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

Re: Idn-R1117, DMEA-4703
Palo Alto Mining Corporation

Dear Mr. Meyer:

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

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

420 Custom House
555 Battery Street
San Francisco 11, California

OFFICIAL FILE COPY
DMEA
RECEIVED APR 25 1958
4/25 C 220
800

April 22, 1958

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

Re: Idm-E1117, DMEA-470$ 3
Palo Alto Mining Corporation

Dear Mr. Chambers:

Reference is made to your letter dated April 15, 1958, in connection with royalty audit procedure to be applied to subject contract. You made a footnote on this letter to the effect that if the Operator filed a claim for the small royalty overpayment of $2.69, that same could be refunded.

In letter dated January 11, 1958, the Operator wrote to Mr. S. Ricker, stating they made an error in calculating the royalty paid in amount of $15.75and to send the check back to them and they would issue a new check for $13.06. Mr. Ricker advised the Operator under date of January ___, 1958, that the first check for $15.75 had been deposited with the U. S. Treasury and to deduct the overpayment from the next royalty payment.

Would you consider that the Operator had made a demand for refund when requesting the return of the $15.75 check after which he would issue a new check for $13.06, to cover the correct amount of royalties due the Government.

Please let me know if refund should be made.

Sincerely yours

George Mavor

George Mavor, Auditor

APR 1

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

Re: Idm-F1117, DMEA-4705
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

Copy to: Docket
Admr. Reading File
Mr. Chambers

Jay L. Chambers, Director
Contract Administration
and Audit Division

OFFICIAL FILE COPY
DMEA
APR 14 1958
INITIALS CODE

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

420 Custom House
555 Battery Street
San Francisco 11, California

April 11, 1958

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

Re: Idm-E1117, DMEA-4705
Palo Alto Mining Corp.
Report of Royalty Review

Dear Mr. Chambers:

Subject contract is in the process of termination and when concluded a Report of Review will be issued.

After the Report of Review has been issued, the question arises as to whether or not a Report of Royalty Review can be prepared. At the Washington Office Conference last May I was informed that if a Certificate of Discovery was not issued, then a period of 6 months should elapse before preparing a Report of Royalty Review.

In view of the contract being terminated, does this alter the procedure of allowing 6 months to elapse before issuing a Report of Royalty Review. There is a small royalty overpayment to the Government in amount of $2.69, which is accounted for as follows:

Total Royalty Due	$13.06
Total Royalty Paid	15.75
Overpayment of Royalty	$(2.69)

Your advice on this subject will be appreciated.

Sincerely yours,

George Mavor

George Mavor
Auditor

EXTRA COPY
DMEA
RECEIVED JAN 13 1958
DATE | INITIALS | CODE
800

1605 Evans Avenue
Reno, Nevada

January 10, 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:

Your attention is called to your two royalty settlement statements forwarded to us under cover of your letter dated December 12, 1957. These statements showed the following calculations:

Goldsmith Bros. Smelting & Refining Co.
Mercury - Settlement Statements

Date	Lbs.	Price	Amt.	5% Royalty
10-29-57	45	$2.84	$127.80	$6.39
11-4-57	47	2.84	133.48	6.67
Total Royalty Payable				$13.06
Amount of Royalty Paid				15.75
Unaccounted for difference				$ 2.69

The statements show a royalty of $13.06 due the Government and we would appreciate having your explanation of the apparent overpayment of $2.69.

Very truly yours,

S. Ricker
Executive Officer
DMEA Field Team, Region II

SRicker:ft
cc: Opr. Com., DMEA, Wash., D.C.
Finance Office, Reg. II
GeoMayor
RMSmith
File
Chron

San Francisco, Calif.

THIS DEPOSIT IS NOT SUBJECT TO CHECK

DEPOSIT NO. 14-23-030-18

For credit of 9012 Treasury Regional Office, San Francisco, Calif. 12/12/57
(Name, title, and disbursing or other identification symbol of accountable officer) (Date sent)

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

$ 15.75

for accounts listed below. SCHEDULE Nos.

