedule of numbers, classes and rates of wages, salaries or fees for necessary labor, supervision and engineering and geological consultants.

(*c*) *Operating materials and supplies.*—Furnish an itemized list, including items of equipment costing less than $50 each, and power, water and fuel.

(*d*) *Operating equipment.*—Furnish an itemized list of any operating equipment to be rented, purchased, or which is owned and will be furnished by the Operator, with the estimated rental, purchase price, or suggested use-allowance based on present value, as the case may be.

(*e*) *Rehabilitation and repairs.*—Furnish a detailed list showing the cost of any necessary initial rehabilitation or repairs of existing buildings, installations, fixtures, and movable operating equipment, now owned by the Operator and which will be devoted to the exploration project.

(*f*) *New buildings, improvements, installations.*—Furnish a detailed list showing the cost of any necessary buildings, fixed improvements, or installations to be purchased, installed or constructed for the benefit of the exploration project.

(*g*) *Miscellaneous.*—Furnish a detailed list showing the cost of repairs to and maintenance of operating equipment (not including initial rehabilitation or repairs of the Operator's equipment), analytical work, accounting, workmen's compensation and employers' liability insurance, and payroll taxes.

(*h*) *Contingencies.*—Give an estimate of any necessary allowances for contingencies not included in the costs stated above.

NOTE.—No items of general overhead, corporate management, interest, taxes (other than payroll and sales taxes), or any other indirect costs, or work performed or costs incurred before the date of the contract, should be included in the estimate of costs.

7. (*a*) Are you prepared to furnish your share of the cost of the proposed project in accordance with the regulations on Government participation (Sec. 7, DMEA No. 1)?

(*b*) How do you propose to furnish your share of the costs?

[X] Money [ ] Use of equipment owned by you [X] Other

Explain in detail on acompanying paper.

CERTIFICATION

The undersigned, whether as an individual, corporate officer, partner, or otherwise, both in his own behalf and acting for the applicant, certifies that the information set forth in this form and accompanying papers is correct and complete, to the best of his knowledge and belief.

Dated March 18a, 1957

Palo Alto Mining Corp.
(Applicant)

By Stephen V Beck, Pres.

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

U. S. GOVERNMENT PRINTING OFFICE 16—66551-1

ADDITIONAL INFORMATION

Question 4.

A. & B. There has been no actual mining operations in recent years. There are evidences of certain "pot hole" operations in the past and it would be our estimate that this work was done between 1901 and 1910. We have done some exploratory work with bull-dozers in the immediate vicinity of the old workings which are marked on the map and we are continuing some exploratory work in the immediate area. The ore recovered from this exploratory work has been very high grade, is not in place and the desire for this loan is to further complete the exploratory work on the East Ridge area. There has been considerable production from other areas of the property. Last year (1956) we produced 904 flasks of quicksilver-none of which came from the East Ridge. The property is readily accessable and we have built good roads to the East Ridge. In all probability, there will be necessary a limited amount of road work to complete the exploratory program.

C. The geological features are very well described in the Bureau of Mines Report of Investigation #4682 and in the California Journal of Mines & Geology, Volume 50 #2, April 1954, pages 342,343,344, & 345. The proposed exploratory program is mapped in detail and a map is attached.

D. Access roads are plentiful. Pacific Intermountain Express pick up the quicksilver at the mines. Supples and readily available. Ample houseing is on the property for our operation.

E. There are probably more experienced cinnebar miners in Santa Clara County than anywhere else in the United States. Materials, supplies, equipment, water, and power are completely adequate.

ORIGINAL FILE COPY
DMEA
RECEIVED MAR 28 1957

DATE	INITIALS	CODE
3/29	WSM	400

Question 5.

A. We wish to explore for cinnebar ore.

B. The attached map is self-explanatory.

C. The work will start within 7 days and be completed within 60 to 90 days from the date of an exploration contract.

D. We are adequately staffed with a Field Supervisor experienced in cinnebar, A General Manager and Vice President experienced in beneficiation and an administrative staff.

6. Estimate of Costs: We are submitting herewith a detailed estimate of costs.

A. A contract is attached.

B. No labor expense. Supervision is estimated at $150.00 per week. This would consist of two men, one full time and one half time.

C. None. All under contract.

continued

D. No operating equipment will be rented or pruchased.

F. There will be no new buildings or istallations erected on the property.

G. Miscellaneous- The estimated cost of accounting and other expenses of a light nature is $40.00 per week.

H. No contingencies.

Number 7.

We are prepared to furnish our share of the cost of the proposed project in accordance with the regulations on Government participation. The property owner will not lien the property, however, a resolution of the Board of Directors is attached where-in the board will personally guarantee the payment of the Corporation's share.

We will supply supervision and accounting costs and the balance in money.

FURNACE FACILITIES

1. We are burning high grade ore in eight retorts. These are improved Rossi type and the recovery has averaged better than 90% by head test.

2. We have four intermediate retorts, 2 of which are intermittent feed- Livermore type. The other 2 are large improved Rossi type.

3. We have a continous feed furnace at our mill on Coyote Road which handles concentrates.

We are in a position to increase these facilities to what ever degree is indicated by the ore.

750'
500'
450'
800'
800'
1000'
650'
600
4000E
4000N
3000N
JFS
Tsc
Jsp
1 + 2 Pilot cuts to pick up contacts
OLD WORKS - SHAFTS AND TUNNELS
GUADALUPE
ALMADEN - SEMATOR
Tsc
Silica-Carbonate ore bearing Rock
JFS
Clastic Sediments
Jsp
Serpentine
200'
DATE
MINUTE
CODE
RECEIVED MAR 28 1984
D N & V
CLEARINGHOUSE

MINERAL (MERCURY) MINING LEASE

THIS LEASE, executed in duplicate this [illegible] day of [illegible], 1956, by and between JAMES RALPH III and JUNE I. RALPH, his wife, hereinafter referred to as "Lessors", and SALO ALTO MINING CORPORATION, a California corporation, hereinafter referred to as "Lessee",

W I T N E S S E T H:

This Lease is made with reference to the following facts:

1. Lessors are the owners of the Guadalupe Ranch consisting of seventeen hundred (1700) acres, more or less, situated in Santa Clara County, California, just south of the City of San Jose. Title to said ranch was acquired by Lessors from the prior owners thereof on or about January 12, 1956, and the same is more particularly described in a deed executed by Francesca Chestney, as grantor, to James Ralph III and June Irene Ralph, his wife, as grantees, dated December 30, 1955, and recorded on January 12, 1956, in the office of the County Recorder of Santa Clara County, California, in book 3385 of Official Records at page 7.

2. Situated on a portion of said ranch property is a cinnabar (mercury) mining area generally referred to as the "Mine Area". This mining area consists of three hundred (300) acres, more or less, and it has for many years been commonly known in the vicinity as the "Guadalupe Mine". The boundaries of said mining area are generally described as follows:

(Commencing at the head of a canyon commonly known as the "garbage dump canyon", and running westerly to the "Upper" mining and leading to the mining sites; thence along the center of Upper Levine Road in a general southerly direction approximately 250 feet; thence in a general southerly direction to the easterly bank of a creek commonly known as Guadalupe Creek, and sometimes referred to as Arroyo Los Alamitos (Los Capitanes); thence in a general southerly direction along the easterly and northeasterly bank of Guadalupe Creek to the easterly line of said Guadalupe Ranch, thence in a general northwesterly direction to the northeasterly corner of said Guadalupe Ranch; thence [illegible] "[illegible]"; thence [illegible] to the [illegible] of beginning.)

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 28 1957

DATE	INITIALS	CODE

The boundaries of the above described mining area are more particularly identified and outlined in green ink on the map hereto attached as exhibit "A" and made a part of this lease.

C. Lessee desires to lease the above described mining area (hereinafter referred to as the "mine property") upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, IT IS AGREED between the parties as follows:

I

Lease term; purpose of lease

(a) Lessors hereby lease to Lessee, and Lessee hereby hires from Lessors, for a term of ten (10) years from and after March 1, 1957, that portion of Guadalupe Ranch in Santa Clara County, California, which consists of the mining area particularly identified and described in recital B above, and referred to in recital C above as the "mine property", together with all improvements thereon, but excepting therefrom, however, the areas and improvements identified as follows:

> An area of approximately four (4) acres around the old church; the so-called Club House area consisting of approximately one (1) acre; the so-called Green House area consisting of approximately two (2) acres; and the so-called Marie Curry Cottage situated next to the superintendent's house.

(b) Lessee's use of said mine property shall be restricted solely to quicksilver (mercury) mining operations to be conducted by Lessee thereon for the production of quicksilver and Lessee shall not be entitled to use said mine property, or the unexcepted improvements situated thereon, for any other purpose. Lessors specifically reserve for themselves, their tenants, sub-lessees and assigns, all livestock grazing rights on the mine property, the right to conduct grazing operations thereon for the removal of all such other than chemical ore, and all other rights,

save and except the right to conduct quicksilver mining operations for the removal of cinnabar ore and the production of quicksilver therefrom, which right is hereby granted exclusively to Lessee.

II

Royalties: Method of Calculation and Time of Payment

(a) For the right to use said mine property and to conduct quicksilver mining operations thereon during the term of this lease, Lessee shall, and will, pay to Lessors, in lawful money of the United States of America (except as specified below), without deduction or offset, and at such place as Lessors may from time to time designate, royalties upon all quicksilver (mercury) mined, produced, or otherwise removed and sold, from said mine property, to be computed in accordance with the following schedules:

1. Royalties payable on HIGH GRADE ORE (as hereinafter defined): When the price of quicksilver produced and sold is One Hundred Dollars ($100.00), or less, per flask (now established at seventy-six pounds of quicksilver), Lessee shall pay to Lessors ten percent (10%) of the amount produced and sold.

When the price of quicksilver produced and sold is over One Hundred Dollars ($100.00) per flask, then Lessee shall pay to Lessors ten percent (10%) of the gross amount so produced and sold, and in addition thereto the royalty shall progressively increase at the rate of two and one-half percent (2½%) on each Twenty-five Dollars ($25.00) of additional value (or fraction thereof) over One Hundred Dollars ($100.00) per flask as follows: Two and one-half percent (2½%) of the gross amount in excess of One Hundred Dollars ($100.00) per flask up to and including One Hundred Twenty-five Dollars ($125.00) per flask; then five percent (5%) of the gross amount in excess of One Hundred Twenty-five Dollars ($125.00) per flask up to and including One Hundred Fifty Dollars ($150.00) per flask; then seven and one-half percent (7½%) of the gross amount

[illegible] of the Twenty Fifty Dollars [illegible] per flask by the [illegible] for the Twelve Seventy-five [illegible] per flask was [illegible] (12%) of the [illegible] in excess of the Twenty [illegible] Dollars ([illegible]) [illegible] flask [illegible] for [illegible] Dollars ([illegible]) per flask, [illegible] and Eighty-four [illegible] (84%) [illegible] the [illegible] Dollars [illegible] per flask [illegible] Twenty-five Dollars ([illegible]) per flask, [illegible] Twenty-five Dollars ([illegible]) per flask [illegible] Twenty-five Dollars ([illegible]) per flask [illegible] in excess of the Twenty Dollars ([illegible]) per flask [illegible] the Twenty Fifty Dollars ([illegible]) per flask. [illegible] price of [illegible] powered are sold [illegible] Twenty Dollars ([illegible]) per flask, [illegible] available [illegible] capable [illegible] under the [illegible] schedule. [illegible] shall [illegible] a further [illegible] [illegible] the price of [illegible] percent (2%) of such [illegible] Dollars ([illegible]) [illegible] value for [illegible] [illegible] the Twenty Fifty Dollars ([illegible]) per flask, such [illegible] as follows [illegible] as [illegible] forth.

[illegible] [illegible] (hereinafter [illegible]). [illegible], [illegible] shall [illegible] to [illegible] eleven [illegible] (11%) of [illegible] [illegible] of [illegible] powered [illegible] and [illegible], such [illegible] to be [illegible] from the price of [illegible] [illegible] the [illegible] of [illegible].

(b) [illegible] the purposes of the [illegible] royalty schedule, [illegible] and [illegible] shall be defined as follows:

[illegible]: One which can be [illegible] without the [illegible] of [illegible] or [illegible].

[illegible]: One which cannot be [illegible] without the [illegible] of [illegible] or [illegible].

(c) [illegible] the [illegible] of a flask of [illegible] in [illegible] [illegible] from the [illegible] established [illegible] of seventy-six (76)

pounds to the flask, then the price of quicksilver per pound shall constitute the basis for computation of the royalty payments provided for under the schedules set forth in subdivision (a) of this paragraph II and shall be computed on a seventy-six (76) pound per flask basis.

(d) At any time during the term of this lease Lessors shall have the right at their election to request, and receive, the royalties hereinabove provided for in kind. This right shall be exercised through written notice from Lessors to Lessee, and shall remain in full force and effect with respect to all production of quicksilver on the mine property from the time of receipt of said written notice by Lessee until revoked by later written notice from Lessors. Said notice shall provide where the portions of quicksilver to which Lessors are entitled shall be delivered for their order and account, and if the place of delivery specified by Lessors is other than that at which Lessee delivers its portions of quicksilver for sale, then Lessors shall pay the cost of delivery. In the event of such election by Lessors, the amount of quicksilver to be delivered to them, or to their order, shall be the same percentage of the whole of the quicksilver produced from the mine property, in pounds, as the percentage of gross proceeds of sale in cash royalties would have been had all of the quicksilver so produced been sold at the time of such delivery. Lessors' share of all quicksilver produced from the mine property, pursuant to this lease, shall immediately become the property of Lessors free and clear of all cost and expense, and without any deduction or offset whatsoever.

(e) Royalties payable by Lessee to Lessors under this lease shall be calculated and paid monthly on the quicksilver produced from the mine property during each immediately preceding calendar month. Fifteen days after the end of each successive calendar month within the continuance of this lease, commencing,

on April 15, 1957 (March 1, 1957 being the date of commencement of the lease term), and continuing on the fifteenth day of each and every succeeding calendar month thereafter up to and including March 15, 1967, lessee shall deliver to Lessors a written statement certified as correct by lessee or by one of its officers or employees authorized to so certify, which shall set forth the following information:

1. The total number of tons of ore from claims or found upon, or removed from, the mine property and treated during the immediately preceding month, and the number of flasks of quicksilver produced therefrom; also the gross amount realized by lessee through sale of the quicksilver so produced during that month; and

2. The total number of tons of low Grade Dirt that are found upon or removed from the mine property and which, after tromnolling or milling, was burned during the immediately preceding calendar month, and the number of flasks of quicksilver produced therefrom; also the gross amount realized by lessee through sale of the quicksilver so produced during that month.

(f) Upon delivery of each such monthly statement by Lessee to Lessors, lessee shall (unless lessors have previously elected to take their share of the quicksilver so produced in kind) pay to lessors the amount of royalty due for the preceding month in accordance with the royalty schedules hereinabove set forth. The amount of each such royalty payment shall be calculated and based upon the information set forth in such monthly statements; provided, however, that regardless of quicksilver production, the royalty payments to be made by lessee to lessors hereunder shall in no event be less than Two Thousand Dollars ($2,000.00) for each month during the first five (5) years, and in no event less than Fifteen Hundred Dollars ($1,500.00) for each month during the second five (5) years, of the term of this lease, which amounts

[illegible] stipulated to be the minimum monthly royalties payable to Lessors hereunder.

(g) Lessee shall keep full, complete and accurate books and records with respect to the production of quicksilver on the said property, both from high grade and low grade ores, and with respect to the sale of all quicksilver so produced during the term of this lease. Separate records shall be kept by Lessee on quicksilver production from High and Low Grade ores. Lessee's said books and records shall be kept in such manner as to substantiate all information contained in the above mentioned monthly statements to be submitted by Lessee to Lessors, and said books and records shall, at all reasonable times, be available and open for inspection by Lessors or their auditors or other authorized representatives or agents. Lessors may employ an independent accountant to audit the books and records of Lessee for the purpose of verifying the accuracy of said monthly statements given by Lessee to Lessors and used in computing the royalties payable hereunder; and Lessee agrees to make the said books and records available to such accountant on request. The cost of any such audit shall be borne by Lessors, if Lessee's books and records and the monthly statements based thereon are found to be substantially correct; otherwise, the cost thereof shall be borne by Lessee. A copy of the annual audit of Lessee's business conducted on the mine property made by a certified public accountant shall also be furnished to Lessors at no cost to them.

(h) The acceptance by Lessors of any monies paid to them by Lessee on account of the royalties herein provided for, as shown by any monthly statement furnished by Lessee, or the acceptance by Lessors (at their election) of an equivalent amount of quicksilver in kind, in lieu of such cash royalties, shall not be an admission of the accuracy of such statement, or of the sufficiency of the amount of any such royalty payment, whether in cash or in kind, and

Lessors shall be entitled, at any time within three (3) years after the receipt of any royalty payment, or equivalent quicksilver delivery, hereunder, to question the sufficiency of the amount thereof, or the accuracy of the statement, or statements, furnished by lessee to justify the same. For the purpose of enabling Lessors to check the accuracy of any such statement and the sufficiency of any such royalty payment, or equivalent delivery of quicksilver in kind, made in accordance therewith, Lessee shall, for a period of three (3) years, keep and preserve all records, books, accounts, and other data which in any way bear upon, or are required to establish in detail, the gross amount of quicksilver produced on the mine property and also Lessee's gross receipts from the sale thereof, in any given month. Lessee shall, upon request, make said records, books, accounts and other data available to Lessors or their authorized representatives for examination at any time during such three (3) year period.

III

Use of Mine Property by Lessee

(a) All mining operations of Lessee upon the mine property shall at all times be conducted by Lessee only with the approval of county, state and federal authorities, if such approval be necessary, and in a manner consistent with the laws, regulations and requirements of any such public authority. The obtaining of any permit from any public authority to conduct mining operations on the mine property shall be the sole responsibility of Lessee.

(b) Lessors have reserved for themselves and other tenants and successors in interest all livestock grazing rights on the mine property and it is therefore anticipated that, throughout the term of this lease, livestock will be grazing on the mine property as well as on other contiguous areas belonging to Lessors. For this reason Lessee agrees that it will not fence off the mine property from other lands contiguous thereto, without first

obtaining written permission from Lessors. Lessee does agree, however, in order to protect grazing livestock from injury, to erect at its own expense a fence around the open pit known as the "Glory Hole" and also around all other open pits, air holes and shafts now located on the mine property, or which are hereafter excavated thereon by Lessee during the lease term.

(c) Lessee shall have the right to use the Upper Davies Road and also the road leading thereto from the County Highway as a means of ingress and egress between the mine property and the County Highway. In the exercise of this right, however, Lessee shall operate over said roads only passenger vehicles and commercial type vehicles having capacity not to exceed one ton. Should Lessee desire to use said roads for heavier vehicles or equipment, written permission to do so shall first be obtained from Lessors. Lessee agrees to repair any damage done to said roads which may be caused by its use thereof.

(d) Lessee shall have the right in common with Lessors, and their other tenants, to use the available water supply on Guadalupe Ranch in connection with Lessee's mining operations on the mine property. It is agreed, however, that Lessee shall not, through its use of the available water supply produced by said system, lessen the water supply necessary to Lessors and their other tenants on other portions of Guadalupe Ranch.

The present water system serving the mine property, including the principal sources of the water supplying the system, is located on portions of Guadalupe Ranch lying to the south of the mine property. The parties recognize that those southerly portions of the ranch may be sold by Lessors during the term of this lease. They also recognize the possibility exists that Lessors may, during the term of this lease, wish to transfer and assign the said water system and the right to use all water now supplying the same to a water company which will, in turn, sell and such water to potential

customers. There exists the further possibility that Lessors, during the term hereof, may personally desire to use said water system and all of the water now supplying the same for the purpose of selling and/or delivering such water, as a matter of accommodation, to neighbors and other potential users in the vicinity of Guadalupe Ranch to whom no other supply of water for domestic or irrigation purposes is equally available. Lessors therefore reserve the right, upon one hundred eighty (180) days' written notice, to discontinue Lessee's use on the mine property of said water system and of the water supply from the sources which now serve the same under any of the circumstances mentioned above.

In any of such events Lessee agrees that after the expiration of said one hundred eighty (180) days' notice period, Lessors shall be under no obligation to continue to supply water to Lessee through said water system for use on the mine property; also that Lessee shall be obliged to make other arrangements either with the new owner of the southerly portions of the ranch who acquires said water system, or with such water company acquiring the same, or with Lessors personally, as the case may be, for delivery of a continuing supply of water to the mine property from that source. In any such case Lessee shall, however, have the right to develop, at its own expense, all existing springs located on the mine property, and to use in connection with its mining operations, or for domestic purposes in common with Lessors' livestock grazing and other tenants on the mine property, all water produced from those new sources through such development.

As long as Lessee possesses the right to receive water through the presently existing water system for use on the mine property, Lessee shall furnish, in common with other tenants of Lessors benefitting from the use of water from this source, its fair share of all labor and expense required to keep said water system in good condition and repair. However, Lessors shall furnish

at their own expense all replacement pipes and other materials reasonably required for that purpose.

(e) Lessee shall have the right to use the present power lines now located on the mine property, after making all necessary arrangements to do so with the utility company furnishing the power. However, Lessors and their other tenants shall also have the right to use said power lines and the electrical current therefrom if permitted to do so by the utility company furnishing the same and provided this can be done without diminishing the necessary electrical current and power required by Lessee in its mining operations. Any connections with said power lines made by Lessors or their other tenants shall be placed on meters separate from those of Lessee.

(f) Lessee shall not, in the course of its mining operations, remove any trees from the mine property without the prior written permission of Lessors. Lessee shall conduct its mining, and all other, operations on the mine property during the term of this lease at its own expense and not as an agent of Lessors. Lessors are not, and shall not be considered to be partners or associates of Lessee in the conduct of such operations or in the business of Lessee. Lessors shall not be liable for any debts or liabilities of Lessee incurred in the conduct of Lessee's business, or otherwise. It is agreed that the relationship between the parties during the term hereof shall at all times remain that of landlord and tenant.

(g) Lessors hereby expressly reserve to themselves, and other tenants, successors and assigns, all oil, gas and minerals (other than quicksilver) in, on, or under, the surface of the mine property, and all rights of ownership therein; and Lessors further hereby reserve to themselves, and other tenants, successors and assigns, the right to explore for, mine, develop, or otherwise operate for, and to remove, any or all such products or minerals,

other than cinnabar, upon and from the mine property, together with the right to do all things thereon necessary or incidental to the foregoing; provided, however, that in the exercise of any of these reserved rights, the mining operations of Lessee shall not be unreasonably interfered with. Nothing contained in this lease shall in any way be construed to affect the oil, gas and other mineral rights above reserved by Lessors upon the mine property, or any part thereof.

(h) It is recognized by the parties that in the course of Lessee's mining operations on the mine property, Lessee may discover ore deposits other than cinnabar ore containing minerals other than quicksilver. In this eventuality Lessee agrees to immediately notify Lessors of such discovery, and Lessee shall then have the first right to negotiate with Lessors with respect to a lease for the mining of such other mineral or minerals upon terms mutually agreeable to the parties.

(i) Lessee was informed by Lessors prior to the execution of this agreement of Lessors' intention, either personally or through another lessee, to hereafter establish a rock quarry operation on the mine property. This is in accordance with the rights reserved by Lessors in the mine property with respect to all minerals other than quicksilver. If Lessors, or any other lessee of Lessors, in the course of quarry operations conducted on the mine property during the term of the lease, shall discover any cinnabar ore deposits not previously discovered by or known to Lessee, such new deposits shall immediately be brought to the attention of Lessee, and the further exploration and removal of such deposits shall be left to Lessee, it being recognized by Lessors that the right to remove cinnabar ore from the mine property is vested exclusively in Lessee during the continuance of this lease.

IV

Condition to Effectiveness of Lease and Provisions relating to its Assignment

(a) While this lease does not require Lessee to give Lessors any cash or other security for Lessee's performance of the terms and conditions herein contained, the parties have nevertheless agreed, and they do hereby agree, that this lease shall not be, or become, effective for any purpose unless Lessee shall have a paid in capital of not less than Two Hundred Fifty Thousand Dollars ($250,000.00), and a net worth of not less than that amount immediately prior to March 1, 1957. Such financial condition and responsibility on the part of Lessee shall be established to the satisfaction of Lessors through delivery to Lessors, prior to March 1, 1957, of a balance sheet duly certified as correct by a certified public accountant, showing that Lessee's paid in capital and net worth is as set forth above. In the event of Lessee's inability to meet this condition, then this lease shall be of no force or effect.

(b) Notwithstanding the provisions of subdivision (a) of this paragraph IV, or any other provision of this lease, Lessee shall have the right at any time between the date hereof and March 1, 1957, to assign this lease to another corporation, subject, however, to the following conditions:

1. The assignee corporation shall be incorporated under the laws of the state of California; or, if incorporated elsewhere, shall be duly qualified as a foreign corporation to do business in California.

2. The assignee corporation shall have a paid in capital of not less than Two Hundred Fifty Thousand Dollars ($250,000.00) and a net worth of not less than that amount at the time of assignment. Such financial condition and responsibility on the part of the assignee corporation shall be established to the satisfaction of Lessors through delivery to them prior to such assignment of a

balance sheet on such assignee corporation, duly certified as correct by a certified public accountant, showing its paid in capital and net worth to be as set forth above.

3. Contemporaneously with the delivery to lessors of the above referred to balance sheet on such assignee corporation, lessee shall also deliver to lessor:

(i) A copy of the lease assignment to such assignee corporation, duly executed and acknowledged by lessee as the assignor;

(ii) A copy of a resolution duly and regularly adopted by the board of directors of the assignee corporation, authorizing its therein designated officers to execute in its behalf a written acceptance of such lease assignment and to execute in its behalf a written assumption of this lease, and also an agreement that the assignee corporation shall be bound by all of the terms, covenants and conditions hereof to be kept and performed by the lessee. The copy of said resolution so delivered shall be duly certified as a correct copy of the original by the secretary of the assignee corporation, and its corporate seal shall be affixed to such certification;

(iii) A copy of the written acceptance by the assigned corporation of said lease assignment and of its assumption and agreement to be bound by all of the terms, covenants and conditions hereof to be kept and performed by the lessee, duly executed by such assignee corporation through its duly authorized officers and bearing the seal of the assignee corporation.

4. The purported assignment of this lease by lessee to such an assignee corporation, without prior strict compliance with each and all of the foregoing conditions, shall make such purported assignment ineffective for any purpose and shall also constitute a material breach of this lease.

(c) Except for the assignment permitted under subdivision

(b) of this paragraph IV, Lessee shall not otherwise assign this lease or any interest therein, and shall not sublet the said mine property, or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the agents and employees of Lessee excepted) to occupy or use, or to operate on, the mine property or any part thereof, without the prior written consent of Lessors. A consent to one assignment (including the assignment permitted under subdivision (b) of this paragraph IV), regarding occupation or use by any person other than Lessee, shall not be deemed to be a consent to any subsequent assignment, sublletting, occupation or use by any person other than Lessee. Any such assignment or sublletting, without Lessors' consent, shall be void and shall, at the option of Lessors, terminate this lease. This lease shall not, nor shall any interest therein, be assignable as to the interest of Lessee, by operation of law, without the written consent of Lessors.

V

Insurance to be carried by Lessee

(a) 1. Lessee shall at all times during the term of this lease, at its sole cost and expense, carry public liability insurance on the mine property and its appurtenances in an amount of not less than Two Hundred Fifty Thousand Dollars ($250,000.00) for injury to, and/or death of, any one person, and not less than Five Hundred Thousand Dollars ($500,000.00) for injury to, and/or death of, more than one person, in any one accident; and

2. Property damage insurance covering the mine property and its appurtenances in an amount of not less than Fifteen Thousand Dollars ($15,000.00) for injury or damage to the property of any one person in any one accident.

(b) All policies of insurance obtained by Lessee, pursuant to the provisions of subdivision (a) of this paragraph V, shall be taken out with insurance companies satisfactory to, and first

approved of by, Lessors. Lessee shall pay all premiums on such policies of insurance and shall deliver duplicates of all such policies to Lessors as soon as the same are issued, but such delivery shall in any event be made prior to the commencement of this lease.

(c) The policies of public liability and property damage insurance, so taken out by Lessee, shall inure to the benefit of, and indemnify, Lessors as well as Lessee.

(d) Lessee shall cause each insurer company to agree by endorsement upon each policy, or policies, issued by it, or in an independent instrument, to be delivered to Lessors prior to the commencement of this lease, that no such policy, or policies, shall be altered or cancelled without seven (7) days' previous written notice to Lessors.

(e) Lessee's failure to secure any of the insurance hereinabove specified, and/or to pay the premiums therefor, and/or to deliver duplicates thereof to Lessors, and/or to procure the agreement mentioned in subdivision (d) of this paragraph V, shall constitute a material breach of this lease.

(f) Lessee agrees at all times during the continuance of this lease to carry Workmen's Compensation Insurance on all persons employed by Lessee in the conduct of its mining operations on the mine property.

VI

Installation of Equipment by Lessee on Mine Property; Indemnification of Lessors by Lessee against Liens

(a) Lessee shall have the right, at its sole cost and expense, to construct and erect all necessary buildings, machinery, equipment and all other installations upon the mine property that may be reasonably required for the proper and economical conduct of Lessee's mining operations hereunder. Lessee may, at its sole cost and expense, remove all such buildings, machinery, equipment and other installations at the expiration of the term of this

lease, and Lessee shall be obliged to so remove the same at the request of Lessor within ninety (90) days after expiration of the lease term. In removing all such buildings, machinery, equipment and other installations, Lessee shall also fill and level the ground upon which the same were situated so as to reasonably restore it to the same condition it was in at the commencement of this Lease.

(b) Lessee agrees to indemnify Lessors against, and to save them free and harmless from, all expense, loss or damage which Lessors may at any time suffer by reason of the failure of Lessee to fully pay for all costs and expenses incidental to the construction or erection by Lessee of any buildings, machinery, equipment, or other installations to be used by Lessee in conducting its mining operations on the mine property, and also by reason of the failure of Lessee to fully pay for all costs and expenses incidental to its mining operations on the mine property from and after the date of commencement of this lease. Lessee agrees to, and shall, keep the mine property free from any and all liens arising out of any work or labor performed on, or materials furnished to, the mine property at the request, and for the account of, Lessee during the entire term of this lease, and failure on the part of Lessee to keep the mine property free from all such liens shall constitute a material breach of this lease.

3

(c) Lessors shall at all times have the right to post notices of non-responsibility on the mine property and Lessee agrees that all such notices shall remain posted, and that the same shall not be removed or destroyed by Lessee, its employees or agents.

VII

Payment of Taxes by Lessee

(a) Lessee shall pay all taxes levied or assessed, during the entire lease term, on any improvements placed or installed by Lessee on the mine property.

(b) The parties recognize the possibility that by reason of Lessee's mining operations under the terms of this lease, and the incidental development of the mine property, the assessed valuation for real property tax purposes of that portion of Guadalupe Ranch comprising the mine property may be increased by the Santa Clara County taxing authorities; also the possibility that a separate assessed valuation may, during the term of this lease, be placed by said taxing authorities on the mineral rights pertaining to the mine property. Lessee accordingly agrees that if, as a result of an increase in the assessed valuation of the mine property, or as the result of a higher tax rate, or because of a separate assessed valuation being placed on the mineral rights pertaining thereto, or for any combination of these reasons, the real property taxes (inclusive of any separate assessment on mineral rights) levied and/or assessed against, or imposed upon, the mine property for the taxable year 1957-58, or for any subsequent taxable year thereafter during the term of this lease, shall exceed the real property taxes levied and/or assessed against, or imposed upon, the mine property for the taxable year 1956-57, then Lessee shall pay to Lessors an amount equal to such excess in taxes within ten (10) days after written notice from Lessors following the date when the first real property tax installment becomes due and payable by Lessors in any such taxable year. The said excess in real property taxes, if any, to be paid by Lessee to Lessors, in any given taxable year, shall be determined by comparison of the real property tax bills rendered to Lessors by the Santa Clara County taxing authorities for that year with the real property tax bills rendered to Lessors for the taxable year 1956-57. Lessee shall, upon request, be entitled to examine all such tax bills in the possession of Lessors.

(c) Notwithstanding the provisions of subdivision (b) of this paragraph VII, it is agreed that if in any year during the

term of this lease there is an increase in the amount of taxes levied and assessed against the mine property over the taxes levied and assessed against it for the taxable year 1956-57, which tax increase results either from an increase in the placing of a higher assessed valuation on the mine property (exclusive of mineral rights), or from the imposition of a higher tax rate, or because of both of these factors, and if in any such year there are other tenants of Lessors on the mine property (excluding any tenant in the cottage next to the superintendent's house), then the tax increase in such year shall be paid for by Lessee and such other tenant, or tenants, of Lessors in equal proportions. Any tax increase in any year during the term hereof, resulting from a separate assessed valuation being placed on the mineral rights pertaining to the mine property shall, however, be borne solely by Lessee.

VIII

Development of Mine Property for Future Residential Purposes

The mine property is located only a short distance from the metropolitan San Jose area, and the parties to this lease recognize its future potentials for residential development purposes. It is therefore agreed that Lessee shall conduct its mining operations, during the term of this lease, in such manner that the general topography of the land will be improved to facilitate its eventual use for those purposes. In this connection Lessee agrees in its conduct of open pit operations on hilly portions of the mine property to follow a benching and grading program which will conform with the topography and which will result in the terracing of all side hills. It is the intention of the parties, through this benching and terracing program, to render side hill areas on the mine property suitable to future use for residential construction purposes. While it is recognized that no fixed standards can be established for the carrying out of this program, with respect to the vertical or horizontal depths of any side hill bench, the

program shall at all times be carried out by Lessee in a manner which meets with the approval of Lessors and in a manner consistent with the requirements and specifications of any Public Planning Commission having control and authority over such matters.

IX

Miscellaneous

It is further agreed between the parties as follows:

(a) Lessee shall not vacate or abandon the mine property at any time during the term of this lease; and if Lessee shall abandon, vacate or surrender the mine property, or be dispossessed by process of law, or otherwise, any personal property or other removable improvements, or installations, belonging to Lessee and left on the mine property shall be deemed to be abandoned at the option of Lessors.

(b) Lessee shall at all times during the term of this lease conduct its operations on the mine property in a proper miner like manner.

(c) Lessee shall, at its sole cost and expense, keep and maintain all improvements and appurtenances on the mine property (other than those reserved for use by other lessees) in good and sanitary order, condition and repair, hereby waiving all right to make repairs at the expense of Lessors, as provided in Section 1942 of the California Civil Code, and all rights provided for by Section 1941 of said Civil Code. By entry hereunder Lessee accepts said improvements as being in good and sanitary order, condition and repair, and agrees to surrender the same to Lessors at the expiration, or earlier termination of this lease, in the same condition as when received, reasonable use and wear thereof, and damage by fire, act of God, or by the elements, excepted.

(d) Lessee agrees to maintain and keep progress maps showing the workings developed or extended on the mine property by Lessee, and to furnish copies of all such maps to Lessors as and

when made.

(e) Lessee shall at its sole cost and expense comply with all requirements of county, state and federal authorities now in force or which may hereafter be in force, pertaining to the mine property or to Lessee's mining operations to be conducted thereon; and Lessee shall faithfully observe, in the use of the mine property, all county ordinances and regulations and all state and federal statutes now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether or not Lessors are parties thereto, that Lessee has violated any such ordinance or statute in the conduct of its mining operations on the mine property, shall be conclusive of that fact as between Lessee and Lessors, and any such violation shall constitute a material breach of this lease.

(f) Lessee as a material part of the consideration to be rendered to Lessors hereunder hereby agrees to hold Lessors, and each of them, exempt and harmless from any damage or injury to any person or to the property of any person, arising from the use of the mine property by Lessee or from Lessee's mining operations conducted thereon.

(g) Lessee shall pay for all gas, heat, light, power, telephone and all other services supplied to the mine property; provided, however, that Lessee shall not be obligated to pay Lessors for water supplied by Lessors, as provided in subdivision (d) of paragraph III of this lease, unless Lessee's right to such water supply is terminated as therein provided.

(h) Lessee shall permit Lessors and their authorized agents and representatives to enter upon the mine property at all times for the purpose of inspecting the same.

(i) Either (1) the appointment of a receiver (except a receiver mentioned in subdivision (1) of this paragraph XI) to take possession of all, or substantially all, of the assets of

Lessee, or (2) a general assignment by Lessee for the benefit of creditors, or (3) any action taken or suffered by Lessee under any insolvency or bankruptcy act shall constitute a material breach of this lease by Lessee.

(j) In the event of any breach of this lease by Lessee, then Lessors, in addition to all other rights or remedies they may have, shall have the immediate right of re-entry and may remove all persons and property of Lessee from the mine property; and such property, if so removed, may be stored in the public warehouse or elsewhere at the cost of, and for the account of, Lessee. Should Lessors elect to re-enter, as herein provided, or should they take possession, pursuant to legal proceedings or pursuant to any notice provided for by law, they shall have the right to terminate this lease. Should Lessors at any time terminate this lease for any breach on the part of Lessee, then, in addition to any other remedy which Lessors may have, they may recover from Lessee all damages incurred by them by reason of such breach, including the cost of recovering the mine property and including the worth at the time of such termination of the excess, if any, of the amount of minimum royalties reserved in this lease for the remainder of the stated term over the then reasonable value of the use of the mine property for mining operation purposes during the remainder of the stated term, all of which amounts shall be immediately due and payable from Lessee to Lessors.

(k) In case suit shall be brought for an unlawful detainer of the mine property, for the recovery of any royalties due under the provisions of this lease, or because of the breach of any other covenant to be kept or performed by Lessee hereunder, Lessee shall pay to Lessors a reasonable attorney's fee which shall be fixed by the court.

(l) If a receiver be appointed at the instance of Lessors in any action against Lessee to take possession of the mine property

and/or to collect the rents and profits derived therefrom, the receiver may, if it is necessary or convenient in order to collect such rents and profits, conduct the mining operations of Lessee then being conducted on the mine property, and may take possession of any equipment, machinery, installations, or other personal property belonging to Lessee and used in connection with its mining operations, and may use the same in conducting said mining operations on the mine property without compensation to Lessee for such use. Neither the application for the appointment of such a receiver nor the appointment of such a receiver shall be construed as an election on Lessors' part to terminate this lease unless a written notice of such intention is given to Lessee.

(m) All notices or other communications to be given to Lessee in connection with this lease may be given by depositing the same in the United States mail, with postage thereon fully prepaid, and addressed to Lessee at 521 South San Tomas Road, Campbell, California. All notices, statements or other communications to be given to Lessors in connection with this lease may be given by depositing the same in the United States mail, with postage thereon fully prepaid, and addressed to Lessors, in care of Lanson, Jordan & Walsh, 1249 Russ Building, San Francisco 4, California.

(n) The waiver by Lessors of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of any royalty payment by Lessors shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this lease, other than the failure of Lessee to make the particular royalty payment so accepted, regardless of Lessors' knowledge of such preceding breach at the time of acceptance of such royalty payment.

(o) Lessors reserve the right to remove, and to dispose

of for their own account, all calcine rock, cinders, slag, washed rock from trommelling, and all other residue products now located on the mine property, or which may be produced as the result of Lessee's mining operations during the term of this lease. Lessee shall, however, be permitted to sell any and all such by-products and to cause the same to be removed from the mine property upon payment to Lessors of such amount per ton for such by-products as the parties may from time to time mutually agree upon.

(p) The terms, covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind, and inure to the benefit of the heirs, personal representatives, successors and assigns of Lessors and Lessee.

(q) Time is of the essence of this lease.

IN WITNESS WHEREOF Lessors and Lessee have executed this lease, in duplicate, the day and year first above written.

LESSORS

[illegible] Mining Corp.
By [illegible] President

LESSEE

ATTEST:

SECRETARY

AGREEMENT

This agreement made this 15th day of March 1957, by and between PALO ALTO MINING CORPORATION, a California corporation, and hereinafter known as parties of the first part, and EMMOR W. LITTLE, Star Route, Garden Valley, Calif. hereinafter known as parties of the second part.

WITNESSETH:

That the parties of the first part are holders of a valid lease to mine cinnebar ore on the Guadalupe Mines property for a period of TEN (10) years, starting March 1, 1957. That the board of directors of the said corporation have authorized the D. M. E. A. loan to explore the East Ridge portion of this mine area.

That the parties of the second part herewith present their offer to execute this exploratory drilling, so far as their equipment and time is concerned. The parties of the second part further agree to drill at least 1000 feet of churn drilling . The holes to be six inches to an average of 25 feet and to be drilled in the bottom of exploratory cuts. This work will be accomplished in 40 to 50 days and shall start after approval of said D. M. E. A. loan is received. The price will be $4.00 per foot, without casing. If casing is required, the cost shall be $6.00 per foot for the cased footage. The D. M. E. A. will pay 75% of the total cost and the Palo Alto Mining Corporation will pay 25% of the total cost of this drilling program, which shall consist of the following;

1. Supervision of the work by the field supervisor of Palo Alto Mining Corporation.
2. Sampling & assaying.
3. Accounting, bookeeping, record keeping, and other paper work.

The parties of the second part will present to the parties of the first part monthly, bills for all work accomplished in preceding month or part thereof. These records shall show the number of hours worked daily and the footage drilled. The Field Supervisor will maintain a complete daily work file in the interests of all concerned.

The supervision shall be in the hands of the field men of the government and the field suppervisor of the Palo Alto Mining Corporation.

Payment will be made to parties of the second part as soon as received from the government.

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 28 1957

DATE	INITIALS	CODE

AGREED:

Emmor W. Little

S. S. Ridgely, Sr., President
Palo Alto Mining Corporation

Emmor W. Little

Emmor W. Little, Star Route
Garden Valley, California

I hereby certify that the following is a true and correct copy of the Resolution duly adopted by Palo Alto Mining Corporation at a meeting duly held on the 26th day of February, 1957.

Dated: March 2, 1957.

Virgil R. Henning
Secretary

WHEREAS, the Palo Alto Mining Corporation is presently operating the Guadalupe mines at San Jose, California, under the terms of a lease commencing March 1, 1957, and continuing for a period of ten years; and

WHEREAS, the Palo Alto Mining Corporation has already located certain new and heretofore unknown cinnabar ore bodies; and

WHEREAS, Palo Alto Mining Corporation has an arrangement with Goldsmith Bros. Smelting & Refining Company, Chicago, Illinois, for the sale of its entire mercury production; and

WHEREAS, investigation and study has indicated that there are vast other potential ore bodies and deposits in said leased mine area; and

WHEREAS, Palo Alto Mining Corporation does not have sufficient capital to explore and develop such other new ore bodies;

NOW, THEREFORE, IT IS HEREBY RESOLVED, that an application be made for a D.M.E.A. loan in the sum of $50,000.00, the same to be used for necessary exploratory work only.

IT IS FURTHER RESOLVED, that the officers of this corporation shall take such steps as may be necessary to prepare, file and process such an application with the proper authorities.

IT IS FURTHER RESOLVED that the directors agree that they will individually guarantee to the United States government payment of the required 5% of gross sales due on the sale of any mercury produced from any such ore discovered by reason of said exploratory work, in the event that said Palo Alto Mining Corporation shall fail so to do.

AGREEMENT

This agreement made this 19th day of March, 1957, by and between Palo Alto Mining Corporation, a Cafilornia corporation, hereinafter known as parties of the first part and LEO PELLICCOTTI, HARRY BELLICETTE, a partnership and J. P. ESCOVER, hereinafter known as parties of the second part.

WITNESSETH:

That the parties of the first part are holders of a valid lease to mine cinnabar ore on the Guadalupe Mines propertty for a period of TEN(10) years, starting Marchl, 1957. That the Board of Directors of the said Corporation have authorized the D. M. E. A. loan to explore the East Ridge portion of this mine area.

Attached to this agreement is a map showing the proposed exploratory work.

The parties of the second part herewithpresent their offer to execute this exploratory program, so far as their equipment and time is concerned.

The area marked on the map shows approximately 2500 feet of side hill cutting and trenching and the removal of approximately 40,000 cubic yards of material. The average trench will be 20 x 20 feet. This work will be accomplished in 40 to 50 days and shall start 7 days after approval of said D. M. E. A. loan is received. The price shall be $15,000.00. The D. M. E. A. loan will pay 75% of the total cost and the Palo Alto Mining Corporation will pay 25% of the total cost of the exploratory work which shall consist of the use of TWO 155 horsepower diesel D8 Caterpillar tractors with bull-dozers, together with one large three foot ripper, together with road building to the exploratory area.

The parties of the second part will present to parties of the first part monthly, bills for all work accomplished in the preceding month or part thereof. These records shall show the number of hours worked daily, the tonnage removedd daily and the Field Supervisor of the Palo Alto Mining Corporation will maintain a complete daily work file in the interests of all concerned.

The supervision shall be in the hands of the field men of the government and the Field Supervisor of the Palo Alto Mining Corporation.

Payment will be made to parties of the second part as soon as received from the government.

Signed:

Leo Pellicotti
Leo Pallicotti

S. S. Ridgely, Sr.
S. S. Ridgely, Sr., Pres.

Harry Bellicetti
Harry Bellicetti

J. P. Escover
J. P. Escover

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 28 1957
DATE | INITIALS | CODE

MEMORANDUM OF AMENDMENT TO
QUICKSILVER MINING LEASE

THIS MEMORANDUM AGREEMENT has reference to that certain quicksilver (mercury) mining lease dated August 29, 1956, executed by and between JAMES ROLPH III and JUNE I. ROLPH, his wife, as Lessors, and PALO ALTO MINING CORPORATION, a California corporation, as Lessee, which lease covers a portion of the Guadalupe Ranch in Santa Clara County, California, consisting of three hundred (300) acres, more or less, therein referred to and identified as the "Mine Area", and is for a term of ten (10) years from and after March 1, 1957.

The parties to said lease desire to, and they do hereby, amend the same by adding a new subdivision (r) to paragraph IX thereof, providing as follows:

(r) Should Lessee default in the performance of any of the terms, covenants and conditions herein contained (other than the covenant to promptly pay the monthly royalties herein provided for) and provided any such default is one which can be cured by Lessee, the Lessee shall be allowed fifteen (15) days after receipt from Lessors of written notice of such default within which to cure the same and thereby avoid a forfeiture of this lease. However, said fifteen (15) days' grace period shall not apply to any default which cannot be cured by Lessee and it shall not apply to Lessee's obligation for said monthly royalty payments which must be promptly paid in order to avoid an immediate default.

Except as herein amended, said lease, above referred to, is otherwise hereby ratified and approved by the parties in all

OFFICIAL FILE COPY
D M E A
RECEIVED MAR 28 1957
DATE | INITIALS | CODE

particulars.

IN WITNESS WHEREOF, Lessors and Lessee have executed this Memorandum of Amendment to said lease this 24 day of January, 1957.

_____

Lessors

PALO ALTO MINING CORPORATION,
a California corporation.

By _____ President

ATTEST:

_____
Secretary

Lessee

AGREEMENT COVERING SECOND AMENDMENT
TO QUICKSILVER MINING LEASE

THIS AGREEMENT, executed this ____ day of February, 1957, has reference to that certain quicksilver (mercury) mining lease dated August 29, 1956, between JAMES ROLPH III and JUNE I. ROLPH, his wife, as Lessors, and PALO ALTO MINING CORPORATION, a California corporation, as Lessee, which lease covers a portion of the Guadalupe Ranch in Santa Clara County, California, consisting of three hundred acres, more or less, therein referred to and identified as the "Mine Area" and is for a term of ten (10) years from and after March 1, 1957.

RECITALS:

A. Palo Alto Mining Corporation, the Lessee under said lease, has requested that the lease be amended to delete the provisions of subdivision (a) of paragraph IV thereof relating to the net worth and financial responsibility required of Lessee immediately prior to March 1, 1957, as a condition to the effectiveness of the lease on that date.

B. Lessors are agreeable to such an amendment subject, however, to the terms of this agreement.

The parties hereto therefore mutually agree that said above described lease between them shall, as of this date, be amended in the following particulars:

1. The provisions of subdivision (a) of paragraph IV of said lease are hereby deleted and said provisions shall not hereafter be of any force or effect.

2. In consideration of the deletion of subdivision (a) of paragraph IV of said lease, Palo Alto Mining Corporation, as the Lessee thereunder, hereby agrees that semi-annually on the 15th day of September and on the 15th day of March of each year of the lease term, commencing on September 15, 1957,

Lessee shall become, and be, obligated to Lessors for additional royalties (over and above those provided for in paragraph II of said lease) as follows: either (1) for an amount in cash, lawful money of the United States of America, equal to ten percent (10%) of the total royalties (computed on a cash basis in accordance with paragraph II of said lease) which have become due and payable to Lessors during the immediately preceding full six calendar months' period; or (2) at Lessors' election, to be exercised through prior written notice to Lessee, for an amount of quicksilver equal to ten percent (10%) of Lessors' share (as computed under the royalty in kind provisions of paragraph II of said lease) of all quicksilver produced on the mine property during the immediately preceding full six calendar months' period. Said additional cash royalties, or at Lessors' election said additional quicksilver royalties in kind, shall be due and payable or subject to delivery, as the case may be, by Lessee to Lessors semi-annually, as aforesaid; that is to say, on the 15th day of September and on the 15th day of March of each year during the lease term.

3. Except as herein amended, and as amended by memorandum between the parties dated February 4, 1957, said lease above referred to is otherwise hereby ratified and approved by the parties in all particulars.

IN WITNESS WHEREOF, Lessors and Lessee have executed this agreement covering second amendment to said lease, in duplicate, the day and year first above written.

Lessors

PALO ALTO MINING CORPORATION,
a California corporation

Attest: By _____ President

_____
Secretary

Lessee

DMEA Form 17
Feb. 58

DEFENSE MINERALS EXPLORATION ADMINISTRATION

WORK COMPLETED ANALYSIS

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

Operator: Palo Alto Mining Corporation		Actual Cost	
State: Santa Clara County, California		Agreed Unit Cost	Contract $20,020.00
Final Report of Audit	Commodity: Mercury	Docket No.	DMEA-4703
Final Report of Review $5,692.80		Contract No.	Idm-E1117

Operation	Authorized by Contract and Amendments		Completed		Net cost after sale of Government Property
	Units	Cost	Units	Cost	
Drifting & Crosscutting					
Raising					
Shafts					
Winzes					
Drilling (Specify) Churn	1,000 ft	$12,800	150 ft.	600	
Surface Excavation Trenches cu. yds.		4,200	12,765	4,084.80	
Underground Excavation					
Roads and Trails &					
Operating Equipment Purchased					
Surface Rehabilitation & Repairs					
Underground Rehabilitation					
New Building, Improvements, etc.					
Other (Specify) Supervision & Assaying		3,018		1,008.00	
Totals		$20,020		$5,692.80 *	

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

Prepared by T. L. Chapman Date 9/10/58

31398

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1-20	Holt	400
1-20	Martin	400
1/21	Jaffurt	800
1/21	Selfridge	120
		~~110~~
		~~100~~
1/22	C	225
		400

JAN 22 1959

Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

Re: Docket No. DMEA 4703 - Mercury
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-K1117

Gentlemen:

Reference is made to your terminated exploration contract with the Government.

We sincerely regret that the work performed did not result in a certification of discovery or development under the provisions of the contract. In the absence of such certification, the Government retains no claim or lien against the property subject to the contract or any future production therefrom. We, therefore, are closing our books and records on this project. Your attention, however, is called to the provisions of the contract which require the operator to keep and preserve certain records for the period indicated.

We appreciate your interest and participation in the DMEA exploration program which has now been succeeded by the Office of Minerals Exploration program.

Sincerely yours,

Frank E. Johnson (for)

Acting Director

XPHOLT:foc 1-20-59
cc to: Codes 110, 400, 800
Director's Read. File
Operating Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
United Pacific Ins. Co.

43683

MME Form 7
(10-58)

OFFICIAL FILE COPY

Date	Surname	Code
1-20	Holt	400
1-20	Martin	400
1/21	Tolbert	800
1/21	Selfridge	230
		~~110~~
		~~400~~
		220
		400

JAN 22 1959

United Pacific Insurance Company
206 Sansome Street
San Francisco 4, California

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E1117

Gentlemen:

Enclosed is a copy of a self-explanatory letter of today to the Operator under the above-cited contract.

The property as set forth in the contract is covered by your Performance Bond, dated July 31, 1957, under the captioned name and contract number.

In the absence of certification the Government retains no claims against the bonding company that assumed the responsibility for performance under the contract.

Sincerely yours,

Frank E. Johnson

Acting Director

Enclosure
SPHOLT:foc 1-20-59
cc to: Codes 110, 400, 800
Director's Read. File
Operating Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

43683

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
1-20	Holt	400
1-20		400
		120
		110
		225
		400

January 19, 1959

MEMORANDUM

To: Acting Director, Office of Minerals Exploration

From: Division of Iron and Ferro-Alloys, OME

Subject: General Summary of Contract and Results Obtained
Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E1117

Operator: Palo Alto Mining Corporation, 14900 Coleman Road, San Jose 24, California.

Operator's Property Rights:

The Operator controls by lease from the owners, James Rolph III and his wife, June I. Rolph, 476 3rd Street, Chico, California, a tract of about 364 acres of land, known as the Guadalupe Mine, part of an old land grant situated between sections 19 and 30, T. 8 S., R. I E., M. D. B. and M., Santa Clara County, California. The land described in Article 2 of the contract comprises a tract of about 27.04 acres, part of the above 364 acres, surrounding the Guadalupe mine workings. In lieu of a Consent to Lien and Subordination Agreement the Operator furnished a Performance Bond.

Contract:

(a) Executed July 31, 1957, on Short Form, MF-200A (Revised April 1956).

(b) Completion period: Work to be started on or before September 1, 1957, and to be completed within 6 months from the date of the contract (or before March 1, 1958).