ACCOUNT SYMBOL	TITLE OF ACCOUNT TO BE CREDITED	AMOUNT
14X4401	E-1117	$15.75

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

SPACE BELOW TO BE USED BY DEPOSITARY ONLY

I certify that the above amount has been received for credit in the account of the Treasurer of the United States on the date shown, subject to adjustment for uncollectible items included therein.

DEC 17 1957

(Authorized signature)

FEDERAL RESERVE BANK OF SAN FRANCISCO
TELLER

(Date of credit in Treasurer's account)

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

16—59086c-1 GPO

QUADRUPLICATE

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

Palo Alto Mining Corp.
Contract IDM-E1117
Docket No. 4703
Royalty pay't. $15.75

check on:

Campbell Office
American Trust Company
Campbell, Calif.
check No. 3906, dtd. 12/5/57
rec'd. 12/12/57

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

1-6	GB	220
1/6	EGB	800

420 Custom House
555 Battery Street
San Francisco 11, California

December 31, 1957

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

Re: Idm-E1117, DMEA-4703
Palo Alto Mining Corp.
Royalty Repayment

Dear Mr. Ricker:

Reference is made to letter dated December 5, 1957 from Stephen S. Ridgeley, Sr., in which he enclosed royalty repayment check in amount of $15.75 applicable to subject contract.

The two settlement statements submitted in support of the above $15.75, showed the following calculations:

Goldsmith Bros. Smelting & Refining Co.
Mercury - Settlement Statements

Date	lbs.	Price	Amt.	5% Royalty
10-29-57	45	$2.84	$127.80	$ 6.39
11- 4-57	47	* 2.84	133.48	6.67
Total Royalty Payable				$13.06
Amount of Royalty Paid				15.75
Unaccounted for difference				$ 2.69

(* Price should have been $2.82)

An explanation should be obtained from Stephen S. Ridgely, Sr., as to why the settlement sheets show royalties due in amount of $13.06 and he pays $15.75. His calculations may have been in error, or an additional settlement statement which has not been submitted may make up the overpayment of $2.69.

Sincerely yours,

"(Signed) George Mavor"

George Mavor, Auditor

Copy to: Jay L. Chambers

EXTRA COPY DMEA RECEIVED 1957		
DATE		CODE
		800

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

DEFENSE MINERALS EXPLORATION ADMINISTRATION
CONTRACT ADMINISTRATION AND AUDIT DIVISION

OFFICE OF THE ... DMEA
RECEIVED MAY 14 1958
DATE | ... | ...

REPORT OF REVIEW

I have reviewed the Monthly Reports of:

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

pertaining to Exploration Project Contract No. Idm-X1137, 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

May 12, 1958

George Mavor
George Mavor
Auditor

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

COPY

DMEA 19

5/19 C 220 800

420 Custom House
555 Battery Street
San Francisco 11, California

May 14, 1958

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

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

Dear Mr. Ridgely:

Attached hereto for your information and files is one copy of Report of Review for subject contract, which covers the operation period for the months of September and November 1957. A check for the balance due in amount $200.00 is now being processed for payment.

Sincerely yours,

"(SIGNED) GEORGE MAVOR"

George Mavor
Auditor

Attachment:

Copy to: Jay L. Chambers

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 MAYOR
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

May 12, 1958

E. D. Talbert

Defense Minerals Exploration Admin.

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

ROYALTY AUDIT DMEA-2826, IDM-E551, PROVIDENCE TUNGSTEN, APPROVED AND USUAL DISTRIBUTION AUTHORIZED. ALSO RE DMEA-4703, IDM-E1117, PALO ALTO, TERMINATION AGREEMENT NOT REQUIRED FOR ISSUANCE OF REPORT OF REVIEW.