(c) Work authorized:

Agreed Unit Costs

STAGE I

1. Bulldozing, 4,000 cubic yards @ $0.32/cu. yd.	$12,800.00	
2. Supervisor, 3 months @ $672.00 per month*	2,016.00	
3. Assaying, 60 samples for mercury @ $3.00/each	180.00	
		$14,996.00

STAGE II

1. Churn drilling, 1,000 feet @ $4.00/ft.	4,000.00	
2. Supervisor, 1 month @ $672.00/Mo.*	672.00	
3. Casing, 101 feet @ $2.00/ft.	202.00	
4. Assaying, 50 samples for mercury @ $3.00/each	150.00	
		5,024.00
Estimated Total Cost of the Project		$20,020.00
Government Participation @ 75%		15,015.00

(*) Cost of Supervision includes compensation insurance.

(d) Work completed:

Bulldozing, 12,765 cubic yards (in about 3,200 lineal feet of surface trenches), @ $0.32/cu. yd.	$4,084.00	
Supervision, 1½ months @ $672.00/mo.	1,008.00	
Churn drilling, 150 feet @ $4.00/ft.	600.00	
Total Approved Cost of the contract		$5,692.80
Government Participation @ 75%		4,269.60

Work on the project started August 28, 1957, and was discontinued October 1, 1957. The contract was terminated by a Mutual Termination Agreement executed May 19, 1958.

Audits:

A review in lieu of final audit, dated May 12, 1958, was received May 14, 1958.

Reports:

The Operator's Final Report, dated April 16, 1958, was received in the office of the Field Team April 21, 1958, and in this office April 25, 1958. The Final Report of the Field Team, dated July 21, 1958, was received July 25, 1958.

Past Production:

Production from the property is reported as about 116,000 flasks of mercury. Current production is at the rate of about 40 flasks per month, mostly from leasers' cleanup or "scrounging" operations.

Present Production:

Since the date of the contract the Operator has produced from the area covered by the DMEA contract 92 pounds of mercury, from about 3 tons of hand-picked ore averaging about 33 pounds of mercury per ton, from landslide material found in the area covered by the DMEA contract. This mercury was sold for $261.28, and royalty of $13.06 was paid to the Government.

Certification:

No certification is recommended.

Comments:

Work under the contract was carried out in a satisfactory manner. The project was established to explore for mercury in the East Ridge Workings area, adjacent to the Guadalupe mine, a property upon which mercury occurs in the form of pods and lenses of silica-carbonate rock containing cinnabar, along northwesterly-trending fractures and shear zones in shale, arkose, and grawacke of Cretaceous age, intruded by sills of peridotite which have in many places been altered to form silica-carbonate rock.

The mine has had a long and favorable history, ranking as the 6th in production of mercury in California. However, exploration under the contract did not result in the discovery of reserves of minable mercury ore. Therefore, this Division, agreeing with the recommendation of the Field

Team, in which the commodity representatives of the Bureau of Mines and Geological Survey concur, recommends that no certification of discovery or development be issued, but that instead a notice of non-discovery, or "closing letter", be sent to the Operator.

W S Martin

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

SPHOLT:foc
1-19-59
cc to: Docket
Code 400
Director's Read. File

Please fill in the date of Operator's Final Report or Waiver of same. Return to Statistics Branch as soon as possible

Iron & Ferro-Alloys

Docket No.	Date of Receipt of Operator's Final Report	Date of Waiver
3246		Nov. 23, 1956
4703	April 18, 1958	
4953	August 8, 1958	

Copy given to Statistics Branch
Jan. 13, 1959.

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
11/3	Holt	400
11/3	Martin	400
11-3	Chambers	800
11/3	Selfridge	120
11/4	Johnson	110
11/4	C	225
		400

NOV 4 1958

Mr. J. Sibilia
Bond Department
United Pacific Insurance Company
206 Sansome Street
San Francisco 4, California

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E1117

Dear Mr. Sibilia:

Our Reno office has sent us two copies of "General Form Status Inquiry", referring to the captioned contract, dated October 20, 1958, and addressed to U.S.A. Mr. C. Mittenderf, Administrator Defense Minerals, 1605 Evans Avenue, Reno, Nevada. The Office of Minerals Exploration is the successor to the Defense Minerals Exploration Administration.

One original of this form was completed and forwarded to you under date of August 8, 1958. We have filled out the two copies to correspond with the form originally sent you, and enclose them herewith.

Sincerely yours,

Frank E. Johnson (for)

Acting Director

Enclosure
SPHOLT:foc 11-3-58
cc to: Director's Read. File
FT. REG. II
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS
Code 400

8623

O M E

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION
1605 Evans Avenue
Reno, Nevada

Oct. 23, 1958

Memorandum

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

From: Executive Officer, OME Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Enclosed are two copies of a General Form Status Inquiry from the United Pacific Insurance Company. They were sent to the attention of Mr. Mittendorf.

This matter was taken care of by your letter of August 8, 1958, which was probably overlooked in their files. The data requested is in our memorandum to you dated July 24, 1958.

S. Ricker

Attachments

OFFICIAL FILE COPY
O. M. E.
RECEIVED OCT 27 1958

DATE	INITIALS	CC.
10/27	C	220
10/27	WSay	400

Form 7
(6)

OFFICIAL FILE COPY

Date	Surname	Code
8-5	Chapman	400
8-5	Martin	400
8-5	Chamber	800
8/6	Dunger	140
8/7	[illegible]	130
		400
8/7	Johnson	110
8	Mittendorf	100
8/8		720

RECEIVED
AUG 6 1958
ASSOC. SOLICITOR
MINERAL RESOURCES

INTERIOR DEPT.
AUG 5 - 1958
SOLICITOR

United Pacific Insurance Company
206 Sansome Street
San Francisco 4, California

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe
Mine
Santa Clara County, California
Contract No. Idm-E1117

Gentlemen:

Enclosed, in compliance with your request thereon, is the original of your "General Form Status Inquiry", filled out and signed by the Administrator for the Government.

Sincerely yours,

C. O. Mittendorf (for)

Administrator

Enclosure

TLCHAPMAN/dlm 8-5-58
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

UNITED PACIFIC
Insurance Company
HOME OFFICE • TACOMA

RECEIVED JUL 29 1958 D.M.E.A.

GENERAL FORM STATUS INQUIRY

(Federal Contracts Only)

U.S.A. Mr. C. Mittendorf — July 22, 19 58
OWNER, OBLIGEE OR ORIGINATING CO.

Administrator Defense Minerals — Our Bond No. 304768
ADDRESS

Exploration Administration — Reinsured's No.
1605 Evans Avenue
Contractor: Reno, Nevada PALO ALTO MINING CORPORATION

Address: 14900 Coleman Road, San Jose, California

Description of Contract: Mineral lease bond - Contract No. 1117.
(INCLUDE LOCATION AND OWNER'S CONTRACT NUMBER)

Owner: U.S.A.

Contract Price $ _____ Bond(s) $ 15,015.00 Effective Date 7-31-57

Without prejudicing your right or affecting our liability under our bond(s) described above, we would appreciate such of the following information as is now available.

Very truly yours,

UNITED PACIFIC INSURANCE COMPANY

By J. Sibilia
J. Sibilia - Bond Department

1. IF CONTRACT COMPLETED, PLEASE STATE:
   Approximate date of completion of work (or final delivery) October 1, 1957
   Approximate acceptance date ~~Termination Agreement May 19, 1958~~
   Final Contract Price $4,269.60

2. IF CONTRACT UNCOMPLETED, PLEASE STATE:
   Approximate percentage or dollar amount of contract completed or delivered 28.4 percent

3. Do you know of any unpaid bills for labor or material (Check) Yes _____ No x

4. Remarks: (If any) ~~The Palo Alto Mining Corporation will be free of any obligation on October 21, 1958. This is the final date on which they will be free of any obligation to pay royalty on production.~~

Date August 8, 19 58

Signature C. Mittendorf

Title Administrator, Defense Minerals
Exploration Administration

PLEASE RETURN ORIGINAL OF THIS INQUIRY TO: →

UNITED PACIFIC INSURANCE COMPANY
SAN FRANCISCO BRANCH
206 SANSOME STREET
SAN FRANCISCO 4, CALIFORNIA

FEDERAL CASES TO BE SUBMITTED IN DUPLICATE. STAMPED ADDRESSED ENVELOPE TO BE ATTACHED.

ATTENTION _____

B-1309 D Federal contracts only

OFFICIAL FILE COPY
DMEA
RECEIVED AUG 1 1958

DATE	INITIALS	CODE
8/1/58	N.g.	225
	WSM	400

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

July 31, 1958

Memorandum

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

From: Assistant Chief, Branch of Base Metals

Subject: Review of Field Team final report, Docket No. DMEA 4703 (mercury), Palo Alto Mining Corp., East Ridge Workings, Guadalupe mine, Santa Clara County, California, Contract No. Idm-E1117.

Exploration completed under the contract consisted of 3,200 linear feet of surface trenching and 3 churn drill holes totaling 150 feet at a total cost of $5,692.80.

Although some mercury mineralization was noted and three tons of material averaged 33 pounds of mercury per ton were found by the work, no ore was discovered in place.

I concur with the recommendation of the Field Team that no Certificate of Discovery be issued.

J. W. Pennington

J. W. Pennington

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

DMEA

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

July 24, 1958

		CODE
7/29	C	220
	WSM	400

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Enclosed are two copies of a General Form Status Inquiry from the United Pacific Insurance Company. The forms are made out for the Administrator's signature.

Our final report was mailed on July 24. The following data I believe can be used in filling out form:

(1) Work completed October 1, 1957
Termination Agreement May 19, 1958
Total cost $5,692.80
Gov't. participation $4,269.60

$20,020
15,015

(2) Contract completed.

(3) No.

(4) Work was carried out in a satisfactory manner.

S. Ricker

Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

July 23, 1958

DMEA
RECEIVED JUL 25 1958
DATE | FILE
7-25 C 220
ey 130
" 110
ey 130
C 290
WSM 400

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Enclosed are three copies of our final report on subject project by B. H. Sheahan, Bureau of Mines, and H. K. Stager, Geological Survey.

Roscoe Smith and I concur in the recommendation that a Certificate of Discovery should not be issued.

S. Ricker

Attachments —

Reviewed by
DMEA OPERATING COMMITTEE
8/1/58
(date)

OFFICIAL FILE COPY
DMEA
RECEIVED 2 3 1958

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

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION II

FINAL REPORT

DMEA-4703, Contract Idm-E1117 (Mercury)
Palo Alto Mining Corporation
East Ridge workings, Guadalupe mine
Santa Clara County, California

FINAL FT'S REPORT

by

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

H. K. Stager
U. S. Geological Survey

July 21, 1958

Reviewed by
DMEA OPERATING COMMITTEE
8/1/58
(date)

CONTENTS

Page

Introduction 1

Summary 2

Conclusions and Recommendations 2

Location, Accessibility, and Local Facilities 3

The Property 4

History and Ownership . . . 4
Claims 5
Development 6
Production 7

The DMEA Project 8

Geology 9

Geologic Setting 9
Ore Deposits 11
Sampling 13

Ore Reserves 13

ILLUSTRATIONS

Figure 1 . . . . . Index map

2 . . . . . Property map

3 . . . . . Geologic map of Guadalupe mine area

4 . . . . . Cross sections through mine area

INTRODUCTION

The East Ridge area of the Guadalupe mine, Santa Clara County, California (fig. 2) was explored by the Palo Alto Mining Corporation, 14900 Coleman Road, San Jose 24, California, in cooperation with the Defense Minerals Exploration Administration, docket DMEA-4703 (Mercury), contract Idm-E1117 dated July 31, 1957. The total cost of the DMEA project was $5,692.80, of which the Government's share at 75 percent was $4,269.60. Exploration work under provisions of the contract was started August 28, 1957 and the work was discontinued October 1, 1957. A Termination Agreement was signed on May 19, 1958.

An examination of the property to evaluate the work was made on February 13, 1958 by B. H. Sheahan, U.S. Bureau of Mines, and on April 17, 1958 by H. K. Stager, U.S. Geological Survey, accompanied by Mr. Virgil Herring, field supervisor, representing the operator.

Almost all of the underground workings are inaccessible. The U.S. Geological Survey, U.S. Bureau of Mines, and the California State Division of Mines have compiled and published considerable information concerning the property and parts of this report are taken from these publications.

SUMMARY

The purpose of the project was to explore the contact zones of several silica-carbonate bodies, exposed in the East Ridge area, considered favorable for the localization of cinnabar ore bodies. The project was justified by past production of about 115,000 flasks of mercury and the presence of rich cinnabar-bearing float in the project area.

About 3,200 linear feet of bulldozer trenches having a volume of about 12,765 cubic yards was excavated and 150 feet of churn drilling, in three holes each 50 feet deep, was completed. Several small concentrations of cinnabar-bearing landslide material were found by this work and three tons of ore that averaged about 33 pounds of mercury per ton was recovered and retorted at the property. The work was not successful in finding minable ore in place.

The operator's final report, dated April 16, 1958, was received by the Region II Executive Officer and transmitted to the DMEA Operating Committee on April 23, 1958.

CONCLUSIONS AND RECOMMENDATIONS

The East Ridge area was adequately explored by surface trenching and three shallow churn drill holes but the exploration was not successful in discovering ore in place. Fragments of landslide material containing

cinnabar were found by the trenching and about three tons of ore was recovered. All royalties on production have been paid.

Several exploration targets exist on the property northeast of, and outside of, the DMEA area. The operator is exploring this area without Government assistance.

We recommend that no Certificate of Discovery be issued.

LOCATION, ACCESSIBILITY, AND LOCAL FACILITIES

The Guadalupe mine is on Los Capitancillos Ridge at an altitude of 400 to 770 feet in the Santa Cruz Range, 5 miles northwest of the New Almaden mine, and in an old land grant between sections 19 and 30 in T. 8 S., R. 1 E., M.D.B.&M., Santa Clara County, California.

The property is 6.4 miles east of Los Gatos, California, by way of State Highway 17, Blossom Hill, Hicks, and Coleman roads. All of the roads are in good condition and are maintained by the State or by the County.

Climate: Permits all-year operations.

Labor: Available in the district.

Wage Scale: Miners $1.85 per hour.

Water and Power: Available on the property.

Mail: Delivered daily to the mine office.

Telephone: Installed at the mine.

Supplies: Available at San Jose or at San Francisco.

THE PROPERTY

History and Ownership:

The cinnabar deposits at the Guadalupe mine were discovered in 1846 shortly after the discovery of the New Almaden mine. The mine was first developed and operated by the Santa Clara Mining Association in 1856. From 1886 until 1900 the mine was idle because of litigation. Work was resumed by H. C. Davey who organized the Century Mining Company in 1900 and purchased the property. The company was reorganized in 1906 under the name of New Guadalupe Mining Company. After two years of idleness operations were again resumed and continued until 1920. From 1922 until 1938 the mine was practically idle and most of the workings flooded and caved. In 1938 the Laco Mining Company leased the property from the owners, H. S. Young, R. G. Hudson, B. F. Rabinowitz, the estate of J. S. Gregory, and Matt Wahrhaftig. Several groups of leasers have operated the mine for the past twenty years. In recent years work has been confined to shallow surface workings.

Mr. and Mrs. James Rolph III purchased the mine and other land in the vicinity in 1955. Deeds are recorded at San Jose, Santa Clara County, California, under file number 1168132. The Palo Alto Mining Corporation purchased a lease obtained by W. L. MacKinnon in 1955 and subsequently obtained another lease directly from the owners on August 27, 1956.

Officers of the corporation are:

S. S. Ridgely, Sr.----------President

Fred H. Smith----------Vice president

George E. Carlson----------Vice president

V. Herring----------Secretary-Treasurer

V. B. Latham----------Assistant secretary

Corporation papers are filed under number 233659 with the California Secretary of State.

Claims:

The property consists of approximately 364 acres of land bounded by Guadalupe Creek, a gully, and the Senator mine, as indicated on the attached map, figure 2. Land included in the DMEA contract area is described as follows: "Beginning at the intersection of coordinates 4000 N and 4000 E in the Guadalupe mine area located approximately 500 feet due north and approximately 960 feet due east of the collar of the Guadalupe inclined shaft and running 480 feet due east to a point; thence 370 feet due north to a point; thence 750 feet due east to a point in the boundary line between the Guadalupe and Senator mine areas; thence 820 feet approximately S. 45° W. along said boundary line to a point on the 3000 N coordinate; thence 650 feet due west to the intersection of coordinates 4000 E and 3000 N; thence 1000 feet due north to the point of beginning; containing 27.04 acres more or less."

Palo Alto Mining Corporation provided a Performance Bond, dated July 31, 1957, in lieu of a Consent-to-Lien and Subordination Agreement.

Development:

There are more than five miles of underground workings at the Guadalupe mine, but only a few hundred feet of these workings are now accessible. The old mine area to the south of Guadalupe Creek was first developed by a 625-foot vertical shaft. This section of the mine was abandoned because of difficult water problems and depletion of the ore body. Deposits to the north of the old mine area were developed by the New Guadalupe incline shaft and by several crosscuts.

Most of the ore now being recovered is obtained from high-grade pods of cinnabar scattered in landslide material at the north edge of the property. Open cut trenches are excavated with a bulldozer and a leaser follows behind the machine and searches for fragments of rock containing cinnabar which are placed in a 5-gallon bucket and hauled to the company retort. The sorting ratio varies but evidently averages about 400 tons of waste to one ton of ore.

Some low-grade material is mined from the Kelly Hill area and is up-graded in a washing and jigging plant that is owned and operated by a sub-leaser. About one ton of concentrates is now being obtained daily

from 50 tons of heads. Several leasers are engaged in selective mining operations in shallow pits and adits.

The operator owns miscellaneous shop and retort equipment, two portable air compressors (105 c.f.m. and 45 c.f.m. capacity) with jackhammer and drill steel, one D-953 loader, and a 7.5-t.p.d. retort plant. Bulldozing equipment is furnished by the lessors.

Production:

The mine ranks sixth in total production of quicksilver in California. About 116,000 flasks of mercury has been produced. The current rate of production is about 40 flasks per month.

A summary of production data in recent years follows:

Year	Flasks Mercury	Lessee and Operator
1947	193	M. L. Burrell
1948	None	C. Burrell
1949	27	A. S. Burrell
1950	35	A. S. Burrell and W. L. Taylor
1951	44	A. S. Burrell
1952	132	A. S. Burrell
1953	175	A. S. Burrell and W. L. MacKinnon
1954	168	W. L. MacKinnon, et al.
1955	52	Palo Alto Mining Corporation
1956	904	Palo Alto Mining Corporation
1957	1157	Palo Alto Mining Corporation
to July 1958	242	Palo Alto Mining Corporation

The Palo Alto Mining Corporation supervises operations and furnaces the ore mined by about five groups of sub-leasers consisting of one to three men in each group. At the present time 10 to 15 men are employed. The sub-leasers provide all labor, supplies, equipment, and insurance. A split-check system is utilized, and the sub-lease can be cancelled by the corporation at any time.

The corporation pays a royalty to the owner of the property, based upon the market price of mercury, which now amounts to about 10 percent of the gross revenue from production.

The corporation has a contract with Goldsmith Bros. Smelting and Refining Company of Chicago, Illinois, to purchase the entire production of the mine at the current market price, less handling and shipping charges.

THE DMEA PROJECT

Exploration authorized by the contract consisted of 40,000 cubic yards of excavation in about 2,500 linear feet of surface trenches. Stage II of the contract provided for 1,000 feet of exploratory churn drill holes.

Work was started on August 28, 1957 and was discontinued on October 1, 1957. Work completed under Stage I consisted of the excavation of 12,765 cubic yards in about 3,200 linear feet of trenches. Several small concentrations of cinnabar-bearing float were found in landslide material but no ore was found in place. Three 50-foot churn drill holes were drilled but none of these encountered cinnabar-bearing material.

Three tons of hand-picked ore averaging about 33 pounds of mercury per ton was produced from landslide material in the Stage I area. The ore was treated in company-owned retorts and 92 pounds of mercury was recovered and sold.

The operator requested, by letter dated January 22, 1958, that the contract be terminated and a Termination Agreement was signed on May 19, 1958.

Expenditures

Units, unit costs, and total expenditures:

Supervision, 1-1/2 mos. @ $672.00/mo.	$1,008.00
Trenching, 12,765 cu.yds. @ $0.32/cu.yd.	4,084.80
Churn drilling, 150 ft. @ $4.00/ft.	600.00
Total	$5,692.80

Estimated total cost of the project	$20,020.00
Government participation at 75 percent	15,015.00
Total expenditures	5,692.80
Government's share of total expenditures	4,269.60
Unexpended funds	14,327.20
Government's share of unexpended funds at 75 percent	10,745.40
Value of production during operations, subject to DMEA royalty	261.28
Royalty paid to the Government	13.06

GEOLOGY

Geologic Setting:

The Guadalupe mine is in an area of moderate relief on the east flank of the Santa Cruz Mountains. The surface is almost completely covered with alluvium and landslide material that

in places is more than twenty feet thick. Because of the cover there are few outcrops. The rocks exposed in the vicinity of the mine are chiefly shale, arkose, and graywacke of the Franciscan formation of probable Cretaceous age (fig. 3). These rocks have been intruded by sills of peridotite which have been serpentinized and in many places further altered to form resistant bodies of silica-carbonate rock.

The sedimentary rocks in general strike northwest and dip steeply southwest. They erode readily to thick soil and form rounded, grass- and brush-covered slopes. Interbedded with the clastic sediments are more resistant beds and lenses of chert, limestone, and altered mafic lavas and tuffs called greenstone. Along the serpentine contacts is found a mixture of highly sheared shale and clayey gouge called "alta".

The serpentine is sill-like in form and consists of boulders as much as several feet in diameter in a matrix of sheared serpentine. The unsheared boulders have relic textures of olivine and pyroxene. Many of the margins of the serpentine bodies have been hydrothermally altered to silica-carbonate rock containing a mixture of quartz and magnesian carbonates.

The rocks have locally been intensely sheared and folded but few major faults have been recognized in the area. The most important structures related to the ore deposits are steep northeast-trending fractures in the silica-carbonate rocks. These fractures are abundant near the margins of the silica-carbonate bodies and it is along these fractures that most of the ore deposits are localized.

The exploratory work in the DMEA area (fig. 3) revealed that most of the area is covered by landslide material and little, if any, of the silica-carbonate rock is in place. At the surface erosion has removed the serpentine and shale fragments from the landslide masses leaving a mantle of the more resistant silica-carbonate rock that gives the appearance of being in place. When cut by trenches and drill holes however, this mantle was found to be about three to five feet thick and is underlain by a jumbled mass of silica-carbonate rock, serpentine, and shale fragments that overlie serpentine, shale, and sandstone.

Ore Deposits:

The deposits consist chiefly of vein-like replacements of cinnabar along steep northeast-trending fractures in silica-carbonate rock along and near the shale contacts.

The only ore mineral of economic importance is cinnabar that occurs chiefly as a replacement of silica-carbonate rock. The replacement extends only a few inches from fractures but commonly is of exceptionally high grade. Many of the large ore bodies were formed where fractures were so closely spaced that all of the intervening silica-carbonate rock was replaced. Gangue minerals are quartz, dolomite, and pyrite.

The ore bodies that have been mined range from small lenses a few feet across, containing several hundred pounds of ore, to large vein-like bodies 40 feet thick, 150 feet long, extending down dip for as much as 1,000 feet, and containing many thousands of tons of ore. The ore bodies are unusually localized near the contact between silica-carbonate rock and shale. Where the contact is gently dipping the cinnabar was deposited in structural highs such as the tops of folds or domes, but where the contact is steeply dipping the ore was deposited where the northeast-trending fractures were abundant.

Several small concentrations of cinnabar-bearing silica carbonate rock, consisting of a few fragments to about a ton of ore each, were found by the DMEA trenches. None of these concentrations, however, could be traced to ore-in-place and it is inferred that they are the remnants of ore bodies that cropped out in the main mine area to the

west and were transported to their present position by northeast-sliding masses that moved before the erosion of the present valley of Guadalupe Creek.

Sampling:

During the period of the contract four samples were taken of silica-carbonate rock in landslide material exposed by the trenches (fig. 3). A few small hand specimens of cinnabar float were taken but were not assayed because the grade could be estimated.

Sample No.	Width, feet	Lbs. Hg per ton	Description
S-700	2.0	0.2	Silica-carbonate, Trench No. 11
S-701	2.0	0.5	Silica-carbonate, Trench No. 11
S-702	1.0	0.5	Silica-carbonate, Trench No. 16
S-703	1.0	0.3	Silica-carbonate, Trench No. 16

Sludge from the three churn-drill holes was panned by the driller and field supervisor. Except for a few fragments of silica-carbonate near the surface the first two holes were in serpentine and the third hole was in shale (fig. 3).

ORE RESERVES

There are no measured or indicated ore reserves in the DMEA project area. All of the exposures of cinnabar-bearing material have been mined to the economic limit. It is inferred that there are other small concentrations of cinnabar-bearing landslide material in the project area similar to those that were exposed by the DMEA trenches.

Ore of this type probably does not total more than about ten tons that averages about 35 pounds of mercury per ton. The cost of finding and sorting this ore will exceed the value of the contained mercury.

Reserves of ore on the Guadalupe property, outside of the DMEA area, have not been estimated by the operator but are probably sufficient to sustain the present rate of production for one year.