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

GKFisher/EDTalbert/mma
May 12, 1958

Copy to: Docket
Admr. Reading File
Mr. Chambers

MEMO X

San Francisco, Cal.
May 12, 1958

Mr. E. D. Talbert, Acting Director
Contract Administration and Audit Division
Defense Minerals Exploration Administration
Washington 25, D.C.

Re: Palo Alto Mining Corp.
Report of Review

Dear Mr. Talbert:

In accordance with your telegram of May 12, 1958, I am attaching hereto 3 copies of Report of Review for subject contract. If you find this report acceptable, I would appreciate receiving your approval by wire for further distribution. In order to have the Finance Office in a position to pay the $200.00 withheld, before I leave on my vacation.

Sincerely yours

George Mavor, Auditor.

OFFICE MAIL CONTROL
DMEA
RECEIVED MAY 14 1958

DATE	INITIALS	CODE
5/14	C	220
		800

OFFICIAL FILE COPY
DMEA
RECEIVED MAY 12 1958

DATE	INITIALS	CODE
5/12	C	220
		800

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

420 Custom House
555 Battery Street
San Francisco 11, California

May 8, 1958

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

Re: Idm-1117, DMEA-4703
Palo Alto Mining Corp.

Dear Mr. Chambers:

The sum of $200.00 was withheld from payment due under final voucher submitted by subject Operator, due to not having received Operator's final report. The final report was subsequently received and forwarded to Washington April 23, 1958. However the $200.00 will not be paid until my Report of Review is approved by your office.

The reason I have not submitted my Report of Review is due to having cited in my report that a Termination Agreement had been issued, however up to date this agreement has not been received and I do not have the date of this agreement to complete my report.

I notice in the sample Reports of Review attached to your letter dated November 8, 1957, that you cite the dates of Termination Agreements.

When a Termination Agreement is involved, but not received as of the date final report is received, can a Report of Review be issued without making reference to the Termination Agreement, thus avoiding delay in final payment to Operator.

Sincerely yours

George Mavor

George Mavor, Auditor

Budget Bureau No. 42-R1036.5

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

Month of Nov., 1957 Docket No. DMEA 470 Contract No. 2117
Operator's Name Polo Alto Mining Corporation Minerals Tungsten
Address 10000 Coleman Road, San Jose 14, Calif.
Contract Amount, $ 20,000.00 Government Participation: 75% Amount, $ 15,000.00

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	600.00	none	600.00			
Bulldozing	1091.20	3392.50	4483.70*			4084.80
Crosscutting						
Drifting						
(2) Labor and Supervision:						
Labor						
Supervision	336.00	672.00	1008.00			
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	none		none			
Payroll Taxes						
Liability Insurance						
(8) Contingencies (specify):						
TOTALS	2027.84	3664.96	5692.80	2027.84	3664.96	5692.80

actually paid $1,520.88 per April, 1958, supported schedule.

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

Date 12-1-57 *Payee Polo Alto Mining Corporation

Per [signature] Title President

*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 Less $200.00

$1320.88

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

Date ..... Vou. No. SF-DMEA-22

(See other side)

* See MF-104a

(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 Title Mining Engineer Date Dec. 9, 1957

B. H. Sheahan

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

Signature S. Ricker Title Acting Executive Officer Date Dec. 9, 1957

(S. Ricker) R. M. Smith

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.

Budget Bureau No. 42-R1151.2

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

OPERATOR'S UNIT COST AND PROGRESS REPORT

Month of [illegible] 195[illegible] 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	Unit Costs
Drifting								
Crosscutting								
Raising								
Shafts								
Winzes								
Drilling: Core								
Churn								
Auger								
Stripping				4084.80				
Trenching								
Test Pits				XXXXXXXX				
Roads and Trails								
TOTAL DISTRIBUTED COSTS				XXXXXXXX 5692.80				TOTAL COSTS AUTHORIZED BY CONTRACT
Operating Equipment Purchased								
Initial Rehabilitation and Repairs								
New Buildings, Improvements, etc.								
TOTAL COSTS				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