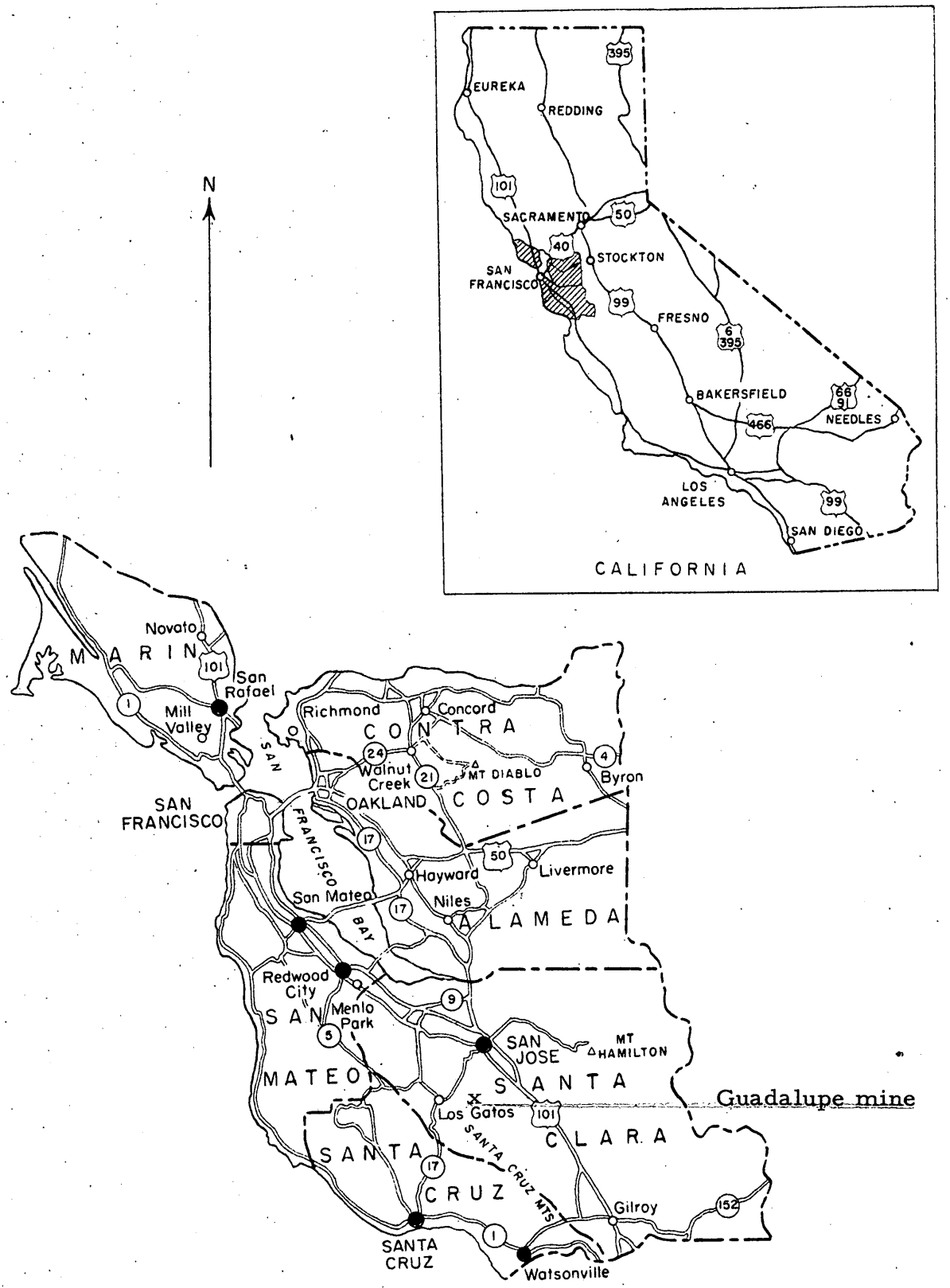


Figure 1. INDEX MAP OF ALAMEDA, CONTRA COSTA, MARIN, SAN FRANCISCO, SAN MATEO, SANTA CLARA, AND SANTA CRUZ COUNTIES, CALIFORNIA

0 20 40 60 Miles

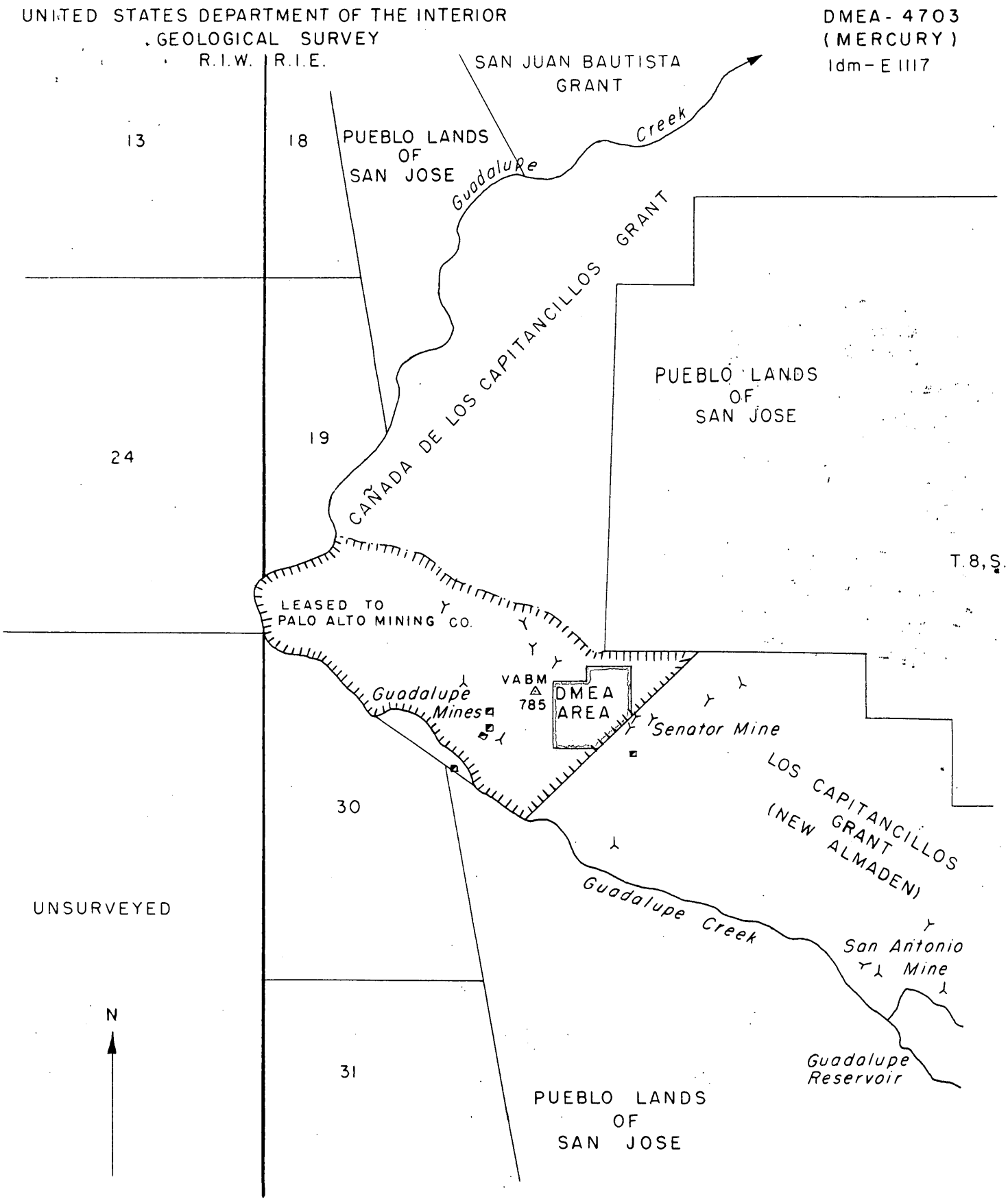


FIGURE 2. PROPERTY MAP, GUADALUPE MINE, SANTA CLARA COUNTY, CALIFORNIA

1000 0 1000 2000 3000 FEET

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

June 4, 1958

DMEA
FILE COPY
DMEA
RECEIVED 9 1958
DATE
6/9 HG- 225
WSM YOU

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Enclosed are the Government's and Audit copies of Termination Agreement, executed by the Operator.

The remaining copies have been distributed in the usual manner.

S. Ricker

Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevadd

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 5 1958

DATE	INITIAL	CODE
6/5	C	220
6/5	[illegible]	800
	WSM	400

June 3, 1958

Mr. Stephen S. Ridgely, Sr.
14900 Coleman Road
San Jose 24, California

Re: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Dear Mr. Ridgely:

The terms, under which performance bond relative to referenced contract can be terminated, are:

(1) The termination agreement shall be signed by the operator.

(2) Any royalty obligation that may have been incurred during the period ending October 21, 1958 shall have been cleared.

(3) All or any obligation under the contract shall have been completed.

You have already complied with item (1). Item (3), I believe, is now in order but I must take this up with our Auditor who will return from a business trip in a few days. Item (2) is the only delay which should be cleared up by October 21, 1958. This is the date for the Government's final consideration of certification within six months after receipt of your final report, which was received in our Washington office on April 21, 1958. If the property is not certified by that date,

Rec'd Reno Apr 18
See by Ricker Apr 21 WSM
Sent to Wash Apr 23
Rec'd " Apr 25 1/29/59

you will be free of any further obligations.

I would suggest that you have the performance bond extended for a three months' period.

Very truly yours,

S. RICKER

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:ft
cc: Opr. Com., DMEA, Wash., D.C. (2)
Finance Office, Region II
GeoMavor
RMSmith
File
Chron

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5-27	Chapman	400
5-27	Martin	400
5-27	Champlin	800
5/28	Selfridge	430
"	Johnson	110
"	Greenwood	100
9-9	C D	220

MAY 28 1958

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

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe mine
Santa Clara County, California
Contract No. Idm-E1117

Dear Mr. Ricker:

Reference is made to your memorandum of May 19, 1958, with enclosed copy of letter dated May 16, 1958, from the Operator, concerning performance bond on the above-noted contract.

We would prefer to have you advise the Operator that the following conditions must be met before it may terminate the performance bond:

1) The termination agreement shall be signed by it,

2) Any royalty obligations that may have been incurred during the period ending October 21, 1958, shall have been cleared, and

3) All or any other obligations under the contract shall have been completed.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GHB)

APPROVED:

Frank D. Lamb (GHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (GHB)
Member, Geological Survey

cc to: FT. REG. II
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

TLCHAPMAN/foc 5-27-58
cc to: Code 400
Admr. R. File
Oper. Comm.

8623

Mr. Selfridge -

We cannot release Performance Bond until all obligations are completed, term-agreement signed, Operator's Final Report received, all royalty cleared for 6 months after OFR received.

FEJohnson

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5/26	Chapman	400
5/26	Martin	400
		130
		110
		100
		220
		330

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

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe mine
Santa Clara County, California
Contract No. Idm-E1117

Dear Mr. Ricker:

Reference is made to your memorandum of May 19, 1958, with enclosed copy of letter dated May 16, 1958, from the Operator, concerning performance bond on the above-noted contract.

We would prefer to have you advise the Operator that ~~as soon as the project has been terminated~~ conditions must be met before the following it may terminate the performance bond:

1) the termination agreement shall be signed by it,
2) any royalty obligations that may have been incurred during the period ending October 21, 1958, shall have been cleared, and
3) ~~all~~ all or any other obligations under the contract shall have been completed.

Sincerely yours,

Chairman, Operating Committee

TLCHAPMAN:foc
5-26-58
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

APPROVED:

Member, Bureau of Mines

Member, Geological Survey

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

ORIGINAL FILE COPY
DMEA
RECEIVED MAY 29 1958
5/29 C 220
WSM 400

May 27, 1958

Mr. Stephen S. Ridgely, Sr.
14900 Coleman Road
San Jose 24, California

Re: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
Guadalupe Mine, E. Ridge Workings
Santa Clara County, California
Contract No. Idm-E 1117

Dear Mr. Ridgely:

Enclosed are the original and four copies of a proposed Termination Agreement to the above-referenced contract, signed by the Administrator for the Government.

If the terms and conditions of the proposed agreement are satisfactory to you, all five copies should be signed by your firm. The copy marked "Operator's copy" should be retained by you and the original and other three copies should be returned to this office.

If any part of the agreement does not meet with your approval, the original and all copies should be returned to this office together with your proposed changes.

Your final report has already been submitted and the execution of the agreement will, I believe, conclude the project.

We have appreciated your cooperation and interest in the DMEA program.

Very truly yours,

S. RICKER
S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments

SRicker:ft
cc: Opr. Com., DMEA, Wash., D.C. (2)
Finance Office, Reg. II
GeoMavor
RMSmith
File
Chron

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

May 19, 1958

DMEA
OFFICIAL FILE COPY
DMEA
RECEIVED MAY 21 1958

DATE	NOTES	
5/21	C	220
	WSM	400

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
Guadalupe Mine, E. Ridge Workings
Santa Clara County, California
Contract No. Idm-E 1117

Enclosed are two copies of a letter dated May 16, 1958 from the Operator, requesting information on their performance bond.

Please advise us what action we should take, if any. Probably this question will be handled through the Washington office.

S. Ricker

Attachments

ALO ALTO MINING CORP.

Miners and Millers of
CHROME and
CINNABAR ORE

STEPHEN S. RIDGELY, SR.	FRED H. SMITH	GEORGE E. CARLSON	VIRGIL R. HERRING	VETA LATHAM
President	*Vice-President*	*Vice-President*	*Secretary - Treasurer*	*Asst. Secy - Treas.*

14900 COLEMAN ROAD
SAN JOSE 24, CALIFORNIA
PHONE ANdrews 9-2610

Bank Reference
AMERICAN TRUST CO.
CAMPBELL, CALIFORNIA

Legal Counsel
BARNETT AND BARRETT
SAN JOSE, CALIFORNIA

MILL LOCATION, COYOTE CREEK ROAD
NORTH OF BAYSHORE OVERPASS
SAN JOSE, CALIFORNIA
CYPRESS 3-6015

DMEA

May 14, 1958

5/19/58 recd by

Mr. S. Richer
DMEA Field Team, Region II
Defense Minerals Impl. Administration
1005 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA-4703 Mercury
Palo Alto Mining Corporation
Guadalupe Mine, Fr. Elmo Workings
Contract No. DMEA-F 1117

Dear Mr. Richer:

We received notice yesterday of the closing out of our contract by the Audit Division. I wish to thank you for the splendid cooperation we have received from your office.

Our performance bond will soon be due for renewal. Please send me information concerning the proper procedure for cancelling this bond.

Very truly yours,

PALO ALTO MINING CORPORATION

Stephen S. Ridgely, Sr.

SSR:vil

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5-16	Chapman	400
5-16	Martin	400
5-19	Chambers	800
5/19	GCS	130
"	Johnson	110
"	Pinkerton	1000
5/20	H.S.P.	220
		400

MAY 20 1958

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

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe mine
Santa Clara County, California
Contract No. ldm-E1117

Dear Mr. Ricker:

Enclosed are the original and four copies of a proposed Termination Agreement to the above referenced contract, signed by the Administrator for the Government. Two extra copies are enclosed for the use of the Field Team.

If the terms and conditions of the proposed agreement are satisfactory to you and the Operator, all five copies should be signed by the Operator and the usual distribution made.

If any part of the proposed agreement does not have your approval or that of the Operator and cannot be altered within your delegated authority, the original and all copies are to be returned to this office, together with the proposed changes for consideration.

Sincerely yours,

Enclosure

APPROVED:

George C. Selfridge

Chairman, Operating Committee (S/S)

P. F. Yopes (S/S)
Member, Bureau of Mines

Thor H. Kiilsgaard (S/S)
Member, Geological Survey

TLCHAPMAN/dlm 5-16-58 dlm
cc to: Code 400
Admr. R. File
Oper. Comm.
REGION II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5/14	Talbert	800
5/15	C	220
5/15	M S Martin	400

MAY 14 1958

E. Dallas Talbert

Defense Minerals Exploration Admin.

14X4401(01) Revolving Fund, Defense Production Act, Interior, (Transfer to Office of Secretary)

MR. GEORGE MAVOR
DMEA AUDITOR
420 CUSTOM HOUSE
555 BATTERY STREET
SAN FRANCISCO 11, CALIFORNIA

REPORT OF REVIEW, DMEA-4703, E1117, PALO ALTO MINING CORPORATION, APPROVED AND USUAL DISTRIBUTION AUTHORIZED.

(Signed) E. D. Talbert

E. D. TALBERT, ACTING DIRECTOR
CONTRACT ADMINISTRATION
AND AUDIT DIVISION

EDTalbert/ama
May 14, 1958

Copy to: Docket
Amr. Reading File
Mr. Chambers

8623

Form 7
-56)

OFFICIAL FILE COPY

Date	Surname	Code
5/12	Talbert	800
5/12	C	220
	WSM	600

MAY 12 1958

E. D. Talbert

Defense Materials Procurement Admin.
14X4401(01) Revolving Fund, Defense
Production Act, Interior, (Transfer
to Office of Secretary)

Mr. George Hover
DMEA Auditor
450 Custom House
555 Battery Street
San Francisco 11, California

ROYALTY AUDIT DMEA-2826, IDM-2551, PROVIDENCE TUGLIMF, APPROVED AND USUAL DISTRIBUTION AUTHORIZED. ALSO RE DMEA-4703, IDM-21117, PALO ALTO, TERMINATION AGREEMENT NOT REQUIRED FOR ISSUANCE OF REPORT OF REVIEW.

(Signed) E. D. Talbert

E. D. TALBERT, ACTING DIRECTOR
CONTRACT ADMINISTRATION
AND AUDIT DIVISION

CEFisher/EDTalbert/ama
May 12, 1958

Copy to: Docket - DMEA-4703
Admr. Reading File
Mr. Chambers

OFFICIAL FILE COPY

Date	Surname	Code
5-15	Chapman	400
	Martin	400
		110
		100
		220

May 7, 1958

MEMORANDUM

To: Administrator, DMEA

From: Division of Iron and Ferro-Alloys, DMEA

Subject: Termination before completion and Summary of subject project.
Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E703

Termination before completion of the project is requested by the Operator in his letter of January 22, 1958, and concurred in by memorandum of March 10, 1958, by S. Ricker.

On March 18, 1957, the Palo Alto Mining Corporation, applied for exploration assistance on the East Ridge of the Guadalupe Mine by trenching and churn drilling at an estimated cost of $50,000.00

On May 1 and 2, 1957, a field examination of the property was made by B. H. Sheahan, Bureau of Mines, and H. K. Stager, Geological Survey, respectively, accompanied by Mr. V. R. Herring, secretary-treasurer, and field supervisor, for the corporation. The Field Team recommended a project of trenching and churn drilling, estimated to cost $20,000.00.

Applicant: Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

Property Ownership: The Guadalupe mine in the Santa Cruz Range, between sections 19 and 30, T. 8 S., R. 1 E., M.D. B. & M., Santa Clara County, California
The land referred to in Article 2 of the of the Contract is a portion of a 300 acre tract, located south of San Jose, Santa Clara County, California. The Operator is in possession of the tract by virtue of a lease executed August 27, 1956, from the owners, James Rolph III and wife, June E. Rolph. The area included in the Contract amounts to 27.04 acres. In lieu of a Consent to Lien and Subordination Agreement, the Operator furnished a Performance Bond.

Geology: The proposed project explored a small ridge north of the main Quadalupe mine. The area was almost completely covered with alluvium and landslide. The rocks exposed are chiefly shale, arkose and graywacke of the Franciscan formation. These rocks have been intruded by sills of peridotite which have been serpentinized and at places further altered to form bodies of silica-carbonate rock. Interbedded with the above sediments may be found chert, limestone and altered lavas and tuffs. The rocks locally have been intensely sheared and folded.
Ore deposits are mainly vein-like replacements along steep northeast trending fractures in silica-carbonate rock along and near the shale contacts. The ore occurrence is in the form of cinnabar. Ore bodies mined in the Guadalupe mine have consisted of lenses, pods and large bodies down to 1000 feet on the dip.

Past History and Production: The ore deposits of the Quadalupe mine were discovered in 1846 and the total production is about 115,000 flasks of mercury. Of late the property is being worked by leasers.

Development: The workings of the property are extensive, but are nearly all inaccessible due to flooding and caving.

Contract: Executed July 31, 1957, the following Contract was issued to the Applicant:
The work was divided into two stages.

Stage I. Work to consist of 2,500 linear feet of trenching, with an average width of 21.6 feet and depth of 20 feet, and an aggregate volume of 40,000 cubic yards. The estimated cost of Stage I to be $14,996.00

Stage II. Churn drill a maximum of 1,000 feet, each hole not to exceed 25 feet and not less than 6 inch in size. The estimated cost of Stage II to be $5,024.00.

The estimated total cost of the project	$20,020.00
Government participation, 75 percent	$15,015.00

Work Completed:

Completed work was as follows:

12,765 cubic yards of trenching @ $0.32/cubic yard	$4,084.80	
Churn drilling, 150 feet @ $4.00/ft.	600.00	
Supervision	1,008.00	
Total (subject to audit)		$5,692.80

Ore Values and Tonnage:

No ore was found by the completed work and there are no reserves.

Royalties: 92 pounds of mercury were produced from ore saved and a royalty of $15.75 was paid.

- 2.69 overpayment returned

13.06 net royalty paid

Comments and Recommendations:

As no ore was found with the work done on the project, the Operator requested termination and the Field Team concurred.

W S Martin

W. S. Martin, Director
Division of Iron and Ferro-Alloys

TLCHAPMAN/dlm 5-7-58

cc to: Code 400
Admr. R. File
Oper. Comm.
Mr. Johnson

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
5-7	Chapman	400
5-7	Martin	400
		140

May 7, 1958

MEMORANDUM

To: Associate Solicitor, Division of Mineral Resources

From: Division of Iron and Ferro-Alloys, DMEA

Subject: Preparation of Termination Agreement
Docket No. DMEA 4703- Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe mine
Santa Clara County, California
Contract No. Idm-E1117

Attached is a rough draft of a proposed Termination Agreement for the above-captioned contract for your use in preparing it in final form.

W. S. MARTIN

W. S. Martin, Director
Division of Iron & Ferro-Alloys

Attachment

TLCHAPMAN/dlm 5-7-58
cc to : Code 400

8623

TERMINATION AGREEMENT

It is agreed this _____ day of _____, 1958, between the United States of America, acting through the Department of the Interior, Defense Minerals Exploration Administration, hereinafter called the "Government", and Palo Alto Mining Corporation, hereinafter called the "Operator", parties to that certain Exploration Project Contract No. Idm-E1117 (Docket No. DMEA-4703) dated July 31, 1957, hereinafter called the "Contract", that:

1. No work or operation provided for in said contract shall be performed after November 30, 1957.

2. The Government shall contribute only to the agreed unit cost of work performed prior to December 1, 1957.

3. The Operator shall promptly perform all winding-up and settlement actions provided for in the Contract, including the rendering of final report and final account.

4. The Operator hereby releases and agrees to save the Government harmless from all claims or demands under or arising out of said Contract, except as otherwise provided for in this Termination Agreement.

5. All rights of the Government respecting percentage royalty and liens to secure the payment thereof, reports (including the preservation of Operators records), accounts, audits, the right to recover any overpayment, are hereby preserved.

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

PALO ALTO MINING CORPORATION

By _____

Title _____

THE UNITED STATES OF AMERICA

By _____
Administrator, Defense Minerals Exploration Administration

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
		220
4/29	J.L.	220
	W.S.M.	400

APR 28 1958

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

Re: Idm-E1117, DMEA-4703
Palo Alto Mining Corporation

Dear Mr. Mavor:

In my opinion the Operator of the above-cited project made claim for his royalty overpayment when he wrote to Mr. Ricker stating that he had miscalculated the royalty. This claim may be repaid at any time. However, if he is satisfied to deduct it from a future royalty payment it will be all right.

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

JLChambers/ama
April 28, 1958

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

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

April 23, 1958

OFFICIAL FILE COPY
DMEA
RECEIVED APR 25 1958

DATE		CODE
4/25	H.S.	220
4/28		800
	WSM	400

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
Guadalupe Mine, E. Ridge Workings
Santa Clara County, California
Contract No. Idm-E 1117

Enclosed are three copies of Operator's final report on subject contract. We recommend that the report be accepted.

S. Ricker

Attachments

OPER'S FINAL REPT

Oper.'s Final Report

BUREAU OF MINES
WASHINGTON, D. C.
APR 25 9 28 AM '58

April 16, 1958

OFFICIAL FILE COPY
DMEA
RECEIVED APR 25 1958
DATE
REFER TO
ANSWERED

To: Defense Minerals Exploration Administration
1605 Evans Avenue
Reno, Nevada

From: Palo Alto Mining Corporation
14900 Coleman Road
San Jose, California

Re: DMEA No. 4703 (Mercury)
Contract No. Idm-E 1117
Guadalupe Mine - East Ridge Workings
Santa Clara County, California

The East Ridge Exploratory program was started approximately on September 10, 1957, and completed in November, 1957. Trenching and drilling were the methods of operation. The costs of the program are below.

Trenching	12764 cubic yards @ $0.32	$ 4120.30
Churn Drilling	150 feet @ $4.00	600.00
Supervision		1008.00
	Total	$ 5710.30

The project was based on an attempt to trench the contacts between the serpentine and silica carbonate, as evidenced from the surface maps. The float ore, which was originally found and which lead to the project, lead to no positive ore bodies or indications of same except at the points which were drilled. The drilling developed no ore. A total of 92 pounds of mercury was recovered from the float ore during the operation. The sale price was $261.28, and 5% royalty has been paid to the Government on this ore.

While the surface maps showed contacts, the trenching work showed numerous shifts in the contacts. The surface mapping in many instances did not hold true at the trench depths. The drill holes were put down in serpentine where it appeared logical to locate the ore at depth, however the holes were barren and there were no change of formations. The consenus of opinion is that the ore is possible at depth but that the expense of finding it could be very substantial.

It was recommended that the work be stopped, in view of the fact that the ore could not be located on the East Ridge.

PALO ALTO MINING CORPORATION

Stephen S. Ridgely, Sr.
President

Virgil R. Herring
Secretary & Treasurer

Form 7
(2-56)

OFFICIAL FILE COPY

Date	Surname	Code
4/15	Fisher	800
4/16	C	220
	WSM	400

APR 15 1958

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

Re: Idm-F1117, DMEA-470
Palo Alto Mining Corporation

Dear Mr. Mavor:

Article 5(c) of the subject contract provides that the operator's final report shall be due "upon completion of the work or termination of the Government's obligation to contribute to costs". Article 6(a) and (b) provides that certification may be made "at any time not later than six months after the Operator has rendered a sufficient final report" and, regardless of any certification, royalty shall be payable on production from the date of the contract "until the lapse of time within which the Government may make such certification . . . ".

Thus, so far as the period of the operator's liability for royalty in connection with an uncertified project is concerned, it is unimportant whether the exploration was completed or the contract was terminated. What is important is the date of receipt of the operator's final report.

Usually there is no production, or only a small amount of production, between the date of the contract and 6 months after receipt of the operator's final report in connection with uncertified projects. Because of the relatively small amount of royalty due it is felt that the royalty audit or report of royalty review can well be deferred until the end of the 6 month period.

In some instances, the royalty audit or review may be waived if the Government representatives are reasonably certain that royalty has been paid on all of the incidental production during the exploration period and 6 months thereafter. Information contained in your letter dated April 11, 1958, and Mr. Ricker's letter dated January 10, 1958, to the operator would indicate that a report of royalty review is not necessary in connection with this contract.

CEFisher/ama
April 15, 1958

Sincerely yours,

(Signed) J. L. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

Copy to: Docket
Admr. Reading File
Mr. Chambers

8623

orm 7
-56)

8003-14 Chrono

OFFICIAL FILE COPY

Date	Surname	Code
3-14	Chapman	400
3-14	Martin	400
	Grat	140
	Cressman	140
3/14	[illegible]	130
3/14	Lamb	130
3/14	Nelson	130
"	Johnson	110
"	Hutchinson	100

MAR 14 1958

3/17 C 220 400

INTERIOR
DEFENSE MINERAL EXPLORATION ADMINISTRATION
14X4401(01) REVOLVING FUND, DEFENSE
PRODUCTION ACT, INTERIOR, (TRANSFER TO
OFFICE OF SECRETARY)

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

RE DOCKET NO. DMEA 4703, PALO ALTO MINING CORPORATION. WE AGREE WITH YOUR MEMORANDUM OF MARCH 10, AND WILL PREPARE TEPMINATION AGREEMENT.

George C. Selfridge

CHAIRMAN, OPERATING COMMITTEE (SHB)

TLCHAPMAN:foc 3-14-58
cc to: Docket
Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

March 10, 1958

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 12 1958
DATE | | CODE
3/12 | C | 220
| | 130
| WSM | 400

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
Guadalupe Mine - E. Ridge Workings
Santa Clara County, California
Contract No. Idm-E 1117

Enclosed are copies of letter dated January 22, 1958 from the Operator requesting that the work be terminated.

I have discussed the letter with Roscoe Smith and our field geologist and engineer and it is the consensus that the DMEA area has been adequately explored. Additional work would not be justified in the interest of either the Government or the Operator.

Work has proven that the silicate carbonate rock in the area explored is the bottom of a large landslide and that it does not extend more than 10 feet in depth. The Operator is not interested in having the balance of funds transferred to any other area.

We will commence work on our final report if you consider the contract concluded.

S. Ricker

Attachments.

PALO ALTO MINING CORP.

Miners and Millers of
CHROME and
CINNABAR ORE

STEPHEN S. RIDGELY, SR. *President* | FRED H. SMITH *Vice-President* | GEORGE E. CARLSON *Vice-President* | VIRGIL R. HERRING *Secretary-Treasurer* | VETA LATHAM *Asst. Secy.-Treas.*

14900 COLEMAN ROAD
SAN JOSE 24, CALIFORNIA
PHONE ANdrews 9-2610

Bank Reference
AMERICAN TRUST CO.
CAMPBELL, CALIFORNIA

Legal Counsel
BARNETT AND BARRETT
SAN JOSE, CALIFORNIA

MILL LOCATION, COYOTE CREEK ROAD
NORTH OF BAYSHORE OVERPASS
SAN JOSE, CALIFORNIA
CYPRESS 3-6663

January 22, 1958

SR 1/31/58

Mr. S. Ricker
DMEA Field Team, Region II
Defense Minerals Exploration Administration
1705 Evans Avenue
Reno, Nevada

Re: Docket No. DMEA-[illegible]
Memorandum
Palo Alto Mining Corporation
[illegible]
[illegible]
Contract No. 13h-F 1117

Dear Mr. Ricker:

Please close out the contract on the East Ridge Workings. We have decided not to have the funds transferred to the North Ridge.

Very truly yours,

Stephen S. Ridgely, Sr.

DMEA
RECEIVED

ACTION ON INTERIM
OR FINAL FIELD TEAM REPORT

Date [redacted] -13

Forwarded to:

1. ~~Mr. Mitchelson~~
2. ~~Mr. Johnson~~
3. ~~Mr. Chambers~~
4. Docket Control Mails and Files
5. Division
6. Docket Control Mails and Files

7. 400

Note comments in report regarding:

1.

2. Contradictory!

3. And How!!

4.

and take appropriate action.

- - - - - - - - - -

Action taken by Division:

Robert E. Adams

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 Jan. 10, 1958

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

OFFICIAL FILE COPY
DMEA
RECEIVED JAN 13 1958

DATE	INITIALS	CODE
1/13	C	220
	WSM	400

Attached are four copies of Interim Report on

Docket No. DMEA-4703 (Mercury)

Contract No. Idm-E 1117

Commodity Mercury

Operator Palo Alto Mining Corporation

Property Guadalupe Mine

By B. H. Sheahan
Mining Engineer

Dated 12/30/57

S. Ricker
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

OFFICIAL FILE COPY
DMEA
RECEIVED JAN 13 1958
DATE | INITIALS | CODE

INTERIM REPORT

December 30, 1957

Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Exploratory trenching and churn drilling was inspected November 19, 1957 by B. H. Sheahan, U. S. Bureau of Mines, and problems were discussed with S. S. Ridgely, Sr., President, and Virgil Herring, Field Supervisor, for the Operator.

Approximately 3,200 linear feet of tranches, or a volume of 12,800 cubic yards, have been excavated. The Operator has also explored near the center of the DMEA area by two churn drill holes to a depth of 50 feet. He has recovered about one flask of mercury from ore that was obtained from these trenches.

Interesting occurrences of cinnabar float and occasional traces of cinnabar have been found in silica carbonate rock by the work to date. The company has been advised that they should employ an engineer or geologist on at least a part time basis to map the workings and tie all of his exploration and mine workings to the established coordinate system. Work completed to date has been done in a satisfactory manner. However, it is hoped by both the inspecting engineer and geologist that they have impressed upon the Operator the important exploratory value of well kept mine maps and records.

Approximately 32 percent of the estimated cubic yardage of trenching under Stage I, and 10 percent of the churn drilling under Stage II is completed. This work is almost sufficient for complete evaluation, but amendments to the contract or termination of the contract should be held in abeyance till more work is done and results are more conclusive.

The Operator states that a representative of Climax Molybdenum Company has recently scheduled an examination of the property.

Termination of the contract should be granted if requested by the Operator. ?

B. H. Sheahan

B. H. Sheahan,
Mining Engineer

ORIGINAL FILE COPY
DMEA
RECEIVED DEC 13 1957

DATE	INITIALS	CODE
12/13	gb	220
12/13	[illegible]	800
12/18	WSM	400

1605 Evans Avenue
Reno, Nevada

December 11, 1957

Mr. Stephen S. Ridgely, Sr.
14900 Coleman Road
San Jose 24, California

Docket No. DMEA-4703
Re: Palo Alto Mining Corporation
Guadalupe Mine - East Ridge Workings
Santa Clara County, California
Contract No. Idm-E 1117

Dear Mr. Ridgely:

Thank you for your letter of December 5, 1957 enclosing your check for DMEA royalty in the amount of $15.75. Although you state that this is the royalty on 92 pounds of mercury, you neglected to enclose copies of settlement sheets as required by Article 5(d) of the contract. We will appreciate your sending us promptly three copies of the sales document that applies.

Your request to transfer the remaining work to the North Ridge area has been referred to Messrs. Stager and Sheahan for their comments.

Very truly yours,

Roscoe M. Smith
Acting Executive Officer
DMEA Field Team, Region II

RMS:ft
cc: Opr. Com., DMEA, Wash., D.C.
Finance Office, Region II
GeoMavor
RMSmith
File
Chron

PALO ALTO MINING CORP.

Miners and Millers of
CHROME and
CINNABAR ORE

STEPHEN S. RIDGELY, SR
President

FRED H. SMITH
Vice President

GEORGE E. CARLSON
Vice President

VIRGIL K. HERRING
Secretary Treasurer

VETA LATHAM
Asst. Sec. Treas.

14900 COLEMAN ROAD
SAN JOSE 24, CALIFORNIA
PHONE ANdrews 9-2610

Bank Reference
AMERICAN TRUST CO
CAMPBELL, CALIFORNIA

Legal Counsel
BARNETT AND BARKETT
SAN JOSE, CALIFORNIA

MILL LOCATION COYOTE CREEK
NORTH OF BAYSHORE OVERPASS
SAN JOSE, CALIFORNIA

December 5, 1957

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

Dear Mr. Ricker:

It would appear that our work on the East Ridge developed no ore. The contacts were just not there. We found the usual scatterings of high grade ore which had encouraged us to believe that the development work could lead us to some pattern to follow. This does not seem to be the case. It is our recommendation that the program be discontinued.

Would it be possible to transfer the remainder of the exploratory work to the North Ridge. As you probably know, over $100,000.00 was taken out of the Poison Oak Mine last year and part of this year. Our plan there would be to try to continue through to the South and join up with the Deep Purple area, which also produced a large quantity of ore. If, after you discuss this with Stager and Sheehan, you think it has any merit, we would appreciate advice as to how to prodeed.

We are enclosing our check for $15.75, 5% of the gross proceeds of $261.28, on ore collected during the exploratory work and which 92 pounds of mercury were recovered. There were 112 buckets or approximately 3 tons of ore burned.

Very truly yours,

Stephen S. Ridgely, Sr.

SSR:vhl
Encl.

OFFICIAL FILE COPY
DMEA
RECEIVED DEC 13 1957

DATE	INITIALS	CODE

DMEA

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

Memorandum

Date: April 7, 1958

1605 Evans Avenue
Reno, Nevada

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Operator's Monthly Progress Reports - Forms MF-104 and MF-104A

Attached are two copies of each of the subject report (s) received from the Operator as listed below. These report (s) have been audited and passed to the Treasury for payment.

Contract No.	Operator	Report Dated	Period Covered
DMEA-4703 Idm-E 1117	Palo Alto Min. Corp.	12/1/57	Nov. 1957
DMEA-4425 Idm-E 1083	John H. Uhalde	4/1/58	March, 1958

OFFICIAL FILE COPY
DMEA
RECEIVED APR 10 1958

DATE	INIT.	CODE
4/10	C	226
"	JG	110
	WSM	400

S. Ricker
Executive Officer
DMEA Field Team, Region II

Attach.

cc: Regional Office, Region II
R. M. Smith
File

(Rev.)

Budget Bureau No. 42-R1036.5

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

RECEIVED APR 10 1958 D.M.E.A.

MAR 1 8 1958

Month of [illegible], 195[illegible] Docket No. DMEA [illegible] D.M.E.A. Contract No. [illegible]
Operator's Name [illegible] Minerals [illegible]
Address [illegible]
Contract Amount, $[illegible] Government Participation [illegible]% Amount, $[illegible]

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling	[illegible]	[illegible]	[illegible]			
Bulldozing	[illegible]	[illegible]	[illegible]	*		4084.80
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision	[illegible]	[illegible]	[illegible]			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis	[illegible]		[illegible]			
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	[illegible]	[illegible]	[illegible]	2027.84	3664.96	5692.80

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

Date [illegible] *Payee [illegible]

Per [illegible] Title [illegible]

*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:

* 1520.88 2 mo $200.00

$1320.88

Frances S. Horton
Signature Authorized Certifying Officer
(Authorized Certifying Officer)

Date APR - 4 1958 Vou. No. SF-Dmea-22

(See other side)

* See MF-10a

(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-21117 in accordance with the terms of the contract.

Signature B. H. Sheahan Title Mining Engineer Date Dec. 9, 1957

B. H. Sheahan

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature (S. Ricker) R. M. Smith Title Acting Executive Officer Date Dec. 9, 1957

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.

104A

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR

DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED APR 10 1958 D.M.E.A.

MAR 18 1958

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of Nov. 195 7 Docket No. DMEA [illegible] Contract No. [illegible]

Operator's Name [illegible] Minerals [illegible]

Address [illegible]

OPERATION	UNIT	COSTS THIS MONTH	UNITS THIS MONTH	COSTS TO DATE	UNITS TO DATE	UNIT COSTS TO DATE	AUTHORIZED BY CONTRACT Units	AUTHORIZED BY CONTRACT Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn	[illegible]	[illegible]	190	[illegible]	190	[illegible]	[illegible]	[illegible]
Auger	[illegible]						[illegible]	[illegible]
Stripping				4084.80				
Trenching	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Test Pits				XXXXXXXX				
Roads and Trails								
TOTAL DISTRIBUTED COSTS		[illegible]		XXXXXXXX 5692.80				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc. [illegible]		[illegible]		[illegible]				
TOTAL COSTS		[illegible]		XXXXXXXX 5692.80				

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 [illegible] Operator [illegible]

Per [illegible] Title [illegible]

REMARKS: [illegible]

* $200.00 holdback deposited to Suspense Account 14X6875(23) pending receipt of Operator's Final Report.

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) B. H. Sheahan, Mining Engineer

Totals to date should be $5,692.80

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 872894

NARRATIVE

This narrative covers cuts as outlined below:

# 16	1833	cubic yards
# 17	305	cubic yards
# 18	407	cubic yards
# 19	321	cubic yards
# 20	259	cubic yards
Total	3125	cubic yards
	287	cubic yards (access road- previously un-estimated)
	3412	cubic yards

This work was all done under the supervision of Mr. Stager and Mr. Sheehan. The drill holes were put down where it appeared logical to locate the ore at depth, however they were barren.

It was recommened that the work be stopped, in view of the fact that the ore could not be located on the East Ridge.

Therefore this should be the final report, so far as the actual field trenching and drilling is concerned.

Virgil R. Horring
Field Supervisor
Palo Alto Mining Corporation

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

OFFICE FILE COPY DMEA RECEIVED NOV 25 1957		
DATE	INITIALS	CODE
11/25	C	220
11/25	WSM	400

November 21, 1957

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117
(Your letter, October 28, 1957)

It appears at this time that an amendment to increase the yardage of trenching under the contract will not be necessary. Will keep you informed if an amendment to the contract becomes necessary.

S. Ricker

PMEA

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 Oct. 29, 1957

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-4703

Contract No. Idm-E 1117

Commodity (Mercury)

Operator Palo Alto Mining Corporation

Property Guadalupe Mine

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 31 1957

DATE	INITIALS	CODE
10/31	C	220

By B. H. Sheahan,
Mining Engineer

Dated 10/22/57

S Ricker

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

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 31 1957
DATE | INITIAL | REMARKS

INTERIM REPORT

October 22, 1957

Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Exploration under Stage I of the contract was inspected October 15-16, 1957 by B. H. Sheahan, U.S. Bureau of Mines, and H. K. Stager, U.S. Geological Survey. Work was temporarily haulted on trenching operations on October 3, 1957 and is expected to be resumed in a few days.

Approximately 2,750 linear feet of trenches or a volume of 10,400 cubic yards has been excavated. The Operator has recovered 45 pounds of mercury from a portion of the ore that has been obtained from the DMEA area.

The supervisor was advised to tie the location of the trenches and future drill holes to the existing coordinate system. He was also advised to make preparations to properly sample the exploration. Churn drilling is expected to be started late in October, 1957.

B. H. Sheahan

B. H. Sheahan,
Mining Engineer

Form 7
-56)

OFFICIAL FILE COPY

Date	Surname	Code
10-24	Chapman	400
10-24	Martin	400
10/25	Tabbutt	800
10/25	RCL	130
"	Johnson	110
		~~400~~
10/25	C	220
		400

OCT 28 1957

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

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe mine
Santa Clara County, California
Contract No. Idm-E1117

Dear Mr. Ricker:

Reference is made to your memorandum of October 8, 1957, and the Interim Report of October 7, 1957, pertaining to the above-noted project. It appears that only about 30 percent of the proposed yardage has been removed from 2,000 feet of trenching with widths of 16 feet and depths of 10 feet, whereas the contract called for 2,500 feet of trenching, with trenches 21½ feet wide and 20 feet deep, amounting approximately to 40,000 cubic yards.

According to the next to last paragraph in the Interim Report:

"Several recommendations for additional trenching and widening existing trenches were made during the inspection and sites for two churn drill holes were agreed upon."

Apparently the examining geologist believes further work is warranted, and therefore it will be necessary to write an amendment to the contract. If you will please submit your recommendations concerning such proposals, an amendment of the contract to allow the additional yardage will be considered here.

Sincerely yours,

APPROVED:

Frank D. Lamb (HB)
Member, Bureau of Mines

W. P. Williams (HB)
Member, Geological Survey

George C. Selfridge
Chairman, Operating Committee (HB)

TLChapman/dlm 10-24-57
cc to: Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

DMEA RECEIVED OCT 17 1957		
DATE	INITIALS	CODE
10/17	B	220
10/18	[illegible]	800
10/18	WSM	400

1605 Evans Avenue
Reno, Nevada

October 15, 1957

Mr. S. Ridgely, President
Palo Alto Mining Corporation
14900 Coleman Road
San Jose, California

Re: Docket No. DMEA-4703(Mercury)
Palo Alto Mining Corporation
Guadalupe Mine
Santa Clara County, California
Contract No. Idm-E 1117

Dear Mr. Ridgely:

We are returning your vouchers for the month of September, 1957 for a change of name. The Operator's name on Form MF-104 is Palo Alto Mining Corporation, whereas on Form MF-104A, it is J. P. Escover. Both forms should be submitted by the Palo Alto Mining Corporation. We shall appreciate it also if you will submit five copies rather than four.

I apologize for not clarifying these points, during my recent visit to the mine, and for the delay it will cause you. We shall process the vouchers as quickly as possible when they are returned.

Very truly yours,

Roscoe M. Smith
Acting Executive Officer
DMEA Field Team, Region II

Attachments
RMS:ft
cc: Opr. Com., DMEA, Wash., D.C.
Finance Office, Region II
GeoMavor
RMSmith
File
Chron

ACTION ON INTERIM
OR FINAL FIELD TEAM REPORT

Date 10-10

Referred to:

1. ~~Mr. Mittendorf~~
2. ~~Mr. Johnson~~
3. ~~Mr. Chambers~~
4. Docket Control Mails and Files
5. Division
6. Docket Control Mails and Files
7. 400

Note comments in report regarding:

1. Contract specifies approx. average
2. width of 21.6' and depths
3. of 20'. The work completed
4. averages 16' widths and 10' depths
5. — or only 37% of contract
6. specification. Hardly an
7. approximation. Amendment
8. appears necessary.

and take appropriate action. Talbot 10/11/57

- - - - - - - - - -

Action taken by Division:

Robert E. Adams

DMEA

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 October 8, 1957

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Interim Inspection Report

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 10 1957

DATE	INITIALS	CODE
10-10	C	220
11	Com	100
10/14	WSM	400

Attached are four copies of Interim Report on

Docket No. DMEA-4703

Contract No. Idm-E1117

Commodity Mercury

Operator Palo Alto Mining Corporation

Property Guadalupe Mine

By H. K. Stager, U.S.G.S.

Dated October 7, 1957

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

IN REPLY REFER TO:

OFFICIAL FILE COPY
DMEA
RECEIVED OCT 10 1957

DATE	INITIALS	CODE

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Mineral Deposits Branch
4 HOMEWOOD PLACE
MENLO PARK, CALIFORNIA

October 7, 1957

INTERIM REPORT

To: DMEA Field Team, Region II

From: H. K. Stager, geologist, U. S. Geological Survey

Subject: DMEA-4703 (Mercury)
Palo Alto Mining Corp.
Guadalupe mine
Santa Clara County, California
Contract Idm-E1117

An interim inspection of the Guadalupe mine was made on October 1, 1957 by H. K. Stager and R. M. Smith, U. S. Geological Survey, accompanied by Mr. Virgil Herring, secretary-treasurer and and field supervisor for the operators.

About 2,000 linear feet, or 10,000 cubic yards, of bulldozer trenches has been excavated. The trenches average about 16 feet wide and 10 feet deep. Although part of the trenches are not as wide or as deep as is specified in the contract they are sufficient to expose the geology and to indicate the unmineralized nature of much of the contacts. The additional excavation yardage can be better utilized elsewhere in the DMEA area to better expose mineralized zones and to expose other contacts not included in the original proposal for Stage I.

The completed work has revealed that most of the silica-carbonate rock in the DMEA area is in landslide masses underlain by sandstone, shale, and serpentine. Although high-grade ore has been found in four of the trenches, near the center of the area and considerable unmined ore is indicated, none is in material that is in place. About three tons of high-grade ore, containing an estimated five flasks of mercury, has been recovered from these trenches and additional trenching or drilling of the areas of abundant float ore may reveal minable ore shoots in the underlying silica-carbonate rock. All ore saved from the trenching operations is being stockpiled and will be retorted by the operator in his furnace plant on the property.

Several recommendations for additional trenching and widening of existing trenches were made during the inspection and sites for two churn drill test holes were agreed upon.

September mercury production from the Guadalupe property was 120 flasks and brings the total production for the year to 1,029 flasks.

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

Budget Bureau No. 42-R1036.5

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

RECEIVED NOV 8 1957 D.M.E.A.

OCT 24 1957

Month of [illegible], 1957 Docket No. DMEA [illegible] Contract No. [illegible]
Operator's Name [illegible]
Address [illegible]
Contract Amount, $[illegible] Government Participation: 75 % Amount, $[illegible]

ITEMS OF COSTS	FOR OPERATOR'S USE: Monthly Total	Totals Previously Reported	Totals To Date	FOR GOVERNMENT USE ONLY WSM: Approved Monthly Total	Approved Totals Previously Reported	Approved Totals To Date
(1) Independent Short Form Contracts:						
Drilling						
Bulldozing	[illegible]	[illegible]	[illegible]			
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor	[illegible]	[illegible]	[illegible]			
Supervision	[illegible]	[illegible]	[illegible]			
Technical Services						
(3) Operating Mat'ls. and Supplies:						
Timber						
Explosives						
Pipe						
Track						
(4) Operating Equipment:						
Rental						
Purchase						
Depreciation						
(5) Initial Rehabilitation and Repairs						
(6) New Bldgs., Improvements, etc.						
(7) Miscellaneous:						
Repairs to Equipment						
Sampling and Analysis						
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	[illegible]	[illegible]	[illegible]			

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

Date [illegible] *Payee Pal. Alto Mining Corp

Per [illegible] Title [illegible]

*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:

$2748.72

Lloyd F. Spencer
Authorized Certifying Officer

Signature _____
(Authorized Certifying Officer)

Date _____ Vou. No. SF-DMEA-10

(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-E1117 in accordance with the terms of the contract.

Signature B. H. Sheahan B. H. Sheahan Title Mining Engineer Date 10/22/57

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature Roscoe M. Smith /for/ S. Ricker Title Actg. Exec. Officer Date 10/22/57

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.

Form MF-104A
(April 1952)

Budget Bureau No. 42-R1151.2

RECEIVED NOV 8 1957 D.M.E.A.

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of September 1957 Docket No. DMEA 4709 Contract No. 1117
Operator's Name Tolo Alto Mining Corporation Minerals [illegible]
Address 14000 Colorado Road, San Jose 24, Calif.

OPERATION	Unit	Costs This Month	Units This Month	Costs to Date	Units to Date	Unit Costs to Date	Authorized by Contract: Units	Authorized by Contract: Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core	foot						2000	5.00
Churn	foot						300	3.00
Auger								
Stripping								
Trenching	cu. yd.	[illegible]	[illegible]	[illegible]	[illegible]	.32	40,000	0.32
Test Pits								
Roads and Trails								
Supervision		672.00		672.00				
Total Distributed Costs		[illegible]		[illegible]				Total Costs Authorized by Contract
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
Total Costs		~~$3664.96~~		~~$3664.96~~				

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 10-7-57 Operator Tolo Alto Mining Corp.

Per [illegible] Title President

Remarks: Diamond drilling estimated drilling work done

→ 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) B. F. Sheahan, Mining Engineer
Supervision amounts to $672.00.
Total cost should read $3,664.96.

INSTRUCTIONS

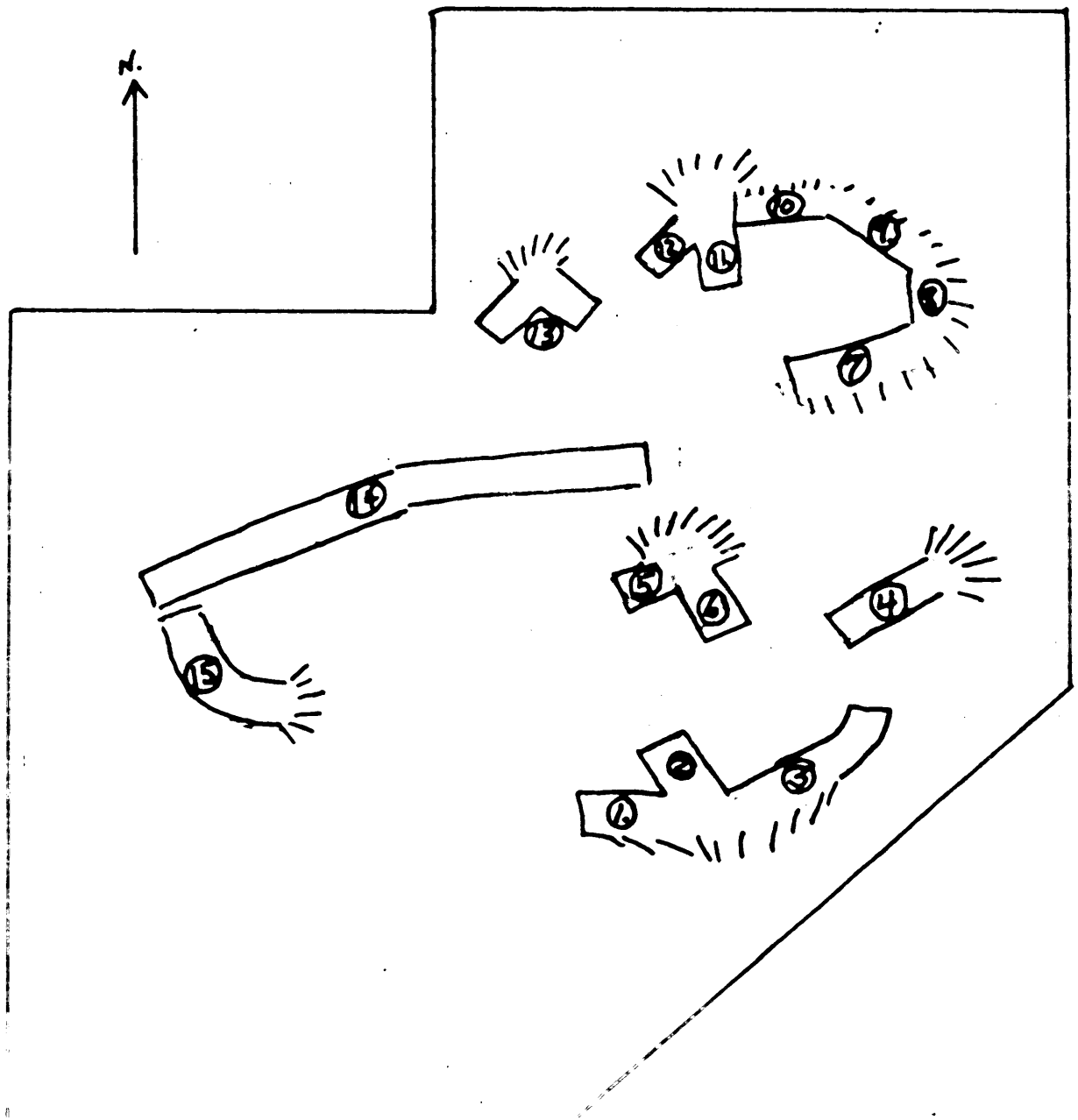
Preparation of Form MF-104A—Operator's Unit Cost and Progress Report.—Applicable places on Form 104A should be filled in by the Operator. The purpose of this form is twofold as follows: (1) to furnish the supervising engineers and other administrators with statistical information necessary to better 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 872894

WORK COMPLETED ON DMEA 4703
As of October 1, 1957.
Ore of Float nature found in
cuts 11 & 12, 5 & 6 and 7.



1. [illegible] x 19' wide x 5' [illegible] = [illegible] cu. yds.
2. [illegible] x 7 = [illegible] cu. yds.
3. 230 x 16 x 4 = 2272 cu. yds.
4. 100 x 15 x 5 = 333 cu. yds.
5. 50 x 15 x 5 = 70 cu. yds.
6. 80 x 26 x 10 = 770 cu. yds.
7. 200 x 25 x 10 = 926 cu. yds.
8. 100 x 15 x 5 = 139 cu. yds.
9. 100 x 15 x 4 = 111 cu. yds.
10. 150 x 19 x 7 = 349 cu. yds.
11. 200 x 30 x 10 = 2222 cu. yds.
12. 50 x 20 x 8 = 29 cu. yds.
13. 200 x 15 x 8 = 592 cu. yds.
14. 600 x 15 x 7 = 2333 cu. yds.
15. 150 x 17 x 5 = 472 cu. yds.