Pal. Alto Mining Corp.
Idm E-1117- OFm E a 4703

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
	3412	cubic yards un-estimated)

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. Herring
Field Supervisor
Palo Alto Mining Corporation

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

Budget Bureau No. 42-R1036.5

UNITED STATES
DEPARTMENT OF THE INTERIOR
DEFENSE MINERALS EXPLORATION ADMINISTRATION

RECEIVED NOV 8 1957 NOV 24 1957 DMEA

OPERATOR'S MONTHLY REPORT AND VOUCHER

Month of October, 1957 Docket No. DMEA [illegible] Contract No. [illegible]
Operator's Name [illegible] Minerals
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: 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						
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 Nov. 7, 1957 *Payee Pacific Metals Mining Corp.

Per [illegible] Title President

*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

Signature
(Authorized Certifying Officer)

Date Nov 4 1957 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 Title Mining Engineer Date 10/22/57

B. H. Sheahan

APPROVAL BY DMEA EXECUTIVE OFFICER OR ALTERNATE:

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

/for/ S. Ricker

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 October 1957 Docket No. DMEA 4703 Contract No. 127
Operator's Name Pelo Alto Mining Corporation 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	Foot						[illegible]	[illegible]
Churn	Foot						[illegible]	[illegible]
Auger								
Stripping								
Trenching	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	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		~~$3661.96~~ XXXXXXXX		~~$3661.96~~ XXXXXXXX				

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 Pelo Alto Mining Corp.

Per [illegible] Title President

Remarks: Report attached covering port [illegible]

→ 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
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".

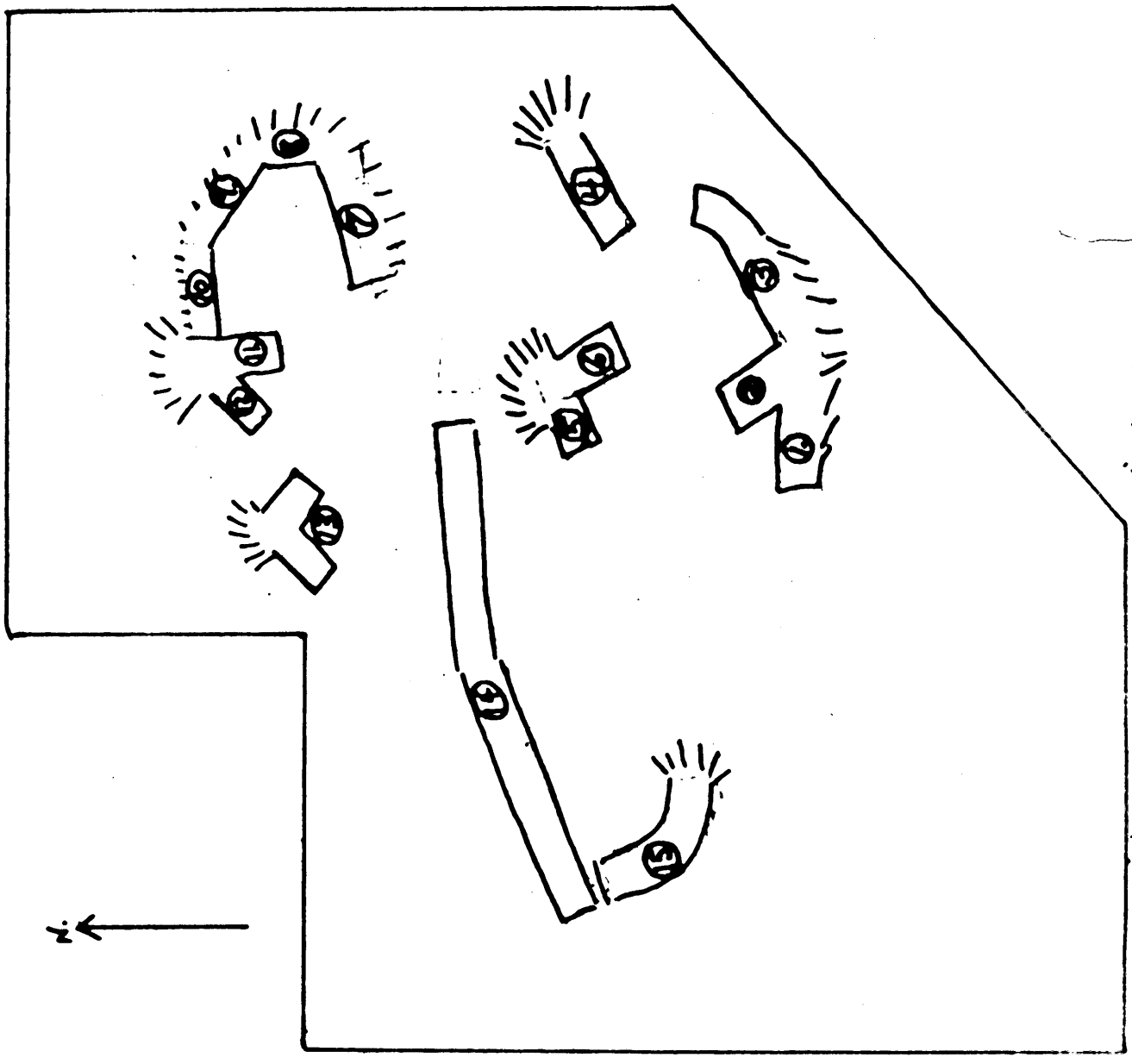
In preparing Form MF-104A, it will be necessary frequently to distribute certain costs over a number of items. For instance, supervisory and engineering costs may have to be distributed over several phases, such as, drifting, crosscutting, raising, etc., provided that these items were reported active 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