Total 9353 cubic yards

Side Hill cuts - total yardage cut in half.

RECEIVED NOV 8 1957
DATE STAMP

DMEA

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

DATE	INITIALS	CODE
9/11	C	220
	WSay	400

Office of
Executive Officer
DMEA Field Team
Region II

1605 Evans Avenue
Reno, Nevada

Date Sept. ~~6~~ 9, 1957

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-4703

Contract No. Idm-E 1117

Commodity Mercury

Operator Palo Alto Mining Corporation

Property Guadalupe Mine

By H. K. Stager, U.S.G.S.

Dated 9/5/57

S Ricker

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

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Mineral Deposits Branch
4 HOMEWOOD PLACE
MENLO PARK, CALIFORNIA

September 5, 1957

INTERIM REPORT

TO: DMEA Field Team, Region II

From: H. K. Stager, geologist, U. S. Geological Survey

Subject: DMEA-4703 (Mercury)
Palo Alto Mining Corporation
Guadalupe mine
Santa Clara County, California
Contract Idm-E1117

An interim inspection of the Guadalupe mine was made on September 4, 1957 by H. K. Stager, U. S. Geological Survey, accompanied by Mr. Virgil Herring, secretary-treasurer and field supervisor for the operators.

Work under the provisions of the DMEA contract, dated July 31, 1957, was started on August 28, 1957 and about 1,000 linear feet, or 5,000 cubic yards, of bulldozer trenches has been excavated. The trenches average about 16 feet wide and 10 feet deep. Most of the trenches satisfactorily expose the favorable contacts but some of them should be wider and deeper. The supervisor was advised to do some additional bulldozing and to change the alignment on parts of the trenches to expose more of the favorable contacts. The bulldozer operator was instructed by the supervisor to do this immediately. The work is being done in a rapid and

efficient manner by one D-8 bulldozer and ripper working one shift of nine hours per day.

The first significant discovery of cinnabar was made during the examination. A trench about seven feet deep near the center of the DMEA area exposed two high-grade shoots of ore about one foot thick and five feet apart under a soil cover of about four feet. The shoots are in silica-carbonate rock, are exposed for about five feet along the strike and three feet down a vertical dip. The grade is estimated to be about 10 percent mercury. Bulldozing in this part of the trench was stopped to prevent the scattering and loss of high-grade ore. Several miners will clean up the broken ore and start the careful mining of the shoots to determine their extent and grade. All ore mined will be stockpiled, separate from other mine ores, until enough is available to warrant retorting.

Other DMEA exploratory trenches have exposed small fragments of high-grade cinnabar-bearing float but have not exposed ore-in-place. Additional trenching and/or drilling in these areas of abundant float should result in the discovery of other ore shoots.

Most of the current ore production from the Guadalupe property is from an area about 1,000 feet northwest of the DMEA

Kelly Hill Area

area. Monthly mercury production for the mine during 1957 is as follows:

Month	Flasks of Mercury
January	96
February	96
March	76
April	159
May	118
June	88
July	98
August	178
Total:	909

904 flasks produced in 1956

DMEA

Vito

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

August 20, 1957

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California
(Your letter, July 31, 1957)

Enclosed are the Government's and Audit copies of subject contract which have been executed by the Operator. Attached to the contract are Performance Bonds for $15,015.00.

The remaining copies have been distributed in the usual manner.

S. Ricker

Attachments

OFFICIAL FILE COPY
DMEA
RECEIVED AUG 22 1957

DATE	INITIALS	CODE
8/22	G	220
8/22	B	215
		400

OFFICIAL FILE COPY DMEA RECEIVED AUG 12 1957		
DATE	INITIALS	CODE
8/13	G	220
8/13	WSay	400

1605 Evans Avenue
Reno, Nevada

August 8, 1957

Mr. S. Ridgely, President
Palo Alto Mining Corporation
14900 Coleman Road
San Jose, California

Re: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California

Dear Mr. Ridgely:

Enclosed are the original and four copies of a proposed short-form contract, signed by the Administrator for the Government. Attached to the contract are Annex I (one page), Exhibit A (two pages), and one map.

Also enclosed are five copies of Standard Form 25 (Performance Bond) which should be executed in the amount of $15,015.00 and attached to each copy of the contract. The contract will not be considered valid unless a properly executed bond is attached.

If the contract meets with your approval, all five copies should be signed by your firm. The copy marked "Operator's Copy" should be retained by you and the original and other three copies should be returned to this office.

If any part of the amendment does not meet with your approval, the original and all copies should be returned with your suggested changes.

Should you wish to further discuss the contract concerning

details, it would probably expedite matters by talking with Mr. Roscoe Smith or Mr. Stager at our office, in the U. S. Geological Survey Building, 4 Homewood Place, Menlo Park, California, telephone: DAvenport 5-6761.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

Attachments
SRicker:ft
cc: Opr. Com., DMEA, Wash., D.C.
RMSmith
File
Chron

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
8-1	Hopkins	400
8-1	Martin	400
	Martin	130
8/1	Mittendorf	100
		110
8/1	C	220
		400

AUG - 1 1957

INTERIOR

DMEA

14X4401 (01) REVOLVING

FUND, DEFENSE PRODUCTION ACT, INTERIOR
(TRANSFER TO OFFICE OF SECRETARY)

S.S. RIDGELY, SR., PRESIDENT
PALO ALTO MINING CORPORATION
14900 COLEMAN RD
SAN JOSE, CALIFORNIA

PROPOSED
REURLET DOCKET DMEA 4703/CONTRACT MAILED TO EXECUTIVE OFFICER,

DMEA FIELD TEAM, REGION II, RENO, NEVADA, JULY 31 WHO WILL

ADVISE YOU OF THE AMOUNT OF PERFORMANCE BOND.

C. O. Mittendorf (for)

C. O. MITTENDORF, ADMINISTRATOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

JHopkins/dlm 8-1-57
cc to Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Killsgaard, USGS

8623

orm 7

OFFICIAL FILE COPY

Date	Surname	Code
7-17	Hopkins	400
7-17	Martin	400
7-31	Chandler	800
	Martin	130
7/31	Johnson	110
"	Matteucci	100
8/1	C	220
		400

Received 7-31

JUL 31 1957

13

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

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe mine
Santa Clara County, California

Dear Mr. Ricker:

Enclosed are the original and four copies of a proposed short form contract, signed by the Administrator for the Government. It consists of the form, Annex I (1 page), Exhibit A (2 pages), and one map. Also enclosed are two extra copies of Annex I, Exhibit A, and the map for Field Team use.

As the Applicant has agreed to furnish a Performance Bond in lieu of a Consent to Lien and Subordination Agreement, there are enclosed five copies of Form 25 to be executed in the amount of $15,015.00 and attached to each copy of the contract.

If the terms and conditions of this proposed contract are satisfactory to you and the Operator, all five copies should be signed and the usual distribution made.

If any part of this proposed contract does not have either your approval or that of the Operator and cannot be amended within your delegated authority, the original and all copies of the proposed contract are to be returned to this office, together with the proposed changes for consideration.

Under Article I, the starting date has been left blank and is to be filled in when the contract is signed by the Operator.

Sincerely yours,

APPROVED:

Frank D. Lamb (JHB)
Member, Bureau of Mines

Thor H. Kiilsgaard (JHB)
Member, Geological Survey

W. S. Martin
ACTING Chairman, Operating Committee (JHB)

JHopkins:foc 7/17/57
cc: Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
J. W. Pennindton, USBM
T. H. Kiilsgaard, USGS

Enclosures

C

8623

map. Apparently the land description in question was

PALO ALTO MINING CORP.

Miners and Millers of
CHROME and
CINNABAR ORE

STEPHEN S. RIDGELY, SR. *President* | FRED H. SMITH *Vice-President* | GEORGE E. CARLSON *Vice-President* | VIRGIL R. HERRING *Secretary - Treasurer* | VETA LATHAM *Asst. Secy. - Treas.*

14900 COLEMAN ROAD
SAN JOSE 24, CALIFORNIA
PHONE ANdrews 9-2610

Bank Reference
AMERICAN TRUST CO.
CAMPBELL, CALIFORNIA

Legal Counsel
BARNETT AND BARRETT
SAN JOSE, CALIFORNIA

MILL LOCATION, COYOTE CREEK ROAD
NORTH OF BAYSHORE OVERPASS
SAN JOSE, CALIFORNIA
CYPRESS 3-6693

July 27, 1957

Mr. C. O. Mittendorf
United States Department of The Interior
Defense Minerals Exploration Administration
Washington 25, D. C.

Re: Docket No. DMEA 4703-Mercury
East Ridge Workings, Guadalupe
Mine, Santa Clara County, Calif.

Dear Mr. Mittendorf:

We are writing to ask what progress is being made on the above. We are prepared to execute the Performance Bond as soon as we know the amount of the contract. We are trying to organize our work for the next sixty days and would appreciate any information you can give us as to the status of this matter.

Very truly yours,

S. S. Ridgely, Sr.

S. S. Ridgely, Sr.
President

SSR:vhl

OFFICIAL FILE COPY
DMEA
RECEIVED JUL 31 1957

DATE	INITIALS	CODE
7/31	P.K.	220
7/31	WSM	400

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

JUL 16 1957

Memorandum

To: Administrator, DMEA
Attention, Chief, Iron and Ferro-Alloys Division

From: Acting Associate Solicitor, Division of Mineral Resources

Subject: Docket No. DMEA-4703, Palo Alto Mining Corporation (Mercury)

Pursuant to a request from Mr. Thomas L. Chapman, Acting Director, Division of Iron and Ferro-Alloys, we have prepared the attached contract.

Article 2(b) of the contract provides that the Operator has furnished a performance bond in lieu of a Consent to Lien and Subordination Agreement. Inasmuch as no bond was submitted with the file, our review and approval do not extend to the bond to be attached.

J. L. Hofflund

J. L. Hofflund

MF-500

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS ADMINISTRATION

REFERENCE SLIP

DATE 7-19-57

REFERRED TO:

DMEA 4703

1. ~~MR. DWYER - RM. 7343~~
2. MR. MARTIN - RM. 3538
3.
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	

INTERIOR DEPT.
JUL 19 1957
SOLICITOR

REMARKS: Per Mr. Martin's telephone call. Please prepare new Annex I from attached draft. Substitute the figures 21.6 for 33.6 in paragraph 1 Stage I "Exhibit A"

FROM SOLICITOR

Check (X) before the items needing attention.

RECEIVED
JUL 22 1957
GPO 16—63815-1
SOC. SOLICITOR
MINERAL RESOURCES

JUL 30 1957

JHopkins/fo

Initials of sender.

FOR SIGNATURE

EXPLORATION PROJECT CONTRACT
PALO ALTO MINING CORPORATION
DOCKET NO. DMEA 4703

ANNEX I

The land referred to in Article 3 of the Contract is described as follows:

Beginning at the intersection of coordinates 4000 north and 4000 east in the Guadalupe mine area located approximately 500 feet due north and approximately 960 feet due east of the collar of the Guadalupe inclined shaft and running 480 feet due east to a point; thence 370 feet due north to a point; thence 750 feet due east to a point; thence 800 feet due south to a point in the boundary line between the Guadalupe and Senator mine areas; thence 820 feet approximately S45° W along said boundary line to a point on the 3000 N coordinate; thence 650 feet due west to the intersection of coordinates 4000 E and 3000 N; thence 1000 feet due north to the point of beginning; containing 27.04 acres more or less

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 27 1957

DATE	INITIALS	CODE
6-27	C	220
6/28	RLC	400

June 25, 1957

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California

Attached are the original and one copy of a letter from James Rolph III and June I. Rolph, owners of subject property, to Mr. Stephen S. Ridgely, Sr., President of the Palo Alto Mining Corporation. The owners refuse to execute a "Consent to Lien and Subordination Agreement."

Mr. Ridgely states in his letter of June 13, 1957 that he will obtain a Performance Bond as soon as he is informed of the amount involved.

Please inform us in case you need more data before processing a contract if one is contemplated.

S. Ricker

S. Ricker

Attachments

PALO ALTO MINING CORP.

Miners and Millers of
CHROME and
CINNABAR ORE

STEPHEN S. RIDGELY, SR.	FRED H. SMITH	GEORGE E. CARLSON	VIRGIL R. HERRING	VETA LATHAM
President	*Vice-President*	*Vice-President*	*Secretary - Treasurer*	*Asst. Secy. - Treas*

14900 COLEMAN ROAD
SAN JOSE 24, CALIFORNIA
PHONE ANDREWS 9-2610

Bank Reference
AMERICAN TRUST CO.
CAMPBELL, CALIFORNIA

Legal Counsel
BARNETT AND BARRETT
SAN JOSE, CALIFORNIA

MILL LOCATION, COYOTE CREEK
NORTH OF BAYSHORE OVER
SAN JOSE, CALIFOR
CYPRESS 3-6

June 13, 1957

REFER TO	NOTED	DATE
SRicker	SR	6/24/57
ANSWERED		

Mr. Stephen S. Ridgely, Sr., President
Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

Dear Mr. Ridgely:

It is our understanding that the D. M. E. A. requires a letter from my wife and I, as the property owners of the Guadalupe Mines property, concerning our refusal to consent to a lien covering the Government as concerns the repayment of the Government loan.

While it is our desire to co-operate in every way, we feel that we should refuse this consent to lien.

Very truly yours,

James Rolph III
June S. Rolph

Owners of the Guadalupe Mines property

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 27 1957

DATE	INITIALS	CODE

DMEA

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 24 1957

DATE	INITIALS	CODE
6 25	G	220
6 25	RC	400

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION
1605 Evans Avenue
Reno, Nevada

June 20, 1957

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California

Enclosed are two copies of a letter from S. S. Ridgely, Sr., President of the Palo Alto Mining Corporation, which gives the present status of subject docket.

S. Ricker

PALO ALTO MINING CORP.

Miners and Millers of
CHROME and
CINNABAR ORE

STEPHEN S. RIDGELY, SR. *President* | FRED H. SMITH *Vice-President* | GEORGE E. CARLSON *Vice-President* | VIRGIL R. HERRING *Secretary - Treasurer* | VETA LATHAM *Asst. Secy. - Treas*

14900 COLEMAN ROAD
SAN JOSE 24, CALIFORNIA
PHONE ANdrews 9-2610

Bank Reference
AMERICAN TRUST CO.
CAMPBELL, CALIFORNIA

Legal Counsel
BARNETT AND BARRETT
SAN JOSE, CALIFORNIA

MILL LOCATION, COYOTE CREEK RO
NORTH OF BAYSHORE OVERPA
SAN JOSE, CALIFORNI
CYPRESS 3-0

June 13, 1957

6/19/57

Mr. [illegible] Hicker
[illegible] Department of the Interior
[illegible] Avenue
Reno, Nevada

Dear Mr. Hicker:

We talked with Mr. Jesse Smith by phone today concerning the letter of refusal on consent to lease by Mr. and Mrs. James Rolph, III, the property owners.

We will see that this letter is in your hands shortly, if they definitely refuse to give consent. In this case, we will have a bond issued immediately upon receiving advices from the Government for the amount involved for which they will file bond.

Very truly yours,

S. S. Ridgely, Sr., President

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 24 1957

DATE	INITIALS	CODE

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 20 1957

DATE	INITIALS	CODE
6/20	JWP	220
	WSM	400
June 19, 1957		

Memorandum

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

From: Assistant Chief, Branch of Base Metals

Subject: Review of Field Team examination report, Docket No. DMEA 4703 (mercury), Palo Alto Mining Corporation, East Ridge Workings, Guadalupe Mine, Santa Clara County, California $20,100.00

It is proposed to explore favorable contacts between sedimentary rocks and silica-carbonate bodies in the East Ridge area by 2,500 feet of bulldozer trenching followed by 1,000 feet of churn drilling to further test any ore bodies or mineralized areas discovered at an estimated total cost of $20,000.00.

Inferred reserves in the area to be explored are 2,000 tons of ore averaging about 5 percent mercury.

I concur with the recommendation of the Field Team for Government participation in the proposed exploration project.

J. W. Pennington

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

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 18 1957

DATE	INITIALS	CODE
6/18	JWR	220
6/19	WSM	400

June 17, 1957

Re: DMEA 4703
Palo Alto Mining Corp.
East Ridge Workings,
Guadalupe Mine
Santa Clara County, Calif.
Appl. Est. $20,000.00
Rec'd Est. 20,000.00
Mercury

Memorandum

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

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of Field Team Report.

The applicant requested assistance in searching for the source of high grade mercury-bearing float by bulldozing and churn drilling

The area to be explored adjoins oldtime workings of productive mines and trenching has produced float in economic quantities and of a character indicating a nearby source.

The examiners and Field Team recommend the proposed work program contingent on the provision of documents required of the applicant.

I concur with the recommendation.

N. E. Nelson

N. E. Nelson

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

1605 Evans Avenue
Reno, Nevada

DMEA
OFFICIAL FILE COPY
DMEA
RECEIVED JUN 14 1957

DATE	INITIALS	CODE
6/14	JWD	220
		130
6/18	JWD	220
		400
June 12, 1957		

Memorandum

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

From: Executive Officer, DMEA Field Team, Region II

Subject: Docket No. DMEA-4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe Mine
Santa Clara County, California

Reference is made to your letter of April 17, 1957, relative to a field examination of subject property.

Enclosed are four copies of a report by B. H. Sheahan, Bureau of Mines, and H. K. Stager, Geological Survey, in which the Government's participation in an exploration project costing $20,000 is recommended.

Roscoe Smith and I concur in the recommendation, but would suggest that processing of a contract be held in abeyance until we have more definite data from the applicant in regard to your notation about Consent to Lien and Performance Bond. The applicant has not yet complied with our request to furnish these documents. We also suggest that the contract be prepared on a unit cost basis: cubic yards for trenching and a footage basis for churn drilling.

S. Ricker

Attachment

Reviewed by
DMEA OPERATING COMMITTEE
6-17-57
(date)

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

DEFENSE MINERALS EXPLORATION ADMINISTRATION

REPORT OF EXAMINATION BY FIELD TEAM
REGION II

OFFICIAL FILE COPY
D M E A
RECEIVED JUN 14 1957

APPLICATION REPORT

DATE	INITIALS	CODE
		130
		220

DMEA-4703 (Mercury)
Palo Alto Mining Corporation
East Ridge workings, Guadalupe mine
Santa Clara County, California

On Site EXAM

by

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

H. K. Stager
U. S. Geological Survey

May 29, 1957

Reviewed by
DMEA OPERATING COMMITTEE
6-17-57
(date)

CONTENTS

	Page
Introduction	1
Conclusions and Recommendations	2
Location, Accessibility, and Local Facilities	3
History and Production	4
Property and Ownership	6
Development	7
General Geology	9
Ore Deposits	11
Sampling	12
Ore Reserves	13
Exploration	14
Exploration Costs	14

ILLUSTRATIONS

Figure 1 . . . . . Index map

2 . . . . . Property map

3 . . . . . Geologic map

4 . . . . . Geologic sections

5 . . . . . Underground mine workings

OFFICIAL FILE COPY
DMEA
RECEIVED
DATE

INTRODUCTION

The Palo Alto Mining Corporation, 14900 Coleman Road, San Jose 24, California, applied to the Defense Minerals Exploration Administration, docket DMEA-4703, for Government assistance in a program to explore for mercury at the Guadalupe mine, Santa Clara County, California. Exploration work proposed by the applicant consists of surface trenching and churn drilling in the East Ridge area of the property.

A field examination was requested by the Operating Committee and was made by B. H. Sheahan, U. S. Bureau of Mines, and H. K. Stager, U. S. Geological Survey, on May 1 and 2, 1957 accompanied by Mr. V. R. Herring, secretary-treasurer, and field supervisor, for the corporation.

Almost all of the underground workings are inaccessible. The U. S. Geological Survey, U. S. Bureau of Mines, and the California State Division of Mines have compiled and published considerable information concerning the property. Geologic maps and sections, prepared by E. H. Bailey of the Geological Survey, were used during the examination and are included as figures 3, 4, and 5. The surface area of the mine is now being explored and mined by the applicant.

OFFICIAL FILE COPY
DMEA
RECEIVED JUN 14 1957
CODE

CONCLUSIONS AND RECOMMENDATIONS

The Guadalupe mine has yielded a large tonnage of high-grade mercury ore. The results of the examination indicate that the area to be explored contains mercury-bearing silica-carbonate bodies in a geologic setting similar to those that have yielded the major ore bodies in other parts of the mine. The rich cinnabar-bearing float ore that has been mined in the area indicates the presence of alluvium-covered ore bodies. Inferred reserves, in the area to be explored, are 2,000 tons of ore having an average grade of about 5 percent mercury, or a total of about 2,600 flasks.

Following the examination, the applicant's proposed program was discussed and some minor revisions in the proposed work and costs were made. A two-stage program is planned; Stage I consists of 2,500 feet, or about 40,000 cubic yards, of bulldozer trenching, and Stage II consists of 1,000 feet of churn drilling. The program will require about four months to complete and the Government's share of the estimated total cost of $20,000 will be $15,000. This program is acceptable to the applicant, and the applicant is financially able to undertake and complete the work. The probability of finding new ore bodies with the proposed exploration is good. The project site is readily accessible and facilities for accomplishing the work are available at the property.

It is recommended that the Government enter into a DMEA contract with the Palo Alto Mining Corporation to provide 75 percent of the costs of the proposed program.

To facilitate administration of the contract the work should be based on unit costs rather than actual costs, and Stage II should be made subject to the prior written approval of the Government.

LOCATION, ACCESSIBILITY, AND LOCAL FACILITIES

The Guadalupe mine is on Los Capitancillos Ridge at an altitude of 400 to 770 feet in the Santa Cruz Range, 5 miles northwest of the New Almaden mine, and in an old land grant area between secs. 19 and 30, T. 8 S., R. 1 E., M.D.B.&M., Santa Clara County, California (fig. 2).

The property is 6.4 miles east of Los Gatos, California, by way of State Highway 17, Blossom Hill, Hicks, and Coleman roads. All roads are in good condition and are maintained by the State or the County.

Climate: Permits all-year operations.

Labor: Available in the district.

Wage scale: Miners -- $1.85 per hour.

Water and Power: Available on the property.

Mail: Delivered daily to the mine office.

Telephone: Installed at the mine.

Supplies: Available at San Jose or at San Francisco.

HISTORY AND PRODUCTION

The cinnabar deposits of the Guadalupe mine were discovered in 1846 and total production is about 115,000 flasks of mercury. The mine was first developed and operated by the Santa Clara Mining Association in 1856. From 1886 until 1900 it was idle and in litigation. The Century Mining Company reopened the mine in 1900 and operations were continued by New Guadalupe Mining Company. From 1922 until 1938 the mine was practically idle because of litigation. Many of the main development workings caved because of lack of maintenance or flooding.

Operations were resumed in 1938 by the Laco Mining Company. The property was explored by the U. S. Bureau of Mines in 1942, as described in Report of Investigations 4682, and maps were compiled by the U. S. Geological Survey. As a result of this work a Gould rotary furnace was installed and operated until 1946. Economic conditions were unfavorable in 1947, and the furnace was removed in 1952. Only shallow surface and underground mining operations are now being conducted.

Production from 1947 to the present time follows:

Year	Flasks Mercury	Lessee and Operator
1947	193	M. L. Burrell
1948	0	C. Burrell
1949	27	A. S. Burrell
1950	35	A. S. Burrell and W. L. Taylor
1951	44	A. S. Burrell
1952	132	A. S. Burrell
1953	175	A. S. Burrell and W. L. MacKinnon
1954	168	W. L. MacKinnon, et al.
1955	52	Palo Alto Mining Corporation
1956	904	Palo Alto Mining Corporation
to May 1957	427	Palo Alto Mining Corporation

The Palo Alto Mining Corporation supervises operations and furnaces the ore mined by ten groups of sub-leasers consisting of one to three men in each group. At the present time 15 to 20 men are employed. The sub-leasers provide all labor, supplies, equipment, and insurance. A split-check system is utilized, and the sub-lease can be cancelled by the corporation at any time. The corporation pays a royalty to the owner of the property, based upon the market price of mercury, which now amounts to about 10 percent of the gross revenue from production.

The corporation has a contract with Goldsmith Bros. Smelting and Refining Company of Chicago, Illinois, to purchase the entire production of the mine for one year at the current market price, less handling and shipping charges. At the present market price of $256 per flask the corporation receives $241.50 per flask net.

PROPERTY AND OWNERSHIP

The property consists of approximately 364 acres of land bounded by Guadalupe Creek, a gully, and the Senator mine, as indicated on the attached map (fig. 2). Mr. James Rolph, III, 476 - 3rd Street, Chico, California, purchased the property and several other holdings in the vicinity in 1955. The deeds are recorded at San Jose, Santa Clara County, California, under file number 1168132.

The Palo Alto Mining Corporation purchased Mr. W. L. MacKinnon's lease in 1955 and subsequently obtained another lease, dated February 8, 1957, from the owner. These leases are not recorded. The corporation was formed January 25, 1949. Officers of the corporation are:

S. S. Ridgely, Sr. -- president

Fred H. Smith -- vice president

George E. Carlson -- vice president

Virgil Herring -- secretary-treasurer

V. B. Latham -- assistant secretary

Corporation papers filed with the California Secretary of State under file number 233659 show a total capitalization of $300,000 which includes 27,000 shares of preferred stock with par value of $10 per share and 30,000 shares of common stock with par value of $1.00 per share.

The property to be included in the DMEA contract is shown on figures 2, 3, and 5.

Mr. Ridgely stated that a Consent-to-Lien cannot be obtained because the owner recently expended considerable time and money clearing title to the land for real estate subdivision purposes and desires no further encumbrances. The applicant was furnished copies of the Consent-to-Lien form and also copies of the Performance Bond form. He was advised that it would be necessary to submit three bids for the cost of the proposed work by independent contractors.

The directors of the corporation stated that they are financially able to provide their share of the exploration costs. They have only a few years experience in the mining industry. Their recent success with the operation of the mine has been largely due to the efforts of the sub-leasers.

DEVELOPMENT

The accompanying map (fig. 5) shows the extent of more than five miles of underground workings at the Guadalupe mine. Only a few hundred feet of these workings are now open. The old mine area to the south of Guadalupe Creek was first developed by a 625-foot vertical shaft. This section of the mine was

abandoned because of difficult water problems and depletion of the ore body. Deposits to the north of the old mine area were developed by the New Guadalupe incline shaft and by several crosscuts.

Most of the ore now being recovered is obtained from high-grade pods of cinnabar scattered in landslide material at the north edge of the property. Open cut trenches are excavated with a bulldozer and a leaser follows behind the machine and searches for fragments of rock containing cinnabar which are placed in a 5-gallon bucket and hauled to the company retort. The sorting ratio varies but evidently averages about 400 tons of waste to one ton of ore.