[illegible] x 19' wide x 5' [illegible] cu. yds.
[illegible] x 15 x 7 = 5[illegible] cu. yds.
3. 250 x 16 x 4 = 272 cu. yds.
4. 100 x 18 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. ½ off for slope
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.



[illegible] COMPLETED ON [illegible]
[illegible] of October 1, 1957.
One of Fleet nature found in
cuts 11 & 12, 5 & 6 and 7.

V.R. Herring, Field Supervisor, Pablo Rico Mining Corp.

JAN 22 1959

Pole Alto Mining Corporation
1[illegible] Coleman Road
San Jose 26, California

Re: Contract No. [illegible] 1[illegible] - Mercury
Clark Ridge workings, Cambridge
Mine
Santa Clara County, California
Contract No. [illegible]

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 [illegible] exploration program which has now been suspended by the Office of Minerals Exploration program.

Sincerely yours,

Frank E. Johnson

Acting Director

SPROUT:fm: 1-20-59
cc to: Codes 110, 400, 500
Director's Read. File
Operating Comm.
FT. RSO. II
Messrs. J. M. Pennington, USGS
T. S. Hillegaard, USGS
United Pacific Ins. Co.

JAN 22 1959

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

Re: Docket No. DMA 4703 - Mercury
Palo Alto Mining Corporation
Last Ridge Workings, Guadalupe
Mine
Santa Clara County, California
Contract No. 16s-1117

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

FEJOLTrfen 1-20-59
cc to: Codes 110, 400, 300
Director's Read, File
Operating Comm.
T. RMA, II
Messrs. J. M. Pennington, DMA
T. H. Hillegaard, DMA

Audit copy

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. Mittendorf
Administrator, Defense Minerals Exploration Administration

PALO ALTO MINING CORPORATION

By [illegible]

Title President

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

RECEIVED
DATE | CODE
800

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,

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 14

Contract No. Idm-E 1117

Docket No. 4703

DEPARTMENT OF THE INTERIOR

Terminated contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

TO: Chief, Finance Section, Budget and Finance Branch, Bureau of Mines

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
July 31, 1957	II	California	Mercury