Some low-grade material is mined from the Kelly Hill area and is upgraded in a washing and jigging plant that is owned and operated by a sub-leaser. About one ton of concentrates is now being obtained daily from 50 tons of heads. Several leasers are engaged in selective mining operations in shallow pits and adits.

The applicant owns miscellaneous shop and retort equipment which was purchased at a price of $13,896.25 from the previous leaser. He has agreed to furnish one portable air compressor, capacity 105 c.f.m., together with jackhammer and drill steel valued at $1,800.00 when needed at no cost to the exploration project.

Almost all of the mining and excavating equipment is owned by the sub-leasers. A list of this equipment follows:

3	D-8 Bulldozers (two with rippers)	Nearly new.
1	HD-19 "	In good condition.
1	D-7 "	Fair
1	D-6 "	Fair
2	D-6 Tractor loaders	Good
2	D-2 " "	Poor
3	5-ton Trucks	Fair
2	105-c.f.m. Air compressors	Fair
1	75-t.p.d. Jig plant	Good
1	2.5-t.p.d. Pipe retort plant	Fair

The following equipment is owned or held by the Palo Alto Mining Corporation:

1	D-953 Bulldozer loader	In good condition.
1	105-c.f.m. Air compressor, portable	Nearly new
1	45-c.f.m. " " "	Fair
1	7.5-t.p.d. Retort plant	Fair
1	Repair shop and miscellaneous hand tools.	
	Miscellaneous milling equipment	Fair

GENERAL GEOLOGY

The proposed project will explore a small ridge in an area of low relief north of the main Guadalupe mine workings. The surface is almost completely covered with alluvium and landslide material that in places is more than twenty feet thick. Because of the cover there are few outcrops. The rocks exposed in the vicinity of the mine are chiefly shale, arkose, and graywacke of the Franciscan formation of probable Cretaceous age. These rocks have been intruded by sills of peridotite which have been

serpentinized and in many places further altered to form resistant bodies of silica-carbonate rock.

The sedimentary rocks in general strike northwest and dip steeply southwest. They erode readily to thick soil and form rounded, grass and brush-covered slopes. Interbedded with the clastic sediments are more resistant beds and lenses of chert, limestone, and altered mafic lavas and tuffs called greenstone. Along the serpentine contacts is found a mixture of highly sheared shale and clayey gouge called "alta."

The serpentine is sill-like in form and consists of boulders as much as several feet in diameter in a matrix of sheared serpentine. The unsheared boulders have relic textures of olivine and pyroxene. Many of the margins of the serpentine bodies have been hydrothermally altered to silica-carbonate rock containing a mixture of quartz and magnesian carbonates.

The rocks have locally been intensely sheared and folded (fig. 4) but few major faults have been recognized in the area. The most important structures related to the ore deposits are steep northeast-trending fractures in the silica-carbonate rocks. These fractures are abundant near the margins of the silica-carbonate bodies and it is along these fractures that most of the ore deposits are localized.

ORE DEPOSITS

The deposits consist chiefly of veinlike replacements of cinnabar along steep northeast-trending fractures in silica-carbonate rock along and near the shale contacts.

The only ore mineral of economic importance is cinnabar that occurs chiefly as a replacement of silica-carbonate rock. The replacement extends only a few inches from fractures but commonly is of exceptionally high grade. Many of the large ore bodies were formed where fractures were so closely spaced that all of the intervening silica-carbonate rock was replaced. Gangue minerals are quartz, dolomite, and pyrite.

The ore bodies that have been mined at the Guadalupe mine range from small lenses a few feet across, containing several hundred pounds of ore, to large veinlike bodies 40 feet thick, 150 feet long, extending down dip for as much as 1,000 feet, and containing many thousands of tons of ore. The ore bodies are usually localized near the contact between silica-carbonate rock and shale. Where the contact is gently dipping the cinnabar was deposited in structural highs such as the tops of folds or domes, but where the contact is steeply dipping the ore was deposited where the northeast-trending fractures were abundant.

Exploration planned in the East Ridge area (fig. 3) is along the northeast contacts of silica-carbonate rock and overlying shale beds where favorable targets exist at the intersection of steep northeast-trending fractures and shale, or alta.

A total of about 12 tons of ore that yielded 51 pounds of mercury per ton, or 8.1 flasks, has been produced from the area of the proposed exploration. This ore was in the form of float fragments and consisted of pieces of cinnabar weighing as much as 20 pounds. It was mined by leasers from bulldozer trenches in the top three or four feet of alluvium and slope wash. The ore has not been found in place in this area but the angular character of the float indicates a nearby source.

SAMPLING

Six samples and several specimens of ore were taken. Only a few specimens were obtained from the East Ridge because most of the area is covered with overburden. Leasers have depleted the few exposures of ore that have been found. The specimen (S-565) is representative of high-grade ore being mined and furnaced, and the other samples represent typical heads, tailing and hutch concentrates from the jigging plant. The high-grade ore is blended before retorting so that the charge contains about 5 percent mercury. Concentrate from the bed of the jig was

not sampled but is partly composed of nearly pure cinnabar.

Sample No.	Lbs. Hg/ton	Type of sample	Description
S-564	4.0	2.0 ft. (channel)	Silica-carbonate and fault gouge from open cut trench northeast of Kelly Hill.
S-565	1116.0	specimen	Specimen of float from trench northwest of Kelly Hill.
S-566	2.6	grab	Jig heads mined from Kelly Hill, open pit.
S-567	7.0	grab	Tailings from recently retorted high-grade ore.
S-568	0.8	grab	Jig tailings.
S-569	15.3	grab	Jig hutch concentrates from Milton Parker's plant.

ORE RESERVES

There are no measured or indicated ore reserves in the proposed project area. All of the exposures of cinnabar-bearing material have been mined to the economic limit. The presence of high-grade float ore in the area to be explored indicates the probable presence of minable ore bodies that are concealed by alluvium and slide material. It is inferred that several ore bodies will be found by the proposed exploration and that these ore bodies will yield about 2,000 tons of ore having an average grade of about 5 percent mercury or a total of about 2,600 flasks.

2000 Tons
.05 %
100.00 Tons Hg
2000
200,000 # Hg
approx 2600 flasks

EXPLORATION

The applicant has proposed to explore the favorable contacts between sedimentary rocks and silica-carbonate bodies in the East Ridge area by 2,500 feet of bulldozer trenching (fig. 3); followed by 1,000 feet of churn drilling to further test any ore bodies or mineralized areas discovered.

The program is well suited to test the area and utilize the most economical and successful method of exploration that has been employed at this property. Other methods, such as diamond drilling and underground exploration, are either too expensive or yield inconclusive results.

The churn drilling should be delayed until all of the trenching has been completed, unless a significant mineralized area is discovered in which case drilling can be started after the trenching of a particular part of the contact has been completed, so as to minimize the interference between the bulldozer and drill.

EXPLORATION COSTS

The applicant's cost estimates are based upon tentative bids received from independent contractors now working at the property. Exploration work proposed under Stage I consists of 2,500 linear feet of trenches with an estimated volume of 40,000 cubic yards. Exploration work proposed under Stage II consists of 1,000 feet of churn drilling. The holes are to be

six inches in diameter and cased where necessary.

The work can be started within one week and completed in four months. The applicant will provide supervision, map and sample the trenches, and log and sample the drilling. He expects to provide the use of his equipment for any drilling and blasting that may be required in the trenching operation without charge to the project.

Stage I -- Surface trenching 2,500 linear feet of trenches, average depth 20 feet and estimated volume of excavation 40,000 cubic yards. Trenches are to be mapped and sampled by the operator. Estimated time to complete trenches--3 months.

(a)	Labor and Supervision	
	(1) Independent contract -- surface trenching D-8 bulldozer with ripper, 800 hours @ $16.00/hr. (minimum volume of excavation, 40,000 cubic yards)	$12,800.00
	(2) Supervision--1 Engineer-Geologist-Supervisor, 3 months @ $600/mo.	$ 1,800.00
(b)	Operating Materials and Supplies	None
(c)	Operating Equipment -- to be furnished by independent contractor.	None

(d) Miscellaneous

60 assays @ $3.00/ea. and sample sacks (to be assayed for Mercury)	$ 184.00
Compensation insurance	216.00
Total, Stage I	$15,000.00

Stage II -- Churn drilling

(a) Labor and Supervision

(1) Independent contract--1,000 feet, 6-inch diameter, @ $4.00/ft.	$ 4,000.00
(2) Supervision--1 Engineer-Geologist-Supervisor, 1 month @ $600/mo.	600.00

(b) Operating Materials and Supplies

6-inch casing, 100 ft. @ $2.00/ft.	200.00

(c) Operating Equipment -- to be furnished by independent contractor: None

(d) Miscellaneous

50 assays @ $3.00/ea. (to be assayed for Mercury)	$ 150.00
Compensation insurance	~~50.00~~ 72.00
Total, Stage II	$ 5,000.00

Estimated total cost of project	$20,000.00
Government's share at 75 percent	$15,000.00
Applicant's share at 25 percent	$ 5,000.00

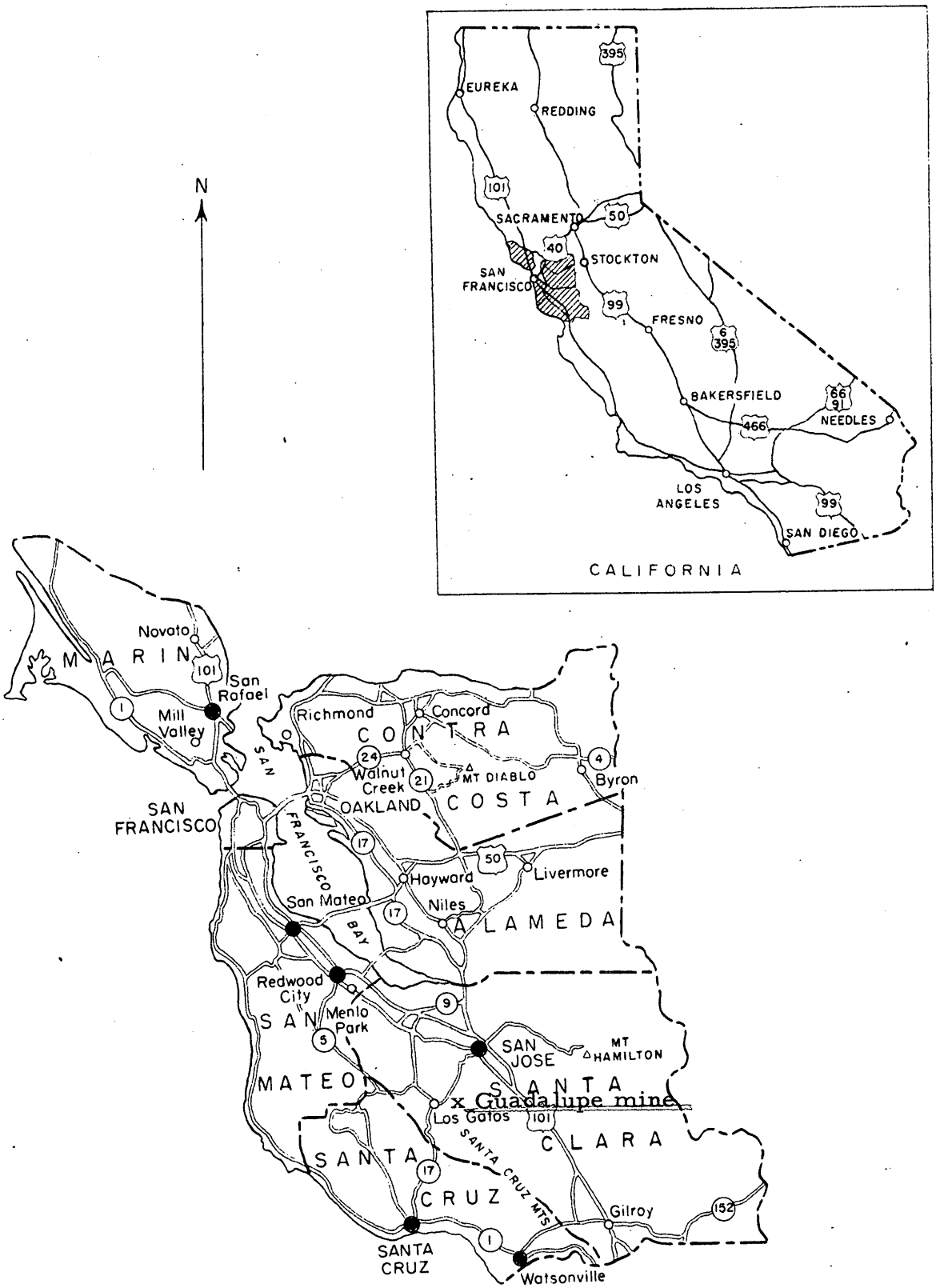


Figure 1. INDEX MAP OF ALAMEDA, CONTRA COSTA, MARIN, SAN FRANCISCO, SAN MATEO, SANTA CLARA, AND SANTA CRUZ COUNTIES, CALIFORNIA

0 20 40 60 Miles

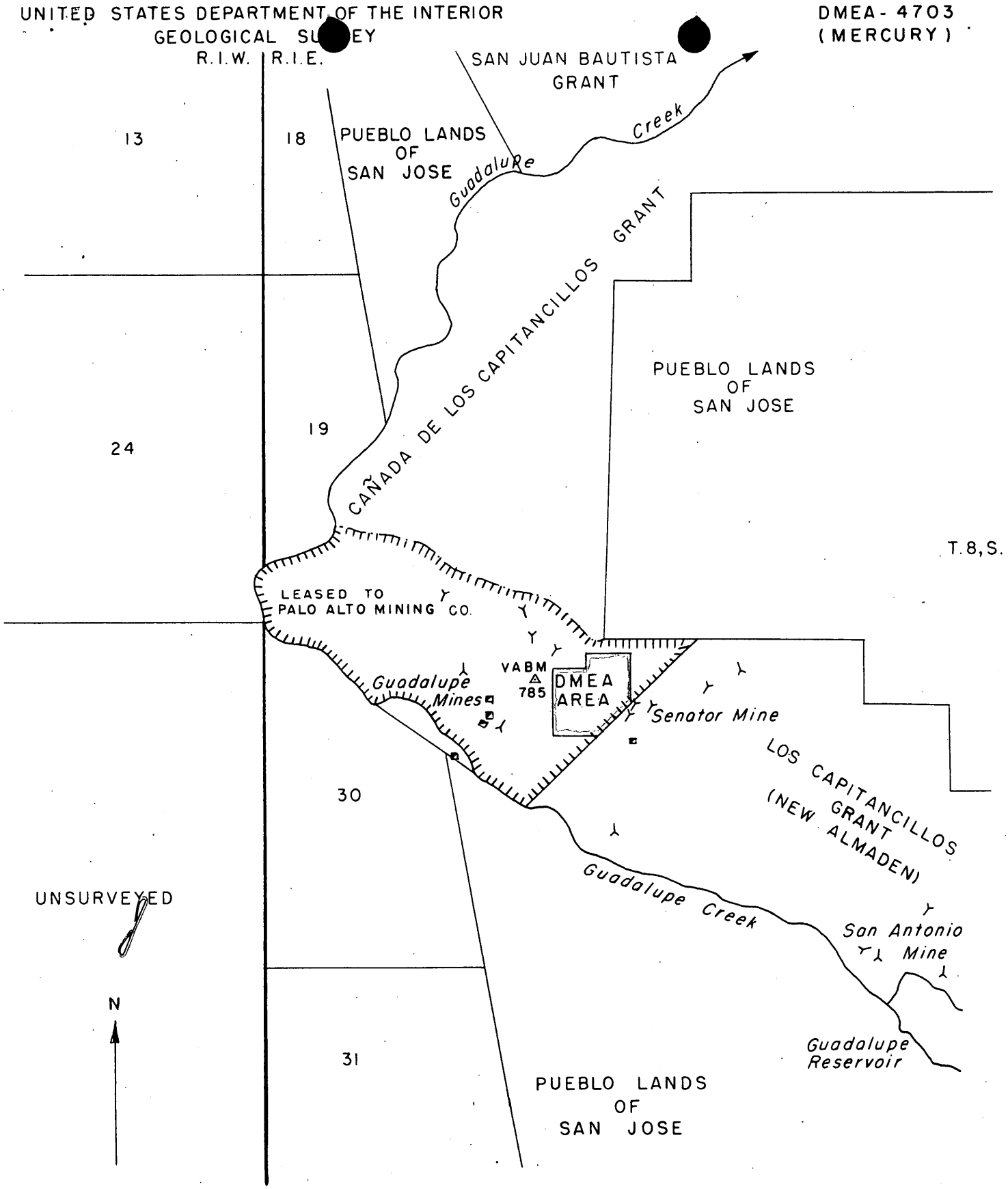


FIGURE 2. PROPERTY MAP, GUADALUPE MINE, SANTA CLARA COUNTY, CALIFORNIA

1000 0 1000 2000 3000 FEET

NAME OR TITLE OF PERSON, DEPARTMENT, ADDRESS, AND ROOM	
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP

Use other side first

NAME OR TITLE OF PERSON, DEPARTMENT, ADDRESS, AND ROOM	
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP
	RUN
	STOP

Standard

NAME OR TITLE			AND ROOM	
~~G P Branch~~	RUN	STOP		RUN / STOP
~~Budget Fin~~ Accounts Br ~~Ontario Bldg~~ Bldg	RUN	STOP		RUN / STOP
~~Ann Harmon~~ ~~Rm. 6637, Ontario~~ Bldg.	RUN	STOP		RUN / STOP
~~Mrs. Eberly~~ ~~Rm 7042~~	RUN	STOP		RUN / STOP
Mrs Logan	RUN	STOP		RUN / STOP
~~Mr. Pfeiffer~~ ~~Purchasing Office~~	RUN	STOP		RUN / STOP
Miss Spahitz Room 4156 FWB	RUN	STOP		RUN / STOP
	RUN	STOP		RUN / STOP
	RUN	STOP		RUN / STOP
	RUN	STOP		RUN / STOP

Send surplus envelopes to supply room for reissue.

Use other side

Use RUN and STOP only when messenger service between Government buildings in Washington is required. Your mail room has RUN and STOP information.

10

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
4/15	[illegible]	400
4/15	Martin	400
4/17	Selfridge	130
"	Johnson	110
"	Mitterdorf	100
4/18	C	220
		400

APR 27 1957

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

Re: Docket No. DMEA 4703 - Mercury
Palo Alto Mining Corporation
East Ridge Workings, Guadalupe mine
Santa Clara County, California

Dear Mr. Ricker:

The above-docketed application for exploration assistance is being referred to your office for a field examination of the property.

Copies of memoranda dated April 2 and April 5, 1957, by N. E. Nelson, Geological Survey, and J. W. Pennington, Bureau of Mines, respectively, relating to the project are enclosed. Also enclosed is an extra copy of the application for use by the Field Team.

The Directors of the Palo Alto Mining Corporation state that a Consent to Lien cannot be obtained and in lieu thereof offer a personal guarantee of the Government's percentage royalty. Should you decide to recommend a contract please advise the applicant that if a Consent to Lien is not obtainable, we will accept instead a Performance Bond on Standard Form 25 (as prescribed by General Services Administration's Regulation No. 5), which form may be secured from any Surety Company. The amount of the bond cannot be stated exactly in advance of preparation of a contract, but it will closely approximate the Government's share of the cost of the work. The owner's refusal to execute a Consent to Lien must be submitted in writing before we would be willing to accept a Performance Bond.

The applicant should also be advised that it will be necessary to obtain and submit two additional bids for the cost of the bulldozing and churn drilling work in the proposed program.

Sincerely yours,

George C. Selfridge

Chairman, Operating Committee (GCS)

APPROVED:

Frank D. Lamb (FDL)
Member, Bureau of Mines

Thor H. Kiilsgaard (THK)
Member, Geological Survey

JHopkins: foc 4/15/57
cc to: Docket
Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

Enclosure

C

8623

DMEA Form 7
(12-56)

OFFICIAL FILE COPY

Date	Surname	Code
4/15	Hopkins	400
4/15	Martin	400
4/17	Selfridge	130
"	[illegible]	110
"	Hittendorf	100
		220

APR 17 1957

Mr. S. S. Ridgely, President
Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

Lamb
Kiilsgaard

Re: Docket No. DMEA 4703 - Mercury
East Ridge Workings, Guadalupe mine
Santa Clara County, California

Dear Mr. Ridgely:

The above docketed application for exploration assistance for mercury ores has been reviewed in the Washington office of the Defense Minerals Exploration Administration and referred to Mr. Spangler Ricker, Executive Officer, DMEA Field Team, Region II, 1605 Evans Avenue, Reno, Nevada, for a field examination of the property.

Any assistance you can give the members of the Field Team will be appreciated.

Sincerely yours,

C. O. Hittendorf

Administrator

JHopkins:foc
4-15-57
cc to: Docket
Code 400
Admr. R. File
Oper. Comm.
FT. REG. II
Messrs. J. W. Pennington, USBM
T. H. Kiilsgaard, USGS

8623

OFFICIAL FILE COPY
DMEA
RECEIVED APR 8 1957

DATE	INITIALS	CODE
4/8	C	220
		400

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF MINES
WASHINGTON 25, D. C.

April 5, 1957

Memorandum

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

From: Assistant Chief, Branch of Base Metals

Subject: Review of application, Docket No. DMEA 4703 (mercury), Palo Alto Mining Corp., East Ridge Workings, Guadalupe Mine, Santa Clara County, Calif. $50,000.00

The applicant proposes to explore for mercury mineralization in the East Ridge section of old mercury workings by 1000 feet of churn drilling and 40,000 cubic feet of trenching at an estimated total cost of $50,000.00.

No information is given on the exploratory work done in the area except that the ore discovered has been very high grade.

Additional information is required and it is recommended that the application be referred to the Field Team. Also, I am unable to check the $50,000 total cost from the estimated costs given.

The application is returned herewith.

Jos Pennington
J. W. Pennington

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

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

April 2, 1957
Re: DMEA 4703
Palo Alto Mining Corp.
East Ridge Workings
Santa Clara Co., Calif.
$66,666.66 - Mercury

Memorandum

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

From: N. E. Nelson, U. S. Geological Survey

Subject: Review of application

The applicant requests assistance in exploring for the origin of high grade float by bulldozing and churn drilling.

The proposed firm work consists of:

Item		Est. Cost
Bulldozing	40,000 cu. yds.	$15,000.00 = .37½
Churn drilling	1,000 feet $4-$6 ft.	5,000.00
	Total	$20,000.00
Not allocated		46,666.66
	Total	$66,666.66

Flow Bot.

The estimate may not be correct, but the resolution says the applicant will ask for a 'loan' of $50,000.00. The only work outlined is the bulldozing and drilling.

Referral of the application to the Field Team is recommended.

N. E. Nelson

N. E. Nelson

OFFICIAL FILE COPY
DMEA
RECEIVED APR 2 1957

DATE	INITIALS	CODE
4/3	C	220
4/3	WSM	400

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

March 28, 1957.

Mr. S.S. Ridgely, Sr., President,
Palo Alto Mining Corporation,
11,900 Coleman Road,
San Jose 24, California.

Subject: DMEA 4703.

Dear Mr. Ridgely:

Your application for exploration assistance, dated March 18, 1957, submitted to our office at Reno, Nevada, has been assigned Docket Number DMEA 4703 and referred to the Iron & Ferro-Alloys Division in the Washington office. Kindly identify all future correspondence relating to your application by this Docket Number.

Sincerely yours,

Allen S. Dakan, Director
Operations Control and
Statistics Division

Copy to: Region II.

6816

DMEA

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OFFICIAL FILE COPY
DMEA
RECEIVED MAR 28 1957

DATE	INITIALS	CODE
3/29	WSM	400

1605 Evans Avenue
Reno, Nevada

March 26, 1957

Memorandum

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

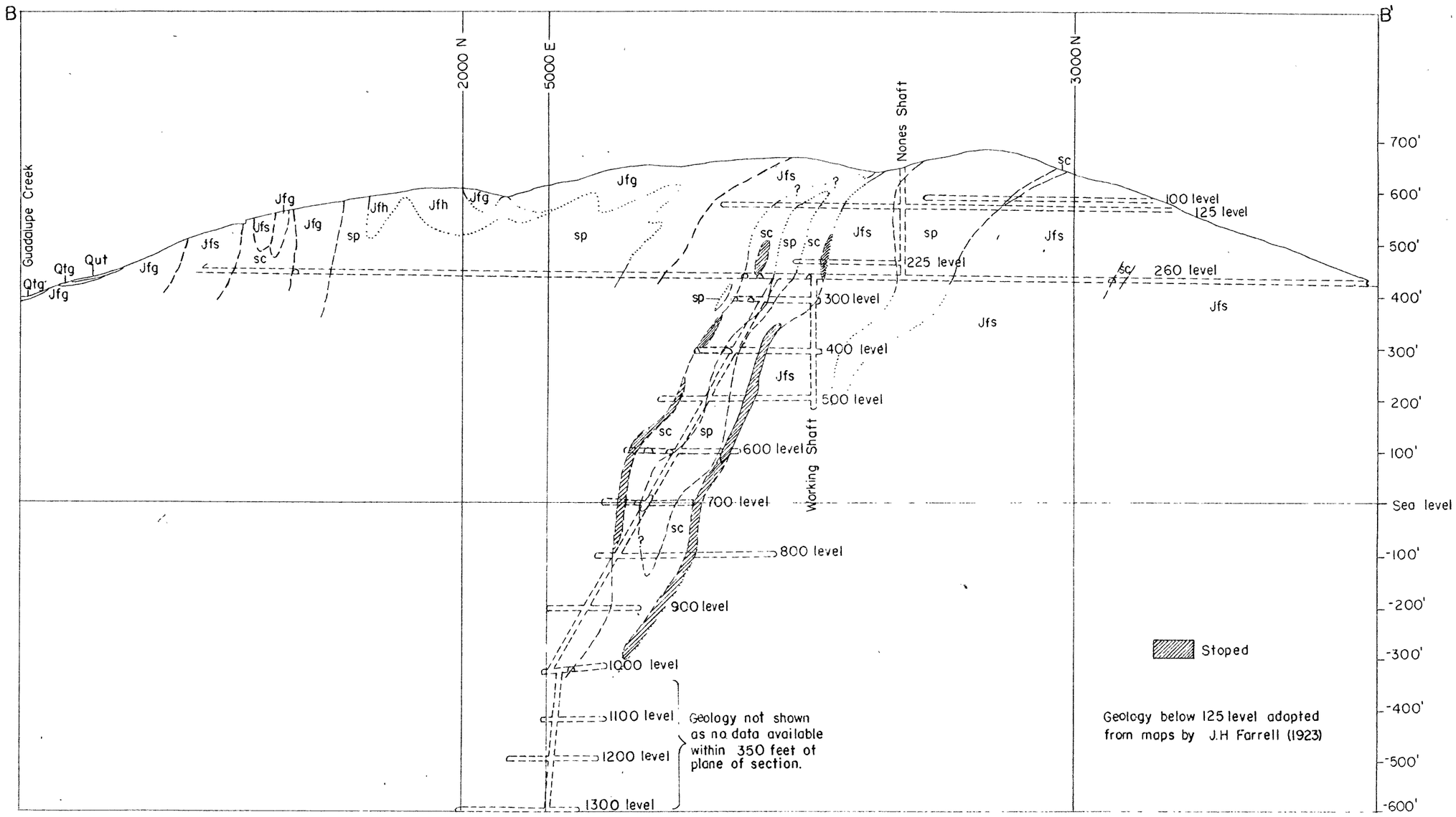
From: Executive Officer, DMEA Field Team, Region II

Subject: Loan Application (Mercury)
Palo Alto Mining Corporation
Guadalupe Mine - East Ridge Workings
Santa Clara County, California

Enclosed are three sets of MF-103, Application for Aid forms relative to above subject. The fourth set has been retained in our files.