Name and Address of Operator: Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

	Reserve	Obligation
Prior Amount	0	15,015.00
Increase	0	0
Decrease	0	10,745.40
Revised Amount	0	4,269.60

Remarks:

(Name)
Allen S. Dakan, Chief
Operations Control and
Statistics Divisions
(Title)

Date delivered to Bureau of Mines, Washington 5/20/58

22845

DMEA Form 14

Contract No. Idm-E 1117

Docket No. 4703

DEPARTMENT OF THE INTERIOR

Executed contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

TO: Chief, Finance Section, Budget and Finance Branch, Bureau of Mines

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
July 31, 1957	II	California	Mercury

Name and Address of Operator: Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

	Reserve	Obligation
Prior Amount	15,015.00	0
Increase	0	15,015.00
Decrease	15,015.00	0
Revised Amount	0	15,015.00

Remarks:

ALLEN S. DAKAN
(Name)

Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

Date Delivered to Bureau of Mines, Washington 8/22/57

16418

Audit 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.*—

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Executed in sextuplicate the day and year first above written.

THE UNITED STATES OF AMERICA

By C. C. Mitchendorf
Administrator, Defense Minerals
Exploration Administration

PALO ALTO MINING CORPORATION
(Operator)

By Virgil R. Henning

Title Secty - Treasurer

I, Virgil R. Henning, certify that I am the Secretary of the corporation named as Operator herein; that Stan Ridgeley Sr., 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. DMRA 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 capped 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	$15,013.00

*Cost of supervision includes compensation insurance.

Bond No. 30[illegible]763

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

PERFORMANCE BOND

(See Instructions on Reverse)

DATE BOND EXECUTED

31 July 1957

PRINCIPAL

[illegible] 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
[illegible] AND 00/100 DOLLARS ($[illegible])	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: [illegible]
President

CORPORATE PRINCIPAL
[illegible] CORPORATION
BUSINESS ADDRESS
[illegible] Boulevard, San [illegible], Calif.
BY Virgil R. Henning
TITLE
AFFIX CORPORATE SEAL

Attest: Donna Ellis
[illegible]

CORPORATE SURETY
UNITED PACIFIC INSURANCE COMPANY
BUSINESS ADDRESS
[illegible] Street, San Francisco, Calif.
BY Paul R. Downs
TITLE [illegible]
AFFIX CORPORATE SEAL

STANDARD FORM 25
NOVEMBER 1950 EDITION

16—30441-2

The rate of premium on this bond is 20.00 per thousand.

Total amount of premium charged, $ 20.25

(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 Ridgeway, 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-Treas

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

DMEA Form 14

Contract No. Idm-E 1117

Docket No. 4703

DEPARTMENT OF THE INTERIOR

Approved contract

DEFENSE MINERALS EXPLORATION ADMINISTRATION

Obligation Document

TO: Chief, Finance Section, Budget and Finance Branch, Bureau of Mines

Please make the following entry on the records of the Defense Minerals Exploration Administration under the Strategic and Critical Minerals Exploration Program.

Date of Contract	Region	State	Commodity
July 31, 1957	II	California	Mercury

Name and Address of Operator: Palo Alto Mining Corporation
14900 Coleman Road
San Jose 24, California

	Reserve	Obligation
Prior Amount	0	0
Increase	15,015.00	0
Decrease	0	0
Revised Amount	15,015.00	0

Remarks:

ALLEN S. DAKAN
(Name)

Allen S. Dakan, Chief
Operations Control and
Statistics Division
(Title)

Date Delivered to Bureau of Mines, Washington 8/1/57

16416

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)

TERTIARY

Pliocene

- Brecciated silica-carbonate rock (Old surface landslide?)
- 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

Pb ata Mining
Virgil R. Fleming
by a
Early Pres.