S. Ricker

Encl.



CROSS SECTION ALONG LINE B—B' THROUGH THE SENATOR MINE

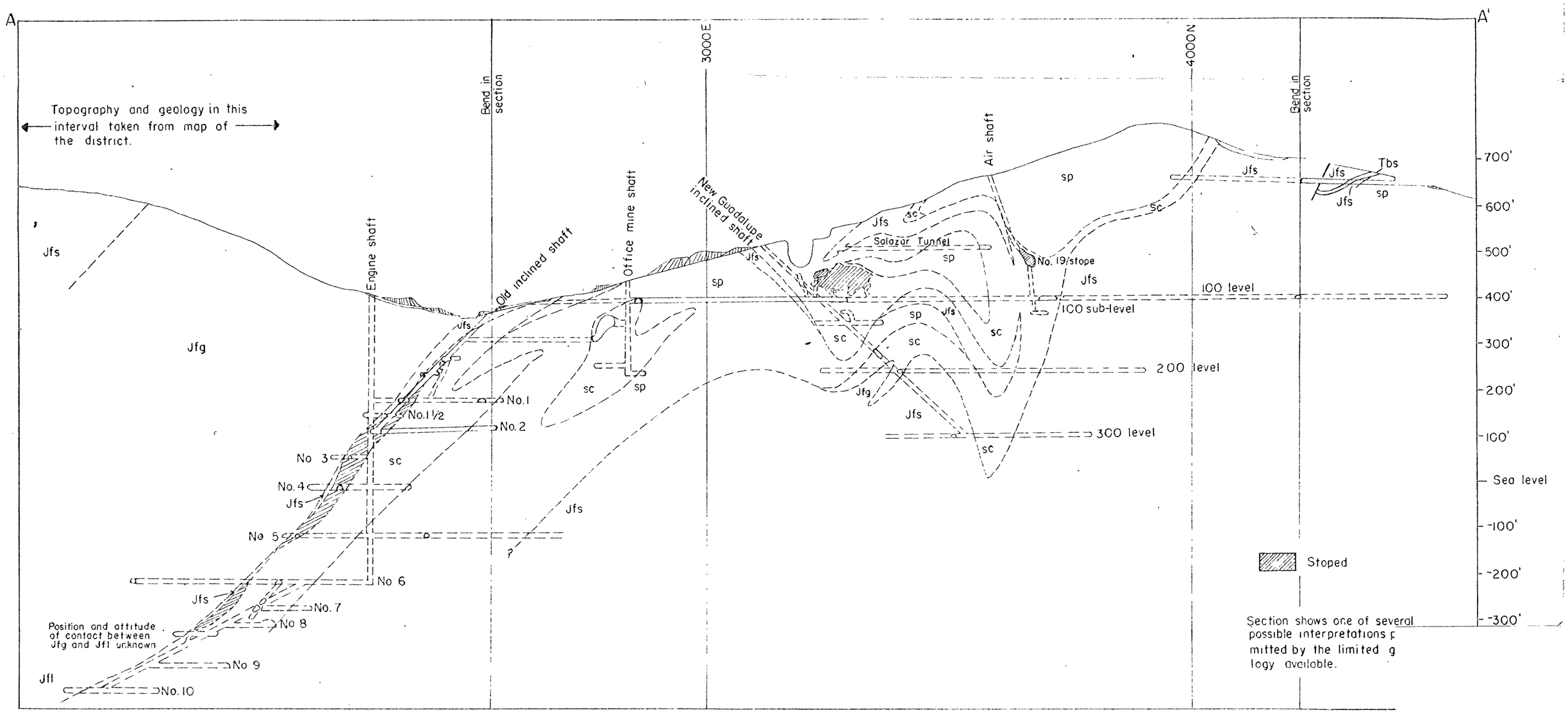
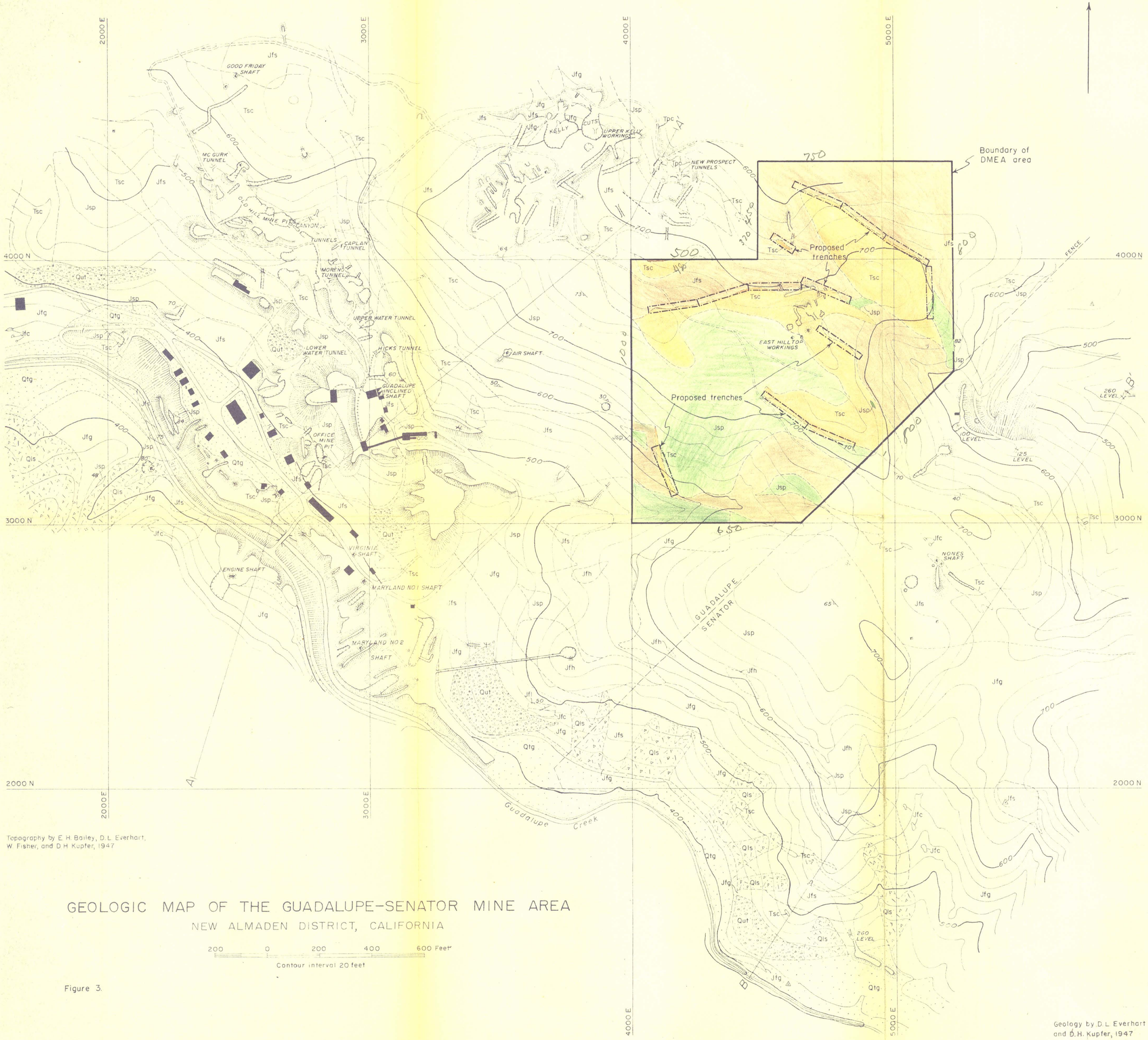


Figure 4. CROSS SECTION ALONG LINE A-A' THROUGH THE GUADALUPE MINE

200 0 200 400 Feet

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA 4703
(MERCURY)



Topography by E. H. Bailey, D. L. Everhart, W. Fisher, and D. H. Kupfer, 1947

GEOLOGIC MAP OF THE GUADALUPE-SENATOR MINE AREA

NEW ALMADEN DISTRICT, CALIFORNIA

200 0 200 400 600 Feet

Contour interval 20 feet

Figure 3.

Geology by D. L. Everhart and D. H. Kupfer, 1947

EXPLANATION

QUATERNARY

Recent

- Dump material
- Qtg — Alluvium or terrace gravel (Undifferentiated)
- Qls — Landslide material

Plio-Pleistocene

- Qut — Upper terrace gravel (Probably equivalent to Santa Clara formation)
- Brecciated silica-carbonate rock (Old surface landslide?)

TERTIARY

Pliocene

- Tpc — Pebble conglomerate
- Tsc — Silica-carbonate rock (Hydrothermally altered serpentine)

JURASSIC (?)

- Jsp — Serpentine

Upper Jurassic (?)

Franciscan group

- Jfh — Hornblende-bearing metamorphic rocks
- Jfs — Clastic sediments (Arkose, greywacke, siltstone)
- Jfl — Limestone
- Jfg — Greenstone (Basaltic flows, tuffs, tachylite)
- Jfc — Chert

80 Contact, showing dip (Dashed where approximately located)

Inferred contact

50 Strike and dip of beds

65 Strike and dip of shear planes

Shaft (Vertical, inclined, caved)

Portal of tunnel or adit (Open, caved)

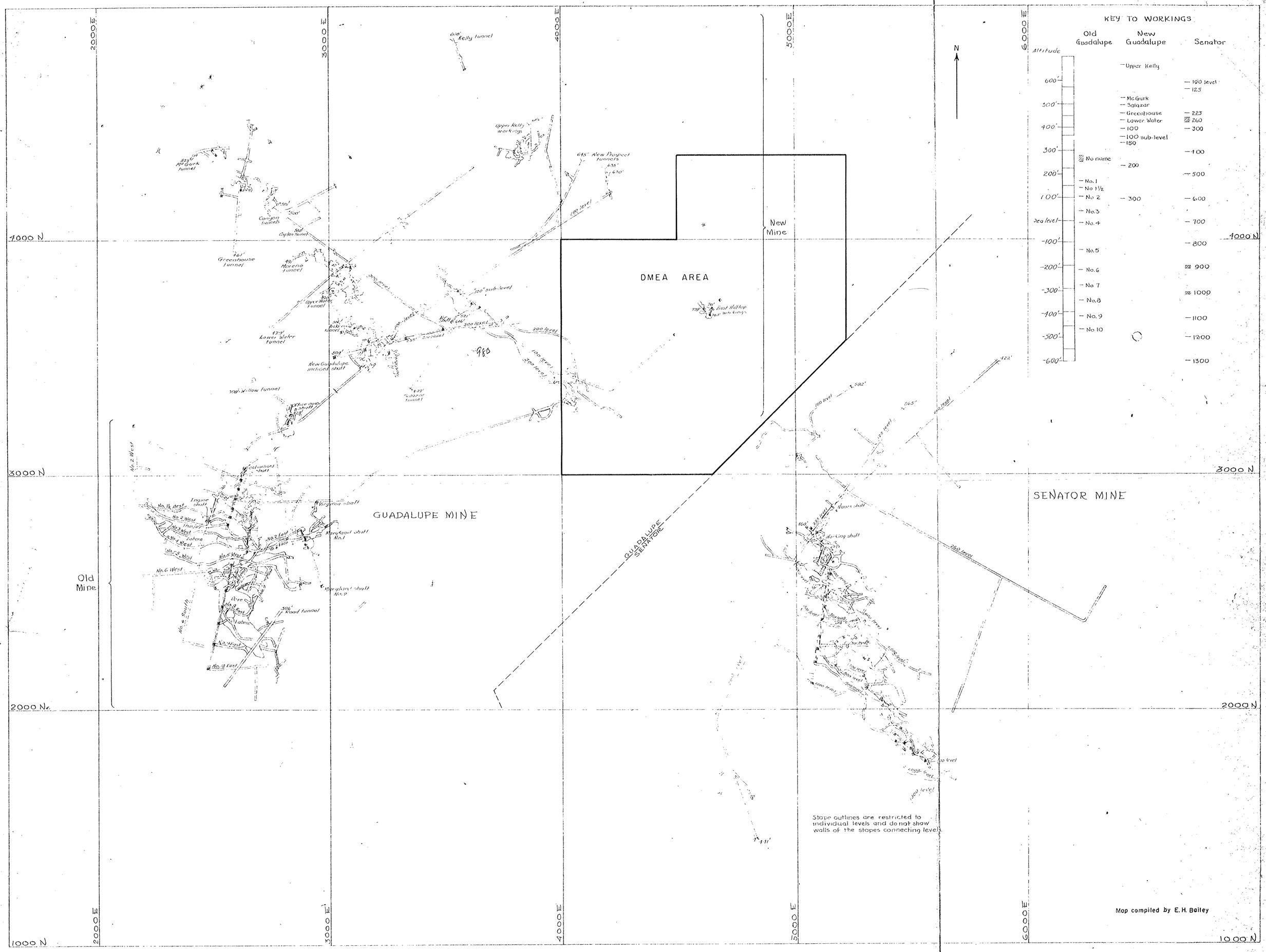
Prospect trench

Prospect pit or open cut

Dump

Permanent survey marker

Fence, approximately along property boundary

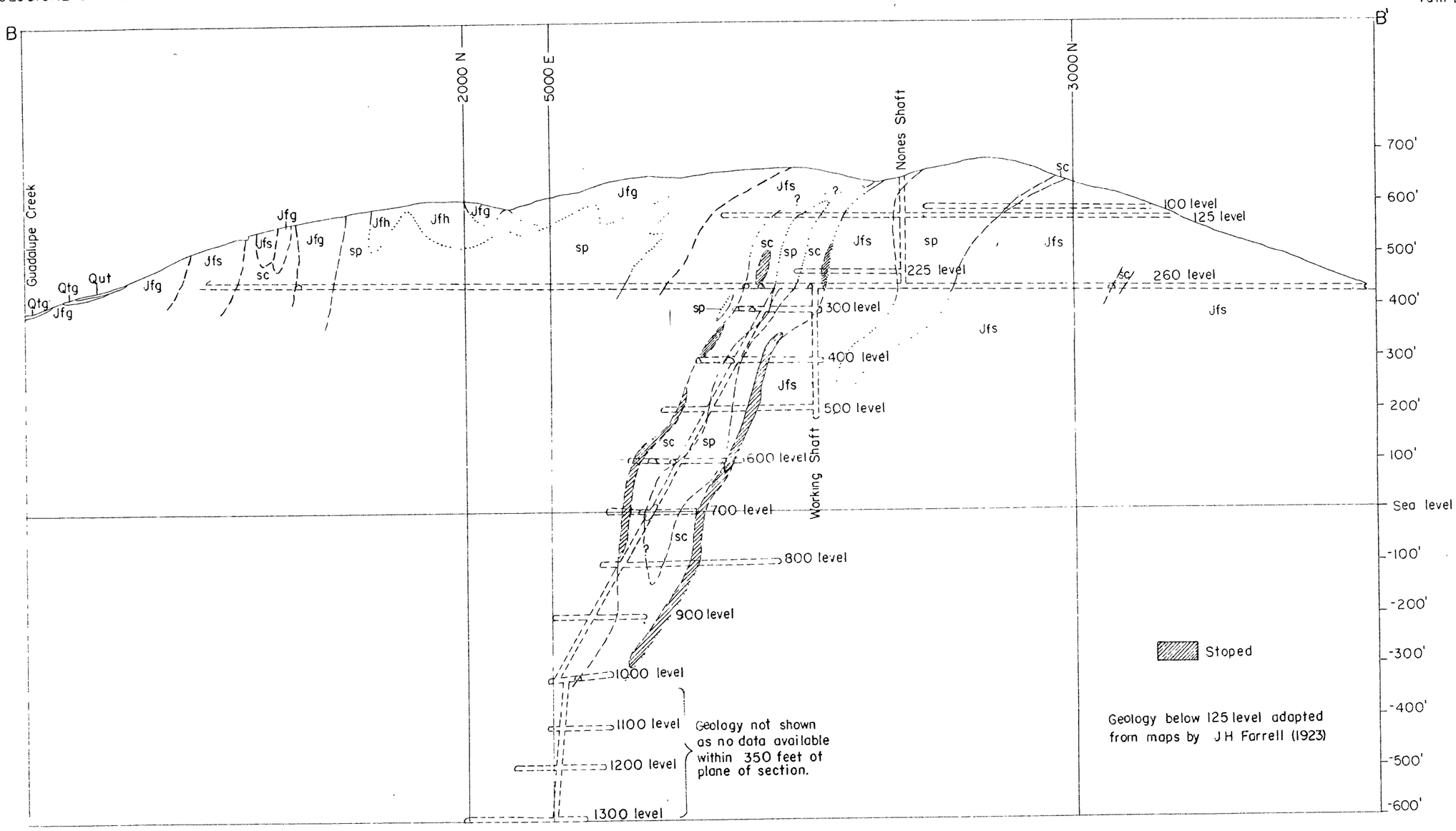


MAP OF GUADALUPE AND SENATOR MINES, SANTA CLARA COUNTY, CALIFORNIA

Figure 5

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA 4703
(MERCURY)
Idm E 1117



CROSS SECTION ALONG LINE B–B' THROUGH THE SENATOR MINE

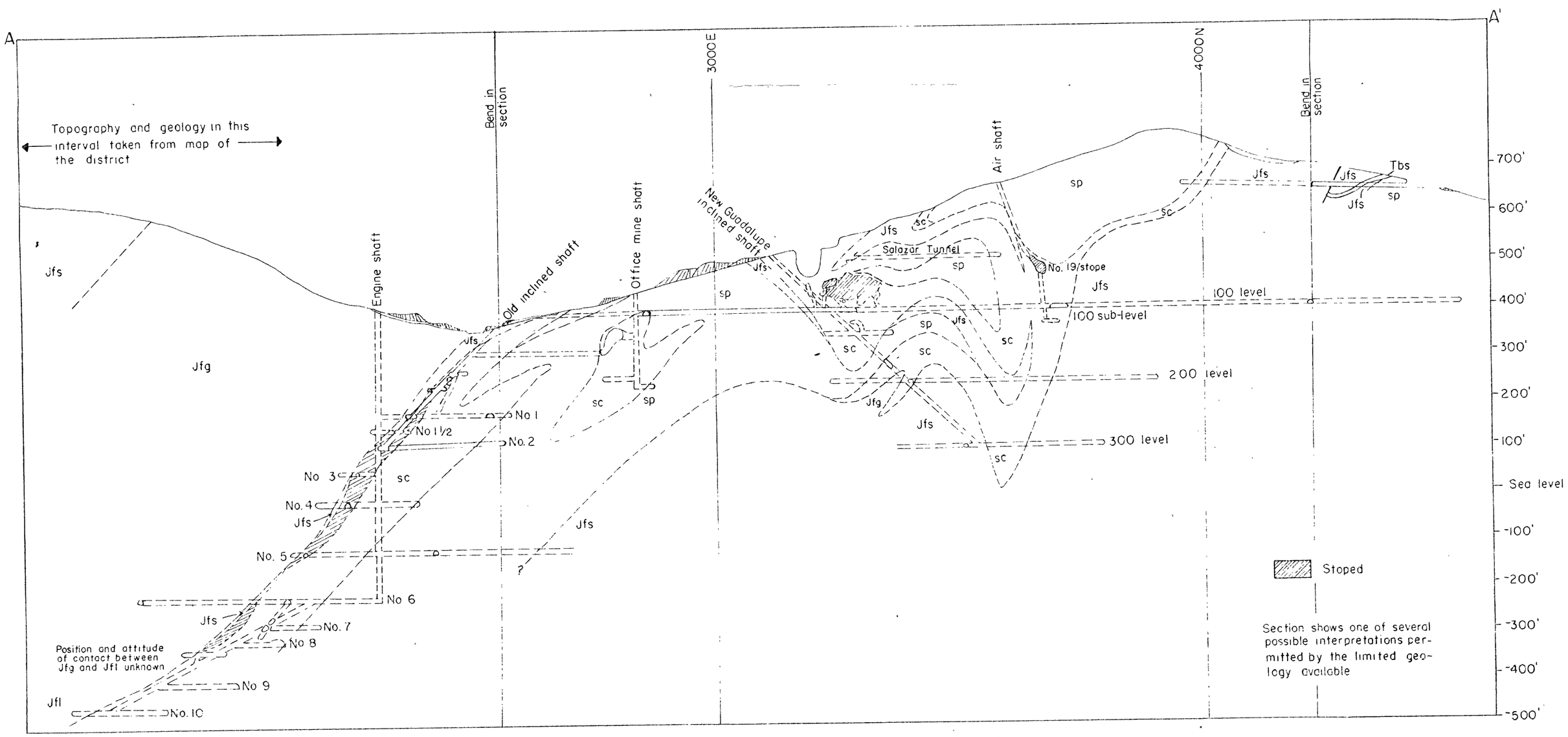


Figure 4 CROSS SECTION ALONG LINE A–A' THROUGH THE GUADALUPE MINE

200 0 200 400 Feet

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

DMEA 4703
(MERCURY)
Idm E 117

Topography by E. H. Bailey, D. L. Everhart, W. Fisher, and D. H. Kupfer, 1947

GEOLOGIC MAP OF THE GUADALUPE-SENATOR MINE AREA

NEW ALMADEN DISTRICT, CALIFORNIA

200 0 200 400 600 Feet

Contour interval 20 feet

Figure 3

Geology by D. L. Everhart and D. H. Kupfer, 1947

EXPLANATION

QUATERNARY

Recent

- Dump material
- Qtg — Alluvium or terrace gravel (Undifferentiated)
- Qls — Landslide material

Plio-Pleistocene

- Qut — Upper terrace gravel (Probably equivalent to Santa Clara formation)

TERTIARY

Pliocene

- Brecciated silica-carbonate rock (Old surface landslide?)
- Tpc — Pebble conglomerate
- Tsc — Silica-carbonate rock (Hydrothermally altered serpentine)

JURASSIC (?)

Upper Jurassic (?)

Franciscan group

- Jsp — Serpentine
- Jfh — Hornblende-bearing metamorphic rocks
- Jfs — Clastic sediments
- Jfl — Limestone
- Jfg — Greenstone
- Jfc — Chert

80 — Contact, showing dip (Dashed where approximately located)

Inferred contact

50 — Strike and dip of beds

65 — Strike and dip of shear planes

Shaft (Vertical, inclined, caved)

Portal of tunnel or adit (Open, caved)

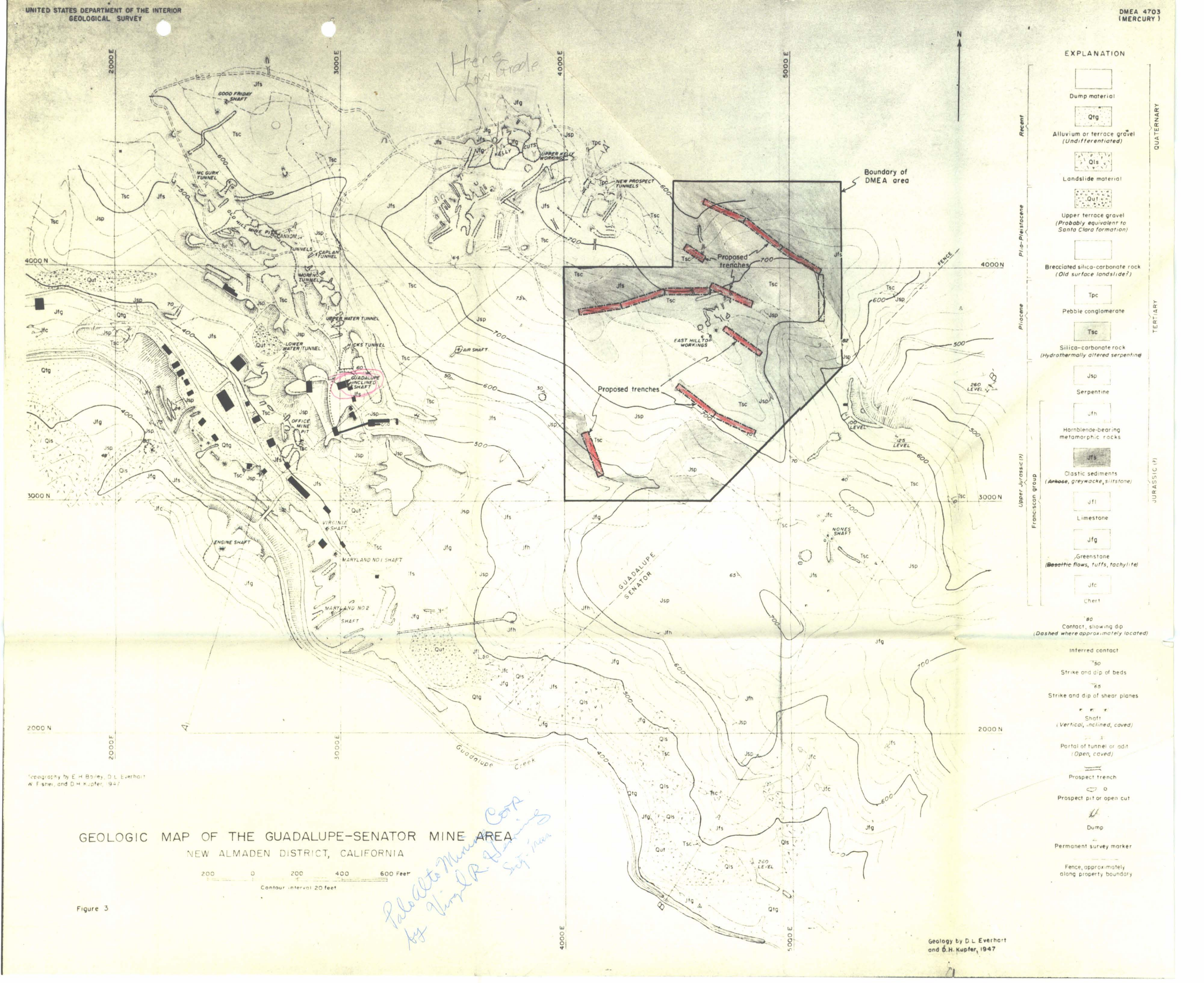
Prospect trench

Prospect pit or open cut

Dump

Permanent survey marker

Fence, approximately along property boundary



GEOLOGIC MAP OF THE GUADALUPE-SENATOR MINE AREA
NEW ALMADEN DISTRICT, CALIFORNIA

Figure 3

Palo Alto Mercury Corp
by Virgil R. Fleming
Sept 1944